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Protective Structures in Slovenia

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About

Shortly after the end of the Kosovo war, the last of the Yugoslav dissolution wars, the Balkan Reconstruction Observatory was set up jointly by the Hellenic Observatory, the Centre for the Study of Global Governance, both institutes at the London School of Economics (LSE), and the Vienna Institute for International Economic Studies (wiiw). A brainstorming meeting on Reconstruction and Regional Co-operation in the Balkans was held in Vouliagmeni on 8-10 July 1999, covering the issues of security, democratisation, economic reconstruction and the role of civil society. It was attended by academics and policy makers from all the countries in the region, from a number of EU countries, from the European Commission, the USA and Russia. Based on ideas and discussions generated at this meeting, a policy paper on Balkan Reconstruction and European Integration was the product of a collaborative effort by the two LSE institutes and the wiiw. The paper was presented at a follow-up meeting on Reconstruction and Integration in Southeast Europe in Vienna on 12-13 November 1999, which focused on the economic aspects of the process of reconstruction in the Balkans. It is this policy paper that became the very first Working Paper of the wiiw Balkan Observatory Working Papers series. The Working Papers are published online at www.balkan-observatory.net, the internet portal of the wiiw Balkan Observatory. It is a portal for research and communication in relation to economic developments in Southeast Europe maintained by the wiiw since 1999. Since 2000 it also serves as a forum for the Global Development Network Southeast Europe (GDN-SEE) project, which is based on an initiative by The World Bank with financial support from the Austrian Ministry of Finance and the Oesterreichische Nationalbank. The purpose of the GDN-SEE project is the creation of research networks throughout Southeast Europe in order to enhance the economic research capacity in Southeast Europe, to build new research capacities by mobilising young researchers, to promote knowledge transfer into the region, to facilitate networking between researchers within the region, and to assist in securing knowledge transfer from researchers to policy makers. The wiiw Balkan Observatory Working Papers series is one way to achieve these objectives.

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Measuring Costs of Protection

This study has been developed in the framework of the Jubiläumsfondsprojekt Nr. 9957: Measuring the Costs of Protection in the Southeast European Countries.

The objective of the project was to analyse quantitatively the costs of current protection in the Southeast European region or, to put it the other way around, to assess the potential benefits of liberalisation in the Balkans. In this way, the study was designed to be able to estimate the intra-regional gains and losses from breaking up fragmented structures and to show the policy implications that arise from this for each of the Balkan countries and the EU in the light of bilateral free trade agreements.

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Measuring the Costs of Protection in the Southeast European Countries: the Case of Slovenia

1 Introduction

Slovenia's independence brought with it the need to redirect sales to foreign markets and, at the same time, to open up the domestic market to foreign competition, especially in view of Slovenia's involvement in the European integration process. This development raised a set of highly complex questions regarding the successful implementation of economic liberalization and, within that context, foreign trade liberalization. The whole issue hinged on certain processes and characteristics that were typical of Slovenia: a) the state of foreign-trade protection originating from former Yugoslavia and the process of trade liberalization that had already been carried out and was closely intertwined with the process of political change and market reorientation; b) distortions in the markets for products and services as well as primary production factors; c) integration processes throughout Europe ultimately aimed at abolishing foreign trade barriers and simultaneously determining the framework of protection against non-member states; and d) adjustment processes that would prepare the Slovenian economy for accession to the European Union.

The effects of adopting the EU Common Customs Tariff (CCT) in the post-accession period will certainly depend on the levels of foreign trade protection at the time of entering the EU. If one takes an extreme situation with Slovenia completely liberalizing trade, even for agricultural imports from the EU, and adopting CCT well before accession, the post-accession effects will be relatively low, but high in the pre-accession period. The ongoing trade liberalization of industrial products through the implementation of the Association Agreement is also part of the pre-accession process aimed at arriving at an internal market. It is therefore necessary to analyse the complete process of foreign trade liberalization so as to find out its possible negative and positive effects on the Slovene economy.

In the following sub-sections the process of Slovene foreign trade liberalization and the approach to the foreign trade regime in the EU is presented and analysed. After a brief overview of the system of protection and the process of foreign trade liberalization, the intensity of the process is analysed on the basis of the estimated rates of nominal and effective protection. In the third section we will continue the analysis with a brief explanation of the situation in the Slovenian trade regime before the inclusion into the EU, extending the analysis beyond the tariff barriers with other measures directly or indirectly affecting imports. Fourth section deals with the first estimates of the effects of the continued foreign trade liberalization and inclusion into the EU.

2. Protection and foreign trade liberalization of the Slovenian economy

2.1 Protection and foreign trade liberalization – 1st phase

The development strategy of former Yugoslavia and Slovenia was oriented towards import substitution using a complicated system of various interventionist measures. The system of tariff protection followed the principle of increasing the rates of protection for individual products in line with the degree of processing. It was further complemented by a complicated ‘system’ of other import charges. Numerous forms of relief and exemptions (also of a confidential nature) resulted in a marked increase in the variability of nominal protection and in a deterioration of the fundamental objectives of tariff protection (Majcen and Lapornik, 1989).

Table 1

Comparison of the levels of import regimes with regard to the share in the value of imports and production of Slovenian industry and mining in the year 1986 (share in per cent)

Import regime	1986	
	Imports	Production
Free[1]	3	58
Conditionally free[2/]	53	
Free* [3/]	1	1
Special import licences	5	4
Quotas	37	32
Licences	1	0
Others[4/]	..	4

Notes: 1/ Imports without any restrictions regarding the quantity, value or payments; - 2/ Conditionally free imports within the specified amount of payments; - 3/ Agreement or permission that specific conditions for imports were fulfilled; - 4/ Groups of products with mixed import regimes;

Source: Majcen (1993, Table 3)

Other very important forms of import protection were import regimes (quotas: KK; KV, licences: D; special import licences: LBS, LBOS, KKS, KVS; and conditionally free imports: LBO) together with a system of payment for imported goods[1], which were to be found in almost all industrial sectors.[2] In 1986 only 17% of all tariff items were under certain import regime (excluded LBO), but they represent 39% of total imports. Conditionally free imports (58% of total imports) was the most important import regime, but it functioned as an

[1] Imports of investment and consumer goods were further restricted by annual global import quotas, Majcen, B., 1993).

[2] Import regimes, global import quotas and foreign exchange restrictions will be treated as non-price forms of protection.

instrument of protection only if substitute domestic production existed. Calculations of the shares of production of individual sectors whose corresponding tariff items displayed certain non-price forms of protection (without LBO regime) for the year 1986 have shown that as much as 42% of the value of production of Slovenian industry and mining has been additionally protected by import restrictions such as quantity quotas, value quotas, licences, as well as by the additional special import licences (table 1).[3] Undoubtedly import regimes and foreign exchange restrictions contributed significantly to the level of protection of Slovene production as reflected in its structure and competitiveness.

All these factors led to a non-transparent 'system' of protection policy which also gave rise to a number of unintended effects: a strong bias against agriculture and export sectors, undesired economic rents and, as a consequence, a non-productive use of production factors, inappropriate development of the economic structure and a reduction in the economy's flexibility and ability to adjust to changes in the global economy.[4]

Estimates of the nominal and effective rates of protection in various sectors of the Slovene economy in that period clearly confirm the assumption that the Slovene economy enjoyed high levels of protection. Even more, they confirm the extreme importance of non-price protection instruments. However, this protection was not the result of a carefully designed protection policy, but rather the cumulative effect of numerous ad-hoc measures. To an ever-increasing degree the accumulated problems accompanied by external pressures required a fundamental change of strategy.

After pursuing an import-substitution development strategy for many years, former Yugoslavia began to open up to foreign competition at the end of the eighties: unfortunately, without the necessary preliminary analysis of the degree of protection and the possible effects of the liberalization planned.[5] The shift was primarily a response to the crisis into which the economy had fallen. The process of foreign trade liberalization which had started already in former Yugoslavia has continued in independent Slovenia with elimination of special taxes on imported goods and remaining quantitative import restrictions (with the exception of agriculture, food and textile industry).

The result of this first stage of trade liberalization was an almost complete abolition of non-price forms of protection that was not offset by a higher rate of price-forms of protection

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3 The shares would be even higher if the protective nature of conditionally free imports could be assessed).

4 Estimated implicit effective protection rates for domestic sales, agriculture and exports to the developed countries in 1986 were 35.5%, -6.2% and -31.9% respectively (see Majcen, B. and M. Lapornik, 1989).

5 An increase in the balance of payments deficit, a decrease in exports, price increases that quickly compensated for the devaluation of the dinar, another devaluation and the expected further fall in the exchange rate, pressures on the reintroduction of the restrictive import regimes, abolition of the internal convertibility of the dinar, and many other factors - all the foregoing clearly indicated the negative effects of the initiated process of liberalization which was obviously not sufficiently coordinated with other economic policy measures. Moreover, this process coincided with the political disintegration and final decay of Yugoslavia.

(tariffs and other import charges) as a more transparent and less deforming system (Table 2).[6] With alternative measures of non-tariff barriers undefined or unused, tariffs have become the fundamental form of protection.

Throughout the period of foreign trade liberalization the previous Tariff Schedule Act remained in force. Slovenia tried to correct the inadequate tariff protection structure by introducing a series of individual amendments (reduction of tariff rates for imports of raw materials, and intermediate and capital goods not domestically produced, duty-free imports of raw materials and intermediate goods for export-oriented production). This caused a substantial reduction in the price-forms of protection, the only exception being those aimed at the production of consumer goods.[7]

Table 2

Intensity of non-price protection (import regimes) as a percentage of the import value and total number of the foreign trade classification codes, and official tariffs and other import charges

Import regime, import charges	Import value (%)				Number of codes (%)			
	1986	1990	1993	1996	1986	1990	1993	1996
Free imports	3	78	97	98	8	85	95	93
Conditionally free imports	58	8	0	0	74	2	0	0
Quotas	37	12	1	0	17	11	1	3
Licences	2	2	2	2	2	3	2	4
Tariffs+ (%)	11,0	12,0	12,3	10,7				
Other import charges* (%)	17,5	16,0	2,0**	0,0				
Actually paid tariffs (%)	7,4	7,1	..	5,6				
Actually paid other import charges (%)	4,8	9,3	..	0,0				

\+ Unweighted averages - differences are due to the introduction of the harmonized coding system (in 1988), code-changes (1993) and the new tariff schedule (1996)

* Unweighted averages - numerous exemptions (special import duty on agricultural products not included)

** Alcohol and cigarettes 17,0%

Source: Majcen (1995, Tables 2.1 and 2.2)

2.2 Building an own system of protection – 2nd phase

The inadequate and opaque structure of protection, the need for a new foreign trade legislation, Slovenia's joining GATT and the need to join the European integration processes forced Slovenia to adopt a new Tariff Schedule Act on the basis of the coding

[6] In the new Tariff Schedule the number of items under licences and quotas has increased. As quotas are not applied to imports from EU, EFTA and CEFTA countries, their percentage in the value of imports remains low.

