

## **SLOVENIAN ECONOMY ON THE WAY FROM INDEPENDENCE TO CATCHING UP AVERAGE ECONOMIC DEVELOPMENT OF EU - 27**

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### **Abstract**

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During the EU accession process, an intensive process of economic restructuring was taking place in Slovenia that was intended to secure Slovenia's incorporation into the common European market. At the time of adapting the legal and economic order to European standards, everyone was aware of the fact that successful EU spatial integration depends on the achieved economic power that is comparable to the average EU-27 economic growth.

Slovenia's economic structure, determined by the GDP structure, is slowly approaching the structure of developed economies with the importance of agriculture and manufacture decreasing, and the importance of services increasing. However, financial and business services, and technologically demanding sectors are growing too slowly.

Structural changes of the Slovene economy have an affect on transformation of geographical space and create a new social-economic gravitational region.

Functional and structural economic changes that resulted from social and political changes following Slovenia's newly-gained independence and its transition to market economy have changed the role of Slovenia in the common European economic market.

Slovenia is to be found on a key development crossing, moving from an industrial to post industrial society.

Slovenia's basic development goal is to exceed the average economic development of the enlarged EU by 2015 to be able to secure and improve social security, faster development in all its regions, and improve the environment. In other words strive for a better quality of life and overall human development.

### ***Key words***

EU accession, unified European market, Lisbon strategy, structural indicators, transition countries, and competitiveness of the economy

## **1. Introduction**

The industrialisation process is one of the most important social and economic processes that has had the most powerful impact on physiognomy and the quality of the landscape in the nineteenth and twentieth centuries. Being affected by the industrialisation, the distribution of the population and function of the settlements were also changed. The number of urban population increased heavily under the influence of deagrarization.

Economic development in Slovenia was closely correlated to the development of the Austro-Hungarian state, although Slovenia already had some important mines and manufacturing shops in the beginning of the industrial era.

After the Second World War the political East-West division of Europe was a serious obstacle to common political and economic development of the continent.

Until the middle of 1991, Slovenia was a part of Yugoslavia. The Yugoslav political and economic situation was different from the traditional political and economic order of other Eastern Bloc countries. According to the Yalta doctrine on the post-war world, Yugoslavia was evenly influenced politically by each of the two blocks. Despite communist rule, the Yugoslav post-war authority had created its own path into socialism that was more humane and economically more effective compared to other countries of the Eastern Bloc.

Slovenia, being the most developed region of Yugoslavia, had had its specific development also because of the relative autonomy of the Yugoslav republics. Slovenia's population accounted for 8% of the Yugoslav population. Slovenia's GDP exceeded Yugoslav GDP for 20% and Slovenian companies accounted for more than 28% of the total country's export, especially to West European countries (Lorber, 2008).

In 1989, the situation suddenly changed. The process of spatial European integration began, despite cultural, political and economic differences of European countries.

During all historic periods, the area of the Republic of Slovenia represented an important transition area in the transport-, geographic-, economic- and cultural senses. In this important political and geographic space on the European scale, the Slovenians managed to, through gaining independence in 1991, establish an administrative and political territory that comprises practically the entire Slovenian ethnic territory.

The newly established state faced the loss of its former traditional markets, its structurally inadequate economy, and significant decline of the GDP with increase of unemployment. Slovenia sought for its opportunities in intense efforts to get included in the European integrations. In the 1990s, the accession talks of the new EU Member States began to determine conditions under which a country can become a member of the EU.

The interweaving of processes, which are dictated by globalisation of the world encroach into all spheres of man's life and creations and create new relations between space units. Economic development enables inclusion in modern integration

processes and the development of individual regions. During the last few years, global economic links, technological development and political changes have triggered changes also in the European space structures.

The geographical and cultural consciousness of Western Europe must move eastward. European unification is more than just an adjustment of the East to the West. The historical experiences and cultural richness of the new member states will have considerable impacts on the societies in the West. The enlargement must for long-term sustainability not be reduced to merely a political and economic project. If the enlargement is not also made to a cultural project a mental wall will persist where iron curtain once existed (Stráth, 2003).

