

# Years of change and challenge

*In just over a decade, Slovenia has gained independence and moved relatively smoothly out of a closed market federation into a free market community. In this dossier,*

*Glass Technology International looks at how Slovenia's flat glass industry and some of its main players - the glass processors and machinery suppliers - have faced the changes and challenges of recent years, and how they are now preparing to meet those which full membership of the European Union, scheduled for 2004, will undoubtedly bring.*

A fast  
disappearing  
Yugo



**T**he car in front is a Yugo. Not the most professional of photographs and an unlikely start, you might think, to this *Glass-Technology International* dossier on the Slovenian flat glass industry. Yugos, in fact, are a rapidly disappearing species in this part of south-eastern Europe. Once commonplace, they are being replaced by BMWs, Citroens, Fords, Hyundais, in fact by all the makes of automobile that you would expect to see throughout Western Europe. They are new ones, too.

The relevance of the Yugo to this dossier is that its demise, and the way in which it has been so rapidly overtaken by higher quality, higher

**Peter Finch**



performance cars, is very symbolic of how Slovenia itself has moved up a gear in all spheres, the glass industry included.

So it was not only the 'quality' of the traffic that surprised me. Ignorance had led me to expect a nation not much further on, economically and socially, than the war-ravaged Balkan regions so readily presented in the media. My embarrassingly erroneous expectations were shattered then as I crossed the Slovenian frontier and joined the excellent motorway which, when complete, will stretch from the Adriatic port of Koper, in the southwest, to Maribor, the

north-eastern corner of the country and the border with Hungary. Construction work was another common feature of towns and villages, and the processors I spoke to all noted the

**The Koper-Maribor motorway**



The river Sava near Laško



greatly increased demand for glass which performs rather than just lets you see what is on the other side. Marina Omahen of *Steklar Omaha* told me how home ownership among all income groups had risen sharply since independence. Andrej Zrinski, marketing director

at *Kristal Maribor* said that low-E glass now constitutes the major proportion of glazing demand. *Glasnik* chief Franjo Gomboc noted how smaller glass processors are rapidly acquiring not only the technology, but also the know-how to meet the new demand.

## LJUBLJANA BOOSTS FDI INCENTIVES

Last July, the Slovenian government implemented a plan based on a report by the national Trade and Investment Promotion Office (TIPO), designed to promote foreign direct investment (FDI) into the country for the period 2001-2004.

Measures include the removal of administrative obstacles - making it easier for foreign investors to acquire land for construction and obtain planning permission, for example - provision of financial incentives for investors, and the marketing of Slovenia as an FDI location. In a speech in October 2001, Slovenian prime minister Janez Drnovsek reiterated that the state would seek strategic partners for property development, no matter where they come from.

In order to encourage FDI, TIPO will emphasize Slovenia's geographical features, technologically well-developed industry, educated labour force, high standard of living, stable and open economy, and liberal trade policy. The new programme builds on initial measures adopted by the government in early 2000. The TIPO report was based on guidelines put forward by the World Bank's foreign investment advisory office following its analysis of the administrative barriers faced by foreign investors in Slovenia.

## INDEPENDENCE AND PROGRESS

Slovenia is a very beautiful land of hills and valleys, broad rivers and big skies. It is also politically young, having gained its independence from the Yugoslav federation in 1991 after an overwhelming popular referendum vote and a sadly not bloodless, but thankfully short, conflict with the government forces of Belgrade.

West European support for Slovene



## ON COURSE FOR FULL EU MEMBERSHIP

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*Economic and political stability have brought Slovenia to imminent acceptance as a full member of the European Union.*

Since Slovenian independence in 1991, integration with Western Europe has advanced rapidly. The European Union recognized the newly independent republic in January 1992 and there followed an immediate escalation in trade and investment. Slovenia applied for EU membership in June 1996.

By the year 2000, trade with EU member states accounted for 65% of Slovenia's exports and 68% of imports. As regards foreign direct investment (FDI), 82% of the total arrives from the EU. Over the past decade, the European Bank for Reconstruction and Development (EBRD) has given approval to 26 projects in the energy, transport, manufacturing and retail sectors worth a total of 348 million euros. Since 1993, moreover, Slovenia has been granted loans totalling 625 million euros from the European Investment Bank (EIB) for road, railway and telecommunications infrastructure, and for the development of small and medium-sized enterprises (SMEs).

