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# **POLICY OF INTERNATIONAL ECONOMIC RELATIONS AFTER SLOVENIA'S ACCESSION TO THE EU**

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### ***Summary***

*With accession to the EU Slovenia will simultaneously become a member of customs union, meaning that it should abolish existing trade barriers with partner countries and that it should adapt its trade policy against third countries to the policy of the Union. As a member of the EU Slovenia is going to regulate relations with other EU-member countries by competition policy, and to regulate relations with non-member countries by trade policy. Slovenia should cede up the instruments of common commercial policy. Thus, in the future, policy of international economic relations is going to be carried out at three levels: national, European and international (e.g. WTO, OECD). Practical importance for Slovenia will be caused by loss of national sovereignty in the field of anti-dumping measures as well as concluding trade agreements, what will have a considerable effects on trade with countries in the area of former Yugoslavia.*

**Key words:** *policy of international economic relations, integration, European union*

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\* Author's translation and proof-reading into English

# 1 BACKGROUND

## 1.1 Definitions

In order to distinguish several similar but not identical terms, we suggest the definition of the policy of international economic relations (PIER) in the form of "concentric circles", whereas "foreign trade policy" represents inner circle, and "policy of international economic relations" the outer circle, respectively.

**Foreign trade policy** (Bobek, Gusel 1998) comprises the oldest, classical activities of international economic relations, negotiated within GATT<sup>1</sup> between 1947 and 1986 (import protection, international agreements) as well as activities, negotiated during the Uruguay round between 1986 and 1993 (trade in services, intellectual property, trade related investment measures, competition, ecology and social dumping).

**Policy of international economic relations** comprises economic relations with foreign countries as a whole, together with convergent complementary (internal) policies, which have decisive impacts on international economic relations. Complementary policies with their specific measures interfere with international economic relations (export and investment promotion, trade dispute settlements, sanctions, regional economic integration, etc.)

It results already from the theory that some areas of economic policy are very closely related to policy of international economic relations. These are the following:

- institutional approach
- monetary policy
- income policy
- price policy
- state aid policy
- promotion policy for small- and medium-sized enterprises
- financial sector regulation
- market regulation
- land policy
- education as human capital forming
- social security and its pressure on the economic competitiveness
- technological development
- investments as developmental factor
- space and regional development as developmental factor (cross-border cooperation)
- environment as developmental factor (internalization of ecological costs)

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1 General Agreement on Tariffs and Trade

Slovenia's most important partners are and will be European countries, primarily EU economies. Therefore, EU membership is of primary importance to assure Slovenia the expansion of its market, and its inclusion in European flows of capital and transfer of technology and know-how.

Further two objectives are (Bobek et al. 1996):

- Retaining global trade orientation, increasing international economic co-operation with other countries, notably, from the CEFTA and the former Yugoslav area;

- Increasing the Slovenian economy's competitiveness, harmonising of the Slovenian regulatory framework with the *acquis communautaire*, and adjusting to new WTO rules.

## 1.2 Development of relations between Slovenia and the EU

The enlargement of the European Union to the countries of the Central and Eastern Europe is both a historical challenge and a guarantee of stability for the entire Continent (European Commission 1996). Considering the great differences in the economic and social development of the candidate states, the enlargement of the European Union represents a significant institutional and political challenge. At the same time it is a great opportunity in terms of economy, security and culture, and of Europe's position in the world.

Slovenia, although one of the most developed applicant countries, is still lagging considerably behind the EU Member States. The objective of Slovenia is to reduce differences in the level of economic and social development in comparison to the EU.

The legal institutional framework of relations between Slovenia and the European Union has been set up through the **Cooperation Agreement**. Negotiations for the conclusion of this Agreement were initiated in July 1992. The Agreement on Cooperation between Slovenia and the European Economic Community was signed on 5 April 1993 and came into force on 1 September the same year. Along with the Cooperation Agreement, the following Agreements were signed: the Agreement with the European Coal and Steel Community, the Agreement between Slovenia and the EEC in the Field of Transport, and the Protocol on Financial Cooperation. Upon signing, the Declaration on Political Dialogue between Slovenia and the European Economic Community was adopted. Based on the Cooperation Agreement, the Agreement on Trade with Textile Products was concluded.