On 1 May 2004, ten new Member States joined the EU: Cyprus, Czech Republic, Poland, Estonia, Hungary, Malta, Latvia, Lithuania, Slovakia and Slovenia. Thus, the population of the EU rose by 19.5% from 379 million to 453.8 million. The size grew 22.8% from 3,233,376 km<sup>2</sup> to 3,971,940 km<sup>2</sup>. There are large differences in the size of the new member states. Baltic countries, Slovenia, Cyprus and Malta increased the number of smaller states with less than 4 million people that did not have a strong voice until now. Poland is the largest country among the newcomers. Its population is half the population of other new members all together.

On 1 January 2007, two new member states joined the EU: Bulgaria (110,910 km<sup>2</sup>, 7.7 million inhabitants), and Romania (237,500 km<sup>2</sup>, 22.2 million inhabitants).

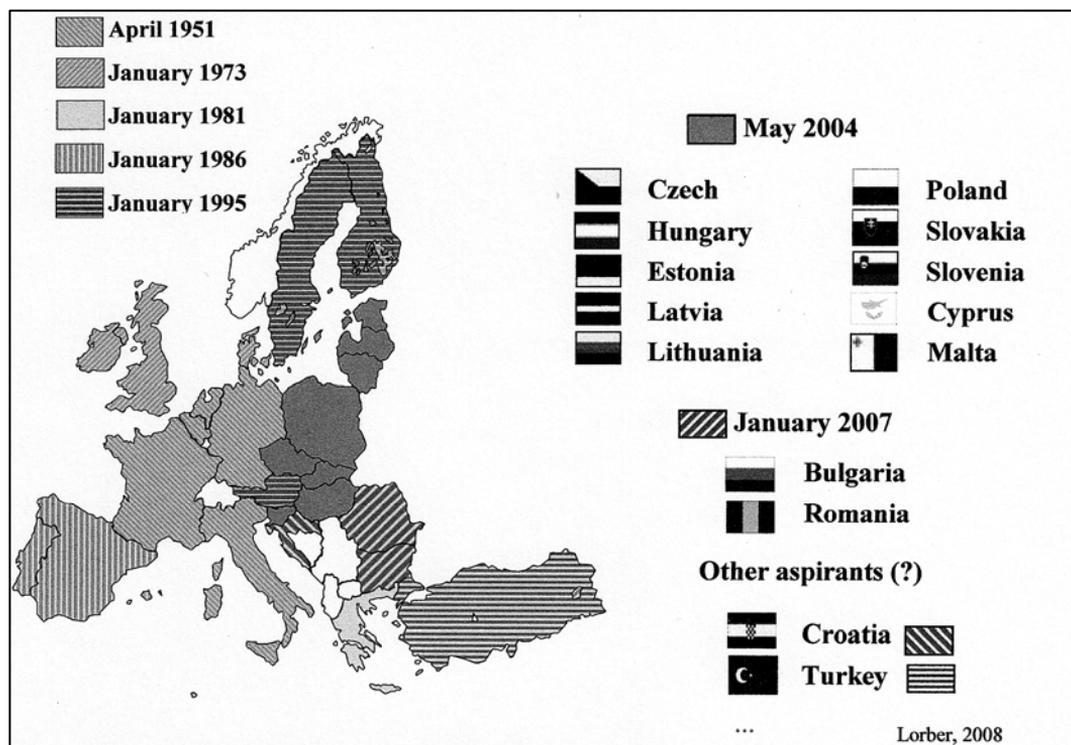


Fig. 1: EU – 27.

## **2. Independence and transition of Slovenian economy**

In the 1980s, economic problems began mounting, because the east block countries, including Yugoslavia, no longer received financial help from developed countries and had to pay back loans. That is why the Slovenian authority decided to introduce economic changes to protect Slovenia's economy.

The idea of asymmetrical federation was not successful, because of the dominance of Serbia and its satellites. That is why after the first free elections and a general consensus voiced by a referendum, the new authority decided to declare independency.

Socialist economies developed under special circumstances. State and common ownership were prevalent, the economy was centralistic, divided into plans and oriented towards the internal market and internal trade. To be able to secure totalitarian systems and social peace, these economies maintained full employment and generous social security.

After 1991, Slovenia's economy began changing to market economy and the privatisation process was started, but its structural problems soon became evident. The loss of the Yugoslav market only deepened the problems of traditional structures in manufacture and extensive employment policy of past decades.

Restructuring economy and introducing lawfulness into a market economy both dictate the linkage of countries in transition into the European division of work and decentralisation of power. Cooperation with the most economically developed countries and with the most demanding goods markets, workforce and capital is getting stronger. Following social and political changes the interest of world capital and foreign investors has greatly increased. There were several reasons why. Workforce with suitable degrees of education is cheaper than in developed surroundings and they can be trained relatively quickly for the needs of modern economy. It was possible to comparatively quickly link the Eastern European space into an infrastructure of networks and with logistic networks to create centres with development capacities.