[7] In 1993, Slovene importers thus actually paid only 50% of official tariffs and other import charges on average. The main contributors to this reduction were duty-free imports of raw materials and intermediate goods for export-oriented production (69%), as well as reduced tariff rates for the imports of raw materials, and intermediate and capital goods (19%). Importers paid the full amount of official tariffs and other import charges for only 21% of the capital goods imported, 21% of the intermediate goods imported and 91% of the consumer goods imported (see Majcen, B., 1994).

system established in the EU.[8] Upon accession to the WTO, Slovenia made quite substantial commitments. It has bound 100% of its tariff lines and abolished all other import charges except tariffs.[9] It has made specific commitments in two thirds of activities covered by the General Agreement on Trade in Services. It has also lowered MFN applied tariff rates with the simple applied average MFN tariff rate decreasing from 15% in 1994 to 11% (Table 3). 96% of 10,300 of all tariff lines in the MFN applied tariff are *ad valorem*, while about 400 tariff lines in agriculture are subject to combination of *ad valorem* and specific tariffs. The number of tariff rates has been reduced with the two thirds of tariff lines between 0-10%. The official average tariff rate decreased by 26.7%, while the tariff rates for mining products, intermediate and capital goods showed greatest decrease.

It should be stressed out that despite the fact that new Tariff schedule substantially decreased official tariff rates, the estimates of the effects on the actually paid tariffs revealed on average much lower effects (see Majcen, 1995, Tables 1-4 in Annex B). Adoption of own protection system undoubtedly meant important step in the on going process of foreign trade liberalization and approaching the EU.

Table 3

Unweighted tariff and other import duty rates:
1994 official rates and rates in the new Tariff Schedule Act

	Tariff rates + other charges (1994)	New Tariff Schedule (1996)	Change (%)
Total	14.6	10.7	-26.7
Agriculture	6.8	6.2	-8.8
Mining	6.7	1.4	-79.1
Manufacturing	15.3	11.2	-26.8
- Consumer goods	17.5	15.4	-12.0
- Intermediate goods	12.6	7.7	-38.9
- Capital goods	16.3	10.1	-38.0

Source: Majcen, B. (1995), Table 2.3.

Although Slovenia made strong commitments to the multilateral trading system, its MFN tariffs have fallen less rapidly than preferential rates. Its tariff structure continues to reveal some additional important weaknesses. Firstly, there is a significant dispersion leading to tariff escalation: the tariff rates applied are significantly lower for imports of raw materials than for those of processed goods and intermediate products (see Table 4).

8 Protocol for the Accession of the Republic of Slovenia to GATT, 1994, OG/RS, No 17; Marrakesh Agreement, 1995, OG/RS, No 10 and the Tariff Schedule Act, OG/RS, 1995, No 74 and 75.

9 There are only few remaining non-tariff barriers. These include non-automatic licensing requirements to control specific imports affecting public security, safety, health, and the environment, to administer tariff quotas in agriculture, and the remaining quantitative restrictions on textiles and clothing, which are to be phased-out under the WTO Agreement on Textiles and Clothing.

Table 4

MFN tariffs (simple average) by stage of processing, 2001 (in per cent)

	Applied	Bound
All products	10.8	23.8
Raw materials	5.6	20.9
Intermediate goods	8.3	24.6
Processed goods	13.1	24.0

Source: WTO 2002.

Secondly, a large gap on average of 13% between bound and applied rates undermines—according to the WTO Trade Policy Review (WTO 2002)—the predictability of Slovenia's tariff regime (Table 4). A relatively large gap between bound and applied MFN rates has been the result of binding of large number of tariff lines at the uniform rate of 27% (with peaks well beyond 100% for lines subject to tariff quotas), and rapid reduction of applied rates (WTO, 2002; p.34). Increasing gap between the MFN applied tariff rates and the collection tariff rates – calculated as revenue from tariffs and other import charges divided by imports – after the adoption of its own Tariff schedule, can be attributed to numerous tariff exemptions as well as to a number of preferential trade agreements (PTAs) Slovenia signed with its most important trading partners. In order to decrease disadvantages for third countries, in 1999 Slovenian authorities adopted a plan of gradual alignment of applied MNF tariffs to EU Common External Tariff. And finally, Slovenian MFN tariff rates are significantly higher and more dispersed that those of the EU Common External Tariff (CET).

2.3 Continued process of foreign trade liberalization – 3rd phase

Slovenia signed a series of bilateral free trade agreements with other European countries (EFTA, CEFTA, Baltic states, Israel and Turkey), and former Yugoslav republics (Croatia, FYR Macedonia, and Bosnia and Herzegovina), as well as the European Agreement with EU (Table 5). Preferential trade with all these countries accounted for more than 85% of total trade in the year 2001.

Table 5

Network of bilateral free trade agreements and share in Slovenian trade in 2001

Country Area	No. of countries	Signed	In effect since	Exports 2001 (in %)	Imports 2001 (in%)
EU	15	10. 6. '96	1. 1. '97	62,2	67,6
EFTA	4	13. 6. '95	1. 1. '96	1,3	1,7
CEFTA	6	25. 11. '95	1. 1. '96	8,0	9,5
Croatia	1	12. 12. '97	1. 1. '98	8,6	4,0
FYR Macedonia	1	1. 7. '96	1. 9. '96	1,4	0,3
Estonia	1	26. 11. '96	1. 1. '97	0,1	0,0
Latvia	1	22. 4. '96	1. 8. '96	0,1	0,0
Lithuania	1	4. 10. '96	1. 3. '97	0,3	0,0
Israel	1	13. 5. '98	1. 9. '98	0,1	0,8
Turkey	1	5. 5. '98	1. 1. '99	0,4	0,8
Bosnia and Herzegovina	1	1. 10. '01	1. 1. '02	4,3	0,6
Total	**33**			**86,9**	**85,4**

Source: Damijan (2002).

Tariff preferences were negotiated primarily for industrial products, which resulted in almost duty free imports in the year 2001. On the other hand the average collected tariff for the countries without FTAs was 3.9% (Table 6). Relatively low levels of collected tariff rates do not necessarily imply low tariff barriers for MFN exporters but rather concentration of MFN exports on products subject to lower MFN applied tariff rates. Outstanding results were found for the agricultural products – in case of Europe and other FTAs they reveal the fact that these products are subject of concessions only to the some extent, resulting in a wide variety of restrictions and decreased transparency of tariff regime. And these are also products for which we can expect the highest negative effects of abolishment of protection after the inclusion of Slovenia into the EU.

Table 6

Collected rates of tariffs and variable levies of the R of Slovenia in the year 2001 (in per cent)

	Total	EU-15	Candidate countries	Other countries with FTAs	Rest of the World
1. Agriculture	8.01	10.18	7.59	7.38	3.47
2. Other sectors	0.61	0.13	0.12	0.22	3.82
Total	**1.15**	**0.68**	**1.15**	**1.06**	**3.86**

Source: SORS – customs declarations for the year 2001, own calculations

All these activities further increased the openness of the Slovene economy. Besides this, a very small domestic market required a rapid re-orientation of production towards foreign markets. This further diminished the importance of price-forms of protection, while increasing the need for change in the concept of protection/subsidization, at least during the transition period.

The intensity of foreign trade liberalization was estimated by comparing the levels of estimated nominal and effective protection rates. Given developments in the trade regime the so-called 'ex-post' or actual tariffs and other import charges levied on a particular import item in 1993 were assumed to reflect correctly the level of the nominal rate of protection for that item. Data banks permitted differentiation between input and output goods. Furthermore, it was assumed that a particular sector received protection only on a fraction of the items sold on the domestic market, while export items are sold abroad at free-trade prices.

The effective rate of protection was estimated as the difference between value-added at domestic prices and value-added at world prices, expressed as a percentage of value-added at world prices. Since the so-called 'sophisticated' Corden methodology was used, the coefficients of the input-output matrix had to be adjusted. Three steps were followed to decompose the non-tradables into their tradable and value-added parts: a) the non-tradable inputs in non-tradable sectors were decomposed into tradable and value-added parts; b) the non-tradable inputs in tradable sectors were decomposed into the same two parts; and finally c) the parts were added to the original coefficients.

When estimating the effective protection rates under the new tariff structure, two different sets of nominal protection rates were called for: nominal protection rates which currently exist (in this case, nominal protection rates in 1993) and the proposed nominal protection rates. The first set of rates was used to convert the input-output coefficients in domestic prices into input-output coefficients in world prices. The second set was used to convert world prices into adjusted domestic prices. Following the above assumptions, the estimating procedure was modified.

Comparison of the protection rates estimated for the base year 1993 with those estimated for 1986 (Table 7) revealed that the nominal and effective rates of protection were mainly reduced at the end of the 1980s in former Yugoslavia and in the first years of Slovenia's independence. The future percentage changes from the base-year (1993) rates still to be expected are admittedly high, yet they are considerably lower than the reduction estimated for the first stages of foreign trade liberalization. Producers in the manufacturing, energy and mining sectors had already experienced the main shock of foreign trade liberalization and reorientation from domestic to foreign markets; the estimated rate of effective protection for manufacturing decreased from 37% in 1986 to only 4% in 1993. This is the level of protection from which the liberalization process will proceed.

The main reasons for the low average rates of protection are to be found in several instances of relief and reductions of tariffs and other import charges, particularly in the share of exports in total sales which enjoyed no protection. Considering the assumptions applied, it follows that exports were negatively protected. On the other hand, the rates of effective protection of domestic sales were significantly higher. If the effect of import charges alone is considered, it can be concluded that exporters would be better off under free-trade conditions. The relatively higher rates for the agricultural sectors were mainly the result of low export shares and special import duties levied.

During the transition period (1997-2001), tariffs on imports from the EU has been gradually phased out. The relatively low levels of nominal and effective rates of protection estimated for the final year of the transition/pre-accession period point to the adoption of the EU Common Customs Tariff having a relatively low additional impact after accession, the only exception being the production of basic agricultural material, particularly processed agricultural goods. Producers who are still primarily oriented towards the domestic market undoubtedly faced additional competitive pressures owing to the continued process of trade liberalization during the transition period.