On the basis of the concluded Cooperation Agreement, the negotiations for the conclusion of the **Association Agreement** between Slovenia and the European Union started on 15 March 1995. Negotiations were finished on 19 May 1995, and the Agreement was initialled on 15 June 1995. The signing took place only on 10 July 1996 because one of the Member States was opposing it.

By signing the Association Agreement, Slovenia became fully included in the pre-accession strategy for the preparation of Associated Countries for EU membership and started to participate in the structured dialogue of the European Union with the Associated Countries of Central and Eastern Europe.

Slovenia has expressed its determination to acquire full membership of the European Union and the readiness for the long-term process of adjusting to the economic, legal, organisational and social structure of the European Union.

Full membership of Slovenia in the European Union is the priority of the Slovenian foreign policy as defined in the most important decisions of the Government and the National Assembly, and in the documents on the strategy and development of the Slovenian state.

The major Slovenian goals with regard to the integration into the European Union are the following:

1. to consolidate the democratic political system and improve the market economy performance;
2. to speed up the social and economic development of Slovenia;
3. to reinforce political and economic cooperation with EU Member States;
4. to consolidate Slovenia's international reputation and negotiation skills, as well as its position in Europe and world-wide in terms of security and international law;
5. to consolidate the international identity of Slovenia as a peaceful country oriented towards integration processes.

Slovenia will achieve these goals in the long run more easily as a full member of the European Union since the above mentioned goals are also the principles, values and goals of the European Union.

## **2 TWO CRUCIAL DOCUMENTS TOWARDS FULL MEMBERSHIP**

### **2.1 Accession Strategy**

In line with this position and Slovenia's intention of an early and harmonious integration into the European Union, the accession strategy (IMAD 1997) very clearly defines the goals and the time framework of the integration. Furthermore, it defines the fields of approximation and the necessary reforms, and includes detailed programmes of activities for a successful implementation of the approximation process. The accession strategy presents in detail the measures and activities for the achievement of the objectives in line with the principal guidelines.

Operational goals contained in the accession strategy are:

1. to integrate into the European Union in the first round of enlargement;
2. to accomplish all necessary processes before accession the structural adjustment to the requirements of the EU internal market and to common policies of the European Union, particularly:
  - to consolidate the micro- and macroeconomic stabilisation and the liberalisation and structural changes in all main strategic fields as defined by the Accession Strategy;
  - to harmonise the Slovenian legislation according to the requirements of the Association Agreement and the White Paper recommendations of the European Commission for the integration of the CEECs not only into the internal market, but also wider with regard to the remaining "acquis communautaire";
  - to meet gradually all convergence criteria necessary for subsequent integration into the Economic and Monetary Union.
  - adjustment to the requirements for integration into the second pillar of the European Union, i.e. the common foreign and security policy;
  - adjustment to the requirements for integration into the third pillar of the European Union, i.e. cooperation in the field of justice and home affairs.
3. to carry out a thorough structural and functional reform of the public administration aimed at enhancing its efficiency and adjusting to the administrative structure of the European Union and its members;
4. to inform the Slovenian public on the European Union, its composition and functioning, on positive and negative implications of the integration, and on the activities of the Slovenian government concerning the integration procedure.
5. to define the organisational and coordination mechanisms for carrying out preparations for membership.

## **2.2 National Programme for the Adoption of the Acquis Communautaire**

The Government submitted the NPAA (Government of the RS 1998) to the European Commission on 31 March 1998. This also marked the official start of Slovenia's negotiations for membership in the EU.

The NPAA is a response to the Partnership for Accession document, which represents a framework of short- and medium-term policies set by the European Commission as priorities for Slovenia's preparations for membership. It sets out policy directions and measures Slovenia has to implement to be able to realise its priority goals. It is therefore an operative document which, apart from strategic goals, defines the areas of reforms, macro- and micro-economic policy measures, development of

judicial system, public administration reform, development of local administration, as well as an estimate of the staff and financing requirements for realisation of those reforms.