The transition process of post-socialist countries has three basic characteristics – democratisation, privatization and the opening of markets (Haggard and Webb 1993). Political changes transformed the economic system that mainly depends on the influence of the country on market economy. Although economic development mostly depends on economic rules, in this case, the influence of the country's policy prevailed.

It was clear from the GDP structure and GVA of Slovenian economic sectors that their economy had structural problems. Slovenia, as well as the most of the Candidate countries, had a well-developed secondary sector with qualified labour force, though lacking structural trends of developed countries. Manufacture was mainly comprised of labour-intensive traditional industry sectors with low added value.

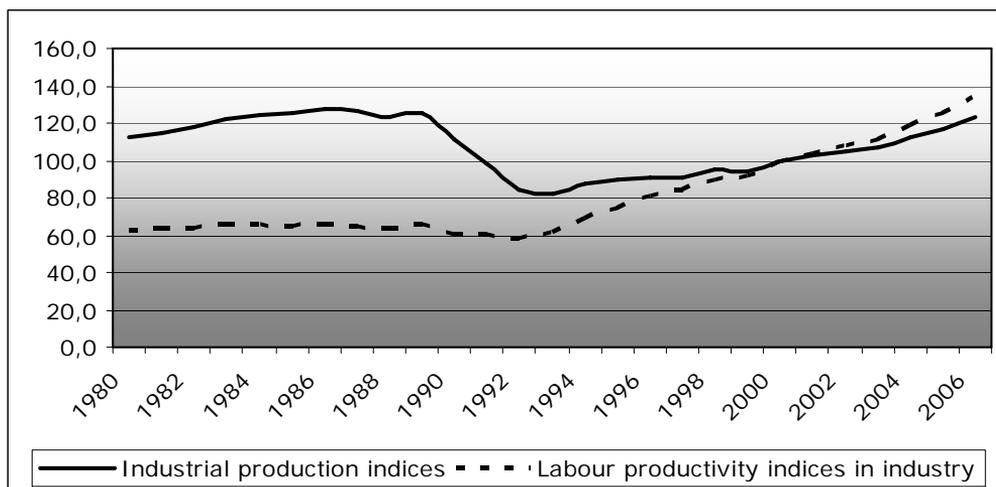


Fig. 2: Review of development of mining, manufacturing and electricity and gas (year 2000 = index 100).

Source: SURS (Statistical office of the Republic of Slovenia).

Before Slovenia's independence, manufacture had a great influence on the growth of GDP (50% in 1989). After 1992, when the GDP started to grow again, the influence of manufacture on the GDP growth was less strong. In 1993, manufacture reached its lowest point at 66.1%. After 1993, growth was moderate and lagging behind the GDP growth. It was not before 2000, when it exceeded 80% from 1989, 85% from 2003 that accounted for 126.1% compared to the rate in 1992.

Developed manufacturing sectors are the generator of development in service sectors that are associated with the industry. In these service sectors possibilities exist for employing the work force which has once lost their employment in the manufacturing sectors because of the rationalisation of working processes and improved work productivity.

In order to improve the economic situation and successfully implement development programmes, the strategic holders (transportation-logistics sector, financial and business services, tourism, as well as large and small entrepreneurship) of economic development should be properly stimulated. It is in the regional and national interest to take advantage of the favourable geostrategic position and development perspective for the purpose of international cooperation. Public and private investments in education should be enhanced, especially investing in science and new technologies that would, together with investments in entrepreneurship, form a basis for transformation of Slovenian economy.

The restructuring of manufacture from energy- and labour-intense sectors into technologically demanding sectors requires more services. With a higher living standard, the sector of services is developing. There are new job opportunities with higher added value. All these changes cause differences in the sectors' share of GDP. Agriculture and manufacture are on the decline and services are on the rise.

Tab. 1: Sectoral breakdown of gross value added as share of GDP and Activity.