The levels of protection that have served as the basis for negotiations with the EU and other countries could only be reduced further (with some exceptions). In the remaining short five-year transition period, the Slovene Government had the possibility to selectively protect/subsidize particular producers solely by means of the tariff rates remaining, legal non-tariff forms of protection and/or the appropriate industrial policy measures. The need to redirect sales to foreign markets and simultaneously open up the home market to foreign competition via the integration of Slovenia into Europe required a different approach to protection policy in the Slovene economy. Under these circumstances, classical price protection instruments played an increasingly limited role.

The protection of products which are predominantly exported had no significant effect; export promotion activities would be far more important and effective. Selective use of individual protective instruments has becoming increasingly important; these instruments should permit a temporary adjustment of domestic production and they should also protect it against unfair competition. If the government wanted to intervene actively in this field, it would also undoubtedly have to take different steps in order to subsidize production in the context of industrial policy. It was limited to implementing those measures permitted by the WTO and the European integration agreements.

But it could be hardly concluded that Slovenian government in fact acted accordingly to the required different approach to protection policy – on contrary, firms in manufacturing industries have been exposed almost completely to foreign competition, and industrial policy actions resulted mostly as job preserving activities, with quite low orientation towards development function.

Table 7

Estimates of the effective rates of protection

SECTOR	1986	1993		1996		1997		1998		1999		2000		2001	
	Total sales	Total sales	Home sales	Total sales	Home sales	Total sales	Home sales	Total sales	Home sales	Total sales	Home sales	Total sales	Home sales	Total sales	Home sales
1. Energy and mining*	25.6	5.04	6.19	2.44	3.25	1.76	2.34	1.60	2.14	1.43	1.92	1.32	1.77	1.33	1.79
2. Manufacturing*	36.7	4.18	11.93	3.93	10.51	2.72	6.64	2.05	5.07	1.68	4.23	1.25	3.23	0.85	2.26
- Capital goods	23.7	2.33	10.09	2.47	9.39	1.59	4.37	1.14	4.10	0.92	3.40	0.64	2.55	0.34	1.71
- Intermediate goods	45.4	4.40	8.99	3.86	7.57	2.80	5.19	2.09	3.92	1.70	3.22	1.25	2.42	0.81	1.66
- Consumer goods	32.7	4.67	16.41	4.60	14.71	3.08	8.98	2.37	6.92	1.96	5.84	1.50	4.55	1.09	3.25
3. Agriculture*	8.7	18.2	17.3	25.9	25.1	26.3	25.8	26.5	6.1	26.6	26.2	26.7	26.4	26.7	26.4
- basic materials	-5.7	9.79	8.02	8.95	6.68	9.60	7.61	9.78	7.88	9.94	8.10	10.1	8.28	10.1	8.35
- processed goods	47.2	26.9	26.5	42.5	43.4	42.8	44.0	42.9	44.1	42.9	44.3	43.0	44.4	43.0	44.4
4. Total	30.9	7.03	12.11	7.89	12.34	7.09	9.86	6.64	8.85	6.39	8.31	6.11	7.68	5.85	7.07

* Energy and mining - I-O sectors 1,2,3,5 and 9
Manufacturing - I-O sectors 4,6,7,8,10-61,74-76
Capital goods - Corresponding share of particular manufacturing I-O sector
Intermediate goods - Corresponding share of particular manufacturing I-O sector
Consumer goods - Corresponding share of particular manufacturing I-O sector

Agriculture - I-O sectors 62-73, 77-82
Basic materials - I-O sectors 77-82
Processed goods - I-O sectors 62-73
Source: Majcen and Lapornik (1989), Table P.6.; Majcen (1995), Table 4 in the Appendix C; own calculations

3 Slovenian trade policies – situation before accession to the EU

In the previous section the process of Slovene foreign trade liberalization and the approach to the foreign trade regime in the EU has been presented and analysed. After a brief overview of the system of protection and the process of foreign trade liberalization, the intensity of the process has been analysed on the basis of the estimated rates of nominal and effective protection. In this section we will continue the analysis with a brief explanation of the situation in the Slovenian trade regime before the inclusion into the EU, extending the analysis beyond the tariff barriers with other measures directly or indirectly affecting imports. We will therefore try to find out the importance of different non-tariff barriers. Analysed measures are in line with the classification used by the WTO (2002), but they cover almost all categories of non-tariff barriers classified in Deardorff and Stern (1997).[10]

3.1 Measures directly affecting imports

3.1.1 Customs regime

Valuation, clearance and inspection

Legislation on customs valuation was amended in 1996 in order to comply with WTO and EU standards. Customs value of imported goods is determined on the basis of the agreed transaction value – the price actually paid (specified in the invoice) with all costs related to the sale and purchase before entering the Slovenian territory.

Several revisions of Customs Act made customs legislation compatible with the EU one, including customs valuation. A single administrative document for customs clearance has been in use already since 1992. In order to speed up customs procedures, declarations regarding import, export and transit can be made electronically, and a 'simplified customs procedure' has been introduced for authorized traders.

Rules of origin

Non-preferential and preferential rules of origin are in line with those applied by the EU and other candidates. Since 1 January 1997 Slovenia has been using new rules of origin in all FTAs, as a part of new European system of diagonal cumulation based on the achieved harmonization of the rules of origin among all 30 participating countries: a) semi-finished products originating in any country of the system and further processed or assembled in any other partner country, are considered as originating products, b) originating products can be traded between any of the countries within the system, and c) custom procedures have been simplified.

[10] This section is based on study prepared by WTO (2002).

Diagonal cumulation is certainly affecting trade between Southeast countries and EU and candidate countries. Namely, despite the Stabilization and Association Agreement between Croatia faces problems when using the preferential system as it does belong to the system of diagonal cumulation.

3.1.2 Tariffs and other charges

MFN tariffs

Analysis of the continued process of foreign trade liberalization of independent Slovenia in the previous section pointed out the fact that Slovenia has made steps towards a consolidation of its MFN tariffs. The inadequate structure of protection, the need for a new foreign trade legislation, Slovenia's joining GATT and the need to join the European integration processes forced Slovenia to adopt a new Tariff Schedule Act on the basis of the coding system established in the EU. Slovenia replaced variable levies and import quotas in agriculture by bound duties, eliminated some surcharges left or incorporated them in the new Tariff schedule. Slovenia's objective to harmonize its MFN duties on manufacturing products with the EU Common Customs Tariff by the date of accession, resulted into the further decrease of MFN rates. Because of initially high levels of bindings and faster reductions in applied rates due to the preferential trade the difference between bound and applied MFN rates remains rather high (see Table 4). This potential for increased tariff protection certainly reduces the predictability of Slovenia's tariff regime. But we should have in mind that MFN rates are applicable for only about 15% of total Slovenian imports in 2002 and that tariff quotas, concessions and exemptions further decrease the average collection rates for these imports.

Specific tariffs

In the 2002 MFN applied tariff schedule there are 10428 tariff lines at the nine-digit level and almost all are ad-valorem (96%) with 400 tariff lines in agriculture subject to compound tariffs (combined *ad valorem* and specific tariffs). Out of these 400 lines Slovenia imported 216 tariff lines in the year 2002 with the value of 70 billions of tolars (2.6% of total imports). Specific tariffs were transformed into ad-valorem equivalents using unit values data at different level of aggregation in order to obtain results for all 400 tariff lines. As some of these tariff lines are also under tariff quotas – on MFN basis, or based on preferential trade agreements – it is hard, if not impossible, to estimate the true ad-valorem tariff equivalent. It seems that the best solution would be to use data on paid specific tariffs which incorporate all mentioned difficulties.

Data bank on the 6-digit level of Harmonized system with official MFN and paid import duties for imports from 18 countries or groups of them (EU and EFTA countries), having

FTA with Slovenia or being important for the analysis of protection in the SE Europe (Albania and Serbia and Montenegro added), provides both possible solutions for lines with specific tariffs.

Tariff preferences

Slovenia signed a series of bilateral free trade agreements with other European countries and former Yugoslav republics as well as the European Agreement with EU. Preferential trade with all these countries accounted for more than 85% of total trade in the year 2002. Tariff preferences were negotiated primarily for industrial products, which resulted in almost duty free imports in the year 2001. On the other hand the average collected tariff rate for the countries without FTAs was 3.6%. Relatively low levels of collected tariff rates do not necessarily imply low tariff barriers for MFN exporters but rather concentration of MFN exports on products subject to lower MFN applied tariff rates. Outstanding results were found for the agricultural products – in case of Europe and other FTAs they reveal the fact that these products are subject to concessions only to some extent, resulting in a wide variety of restrictions and decreased transparency of the tariff regime. And these are also products for which we can expect the highest negative effects of abolishment of protection after the inclusion of Slovenia into the EU. Summary results regarding import duties paid or their official values at the 2-digit level of NACE rev. 1 classification for Slovenian imports from the particular countries in the year 2002 are presented in the Appendix (Tables A1-A4).

Tariff quotas

Tariff quotas in the Slovenian foreign trade regime result from the WTO Agreement on Agriculture (applied on MFN basis) and from preferential trade agreements. Quantities and tariff rates for particular products subject to tariff quotas are determined annually in specific government decrees. In 2001, MFN tariff quotas covered 94 particular tariff items of agricultural as well as processed agricultural products (meat and meat products, dairy products, cereals, apples, rape and colza oil). Preferential tariff quotas under signed trade agreements in most cases cover larger number of tariff items than MFN tariff quotas. It should be also stressed out that in most cases all these products are subject to mixed duties – *ad valorem* tariffs and a specific component.

Seasonal tariffs

Slovenia uses a system of seasonal tariffs for 12 tariff items covering fruit and vegetables (tomatoes, onions, cabbage lettuce, celery, cucumbers, peas, beans, courgettes, apricots, sour cherries, cherries, and plums.

Tariffs concessions and exemptions

The Customs Act defines several schemes which concessional entry or relief can be provided:

a) duty-free imports of goods not directly linked to an economic activity (diplomatic consignments and other imports under international conventions, personal luggage, items sent by post);
b) inward processing scheme (a suspension/relief or a drawback/refund of duties Article 90);
c) outward processing scheme (full or partial relief from duty on the imported product containing Slovenian goods temporarily exported for processing);
d) partial or full relief on goods earmarked for re-export, goods in transit, goods kept in customs warehouses, goods processed under customs supervision, goods destined for re-export within a period of two years in an unaltered state (temporary importation);
e) Economic or free-trade zones (Economic Zones Act and Articles 127-140c of the Customs Act).