Table 1

## Goals in Slovenia's policy of international economic relations

Area	Objectives & targets	Policy directions and measures
General	Exploit static and dynamic gains from trade for faster economic growth Internationalise the economy in line with new determinants of competitiveness Increase the share of foreign trade in GDP, together with maintenance of external equilibrium	Adjust development concept, economic and legal systems to that of developed (EU) countries Improve socio-institutional factors of competitiveness (research and technological development, innovations, education, monetary stability, social consensus, public debt management, etc.) Improve competitiveness of enterprise sector and diversify forms of international co-operation Strengthen the existing and develop new competitive advantages
Foreign trade and customs regulations	Comply with obligations from international agreements Harmonisation with Europe Agreement Apply the Community's Common Customs Tariff, external trade provisions of the CAP and Community Textile Policy	Adapt tariffs, import charges, quantitative restrictions on imports and exports according to agreements (Europe Agreement, WTO, CEFTA, EFTA, bilateral agreements) Provide measures for free flows of goods Gradually reduce tariffs to their full elimination in trade with EU Apply EU common external tariff on imports from non-members Apply common quotas on the imports of textile and clothing products Adjust preferential agreements with third countries after accession Apply preferential trade regime to ACP States
Customs administration	Collection of duties, control of quality	Strengthen customs administration, human and infrastructure potentials
Technical barriers	Harmonisation with European standards	Adopt all European standards Strengthen institutional framework, improve human skills Separate regulatory, standardisation and product certification functions within the Standards and Metrology Institute
International organisations	Participate in and benefit from multilateral liberalisation within WTO Become a member of OECD	Adopt measures to assume obligations in WTO as a EU member Prepare for the next round of WTO negotiations Adopt measures to comply with OECD membership obligations

Source: Government of the RS 1998.

The programme is based on the Strategy of the RS for Accession to the European Union, contributions of selected ministries and institutions,

the 1998 Work Programme of the Government of the RS and short-term priorities and tasks for the period 1999-2001. It focuses on short-term priorities and an active programme of measures for 1998. It is supplemented by priorities and tasks for the period 1999-2001.

The programme serves as the basis for Slovenia's future decisions and directions. The NPAA has been prepared on the assumption that Slovenia becomes an EU member in 2002. This was, however, only an assumption on which medium-term policies were set out. The table below is an extract of the NPAA's selected goals in policy of international economic relations.

### **3. ESSENTIAL CHANGES OF SLOVENIA'S POLICY OF INTERNATIONAL ECONOMIC RELATIONS AFTER ACCESSION TO THE EU**

#### **3.1 General effects on trade**

Full membership of the EU will bring about a series of advantages and benefits in various fields. Integration is a priority both for its prospected economic impact and for a number of political, security, social, cultural, historical, and national-identity reasons. Slovenia's strategic objectives, closely linked to the decision on applying for EU membership, are economic growth, macro-economic, political and social stability; balanced development, national security as well as and higher social and individual standard of living.

The consequences of Slovenia's accession to the EU should be considered from the economic and the social point of view. The price of the necessary society, economic and social reforms should not be regarded solely as the cost of joining the European Union, but rather as the cost of transition and progress. If Slovenia wishes to become a modern, economically developed and socially well organised, state it will have to undergo these processes anyway.

Full membership of the European Union will have an impact on every economic and political facet of life. Economic implications will certainly be the most important, but also social, political, security, and cultural aspects should not be disregarded. Political consequences of joining the Union are primarily related to changes in the decision-making mechanisms in numerous fields, particularly, to the renouncing of one part of national sovereignty in the decision-making process. On the other hand, this very process - seen from a different angle - is the opportunity for Slovenia to participate, within the framework of the European Union, in decision-making on key issues related to the further development of the EU.