Sector	Share of GVA in GDP (%)					Activity in %				
	1995	2000	2005	2006	2007	1995	2000	2005	2006	2007
A,B	3,8	2,9	2,4	2,1	2,1	14,1	11,7	10	9,5	9
C,D,E,	24,9	25,4	23,9	23,8	23,2	33,4	30,3	27,8	26,9	26,3
F	5,1	5,8	5,9	6,4	7,0	6,2	7,4	7,4	7,8	8,4
G..I	18,0	17,9	18,9	18,9	19,6	21,1	21,4	21,3	21,5	21,9
J,K	17,0	17,6	18,6	19,1	19,4	8,2	9,7	12,6	13,3	13,7
L..P	16,7	17,5	17,9	17,1	16,5	16,8	19,4	21,0	21,0	20,7
Total	85,5	87,1	87,7	87,7	87,7	918,1*	904,7*	921,0*	934,8*	962,6*

\* Activity in 1000

A,B Agriculture,hunting,forestry, B – Fishing,

C,..E C- Mining &quarrying; D - Manufacturing; E - Electricity,gas&water supply,

F F – Construction,

G..I G - Distributive trades; H - Hotels& restraurants; I - Transport,storage and comm.

J..K J - Financial intermediation; K - Real estate,renting&business activities

L..P L - Public administration, community, social&personal services

Source: Eurostat, Umar (Institute of macroeconomic analysis and development).

During its preparations for the EU accession, Slovenian manufacture was adapting to the new market situation. An analysis of production sectors has shown that the greatest fall occurred in sectors like DB – Manufacture of textiles and textile products, DC – Manufacture of leather and leather products, DD – Manufacture of wood and wood products, and DE – Manufacture of pulp, paper and paper products. DL – Manufacture of electrical and optical equipment and DG – Manufacture of chemicals, chemicals products and man-made fibre have reached higher growth. DF – Manufacture of coke, refined petroleum products and nuclear fuel is an exception, because the extreme drop caused by the closing down of the only Slovenian refinery.

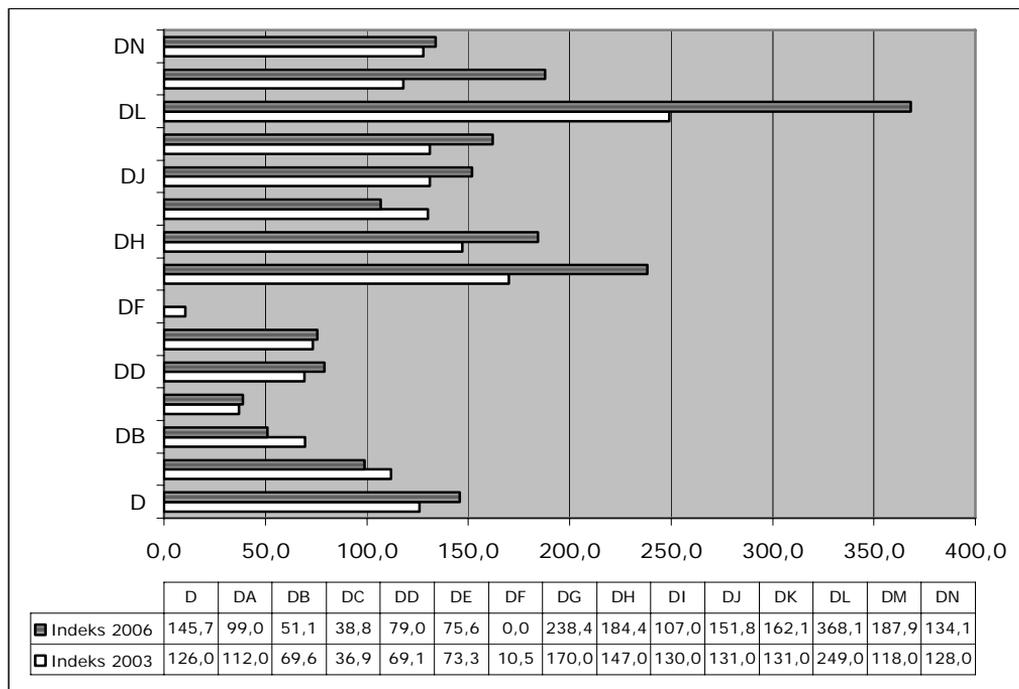


Fig.3: Changes in Manufacture sectors in year 2003 and 2006 (1992 = 100%).  
Source: Umar, SURS.

The state regulative quickly or more slowly coordinated the processes of economic change, which were dictated by the market economy and requirements of the European Union. This was suitably followed by a share of foreign investment, intended particularly for restructuring industrial production and modernisation of technology. The interior political stability of the country and the establishment of a friendly environment mainly influenced the decision of investors (Lorber 2005). However, Slovenia has been less successful in attracting foreign direct investment. While there are delays in the privatisation process, particularly in the banking and insurance sectors.