The list of products subject to tariff reductions or exemptions is updated annually in a particular government decree – The Decree on the Autonomous Measures of Reduction or Abolition of Duty Rates for Specific Goods – which represents a part of the annual Law on Customs Tariff. For the year 2001, 1621 tariff items (16% of total number) at the most disaggregated level from 77 HS chapters were subject to reductions or exemptions (WTO, 2002, Table AIII.5).

To get a notion how important are tariff concessions and exemptions (together with tariff quotas), we calculated unweighted averages for official and actually paid import duties for imports from other countries (countries with MFN tariff rates). Unweighted official import duties (tariffs + ad-valorem special tariffs) for tariff lines actually imported in 2002 amounted to 10.3% compared to only 7.1% of unweighted actually paid import duties or 31% less.

Other charges and indirect taxation

Most imports are subject to an ad-valorem VAT, which is applied uniformly on both foreign and domestically produced goods. VAT is based on principles of the VAT legislation of the EU. Since 1 January 2002 VAT rate for most goods and services is 20% and the reduced rate is 8.5% for a limited list of essential goods and services (food, agricultural inputs, water, pharmaceutical products, accessories for disabled, public transport, books, newspapers and periodicals, housing, services of authors, composers, cultural and sporting events, hotel and other accommodation, funerals, and waste treatment). Exports are zero-rated. The threshold for taxation is in order of EUR 25,000 for all taxable persons, except farmers (EUR 7500). Exempted are very small firms and some products and services (broadcast, cultural, educational, medical and social security services, political, religious, philosophical activities and trade unions, insurance and financial services, real estate and gaming). Products exempted from import duties are generally also exempted from VAT. Non resident buyers can obtain VAT refunds on goods valued more that EUR 70 (but not on goods subject to excise taxes). Alcoholic beverages, mineral oils, gas and tobacco products are subject to excise taxes (on both imported or domestically produced goods), based on EU directives on the harmonization of excise duties in the Single market.

3.1.3 Import licensing, controls, and prohibitions

Trade prohibitions

Very few ones based on sanitary and phytosanitary considerations, and implementation of UN resolutions. Slovenia harmonized its legislation on plant protection against harmful organisms with applicable EU regulations.

Import licensing

After the independence Slovenia maintained import quotas mostly for agricultural goods and textiles and clothing products. Due to the WTO accession import quotas for agricultural goods were abolished, converted into variable levies and than to bound tariffs with tariff quotas on some of these goods. Since the WTO accession the only remaining quantitative restrictions are those on textiles and clothing products, which are being phased-out in accordance with the programme of integration presented.

According to Slovenian legislation goods subject to licensing, quotas or authorization can be grouped into three categories: a) products affecting public security, order, health, environment and the cultural heritage (the aim is not to restrict the quantity or volume of imports), b) textiles and clothing products that are subject to quantitative restrictions (the aim is indeed restriction of the volume of imports), and c) agricultural products that are subject to tariff quotas.

3.1.4 Contingency measures

Despite enacted anti-dumping and countervailing measures Slovenia did not actively used them (with only one anti-dumping case initiated against imports of turkey meat from Hungary). Regarding the safeguards, Slovenia has introduced one provisional safeguard measure on imports of meat of swine, fresh, chilled or frozen (1999). New Decree on Safeguard Measures (October 2000) covers agricultural products and provides special treatment (exemption) of imports from developing countries if their market share is less than 9% of total imports. It does not apply to products which fall under the Agreement on Textiles and Clothing or are imported under free-trade agreements.

3.1.. Standards and technical regulations

Slovenia has to fulfil obligations under the WTO Agreement on Technical Barriers to Trade as well as it has steadily progressing in harmonization of legislation with the EU in the area of standards, regulation and conformity assessment – three new laws were introduced in 1999 (Standardization Act, Act on Accreditation and Act on Technical Requirements for Products and Conformity Assessment) and two new non-governmental agencies were established. Slovenia is a full or associated member of many international organizations in the field of standardization and there are only 16 purely national standards in force.

Use of standards is not mandatory in Slovenia, unless it is so stated in a particular legal act (for instance products for which safety is important – food, electrical equipment, construction material,...). Regulations governing sanitary and phytosanitary measures are in accordance with international conventions and do not discriminate against imported products. Veterinary authorities may impose measures in the form of import bans – for plants and plant products on which listed quarantine pests occur. On the other hand some products must fulfil special quarantine requirements to be able to enter the country, or phytosanitary/veterinary certificates are required.

3.1.6 Government procurement

The Public Procurement Act has been recently revised in the year 2000 in order to harmonize further with the EU rules. It regulates public procurement of supply, works, and services, covering water, telecommunications, energy and transport. It unifies all procedural requirements into one single Act, and creates a central administrative authority in charge of its implementation (Public Procurement Office). It also increases transparency through enhanced publication requirements and emphasizes the principles of fair competition and equality among all tenders, domestic or foreign – 10% preference for domestic bidders has been eliminated. Tenders are public and open, involving unlimited number of parties, but restricted and negotiated procedures are also possible. Bids that fulfil the conditions specified are judged on the basis of the lowest price or the most economically advantageous bid. In practice tenders based on the revised Act turned out to be too complex and time consuming, revealing the lack of appropriate executing regulations. Nevertheless, it certainly additionally diminished protection of domestic bidders.

3.1.7 Other measures affecting imports

In the whole period after its independence Slovenia has never used import restrictions for balance of payments reasons, does not maintain countertrade arrangements, has no state-trading enterprises and has no legislation on local content or performance requirements affecting manufacturing.

3.2 Measures directly affecting exports

Export duties and taxes

Slovenia has no duties, taxes or other charges on exported products, and does not maintain any official minimum or reference export prices. Since the 1 January 1998 the last, reduced export tax on woods has been abolished (till 1997 we had 15% export taxes on woods and wood products, and 25% on ferrous, aluminium and copper waste and scrap) .

Export restraints and licensing requirements

Currently there are no export prohibitions in force with the exception of embargos due to the UN Security Council Resolutions. A limited number of products are subject to export licensing requirements – mainly for dangerous chemicals and radioactive substances and also for other products (raw materials, precious metals, auxiliary chemical substances and pharmaceuticals) – in order to fulfil obligations under certain international treaties and conventions. In 2000 Slovenia enacted Exports of Dual-Use Goods Act in order to control the exports of dual-use (military and civilian) goods and technologies.

Export promotion and assistance

Slovenian authorities claim that there is any specific and direct financial assistance for exports either on industrial products or on agricultural products. Insurance of export credits and investments against non-commercial (on account of the State) and commercial risks (on its own account) has been provided by Slovenian Export Corporation (SEC). Government has provided initial funds for the establishment of reserves and guarantees its obligations for non-commercial risks. SEC increased its activities in export finance by providing refinancing for banks' export loans. It also participates in the management of the Interest Rate Equalization Programme – a state sponsored interest-rate subsidy programme allowing exporters to get export credits on more favourable terms than market conditions. The fact is that state subsidy for this programme is rather small one amounting at about EUR 3.5 million.

Another government agency, the Slovene Trade and Investment Promotion Agency (TIPO), promotes and assists the development of trade and industrial cooperation between Slovenia and other countries (organization of trade missions abroad, promotion of FDI, information on legislation, taxes and incentives, provision of links with industry and local authorities).

Formally, Slovenia has a specific trade promotion programme for agriculture in order to provide assistance to net exporting activities of wine, apples, dairy products and poultry in their search for new markets. Government is considering these measures as necessary marketing tools that should not be viewed as export subsidies.

Slovenian legislation enables establishment of free-trade zones into which products may be imported and later exported without payment of customs duties and other taxes – there are two free-trade zones established.

3.3 Other trade-related measures affecting production and trade

3.3.1 State aid

Subsidies on economic or social grounds certainly affect domestic production in particular sectors giving them a non-tariff protection against imports. They are granted in the form of aid to industrial restructuring (steel, coal mining, textiles and clothing industries), direct support to output in agriculture, regional aid and other horizontal objectives (research and development, environment, restructuring, employment,...). The direct cost of the state aid amounted to 2.1% of GDP in the year 2000, showing only a minor decrease comparing with previous years. Gradual reduction of subsidies to steel industry and horizontal programmes has been partly compensated by a substantial increase in subsidies to agriculture (see table 8).

Due to the EU requirements Slovenia prepared the State Aid Control Act and secondary regulations in the year 2000. With this Act the Commission for State Aid Control (CSAC) gained power for assessing, approving and monitoring the use of state aid.

From Table 8 it can be concluded that some particular sectors got quite a substantial state aid which certainly affected also the imports of products produced in these sectors. On the other hand it is difficult to find out how much state aid went to particular sectors. One possible solution is the input-output table with the data on subsidies (on production and on products) for each 2-digit NACE sector. If we use the assumption that all subsidies got represent a non-tariff barrier for imports, an ad valorem tariff equivalent can be calculated for each sector. As the subsidies represent only one part of total state aid, better solution would be to get the data on the state aid given to the particular sector of Slovenian economy. From the experts working on the Survey on State Aid, we got the sector data for the last year available, 2001. We combined the data with the data on value added and output for each 2-digit NACE Rev. 1 sector in order to arrive to some estimate of ad-valorem tariff equivalent of state aid. Results are presented in the Table A5 in the Appendix. It can be concluded that the most important sectors which got substantial share of state aid were: agriculture, food products and beverages, leather and leather products, research and development services, other business services, membership organization services n.e.c., and land transport and transport via pipeline services.

Table 8

State aid in Slovenia

CATEGORY	1998 Bill. SIT	1998 %	2000 Bill. SIT	2000 %	2002 Bill. SIT	2002 %
1. Agriculture and fisheries	**17.2**	**20.9**	**38.3**	**45.6**	**46.2**	**60.0**
2. Horizontal objectives:	**43.6**	**53.0**	**29.5**	**35.1**	**19.0**	**24.7**
- Research and development	14.4	17.5	4.1	4.9	5.9	7.7
- Restructuring	12.7	15.4	5.3	6.3	0.4	0.6
- Employment and training	11.4	13.9	13.7	16.3	5.1	6.6
3. Particular sectors	**21.1**	**25.6**	**14.9**	**17.7**	**9.0**	**11.7**
- Steel industry	3.4	4.1	0.8	0.9	0.0	0.0
- Transport	13.6	16.5	11.5	13.7	5.0	6.5
- Coal mining	3.4	4.1	2.4	2.8	3.8	5.0
4. Regional aid	**0.4**	**0.5**	**1.3**	**1.6**	**2.7**	**3.6**
Total state aid (in EUR million)	**82.3(442)**	**100.0**	**83.5(407)**	**100.0**	**76.9 (340)**	**100.0**

Source: Government of Slovenia, Third Survey on State Aid (2001), Fifth Survey on State Aid (2003)

In addition to direct costs of state aid system we should not forget indirect costs as a result of forgone revenues, due to the duty and tax exemptions. A large number of autonomous MFN exemptions, tariff quotas, and preferential agreements, certainly decreases protection of particular products – collection rate (customs duty revenues divided by imports) is therefore better indicator of nominal protection.