In the field of trade relations, the potential positive effects themselves will not be particularly extensive (Commission of the EU 1996a). However, they should be considered in the light of possible negative impacts in the case of non-accession to the EU. We may expect that, if Slovenia does not join the EU, its position will be weakened in comparison to other states that will become members of the EU. With accession of new members, various limitations regarding the access to the internal market might put the Slovenian export economy in a much less favourable position.

Upon becoming a full member of the EU, Slovenia will have to consider the question of joining the economic and monetary union (EMU). Presently, Slovenia does not fulfil all Maastricht convergence criteria. We estimate that, on the grounds of similarity between the structure of Slovenian exports and the structure of exports among the EU Member States, the cost of joining the EMU will be lower than in the case of non-joining. The above mentioned similarity might help reduce difficulties which would require the use of exchange rate mechanisms to improve the international competitiveness of our economy. Slovenia can definitely expect some privileges and net benefits from its integration into the economic and monetary union.

Since its gaining independence in 1991, Slovenia is a sovereign state in monetary terms, with its own national currency and an autonomous monetary policy. Joining the EMU, implying the loss of monetary sovereignty and national currency, would also have a great psychological impact. This is certainly a problem that other EU Member States will have to face as well.

Liberalisation of the trade in services would imply an increase in the service exchange between states, and bring about the right to establishment of legal and natural persons performing service activities in other countries. This will also imply an increased presence of service providers from EU Member States on the Slovenian market, particularly in the field of financial and business services. In view of accession to the EU Slovenia has, in comparison to larger economies, certain potential long-term advantages in a number of service areas. This presence of foreign service providers will stimulate competition and will favourably influence the improvement of quality, lower prices, and diversification of supply, as well as the use of new technologies and knowledge. Indirectly, greater competition will also positively affect the efficiency and competitiveness of economy in general. Adaptation to this situation will be the most complicated and costly in those fields that have enjoyed domestic commercial protection so far (for example telecommunications, transport services). Domestic service industry will have to be oriented towards those segments that request higher input of knowledge and information technologies. The service industry will have to increase its efficiency and competitiveness by establishing long-term strategic connections with partners from EU Member States.

### 3.2 Major policy shifts

The basic characteristics of sovereignty transfer are the following:

1. precedence of Community law over Slovenian law, in accordance with the subsidiarity principle;
2. respect and implementation of the common foreign and security policy;
3. acceptance of common economic policies (monetary and fiscal policy, commercial, agricultural, industrial and transport policy, competition policy, public procurement policy, etc.)

What has to be taken into account is the fact that even now Slovenia's sovereignty is not absolute, considering that, as far as policy-making, security and economy are concerned, Slovenia has to adapt to the existing political and economic situation.

Essential changes of Slovenia's policy of international economic relations after accession to the EU are going to be the following:

1. The main objectives of Slovenia's PIER are going to remain unchanged:
  - to increase the competitiveness of Slovenian companies in foreign markets and
  - to preserve attractiveness of Slovenia as a business location for foreign investors.
2. With accession to the EU Slovenia will simultaneously become a member of customs union, what means that:
  - Slovenia should abolish existing trade barriers with partner countries in the time of accession
  - Slovenia should adapt its trade policy against third countries to the policy of the Union (that means adoption of common customs tariff as well as rights and obligations of the EU against third countries).
3. PIER comprises - besides conventional foreign trade measures - also a conglomerate of home (complementary) policies with increasing importance in international competition. In the future, PIER is going to be carried out at three levels:
  - national
  - European and
  - international (WTO, OECD,...)
4. As a member of the EU Slovenia is going to:
  - regulate relations with other EU-member countries by competition policy,
  - regulate relations with non-member countries by trade policy.
5. At the level of the EU Slovenia should cede up the instruments of common commercial policy (CCP) to the Commission. EU competence for autonomous and conventional (trade agreements)

trade policy is determined by the articles 113 and 228 of the Treaty of Rome:

- Practical importance for Slovenia will have a loss of national sovereignty in the field of anti-dumping measures and trade agreements concluding.
- Article 113 relates also to trade in services, whereas the Commission has narrower maneuvering space, needing consensus of all member countries in the Council of Ministers (Europa 1998).
- CCP does not comprise trade with agricultural products (which is subject to Common agricultural policy), nor the transportation services (which are subject to common transportation policy).