Endogenously devised approach to stimulation of development, based on exploitation of Slovenia's own developmental capabilities, was crucial in that stage of development. However, only local integration on a global level can guarantee greater efficiency of the development by combining international and state funding, as well as by private funding and building of public-private partnerships.

Therefore it is not surprising that the European Commission's main reproach about Slovenia in all year's Annual Progress Report prior to membership and later is that it is not open enough for direct foreign investment.

Newly formed independent and autonomous countries among which is Slovenia are engaged with the process of forming their national economies, which require a stable legal order and balanced economic development. The establishment of a

stable internal market is the basis for the development of competitive advantages on an international market.

What all transition countries have in common is the fact that they lost their markets almost over night, without the opportunity of gradual transition and adaptation. Reintegration of countries in transition into the world stream, in the field of trade as well as finance is decisive for the success of transition. The small size of Slovenia's market has always been orienting Slovenia's economy towards export.

Tab. 2: Slovenia - foreign direct investment (FDI) overview, selected years.

	1995	2000	2001	2002	2003	2004	2005	2006	2007
Inward FDI	117,4	149,1	830	1.008	1.099	533	554	688	2.721
Total FDI	1.376	2.110	2940	3948	5047	5580	6134	6822	9543
Share of GDP	9,5	11,4	14,2	17,1	20,1	20,6	21,4	22,0	27,7
Outward FDI	7,8	71,7	295	325	435	344	565	663	1.437
Total FDI	382	825,3	1120	1445	1880	2224	2789	3452	4889
Share of GDP	2,6	4,5	5,4	6,2	7,5	8,2	9,7	11,1	14,2

Source: SURS, Umar, UNCTAD

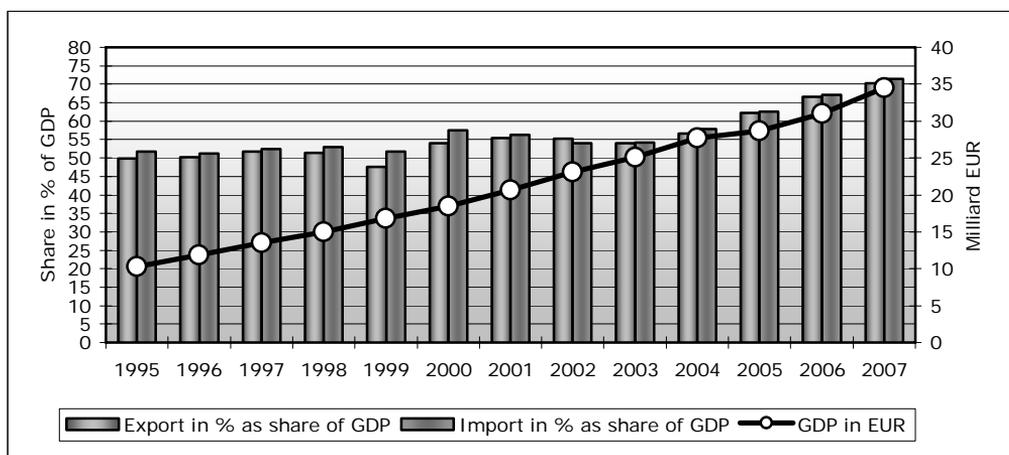


Fig. 4: Exports and Imports in % as share of GDP from year 1995 to 2007.

The most important export and import market of Slovenia's economy are the EU-15 (Export 70,6%, Import 78,9 % in year 2007). Most important export partners are Germany (18.8%), Italy (13,2%), Croatia (8,1 %), Austria (7.8%) and France (6,6%). The recession of the German economy has been influencing Slovenia's GDP growth at approximately 1%. From 1995 on, Slovenia's trade deficit with the EU-15 has been growing and reached record-breaking 3270 million euro in 2007. The main import destinations are Germany (19.4 %), Italy (18.3 %), Austria (12,5 %), France (5,4 %), Croatia (3.9 %) and Hungary (3.5 %). Exports account for 71 % of Slovenia's GDP (SURS, 2008).

Table 3: Structure of goods export according to the primary production factor in Slovenia, EU-15 and EU - 12 between 1995 and 2006, in %.