3.3.2 Competition policy

Legal framework for competition can be found in Article 74 of Slovenian Constitution, which prohibits all practices that restrict competition in a way contrary to the law. Competition rules within the Law on the Protection of Competition had to be adapted to the acquis communautaire with the Prevention of the Restriction of Competition Act (1999) and secondary legislation, covering both goods and services: a) All legal and natural persons are treated equally under law, irrespective of legal status or ownership affiliation, b) all forms of restrictive agreements are prohibited with some exemptions (Article 5(3) and 9), c) the abuse of dominant position is also prohibited (a 40% market share + other criteria regarding the access to finance and investment), taking into account the existence of duopoly or oligopoly, d) concentrations, especially through mergers, are prohibited if they effectively eliminate competition.

Implementation of competition rules is monitored by the Competition Protection Office, which operates independently with no need to report to the government or Parliament but it has to publish decisions regarding the start of investigation and final decisions in the Official Gazette.

Technically, legislation regarding the competition has been successfully adapted to EU recommendations, the Competition Protection Office was established and it is already practically functioning from the 1999 on (see Annual report 2000; June 2001 and Table 9). It has certainly helped to improve to some extent competitive environment within Slovenian economy but, on the other hand there is no analysis done regarding the actual restrictions of competition in particular sectors and their indirect impact on protection of domestic producers against foreign firms.

Table 9

Number of decisions made by Competition Protection Office in the period 1999-2003

Number of decisions	**1999**	**2000**	**2001**	**2002**	**2003**
1. Concentrations:	**13**	**39**	**40**	**48**	**54**
- agreed	12	*31*	*27*	*39*	*41*
- additional obligations and conditions	0	*4*	*4*	*2*	*8*
- does not fall within the scope of the act	1	*4*	*6*	*5*	*3*
- investigation stopped	0	*0*	3	2	2
2. Abuse of dominant position	**0**	**4**	**3**	**1**	**1**
3. Restrictive agreements:	**0**	**9**	**6**	**5**	**8**
- individual exemptions	0	*5*	*1*	*3*	*3*
- negative clearance	0	*4*	*2*	*1*	*5*
- forbidden agreements	0	*0*	*3*	*1*	*0*
Total	**13**	**52**	**49**	**54**	**63**

Source: Competition Protection Office, unpublished data sheet, 2004

3.3.3 Privatization

Privatization process aimed at transfer of social ownership through the allocation of firms' shares to employees and management or to be sold to the public (10% of shares should go to the Compensation Fund for payments to previous owners, 10% to the Pension Fund, 20% to the Slovenian Development Corporation, 20% for internal distribution in exchange for vouchers and 40% to insiders or to the public through commercial sales). Despite the achieved aim of transfer of ownership of a great part of socially owned firms to the private sector, gradual approach contributed to slow down the necessary economic restructuring. Another very important characteristics of Slovenian privatization process has been limited foreign participation in the early phase as the result of pervasive capital controls, a two year freeze on share transfers of newly privatized firms, limited Stock Market role, and investment restrictions in the banking and insurance activities. Since 1999 these restrictions has been gradually relaxed and the second phase of privatization (the sale of state owned firms – banks, energy plants, airport, seaport and railways, telecommunications firm and large manufacturing firms) certainly gives new opportunities for foreign investors.

3.3.4 Price controls and regulations

Another reform, namely deregulation of prices, combined with the privatization, is necessary in restoring a proper system of relative prices and therefore incentives. Both should go together with the process of trade liberalization in order to fulfil important role of trade policy in the transition process of Slovenian economy towards market economy. In fact, during the last few years authorities liberalized some of controlled prices – for medical products, compulsory automobile insurance, sugar, postage. Nevertheless price controls still apply to 13% of prices of products and services monitored by the Statistical Office at the beginning of 2002, (electric power, oil derivatives, postage for basic postal services up to 100gr, basic telecommunication services, railway passenger transport, distance communal heating, basic utility services and propane and butane. They certainly indicate that many important service sectors still enjoy protection on domestic market.

3.4 Trade policies in some selected sectors

The analysis so far has revealed the fact that Slovenian import regime has only few non-tariff barriers. The only remaining quantitative restrictions are those on textiles and clothing and they will also be phased out by the end of the year 2004. As a result of implementation of WTO obligations and EU accession requirements Slovenia has made positive achievements in the harmonization of national standards and technical regulations, increased transparency of public procurement and a removed a 10% preference of domestic bidders, has made almost no use of enacted anti-dumping, countervailing and safeguard measures, relaxed conditions of access to domestic markets through legislation on investments, competition, state aid and intellectual property rights.

Which sectors are still additionally protected with some forms of non-tariff barriers? Certainly textiles and clothing, but only till the end of the year 2004, agriculture with increasing government assistance and some service sectors, which certainly did not attract enough attention regarding the levels of protection so far.

Some further knowledge regarding the possible levels of non-tariff barriers could be obtained indirectly through analysis of the openness of particular sector to trade, using the indicator of the share of total trade (imports + exports) in the value of production, and through the analysis of the market concentration, using the data on the total number of firms operating with the particular sector and the share of the first four largest firms in total value of production in particular 2-digit NACE rev.1 sector. Results are presented in Tables A6 and A7 in the Appendix. It can be expected that sectors with low trade openness and/or high market concentration could be additionally protected with some forms of non-tariff barriers.

Results obtained on trade openness reveals that manufacturing sectors are already very opened to foreign competition with some exemptions (printed matter and recorded media, and to some extent also food products and beverages). These results only once again confirm the findings regarding the low levels of tariff protection and almost no other forms of protection. Market concentration is on the other hand relatively high in some manufacturing sectors, which is also partially the result of a small domestic market – taking into account high trade openness, this should not have any great influence on imposing non-tariff barriers.

Quite the opposite are the results obtained for agriculture and service sectors, again with some exemptions (see water and air transport services, which are mainly the result of small country). Their trade openness is very low or even non-existent. High market concentration for some sectors only additionally adds to the fact that all these sectors reveal low levels of competitiveness and need of some additional protection against foreign competition. Typical sectors, which resulted the least opened also regarding the GATS commitments, are transport, communications, financial services and health and social services. Agriculture is special case with high state support and very high calculated nominal rate of protection compared to manufacturing sectors.

In next sections we will briefly examine some particular sectors and their possible non-tariff barriers.

3.4.1 Textiles and clothing

The only true remaining quantitative restrictions can be found in textile and clothing sector which will be phased out by the 1. of January 2005. The other two categories of import licensing are used to protect national security, health, environment and cultural heritage or in order to administer imports of agricultural products that are subject to tariff quotas.

Slovenia notified its programme for the phase out of quantitative restrictions on imports of textiles and clothing in three phases: a) Phase 1 (1 January 1997): elimination of quantitative restrictions for a group of products which represented 62% of the total volume of imports of products subject to quantitative restrictions in the year 1992; b) Phase 2 (1 January 2001): elimination of restrictions for a group of products which represented 22% of the total volume of imports; c) Phase 3 (1 January 2005): elimination of the remaining group of products representing 16% of total imports.

Table 10

Textile and clothing product with quotas, imports in the year 2002

Tariff item	Group	Quota	unit of measurement	Total imports (USD mn)	Imports - non FTA (USD mn)
611011	A1			3,786	237
611012	A1			12	1
611019	A1	555500	pieces	127	14
611020	A1			11,500	1,887
611030	A1			10,875	1,688
620341	A2			3,312	15
620342900	A2	281000	pieces	1,429	497
620343900	A2			459	275
620349900	A2			638	14
620461	A3			7,786	97
620462900	A3			743	187
620463900	A3	224800	pieces	572	230
620469180	A3			1,847	145
620469390	A3			1	0
620469900	A3			1,709	47
620510	A4			13	8
620520	A4	603800	pieces	6,600	2,445
620530	A4			761	362
620620	A5			101	16
620630	A5	205800	pieces	4,484	708
620640	A5			2,422	348
Total				59,177	9,221

Source: Ministry of Economy, 2002, import data for the year 2002

Quantitative restrictions (QR) on remaining 65 8-digit CN level textiles and cloth products are in fact imposed in order to restrict the quantity of imports. Licences are based on annual quotas and are granted on a first-come-first-served basis or among importers taking into account their imports in previous years. Free trade agreements grant quota free access of these products, thus pointing out the fact that these restrictions are of limited importance. If fact, if we look at the figures in the Table 10, that total imports of these products in 2002 was USD 59 million or only 8.6% of total imports of textile and clothing products. From the total of 65 products Slovenia imported only 33 of them, 1208 being the number of all textile and clothing products imported in the year 2002. On the other hand, imports from the countries affected by the QR, has been USD 9.2 million – this very low figure is certainly also the outcome of the use of QR. It has to be stressed out also the levels of collected import duties rates. For countries not having the FTA with Slovenia the average rate has been 17.6%, and for the countries with FTAs the average rate has been only 0.4%. Almost completely liberalized imports from the countries with FTAs certainly substantially influenced trade flows.

Considering the importance of the remaining products with QRs and the fact that this restrictions will be abolished with the beginning of the 2005, it can be concluded that the only remaining real QRs do not have very important role within the textile and clothing sector.

3.4.2 Agriculture

Basic characteristic of Slovenian agriculture are certainly its unfavourable natural and structural conditions, which explain its status as a net food importer and protectionist agricultural policy. During the period of transition also agricultural policy went through thorough restructuring with the aim to come close to the goals and mechanisms of the EU Common Agricultural Policy (CAP). Compared to the other new entrants Slovenia has particular position – producer prices are comparable with the prices in the EU, it is net importer of food and it has only a limited potential for a greater rise in production.

Increased support to agriculture is the outcome of the alignment of the policies with the EU Common Agricultural Policy. In the year 1999 the Agency for Agricultural Markets and Rural Development was established with the aim to regulate markets through price support, direct payments to farmers and set-aside schemes.