In the Treaty of Rome, the CCP is not defined precisely. Article 113 lists only some of the fields "that should be performed on common basis". Instruments of PIER which should be ceded to the Commission in a framework of explicit external responsibility of the Commission are (Europa 1999a):

- changing of custom duties
- concluding of custom and trade agreements
- unification of liberalization measures
- export policy
- trade protection measures (protection against dumping and subsidies).

European Court has decided several times for a dynamic interpretation of article 113: "Trade policy of the EU must correspond to a trade policy of an individual country in international relations. That means that foreign trade policy of the EU comprises also aspects, not covered at the time of EEC foundation" (Europa 1999a).

#### **4. DECISION-MAKING AND DECISION-TAKING PROCESSES**

Exclusive competence of the Community in foreign trade policy is restricted to trade in goods, where all decisions are taken by qualified majority (article 113). In other fields of foreign trade policy, such as trade in services or intellectual property protection, Community could act through common action only after such decision is taken unanimously in the Council of Ministers. Agreements must be ratified by all member countries individually.

The European Commission considers this fact as disadvantageous especially when negotiating on international level. It leads to delays that do not enable the Commission to play role of an equivalent negotiating partner. Thus, the Commission puts pressure to extend the article 113 also on other areas of foreign trade policy.

Slovenia as a full member of the EU will be able to influence the common commercial policy through the following ways:

1. The Commission is authorized for negotiations by the Council of Ministers. Individual member country exerts the further control over negotiations through Committee (article 113), in which every member country has a seat. The Committee is taking part in all negotiations with non-member countries. Although the Committee only advises, its role in practice is very important - it connects member countries on one side with negotiators from the Commission on the other.
2. In large number of routine matters, the decisions are taken at under-ministerial level, such as COREPER (Committee of permanent representatives of the member countries). These committee finally negotiates approximately 70 % of all Council's matters.
3. Through voting in the Council of Ministers where Slovenia's influence:
  - is going to be larger when decisions must be taken unanimously (e.g. association agreements, trade in services, protection of intellectual property);
  - is going to be lower when decisions must be taken by qualified majority (at present, the qualified majority amounts to 62 votes out of total 87);
  - is going to be the lowest when decisions must be taken by simple majority (at present 44 votes).
4. By indirect impact on decision-making in the Commission through European interest groups.

Through voting in the Council of Ministers, different coalitions could be built. They change from one voting to another. In spite of all that it is possible to foresee certain types of coalition:

- the coalition of small countries (e.g. Luxembourg, Ireland, Finland, Denmark, ...)
- the coalition liberally-oriented countries in foreign trade (Great Britain, Germany, Denmark, the Netherlands,...)
- the coalition of new members after the eastern enlargement of the EU (Poland would have 8 votes, Czech republic and Hungary 5 each, Estonia and Slovenia 3 each).

## 5. TRADE POLICIES BY AREAS

### Free movement of goods

In this field, larger difficulties are not foreseen after adoption of the acquis. Slovenia does not use import and export restrictions, except quotas for import of certain textile products under ATC/WTO until 2005 as well as import and export licenses for specific products (Hoda 1994).

### Trade and international economic relations

Legal order of Slovenia is already coordinated with the *acquis* to a high extent. The adoption of the *acquis* will thus not create substantial problems, except in trade relations with some countries established on the territory of **former Yugoslavia**.

Slovenia is a member of the WTO and has already adopted the majority of obligations, but:

- it has not acceded to Public Procurement Agreement, where it acts as an observer,
- it has not acceded to Civil Aviation Agreement nor to Information Technology Agreement
- Slovenia must, when preparing for the new round of liberalization negotiations, cooperate closely with relevant structures of the European Commission, in order not to give more favorable offers, which could create problems at accession to the EU.