April 1993 saw the signing of a Cooperation Agreement between Slovenia and the EU, with supplementary accords covering transport, textiles and financial cooperation. This was followed, in 1996, by the EU Association Agreement, implemented in February 1999. The agreement set out the framework between the EU and Slovenia for political and economic co-operation and established a free-trade area. Quantitative restrictions on Slovenian exports to the EU have been largely abolished and around 90% of Slovenian goods already have free or relatively free access to EU markets. The

agreement also allowed Slovenia to take part in EU education, research and development, and business exchange programmes.

On the same day that the EU Association Agreement was signed, 10 June 1996, Slovenia officially applied for full membership of the European Union. The European Commission issued a positive official 'avis' (notice) in July 1997 and accession negotiations got under way in March 1998.

Accession to the EU involved a screening and assessment process, organized in 29 chapters, to establish whether Slovenian legislation conforms to, or will conform to, EU legislation and whether the nation will be institutionally and administratively able to implement EU directives in various spheres. By December 1999, Slovenia had submitted the position papers for all 29 chapters and, by the end of May 2001, negotiations on 18 chapters had been completed. When the negotiations have been completed, an Accession Act will be drawn up. Slovenia will then have to hold a national referendum in order to obtain final approval from the Slovenian people, after which the Act will have to be ratified by the Slovenian Parliament, the European Parliament and the parliaments of the 15 EU member-states.

The schedule which the Slovenian government has set itself is to be ready for membership by the end of 2002. The EU position, stated at the Nice summit in December 2000 and reiterated at the Gothenburg meeting of June 2001, is that the EU will be "in a position to welcome those new member states which are ready as of the end of 2002, in the hope that they will be able to take part in the next European Parliament elections" - due to take place in mid-2004.



Construction work in progress near Krško



Glazing at a leisure complex in Laško

aspirations, and the only marginal presence of other ethnic groups undoubtedly helped smooth the path to self-government. In 1989, the Slovenian parliament had confirmed the republic's right to leave the Yugoslav federation. Multi-party elections took place in 1990 and an overwhelming majority of Slovenes voted for independence in a referendum. Slovenia declared independence in 1991. Belgrade sent in the federal army; the fighting lasted around two weeks and something like 100 Slovenians lost their lives. The European Union brokered a cease-fire and the Yugoslav forces withdrew. International recognition followed almost immediately.

## SLOVENIA-YUGOSLAVIA: B2B BRIDGE REBUILDING

Despite an EU-wide market slowdown the previous year, owing to the dynamic increase in exports to other former Yugoslavia markets, Slovenian export growth was not expected to drop substantially in 2001. In fact, trade between Slovenia and the Federal Republic of Yugoslavia increased in value to over US\$ 60 million in the first half of 2001.

According to Drago Sofranc, Vice President of the Yugoslav Chamber of Commerce, in the first six months of 2001, Yugoslav exports to Slovenia were worth US\$ 17.1 million, compared to US\$ 8 million for the whole of the year 2000. Slovenian exports to Yugoslavia also increased, he said, from US\$ 17 million for the year 2000 to US\$ 45.4 million for January-June 2001. Sofranc said he expected further substantial growth in trade between the two

countries.

At a meeting between the President of the Slovenian Chamber of Commerce, Jozko Cuk, and representatives of Yugoslav Chambers of Commerce held in September 2001 in the Yugoslav capital, Belgrade, the two sides examined the possibilities of establishing information links between the two countries, and discussed Slovenian support in upgrading the Yugoslav IT system.

Yugoslav officials and Slovenian businessmen also confirmed the substantial recent improvements in conditions for doing business on the Yugoslav market, with the Yugoslavs emphasizing their interest in attracting Slovenian investment and the Slovenians noting the excellent opportunities offered by the Yugoslav market.

## SLOVENE ENERGY

Energy is something with which Slovenia is relatively well endowed.