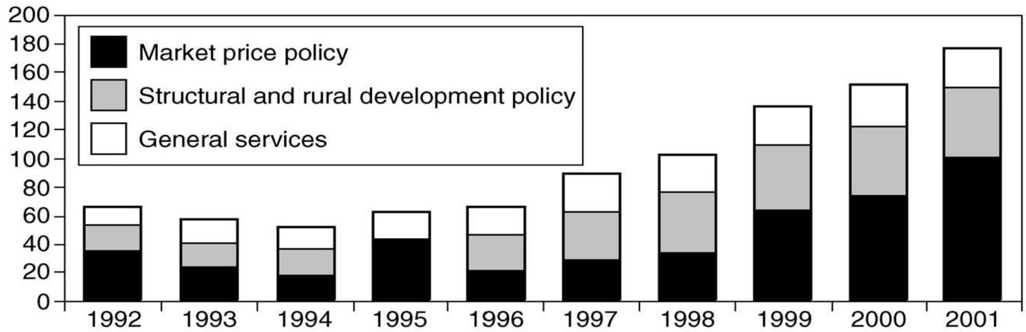
Government assistance is provided through the combination of already mentioned border measures (tariffs, specific tariffs and tariff quotas) and domestic support (through the system of guaranteed prices for some commodities, direct payments to farmers, tax concessions and input subsidies. Additionally, structural policies include separate support and investment programmes in favour of rural development, less favoured agricultural areas, and village renovation (WTO, 2002, p. 62).

Changes in the agricultural policy resulted in a significant increase in the budgetary expenditure. The highest increase was recorded within the period 1997-2001 and in 1999 in particular when market price policy expenditure almost doubled (Erjavec et al, 2003, p. 560). Expenditure for market price policy measures is the largest item, followed by expenditure for agricultural structural and rural development policies and expenditure for general services for agriculture (figure 1).

During the preparation for accession the instruments used for domestic support were harmonized with those of the EU. In the first period of transition Slovenia preserved mainly administered prices (in the three important food-processing chains: milling wheat – flour, milk – pasteurized milk and sugar beet – sugar) and per-hectare payments for farmers, which were phased out in 1998-2001 together with related monopoly arrangements in the wheat and sugar branches. In addition to the system of producer price aids, subsidizing of input costs for agriculture has been another important form of direct income support.

Figure 1

Budgetary expenditure for agriculture, 1992-2001 (EUR million)

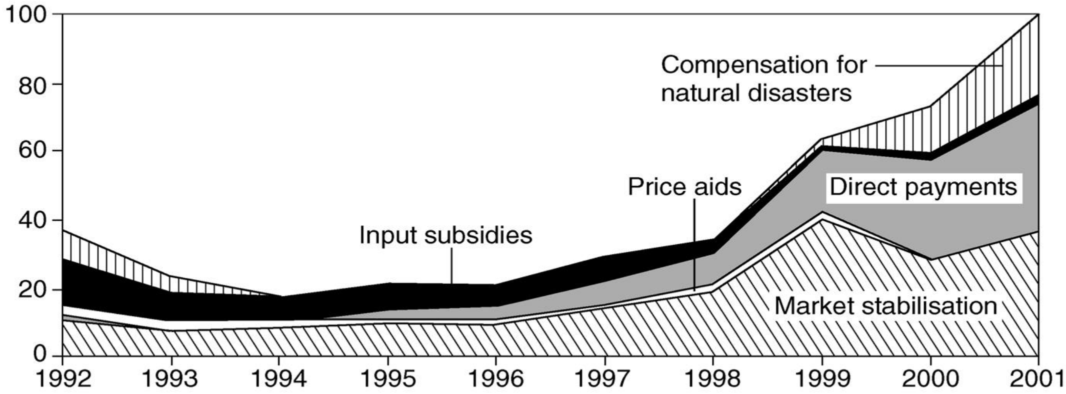


Source: Erjavec et al. (2003).

Gradually, Slovenia moved towards the establishment of common market organizations in which intervention prices were set at lower levels. Since 1995 Slovenia gradually introduced direct payments to all major production. Another indirect measure with the aim of protecting producers are export promotion payments to food producers, aimed at reducing the surpluses on the domestic market. Another indirect measure with the aim of regulating the situation on the market are various forms of storage support and intervention buying. Developments in the area of market price policy measures during the transition are documented in Figure 2 (ibid. p. 561-562). Up to the year 2000 increased expenditure for market price measures can be attributed to the expenditure on market regulation measures. At the same time, direct payments rapidly increased and various forms of subsidizing the use of inputs were decreasing – the structure of market price part of the agricultural budget came close to the structure of the EU budget.

Figure 2

Budgetary expenditure for market price policy measures, 1992-2001 (EUR million)



Source: Erjavec et al. (2003).

The structural problems (unbootable size structure of farms, high share of farms situated in less favoured areas, low production potential of traditional family farms, low intensity of production, high share of consumption of products on farms, unfavourable age and education structure of agricultural householders) led to a wide range of agricultural structural policy measures:

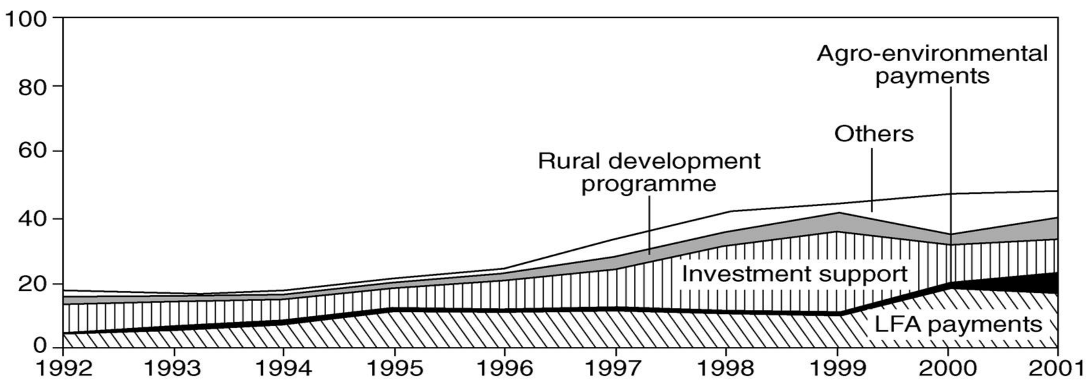
a) Compensatory allowances for less-favoured areas are the most important,

b) agricultural environmental payments have been introduced gradually with greater changes in 2001 after the adoption of Slovenian Agricultural Environmental Programme,

c) Investment support is given through subsidies for long-term loan interest rates or through grants.

Figure 3

Budgetary expenditure for agricultural structural policy measures 1992-2001 (EUR million)



Source: Erjavec et al. (2003).

Changes in the level and structure of expenditure for structural policy actions have been much lower compared to those under market price policy (see Figure 3), with the system of payments turned more towards more production neutral compensatory payments.

Despite of some liberalization of agricultural and food markets through the signed FTAs with several European countries and the concessions given, market regulations measures allow the prices at a relatively high level compared with world prices. The level of producers support in Slovenia exceeds the levels of average support in the OECD countries, in all Central and Eastern European countries and even in the EU countries, high market price support (MPS) being the main reason of so high level of producer support (PSE; see Table 11). The level of support is the highest for sugar, beef, sheep and goats, followed by wheat and milk, while maize and poultry sectors receive the lowest support.

Table 11

Producer support and its structure within the period 1992-2002

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Nominal Assistance coefficient (NACp)	1,47	1,33	1,42	1,53	1,37	1,47	1,73	1,94	1,66	1,62	1,75
Percentage PSE (% PSE)	32	25	29	35	27	32	42	49	40	38	43
PSE (mil. EUR)	189,0	143,5	183,7	251,7	208,1	240,0	321,8	355,5	314,5	316,5	366,3
Cenovna Mark Market price support (MPS)	146,9	114,3	155,2	217,3	170,5	196,5	275,8	301,6	234,2	216,5	259,2
Budžetska pla Budgtary payments to producers	42,1	29,2	28,5	34,4	37,6	43,5	46,0	53,9	80,2	100,0	107,1
Structure of the PSE (%)											
Cenovna Mark Market price support (MPS)	77,7	79,7	84,5	86,3	81,9	81,9	85,7	84,8	74,5	68,4	70,8
Budžetska pla Budgtary payments to producers	22,3	20,3	15,5	13,7	18,1	18,1	14,3	15,2	25,5	31,6	29,2
Nominal protection coefficient of producers (NPCp)	**1,52**	**1,48**	**1,53**	**1,57**	**1,38**	**1,47**	**1,81**	**1,96**	**1,55**	**1,49**	**1,61**

Source: Volk, T.(Table 2;2003)

For the purpose of estimation of ad-valorem equivalents of non-traded barriers, nominal protection coefficient of agricultural producers (NPCp) is a correct measure. It measures a relative share of domestic prices compared to world prices and is a slightly different from Nominal assistance coefficient (NACp), which measures a relative share of gross earnings compared with the earnings based on world prices. It comprises the impact of border protection through import duties as well as all different types of domestic support. Calculated NPCp for Slovenian agriculture products of 1,61 in the year 2002 means that domestic prices of agriculture products were 61% higher compared to world prices. And this figure is certainly much higher compared to the unweighted values of import duties (tariffs + specific tariffs = 9.9%), augmented by the state aid (11.5%).

3.4.3 Services

Like in many other transition economies, the service sector in Slovenia was in past neglected in terms of economic policy considerations and investment expenditure (Stare, 1999). In the 1990s service sector went through market oriented reforms aimed at increasing competitiveness. These reforms were the outcome of autonomous opening as well as the liberalization of services trade within the EU accession process and GATS.

GATS builds on sector approach therefore market access and national treatment commitments are valid only for scheduled service sectors.[11] Schedules of commitment are horizontal, which refer to all sectors, and sector specific, which refer only to the scheduled sectors. National schedules are based on service sector classification list including 12 main services and 161 sub-sectors. Member country has to indicate restrictions for market entry and for national treatment under each of the four modes of supply (cross-border trade, consumption abroad, commercial presence, movement of workers). There are three different entries in schedules:

– none: no restrictions with full binding;
– partial commitments: listing specific restrictions that are bound – member can introduce further restrictions;
– unbound: no commitment.

Although the schedules reveal the most sensitive sectors, the importance of individual modes of supply and different types of barriers to market access and national treatment, it is difficult if not impossible to assess the restrictiveness of service regime as the variety and complexity of trade restrictive measures is not evident from GATS schedules. Many studies on the restrictiveness of commitments in services follow the approach developed by Hoekman (1995), often improving the restrictiveness indices (see for example Matoo, 1999).