**Export credit system** is in principle and to a large extent already coordinated with the OECD and EU rules. Thus, the adoption of the *acquis* will not create problems. Slovene export company already adopts standards of the Bern union and OECD.

Slovenia has concluded **free trade agreements** with 32 countries:

With the countries established on the area of former Yugoslavia, Slovenia has more favorable trade regime than the EU.

EU, on the other hand, applies more favorable trade regime for: 69 ACP countries; Malta and Cyprus (association agreement); Israel (free trade with cumulating criteria); Algeria, Marocco, Tunisia (asymmetric free trade with cumulating); Egypt, Jordan, Libya, Syria (asymmetric free trade); Albania (cooperation agreement).

Slovenia should, when accessing to the EU, give up all relevant existing contractual obligations with non-member countries, if not negotiated differently in the case of the countries established in the area of former Yugoslavia.

### Import policy

For Slovenia, the autonomous measures in import policy are going to be very limited, if non-existing.

In comparison with the EU, anti-dumping procedures in Slovenia are used very rarely. Although, the maneuvering space of Slovenia for these are going to be substantially reduced. The anti-dumping procedure is refused, if the plaintiffs do not represent at least 25 % of total EU production of concerned product.

National import measures not carried out on borders, such as industrial norms, standards and public procurement allocation, are restricted by the EU legislation. Although some legal emptiness still exists. Health as well as security standards are not rarely excluded from existing harmonization or mutual recognition. Thus, they create maneuvering space

for industrial policy in pharmaceuticals, machinery and food-processing industry as well as in medical equipment production (Brenton 1993).

Allocation of public procurement to foreign suppliers represents only a small percentage, what implies the priority role of domestic suppliers. It is a fact that the existing legal framework still enables favourizing of national suppliers. Thus, Slovenia must follow the development of GPA as well as activities of working group, conducting a study on transparency of public procurement praxis.

## 6. REGIONAL TRADE POLICIES

### Countries in the area of former Yugoslavia

Comparative analyses of trade regime in the EU and Slovenia have shown, that Slovenia would face serious economic problems after adopting regulation, stipulating relations between the EU and countries, established in the area of former Yugoslavia.

Slovenia's trade regime with these countries is more favorable than the EU regime. In the coming period, Slovenia expects also deepening and widening of cooperation with these countries in terms of more favorable trade regime between these countries and the EU.

Stabilization and Association process performed by the EU in this region is going to last deep into time of Slovenia's membership in the EU. Thus, it will determine framework of further cooperation of Slovenia with these countries. **SAA - Stabilization and Association Agreements** which are foreseen by the EU, take into account individual situation of every single country in the region (Bosnia Herzegovina, Croatia, Macedonia, FRY), offering them possibility of membership on the basis of Amsterdam Treaty, of course after Copenhagen criteria are met. SAAs bring new element in contractual relations between the EU and these countries, enabling countries without cooperation agreement new possibilities. To the countries which already concluded cooperation agreements (e.g. Macedonia) they enable higher level of relations.

**Possible initiatives** and activities of Slovenia in South-East Europe are based on the following advantages of Slovenia, when compared to the EU:

- better knowledge and understanding of circumstances in the region
- knowledge of local languages
- economic and other connections, established in the past
- inclusion of Slovenia in European structures.

### Other regions

The EU signed some trade agreements with the **South-Asian countries** (India 1973; Sri Lanka 1975; Pakistan 1976; Bangladesh 1976). Economic interests of the EU in this region are marginal and would probably remain so in the nearest future.

Relations with **South-East-Asian newly industrialized countries** (NICs) were systematically settled by the EU in the 70's, when exports from this region threatened some sectors in the EU (textiles and clothing, shipbuilding, steel as well as some subsections of chemical and electronic industry). Answer of the EU was protectionist.

**ASEAN countries** are among major users of GSP of the EU since 1971. The EU also introduced cumulating principle for "origin of goods" in order to help ASEAN countries to act as a group in production of end-use products for the EU market.