According to 1999 figures, Slovenia was the only one of the countries of the former Yugoslavia which was not a net importer of electricity. On a per-capita basis, Slovenia was the largest generator in the region. Fossil fuels provide around 34.4% of national electricity production, compared to figures of 79% in Italy, 70% in Yugoslavia and 63% in Germany. The rest is supplied by the country's hydroelectric power (HEP) resources (29.6%) and by the Westinghouse-technology nuclear plant at Krško (36%).

In the HEP sphere, there are generating stations along the Drava, Sava and Soca rivers, with a 10-year-plan for the construction of a new chain on the lower Sava.

Slovenia's Environment Minister Janez Kopac announced last year that all the country's HEP and thermoelectric plants are to be brought

together under a Ljubljana-based holding company. The move, he said, will enable Slovenia's electricity production industry to compete with other European companies. Slovenia is to open up its energy market to imported electricity around the middle of 2002. As regards nuclear energy, the Slovenian government recently reached an agreement with Croatia over the Krško nuclear power station, located just a few kilometres from the Croatian border, and built jointly by the two republics prior to the dissolution of the socialist federation.

Slovenia had made Krško a public company and, in 1998, stopped supplying Croatia with power from the plant. Under the terms of the new agreement, Croatia will be co-owner of the plant and, as of 1 July 2002, will be supplied with half of the electricity produced at Krško. Croatia will also assume partial responsibility for the nuclear waste produced.

A shopping centre facade in Celje

1992 saw Slovenia recognized as an independent state by both the European Union and the United States; it also took its own seat in the United Nations.

A year later, it became a member of the International Monetary Fund and, under the terms of a 1996 Association Agreement between Slovenia and the European Union, duties on imports from the Union were eliminated.

For the flat glass sector, this opened the doors for an influx of high-quality float glass from *Pilkington*, *Saint-Gobain* and *Glaverbel*.

Until 1991, Slovenian flat glass processors had little choice but to use the lower-quality Pittsburgh glass produced by *ISP Pančevo* near Belgrade, Yugoslavia. Machinery imports also burgeoned - all the plants I visited had some of the very latest technology.

### REGIONAL POTENTIAL

Always the most prosperous former Yugoslav republic - the federation also comprised Croatia, Bosnia-Herzegovina, Serbia, Montenegro and Macedonia - the country, via a pro-







**Solar panels in eastern Slovenia**

programme of privatization, moved relatively easily from a controlled socialist economy to a capitalist free market one, ready to face the challenges of truly international trade. The 1991 conflict and loss of life clearly made it much harder for Slovenia and the Federal Republic of Yugoslavia - Serbia and Montenegro - to start rebuilding bridges, be they political or commercial, but concrete progress is now being made. Moreover, although today over 80 per cent of foreign trade goes on with European Union member states, all of those I spoke to hoped to see an early return to normal business with the other Former Yugoslavia successor states.

However, the lack of regional business investment, particularly in unstable Macedonia and present-day Yugoslavia - whose economy will hopefully be revived by the lifting of international sanctions and the pledging of financial aid following the handing over of former Yugoslav President Slobodan Milosevic to the International War Crimes Tribunal - was seen by all as a major obstacle to market development.

**PAST AND PRESENT CHALLENGES**

Slovenia has a great glassmaking tradition, with records of the first wood-fuelled glassworks or 'glažute' being established back in the 18<sup>th</sup> Century. Since then, the Slovenian glass industry has known both great prosperity - at the height of the Austro-Hungarian Empire in the latter part of the 19<sup>th</sup> century - and severe hardship - the depression years of the late 1920s.

For much of the 20<sup>th</sup> century it was then protected but, at the same time, stunted perhaps by the centralized socialist policies of Former Yugoslavia, gradually lagging behind the rest of the industrialized world in the introduction of modern flat glass technology.

Now free to seek their own fortunes on freer and much broader markets but, at the same time, exposed to the risks that are inherent in these markets, Slovenian glass sector firms - having successfully met the considerable challenges faced in the first decade of independence - appear generally well prepared and, above all, confident of meeting the new challenges of the second. ■