The assessment of GATS commitments of Slovenia was based on the following indicators:

– coverage ratio (the share of scheduled sub-sectors in the total number of sub-sectors),
– full liberalization ratio (the share of tital entries binding full market access and national treatment in the maximum possible number of entries),
– share of different types of commitments in total number of commitments for market access and national treatment,

[11] *This section is based on the studies prepared by WTO (2002) and OECD (2002).*

– share of schedule entries binding full or partial commitments in market access and national treatment in the maximum possible entries for major service sectors,
– coverage ratio and full liberalization ratio for twelve major service sectors.

Horizontal limitations to both market access and national treatment in modes 3 and 4 were added to sector-specific limitations, thereby decreasing the extent of openness provided by sector specific commitments.

In sector-specific commitments Slovenia scheduled 76 of 154 service sub-sectors (see Table 12). Regarding the type it scheduled full binding in 60% of all entries for modes 1,2 and 3, partial binding in 29% and any binding in 11% of entries. Mode 2 (consumption abroad) appears as the most liberal as the entries with no limitation account for 83% or 97% of all entries for market access or national treatment. On average, the full liberalization ratio accounts for about 30% of all entries.

An overview of Slovenian commitments by different service sectors reveals that lowest coverage ratio have transport services, recreational, cultural and sporting services, followed by communication services and health and social services (Table 13). As this ratio does not provide any information about the restrictiveness of barriers, the full liberalization ratio has been calculated, which measures the share of sub-sector entries with no limitation in modes 1, 2 and 3 in total number of sub-sector entries. With this approximation of openness, transport, communication, financial services, health and social services appeared to be least liberalized (Table 14).

Table 14

Sector GATS commitments in market access and national treatment in modes 1,2 and 3

Service sectors	Coverage ratio	Full liberalization ratio
1. Business services	56.5	50.0
2. Communication services	25.0	16.7
3. Construction and related engineering services	100.0	60.0
4. Distribution Services	80.0	80.0
5. Educational services	60.0	60.0
6. Environmental services	100.0	66.7
7. Financial services	100.0	16.7
8. Health services and social services	50.0	16.7
9. Tourism and travel related services	50.0	25.0
10. Recreational, cultural and sporting services	20.0	20.0
11. Transport services	20.0	15.2

Source: OECD (2002), Table 3, p. 14

Table 12

Slovenian GATS commitments by type of limitation

		Market access (MA)				National treatment (NT)				MA+NT
		mode 1	mode 2	mode 3	total	mode 1	mode 2	mode 3	total	
Number of sub-sectors scheduled		**76**	**76**	**76**	**228**	**76**	**76**	**76**	**228**	**456**
	none	**39**	**63**	**49**	**151**	**49**	**74**	**0**	**123**	**274**
	partial	**13**	**13**	**27**	**53**	**6**	**2**	**73**	**81**	**134**
	unbound	**24**	**0**	**0**	**24**	**21**	**0**	**3**	**24**	**48**
Number of non-scheduled sub-sectors		**78**	**78**	**78**	**234**	**78**	**78**	**78**	**234**	**468**
Total number of sub-sectors		**154**	**154**	**154**	**462**	**154**	**154**	**154**	**462**	**924**
% of scheduled in total		**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**
Scheduled, % by type of limitation		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	none	**51.3**	**82.9**	**64.5**	**66.2**	**64.5**	**97.4**	**0.0**	**53.9**	**60.1**
	partial	**17.1**	**17.1**	**35.5**	**23.2**	**7.9**	**2.6**	**96.1**	**35.5**	**29.4**
	unbound	**31.6**	**0.0**	**0.0**	**10.5**	**27.6**	**0.0**	**3.9**	**10.5**	**10.5**
Scheduled , % in total, by type of limitation		**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**	**49.4**
	none	**25.3**	**40.9**	**31.8**	**32.7**	**31.8**	**48.1**	**0.0**	**26.6**	**29.7**
	partial	**8.4**	**8.4**	**17.5**	**11.5**	**3.9**	**1.3**	**47.4**	**17.5**	**14.5**
	unbound	**15.6**	**0.0**	**0.0**	**5.2**	**13.6**	**0.0**	**1.9**	**5.2**	**5.2**

Source: OECD (2002), Table A1, p.32

Table 13

Slovenian GATS commitments by service sectors

	MA or NT			Entries in mode 1, mode 2 and mode 3							
				Market access (MA)				National treatment (NT)			
				None		None+Partial		None		None+Partial	
	Total	**Scheduled**	**%**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
	1	2	3=2/1	4	5=4/1	6	7=6/1	8	9=8/1	10	11=10/1
1. Business services	138	78	56.5	69	50.0	74	53.6	47	34.1	73	52.9
2. Communication services	72	18	25.0	12	16.7	17	23.6	11	15.3	17	23.6
3.Construction and related engineering services	15	15	100.0	9	60.0	10	66.7	5	33.3	10	66.7
4.Distribution Services	15	12	80.0	12	80.0	12	80.0	8	53.3	12	80.0
5.Educational services	15	9	60.0	9	60.0	9	60.0	6	40.0	9	60.0
6.Environmental services	12	12	100.0	8	66.7	8	66.7	4	33.3	8	66.7
7.Financial services	48	48	100.0	8	16.7	45	93.8	29	60.4	47	97.9
8.Health services and social services	12	6	50.0	2	16.7	4	33.3	1	8.3	4	33.3
9.Tourism and travel related services	12	6	50.0	3	25.0	5	41.7	2	16.7	5	41.7
10.Recreational, cultural and sporting services	15	3	20.0	3	20.0	3	20.0	2	13.3	3	20.0
11. Transport services	105	21	20.0	16	15.2	17	16.2	8	7.6	16	15.2
12.Other services not included elsewhere	3	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TOTAL SCHEDULED SERVICES	462	228	49.4	151	32.7	204	44.2	123	26.6	204	44.2

Source: OECD (2002), Table A2, p.33

It has to be stressed that Slovenian national schedule was presented already in the year 1994 and was further adapted in 1999 for financial services. On the other hand Slovenia did not participate in the extended GATS negotiations on basic telecommunications in 1997 and did not improve its 1995 GATS schedule, but, due to the preparation for the accession Slovenia went on the way of liberalization of telecommunication sector.

Gradual introduction of free movement of services, free movement of workers and freedom of establishment can be find also within the Europe Agreement between Slovenia and EU. The most essential part of liberalization of trade in services was taking place through establishment and national treatment of companies and nationals of both parties, again with some exemptions that have to be abolished by the end of transition period (gambling, betting, lotteries and other similar activities, direct insurance,…). Slovenia also had the possibility to derogate from commitments on establishment in case of serious difficulties in certain industries. Regarding the cross border trade Slovenia had to take necessary steps to gradually allow the supply of services by companies for nationals established in the EU, together with temporary movement of natural persons providing services. All these steps were certainly aimed at complete liberalization of trade in services after the accession of Slovenia into the EU. Some positive developments of particular service sectors are discussed in the next paragraphs.

Banking

Positive developments in banking sector are the outcome of the aggressive programme of bank rehabilitation adopted after the 1992 banking crisis and the restrictions on foreign presence and capital movements until 1999. On the other hand severe restrictions enabled the emergence of oligopolistic practices and market structures, despite the formally large number of banks. In the year 2001 the sector is still characterized by a relatively high level of market concentration – the three largest banks have 56.6% of total banking assets. Since 1999, the regulatory framework for the banking sector has been changed in order to harmonize with EU standards and open the banking sectors to foreign competition. With the adoption of Banking Act (1999) and its amendments (2001) Slovenia uses an universal banking system, allowing local banks ad branches of foreign banks a broad range of financial services. Foreign banks may establish commercial presence through wholly capitalized subsidiaries or branches. Domestic and foreign banks need an authorization from the Bank of Slovenia to establish and operate, based on the fulfilment of specified criteria. There is no limitation on the number of foreign banks allowed in the market. Only after accession, banks registered in EU member states are able to provide services directly, without establishment. Since 1999 domestic firms are allowed to borrow from non-resident banks, elimination of foreign credit deposits requirements, the easing of regulations regarding the custodial accounts for foreign portfolio investors, removal of restrictions on commercial presence of foreign banks, all these measures certainly increased competition on domestic banking market already before the accession into the EU.

Insurance

Slovenian insurance sector is characterized by a small number of firms, with very high market concentration, the largest firm having more than 40% of the market. During the 1990s recapitalization and modernization of the firms within the highly protected market has been carried out. Foreign ownership was restricted at 15% of the capital of insurance and re-insurance firm with the possibility to buy additional shares on the basis of case-by-case approval of Insurance Supervision Agency. With the Insurance Company Law and the Law on Ownership Transformation of Insurance Companies adopted in the year 2000, also this sector experienced changes towards increased competition, foreign investment and privatization of still socially owned companies. There are no ownership restrictions, foreign firms may establish their own subsidiary or acquire 100% of listed or unlisted insurance company, but commercial presence is required in order to offer insurance. Supervision Agency has become independent, reporting directly to the Parliament. In the year 2002 there were 10 insurance companies, and 4 of them owned or controlled by a foreign company.

Telecommunication services

Another sector with very high levels of protection and market concentration was certainly telecommunication sector. State-owned monopoly – Telekom Slovenije – has been responsible for the development of infrastructure and the provision of services (fixed network and voice telephony) until the year 2000. Mobitel, a subsidiary, was initially providing two mobile telephony networks. At the end of the year 1997 Government gave the second licence for GSM mobile telephony and the third one in 2001, but, Mobitel still dominates the market. Additionally, more than 40 licences have been issued for the provision of internet services.

With the 2001 new Telecommunications Act the construction of networks and the provision of basic telecommunication services were liberalized. A regulator, the Telecommunications and Broadcasting Agency, has been established, with the responsibility of price monitoring and granting the licences (unlimited number) to new operators. The network became accessible to all operators under equal conditions, and a set of obligations were imposed on existing operators to enable such access. The prices are no longer administered and the agency monitors prices of companies with significant market power. Slovenia provides full market access and national treatment for telecommunication services when they are provide through commercial presence, through cross-border supply or through consumption abroad.