		1995	1997	1999	2000	2001	2002	2003	2004	2005	2006
High natural sources consumption	SI	16,6	16,6	15,1	15,3	15,1	14,6	14,6	14,0	15,4	16,1
	EU-15	19,6	18,8	17,3	18,0	17,5	17,7	17,6	18,2	17,8	19,4
	EU-12				20,7	19,7	18,8	18,2	18,8	19,2	19,0
High labour consumption	SI	25,6	23,0	22,8	21,7	21,4	20,1	18,6	17,8	17,0	14,2
	EU-15	11,8	11,6	10,9	10,2	10,3	9,9	9,8	9,3	8,6	8,2
	EU-12				18,5	18,9	18,8	17,7	15,8	14,0	12,3
Goods of low technological demand	SI	9,7	8,9	9,1	9,9	9,8	9,9	10,1	10,8	8,8	10,2
	EU-15	7,9	7,3	6,9	6,7	6,7	6,8	6,9	7,4	6,6	7,1
	EU-12				10,5	10,9	11,0	11,0	11,5	10,6	10,8
Goods of medium technological demand	SI	31,9	34,5	36,7	36,4	36,4	37,5	37,3	38,3	40,2	39,1
	EU-15	30,4	31,0	31,3	29,8	30,3	30,5	30,7	30,8	29,8	29,5
	EU-12				30,1	30,6	31,5	33,1	33,3	33,3	34,3
Goods of high technological demand	SI	14,8	15,7	14,9	15,3	15,9	16,5	18,1	17,2	16,0	17,1
	EU-15	24,3	26,0	27,8	29,2	29,1	29,0	28,3	27,9	28,5	28,6
	EU-12				18,1	17,3	17,9	18,0	18,8	18,2	19,2

Source: SURS and author calculations.

The Table 3 shows that in this period Slovenia's economy transformed into production with lower energy and labour consumption. Goods of medium technological demand have had highest growth in export.

## 2. Implementation of the Lisbon Strategy

The European Union's Lisbon Strategy to modernize Europe was first agreed in 2000 and relaunched in 2005, with a clearer focus on growth and jobs. The Strategy is based on a consensus among Member States and organised around 3 year cycles. It is now making a strong contribution to Europe's current economic upturn.

If the EU makes the right economic reforms now, it can secure a prosperous, fair and environmentally sustainable future for Europe. It can ensure that our economies are well positioned to take advantage of the opportunities offered by globalisation. It can put Europe in a strong position to cope with demographic changes that will mean more elderly people and fewer young people of working age in our societies.

The informal beginning of the Lisbon Strategy dates back to the Nineties, when certain parallel reform processes existed in the EU. The Luxembourg process brought the first guidelines on employment. The Cardiff process launched the initiative for integrating the internal market and structural reforms, which would assist the EU in overcoming the then financial crisis. The Cologne process introduced an initiative for social dialogue. The processes were mainly ineffective, as reflected by the EU's decreasing competitive advantage in relation to the USA and the rapidly developing Asian countries. The 2000 Spring European Council in Lisbon therefore agreed that the EU needed a strategy which would help Europe "to become the most competitive and knowledge-based economy in the world" by 2010.

The Lisbon Strategy was augmented at the 2001 Spring European Council in Stockholm and also in Barcelona in 2002. The Swedish Presidency integrated the environmental dimension into the Lisbon Strategy, while the Spanish Presidency put more stress on the social dimension and introduced a target of 3% of GDP for research and development spending.

This strategy, developed at subsequent meetings of the European Council, rests on three pillars:

- An economic pillar preparing the ground for the transition to a competitive, dynamic, knowledge-based economy. Emphasis is placed on the need to adapt constantly to changes in the information society and to boost research and development.
- A social pillar designed to modernise the European social model by investing in human resources and combating social exclusion. The Member States are expected to invest in education and training, and to conduct an active policy for employment, making it easier to move to a knowledge economy.
- An environmental pillar, which was added at the Göteborg European Council meeting in June 2001, draws attention to the fact that economic growth must be decoupled from the use of natural resources.

A list of targets has been drawn up with a view to attaining the goals set in 2000. Given that the policies in question fall almost exclusively within the sphere of competence of the Member States, an open method of coordination (OMC) entailing the development of national action plans has been introduced. The mid-term review held in 2005, for which a report was prepared under the guidance of Wim Kok, former Prime Minister of the Netherlands, showed that the indicators used in the OMC had caused the objectives to become muddled and that the results achieved had been unconvincing.