Very important phase in relations with **the Mediterranean** represents a conclusion of cooperation agreements with Maghreb countries in 1976 (Algeria, Morocco, Tunisia) and Mashreq countries in 1977 (Egypt, Jordan, Libya, Syria). The Barcelona conference (November 1995; beside 15 members of the EU there were also 12 countries from the Near-East and Northern Africa) should lead to peace, prosperity and - until the year 2010 - free trade zone in the Mediterranean. The EU signed association agreements with Tunisia (July 1995), Morocco (December 1995) and Israel (December 1995) in order to promote trade and assistance. Association agreements with Egypt, Jordan, and Lebanon are in preparation. Accession of Slovenia to the EU should not have major impacts on trade with Turkey, since Slovenia already concluded free trade agreement with this country. The same it is possible to estimate for trade between Slovenia and Israel - with an exception of cumulating of origin which do not exist between the two countries. It is possible to expect an increase in trade between Slovenia, Malta and Cyprus. The EU already concluded association agreements with these two countries, meanwhile Slovenia is presently negotiating only an agreement on trade and economic cooperation with Cyprus.

**The U.S.** represent the most important trade partner of the EU. The single internal market program launched negotiations in four areas: (i) reciprocity, (ii) national quotas, (iii) technical standards and (iv) competition policy.

Ministerial meeting between the EU and **Japan** (April 1996) created basis for closer economic and political cooperation. Japan recently started a special "deregulation" program, in which the EU sees a welcome opportunity for export of several goods with which the export success until now was very limited or none. The EU will further strive for more open Japanese economy what could create benefits for both sides.

Exports from the **ACP countries** (Grilli 1993) to the EU are free of custom duties, being at the same time protected through stabilization programs. The only exception represent sensitive agricultural products (e.g. sugar), which are regulated by quotas.

The Council of Ministers and the Commission prepared a joint declaration, with which the EU takes over directions of "post Lomé" conventions about free trade arrangements for all important products. The

Council and the Commission will in the year 2000 start a process which should lead to free trade for products from developing countries until the year 2005. The basis for this process will be created by present stipulations of Lomé convention. In this way the rules of origin as well as cumulating will be renewed and simplified. For Slovenia, the experience of Denmark and Ireland is very interesting, since these two countries have increased their export shares in ACP countries after EU accession significantly. This improvement could be a result of rules of origin, MFN status, developmental aid or simply positive attitude for EU products in the ACP countries.

#### Cross-border cooperation of Slovenian regions

Instruments with which Slovenia performs and will perform cross-border economic cooperation on regional level could be divided in two groups:

- instruments in the period before full-fledged membership (article 88 of association agreement, PHARE, CREDO, Enlargement and Interreg programs; - in the last one Slovenia participate as associated member)
- instruments in the period of full-fledged membership (structural funds, Interreg - Slovenia will participate as a member of the EU; for Slovenia's neighboring countries which will not be members of the EU it will be possible to use instruments, mentioned in the first paragraph).

Priority fields within cross-border cooperation should be: (i) traffic and infrastructure along the borders, (ii) environment, (iii) economic cooperation (small and medium sized enterprises, agriculture, tourism), (iv) human resources and linkages, (v) culture and (vi) technical assistance.

## 7. **SECTORAL POLICIES OF INTERNATIONAL ECONOMIC RELATIONS**

In respect with sectoral policies, Slovenia will be in the following position:

### Civil aviation

In this sector, the European Commission has exclusive competence for regulating bilateral and multilateral sectoral policy (Baldwin and Flam 1990).

### Textiles and clothing. Slovenia will have to perform:

**quantitative restrictions** against the following WTO member countries: Argentina, Brazil, Hong Kong, India, Indonesia, Macao, Malaysia, Pakistan, Peru, Philippines, Singapore, South Korea, Sri Lanka, Thailand (Glissman 1996).