For this reason, the Council has approved a new partnership aimed at focusing efforts on the achievement of stronger, lasting growth and the creation of more and better jobs. As far as implementation is concerned, the coordination process has been simplified. The integrated guidelines for growth and employment will henceforth be presented jointly with the guidelines for macroeconomic and microeconomic policies, over a three-year period. They serve as a basis both for the Community Lisbon Programme and for the National Reform Programmes. This simplification in programming makes it possible to monitor implementation more closely by using one single progress report.

Growth is not an end in itself, but it is a prerequisite for being able to maintain and increase Europe's prosperity and thus for preserving and enhancing our social models.

Growth must be sustainable – while there is sometimes a short-term cost to protecting the environment, in the long term the costs of not tackling environmental issues such as climate change would be far greater.

We need more jobs for two reasons – first because far too many people's lives are still blighted by unemployment and second because only by getting more people into work can we ensure that our societies cope with demographic change. Older populations mean higher pensions and health care costs and those need to be financed by the working population. We need to improve education and training to allow more people to reach their full potential, for their own sake and that of society as a whole. We need to invest in research to maintain our comparative advantage relative to competing regions. We need more competition to make sure that research feeds

through into real innovation, as companies strive to stay ahead in highly competitive markets. We need to make our economy more adaptable to change and more resistant to external shocks. This need has been further highlighted by the recent trend for high commodity prices and by financial market instability at global level. We need to use energy more efficiently and sustainably and to negotiate better with countries which supply us with energy. We need to tackle climate change at home and act globally to ensure that responsibilities in this are taken worldwide.

Before the 2005 relaunch, there were too many disparate targets. Although Member States are encouraged to set their own targets in several areas, we now have a streamlined and simplified process with only two EU level headline targets: investment of 3% of Europe's GDP in research and development by 2010 and an employment rate (the proportion of Europe's working age population in employment) of 70% by the same date.

Statistic indicators are important tools for monitoring and benchmarking progress in the different policy areas. Structural indicators cover policy domains vital for the Lisbon Strategy and the European Commission's policy in fields such as employment, innovation and research, economic reform, social cohesion and the environment. They bear this name because they describe structures and key aspects within each domain. Structures are basic characteristic which, in general, do not change rapidly. Therefore structural indicators describe evolution in society in the long-term. The total number of indicators was 128 in 2007. Due to the size of the list, a shortlist of structural indicators has been established in order to focus the policy messages and present a clear picture of the Member States progress.

The shortlist consists of 14 headline indicators that reflect key Lisbon targets (because Slovenia don't have statistical regions NUTS 2 till 1.1.2008, structural indicator - Dispersion of regional employment rates is not available yet).

Tab. 4: The main structural indicators for R Slovenia compare to EU 27.

	SI		EU - 27	
	2000	2006	2000	2006
GDP per capita in PPS 2006	78,9	88,8	100	100
Labour productivity	75,5	84,7	100	100
Employment rate	62,8	66,6	62,2	64,4
Employment rate of older workers	22,7	32,6	36,9	43,5
Gross domestic expenditure on R&D	1,41	1,59	1,86	1,84
Youth education attainment level	88,0	89,4	76,6	77,8
Comparative price levels	72,9	75,8	100	100
Business investment	23,2	22,6	18,4	18,2
AT-risk-of-poverty rate after social transfers	11,0	12,0*	-	16,0
Long-term unemployment rate	4,1	2,9	4,0	3,7
Total greenhouse gas emissions (1990 = 100)	92,6	100,4*	90,7	92,1*
Energy intensity of the economy (kgoe/1000)	341,9	320,5*	213,1	208,1*
Volume of freight transport relative to GDP(1995=100)	87,6	112,8	99,1	106,7

Source: Eurostat, Umar.

The review of structural indicators, used by Eurostat to measure the efficiency of implementation of the Lisbon Strategy, shows that, according to the Gross Domestic Product per capita and according to the labour productivity per employed person, Slovenia belongs to the successful new members, while lagging behind in many

other areas of interest. Slovenia experienced the most severe socio-economic problems in the transition period in the areas with inadequate economic structure.

The reasons for crisis in the Slovenian economy were numerous and not all of them appeared 'over night':

- Failing the right time for the necessary modernisation of technological process in the 1960s;
- Low value added per unit of product;
- The time of privatisation – majority internal ownership which is extensively fragmented;
- Insufficiency of fresh capital which would ensure modernisation of the production and enhance new investments;
- There was no sectoral integration in the processing activities;
- The industry was not directed towards achieving specialised production;
- Responding slowly to the demands of the modern global market;
- Political decisions took precedence over the economic ones;
- Deficiency of competent managerial structure;
- Granting state capital subsidies which are granted without submission of development strategies considering the principles of market economy;
- National interests have prevailed over necessary measures needed for economic adaptation to the global international market;
- Political structure deciding for preservation of jobs at any cost for the benefit of social stability.

Experiences revealed the fact that structural problem of Slovenian economy could not be successfully resolved merely by external development incentives (investments, state funding, and acquisition of new companies). Economic operators were lacking a development vision. Unwillingness to change and inability to cope in the initial phase of transition influenced the fact that the qualitative and quantitative effects were lower than expected due to weak development potential.

The essence of restructuring processes in Slovenian economy lies in constant adaptation to circumstances on the global market, resulting from economic goals of long-term growth of added value and productivity. This will bring adequate living standard to the population and provide for regional development. The successfulness of this goal depends on successful development of processing sectors that are closely related to other economic sectors.

The economic results after the full membership of Slovenia in the EU indicate that Slovenia is on the right development path. Being the first new Member State to achieve the Maastricht criteria for the adoption of the common currency, the EURO, Slovenia introduced the new currency as the thirteenth Member State on January 1, 2007.

### **3. Conclusion**

Simultaneously with the process of economic transition in the transition countries towards the market economy, there is an ongoing process of global structural changes in the developed Western countries from the industrial towards the post-industrial civilisation. The new information area embodies the transfer of knowledge from the science to the production along with remarkably fast development of high technologies.

During its accession period, Slovenia was still trying to catch up with developed EU economies. Slovenia's economic structure, determined by the GDP structure, is slowly approaching the structure of developed economies with the GDP share of agriculture and manufacture decreasing, and the share of services increasing. However, financial and business services, and technologically demanding sectors are growing too slowly.

In the transition period, Slovenia was gradually catching up with the EU-15 average. Slow restructuring was part of the transitional strategy in order to keep social cost as low as possible. This method has proven as good, but is no longer applicable after the EU accession. Thus, it is important to catch up with the average economic structure and to increase economic competitiveness that is the main problem in Slovenia, lagging behind the average of the enlarged EU.

In Slovenia, a strategy determining the essential development of domestic entrepreneurship and undertakings that will be able to compete on the global markets, prevailed. Slovenian industrial policy is based on market economy and the criteria of export priority, technological and innovation promisingness, low energetic intensity, environmental / ecological unburdening and on the European technical and technologic standards.

Slovenian economy as a whole is in need of an open system and open economic development and technological policy which will ensure inclusion into the international exchange. Slovenia is still in search for the 'most favourable' strategic associations of the industrial sectors which would enable appearance on new markets and enhance production capacity.

The most successful companies tend to internationalise their business operation increasingly. However, the issues regarding the strategy of attracting foreign direct investment, introduction of foreign multinational companies and fear of foreign political and economic dependence still remain.

Creation of conditions for higher economic growth that would bring us closer to the level of economic development in Europe is necessary. That means that Slovenia must quickly master the internal market of the European Union and at the same time continuously develop the potentials of its enterprises at the level of general development trends, which are on going in countries of the European Union, our main foreign trade partners. It is mainly about strengthening investments in modern equipment and technology, investment in human capital, mastering micro development potentials, technologically more demanding programs and creating higher added value on employees.

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**SLOVENIAN ECONOMY ON THE WAY FROM INDEPENDENCE TO CATCHING UP AVERAGE ECONOMIC DEVELOPMENT OF EU - 27**

***Summary***

Slovenia's economic structure, determined by the GDP structure, is slowly approaching the structure of developed economies with the GDP share of agriculture and manufacture decreasing, and the share of services increasing. However, financial and business services, and technologically demanding sectors are growing too slowly.

Slow restructuring was part of the transitional strategy in order to keep social cost as low as possible. In Slovenia, a strategy determining the essential development of domestic entrepreneurship and undertakings that will be able to compete on the global markets, prevailed.

Slovenian economy as a whole is in need of an open system and open economic development and technological policy which will ensure inclusion into the international exchange.

*Lučka Lorber: Slovenian economy on the way from independence to catching up ...*