**administrative agreements** with Bangladesh, Mongolia, United Arab Emirates, as well as with all WTO members, whose imports to the EU are subject of double controls without quantitative restrictions.

**bilateral agreements** with the following WTO non-member countries: Armenia, Azerbaijan, Belarus, China, Estonia, Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Laos, Latvia, Lithuania, Moldova, Russian Federation, Ukraine, Uzbekistan, Tajikistan, Turkmenistan, Vietnam. In the framework of bilateral agreements Slovenia should perform quantitative restrictions for Belarus, China, Ukraine, Uzbekistan and Vietnam.

**autonomous use of quantitative restrictions** for Bosnia-Herzegovina, Croatia, FRY, Taiwan and North Korea.

### Electronics.

At the moment, the future sectoral policy is not completely defined.

### Non-ferrous metals.

Trading with metals is subject of trade rules within the **WTO**.

The Commission is allowed to negotiate about **bilateral and multilateral** international sectoral **trade agreements**.

### Iron and steel.

Import of iron and steel products from all countries, except Russia, Ukraine, and Kazakhstan, is not subject of **quotas or similar restrictions**.

The only used measure in trade with these products in the EU is **prevention control**.

Imports of steel products is based on preferential bilateral agreements, general system of preferences or custom duties, imposed by interim agreements.

### Chemistry.

In this area, the EU trades very liberally with majority of countries which enjoy free or favorable access to the EU market.

### Engineering.

Trade with these products is subject to WTO rules.

## 8. CONCLUSION

With accession to the EU Slovenia will simultaneously become a member of customs union, meaning that Slovenia should abolish existing trade barriers with partner countries and that it should adapt its trade policy against third countries to the policy of the Union.

The main objectives of Slovenia's PIER are going to remain unchanged: (i) to increase the competitiveness of Slovenian companies in foreign markets and (ii) to preserve attractiveness of Slovenia as a business location for foreign investors.

PIER comprises - besides conventional foreign trade measures - also a conglomerate of home (complementary) policies with increasing importance in international competition. In the future, PIER is going to be carried out at three levels: national, European and international (WTO, OECD,...).

As a member of the EU Slovenia is going to: regulate relations with other EU-member countries by competition policy, and to regulate relations with non-member countries by trade policy. Slovenia should cede up the instruments of common commercial policy to Brussels. Practical importance for Slovenia will be caused by loss of national sovereignty in the field of anti-dumping measures as well as concluding trade agreements, what will have a considerable effects on trade with countries in the area of former Yugoslavia.

Article 113 relates also to trade in services, whereas the Commission has narrower maneuvering space, needing consensus of all member countries in the Council of Ministers. CCP does not comprise trade with agricultural products (which is subject to Common agricultural policy), nor the transportation services (which are subject to common transportation policy).

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## **POLITIKA MEĐUNARODNIH EKONOMSKIH ODNOSA NAKON PRISTUPA SLOVENIJE EUROPSKOJ UNIJI**

### **Sažetak**

*Uključivanjem u Europsku uniju Slovenija će, sama po sebi, postati član Carinske unije, što pretpostavlja da će iščeznuti postojeće carinske barijere u odnosu s ostalim državama partnerima, pa će Slovenija trebati prilagoditi svoju trgovinsku politiku prema trećim zemljama politici Unije. Kao članica Europske unije Slovenija će glede trgovinske politike regulirati odnose s drugim članicama Unije, a isto će tako morati regulirati svoje odnose s zemljama nečlanicama. Ona će uspostaviti instrumente zajedničke trgovinske politike. Tako će u budućnosti politika međunarodnih ekonomskih odnosa počivati na tri razine: nacionalnoj, europskoj i internacionalnoj (npr. WTO, OECD). Od praktične važnosti za Sloveniju bit će gubljenje nacionalnog suvereniteta u području antidampinških mjera kao i u sklapanju trgovačkih sporazuma što će se značajno odraziti na trgovinu sa zemljama bivše Jugoslavije.*

**Ključne riječi:** *politika međunarodnih ekonomskih odnosa, integracija, Europska unija.*