Transport

Great importance of Slovenia's integration into the European transport corridors for EU as well as for domestic economy has been reflected in investment efforts Slovenia is doing in order to further upgrade its transport system, which already applies, or is very close to, rules similar to the EU. IN 1999 Slovenia adopted the new Law on Railways, which deals with the infrastructure access conditions and enables restructuring and privatization of Slovenian Railways. New Aviation Act from the 2001 harmonizes domestic legislation with the EU acquis communautaire. The entry into force of the Common Aviation Area Agreement implies the full liberalization of aviation market at the end of the year 2002. Similarly, the new Maritime Code was adopted in 2001, which defines the sovereignty in Slovenian internal waters and territorial sea, navigational safety and its general conditions, etc... Harmonization of the maritime transport legislation with that of the EU is focused on safety. The main legislation on road transport is already adopted with the harmonization concluded by the end of 2002. Slovenia grants full market access and national treatment for maintenance services and repair of rail and road transport equipment, through commercial presence and consumption abroad. For auxiliary transport services (freight forwarding, transport agency services, warehouse and storage services) the limitation is in place concerning the need to establish as a legal entity in Slovenia – commercial presence – in order to supply services.

Tourism

Despite high growth the sector is characterized by the lack of investment as a result of slowly process and problems linked to denationalization process, and problems with the acquisition of land, which additionally impeded foreign presence despite the liberal investment regime for them. Being aware of its development potential Slovenian government is supporting different programmes for improvement of local services and promotion. Foreign companies have full market access and national treatment for travel agency services through consumption abroad and commercial presence. Foreign providers must establish a legal entity for cross-border supply of such services. Similar applies for food and lodging services, but commercial presence is subject to authorization in locations of particular historic and artistic interest or in national parks.

Slovenia did make great steps towards liberalization of service sectors but mainly through the harmonization of the legislation to EU standards. In real life service sectors are moving slowly towards higher competitiveness and many of them still need some form of protection from foreign competition to at least temporarily survive and gain some more time to adapt to new conditions. It is obvious that foreign competition is efficiently forcing domestic companies to restructure. Regional and/or multilateral services trade liberalization undoubtedly provides two positive outcomes – countries gain better market access for their services in partner countries' markets and by opening their markets they affect not only service sectors but also other sectors of the economy through better supply and lower prices.

4 Accession to the European Union – 4th phase

On 13 December 2002 Slovenia, with the other nine candidate countries, successfully concluded accession negotiations with the EU. Results obtained on the financial issues for the period 2004-2006 point out to the following official conclusions: a) stated aims were fulfilled for the agriculture sector (possibility for direct payments from own budget; the same level of direct payments from the year 2007 on; production quotas are not below the level of current production; financially very attractive solution for rural development; b) for the regional policy and structural funds Slovenia will receive EUR 404 million; there is also a possibility for the further regionalization on the NUTS-2 level; c) the EU will partially cover the costs (45%, EUR 107 million) for the construction and maintenance of the Schengen border; d) regarding the transfers and the net budget position, Slovenia succeeded in raising budgetary compensation from EUR 45 million in 2003 to EUR 85 million for each year in the 2004-2006 period; e) Slovenia's net budgetary position will be a positive one and Slovenia will also have a quite favourable position (retain its positive net budgetary position) in the period of the next financial perspective, 2007-1013.

These conclusions should in fact demonstrate that for the financial part of negotiations Slovenia succeeded to achieve the best combination in order to fulfil two aims: a) agreement with EU should enable the continuation of the process of real convergence, and b) the agreement should not worsen budgetary position and thus provide difficulties with the fiscal part of Maastricht criteria.

Within this section we will analyse the continued foreign trade liberalization process due to the accession into the EU, the official transfers between both budgets and some additional financial flows and effects on domestic budget. Namely, one should take into account decreased budget revenues due to the complete liberalization of trade with the EU and candidate countries as well as the decreased efficiency of value added tax collection. And, on the other hand, there will be additional transfers to the EU institutions and increased costs due to the preparation of Schengen border with Croatia. A partial equilibrium analysis will be then complemented by the general equilibrium simulation results in order to estimate the more complex mutual effects at the aggregate and sectoral levels.

The results obtained certainly show quickly continued process of foreign trade liberalization with the adoption of new customs system, the entrance into the GATT/WTO, the signing of several FTAs and particularly of the Europe Agreement. High orientation of Slovenian economy towards foreign markets is revealed also in the low paid tariff rates for the imports from the third countries (Table 11). Full implementation of almost all agreements was finished in the year 2001.

Theoretically, Europe and almost all other FTA should be fully implemented with the beginning of the year 2001. Nevertheless, more than 11 bill. SIT were collected on the imports from the EU countries. The main reason can be found in the imports of agricultural products that contribute 8,8 bill. SIT of import duties.

Very interesting is also the group of products from other sectors that were imported without the use of preferential treatment within the Europe Agreement – for these products importers paid more than 2 bill. SIT of import duties. Obviously it was simpler (or even cheaper) to pay tariff according to the official Customs tariff than to use preferential treatment.

Next, an estimation of import duties after the inclusion of Slovenia into the EU has been prepared: we got weighted average rates of collected import duties for imports from other countries (Table 12) for which we further assumed that they would remain the same also for the period 2004-2006.

Table 11

Average rates of collected import duties on Slovenian imports from different groups of countries for the years 1998 and 2001

SECTOR	1998				2001				CHANGE (%)			
	Total	EU15	'Laeken' group	The rest of The World	Total	EU15	'Laeken' group	The rest of The World	Total	EU15	'Laeken' group	The rest of The World
A	6,20	10,02	7,80	2,18	3,93	6,52	2,84	2,00	-36,5	-35,0	-63,6	-8,3
B	3,01	2,28	11,85	3,73	2,21	2,16	0,96	2,39	-26,4	-5,2	-91,9	-35,8
CA	0,00	0,00	0,00	0,00	0,24	0,01	0,01	0,26	-	-	-	-
CB	0,34	0,28	0,06	0,44	0,28	0,04	0,05	0,50	-17,5	-86,0	-20,2	12,8
DA	12,61	14,55	13,60	8,97	10,36	11,75	10,56	7,65	-17,9	-19,2	-22,4	-14,7
DB	2,43	1,41	0,83	7,36	1,46	0,07	0,50	6,57	-39,9	-95,0	-39,4	-10,7
DC	5,16	2,73	0,73	12,22	2,35	0,14	0,22	11,10	-54,4	-94,7	-69,4	-9,2
DD	0,77	0,88	0,29	0,69	0,33	0,14	0,16	0,81	-57,0	-83,7	-44,5	16,5
DE	1,80	1,92	0,40	1,96	0,26	0,11	0,03	1,06	-85,5	-94,1	-91,4	-45,7
DF	2,41	2,32	0,11	2,88	0,02	0,01	0,03	0,03	-99,3	-99,8	-71,2	-99,0
DG	1,08	1,13	0,12	1,26	0,30	0,14	0,04	0,91	-72,4	-87,6	-70,1	-27,9
DH	2,60	2,34	0,18	6,08	0,65	0,16	0,15	4,07	-75,0	-93,2	-17,2	-33,2
DI	1,93	2,03	0,30	2,39	0,31	0,08	0,16	1,40	-84,1	-96,2	-46,9	-41,2
DJ	0,99	1,11	0,06	1,40	0,25	0,08	0,05	0,85	-74,8	-92,6	-14,4	-39,0
DK	1,77	1,51	0,28	3,34	0,63	0,16	0,35	3,29	-64,3	-89,2	25,4	-1,7
DL	1,80	1,13	0,55	3,25	0,72	0,20	0,27	1,73	-60,3	-81,9	-49,8	-46,7
DM	3,33	2,56	0,66	7,83	0,64	0,13	0,08	5,71	-80,8	-95,1	-87,1	-27,1
DN	2,95	1,40	0,54	9,76	2,43	0,40	0,42	9,19	-17,8	-71,0	-21,3	-5,9
E	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-	-	-	-
Total	**2,68**	**2,35**	**1,79**	**3,88**	**1,15**	**0,68**	**1,15**	**2,50**	**-56,9**	**-71,1**	**-35,8**	**-35,4**

Source: SORS – import customs declarations for the years 1998 and 2001

Table 12

Estimation of changes in rates of import duties after the adoption of EU Common External Tariff (2001 prices)

Sector	Situation in 2001 EU15	Situation in 2001 'Laeken' Group	Situation in 2001 Rest of the World	Inclusion into the EU Rest of the World
A	6,52	2,84	2,00	1,76
B	2,16	0,96	2,39	1,36
C	0,03	0,04	0,29	0,40
DA	11,75	10,56	7,65	1,80
DB	0,07	0,50	6,57	6,95
DD	0,14	0,16	0,81	0,62
DE	0,11	0,03	1,06	0,92
DG	0,14	0,04	0,91	2,87
DH	0,16	0,15	4,07	3,90
DI	0,08	0,16	1,40	2,94
DJ	0,08	0,05	0,85	2,51
DK	0,16	0,35	3,29	1,59
DL	0,20	0,27	1,73	1,00
DM	0,13	0,08	5,71	5,49
DN	0,27	0,38	10,08	3,50
E	0,01	0,03	0,03	2,28
Total	**0,68**	**1,15**	**2,50**	**2,37**
Import duties (bill. SIT)	**11,324**	**2,402**	**14,724**	**13,947**

Source: SORS – import customs declarations for the year 2001, EU Common External Tariff , own calculations

In the year 2001 almost half of total import duties were collected on imports of products from EU15 and candidate countries. With the entrance into the EU Slovenia will loose these import duties. On the other hand Slovenia collected 14,7 bill. SIT on products imported from other countries with the average rate of 2,5%.

The use of the estimated rates of collected import duties on the imports of the EU from the Rest of the World on the Slovenian structure of imports from the Rest of the World did not change the average rate of import duties on the aggregate level by high margin (from 2,50% to 2,37%). Collected import duties would thus amount to 13,9 bill. SIT. Comparison of rates on the sector level reveal the most important changes in the sectors of food, beverages and tobacco industries, furniture and other non-covered products of manufacturing, for which rates will substantially decrease.

These, estimated rates of collected import duties for Slovenian imports from 'the Rest of the World' countries, together with assumption of the null rates for the imports from the EU15 and 'Leaken' group countries, estimated trade creation/diversion effect and growth of imports were than used for the estimation of the values of traditional own resources Slovenia will pay to the EU budget after the inclusion into the EU.[12]

Taking into account that in fact all ten candidate countries will enter into the EU in the year 2004, it can be concluded that Slovenian traditional own resources payments in the period 2004-2006 will be between SIT 10.3 and 11.8 billion (1999 prices) or EUR 54.6 and 60.6 million (1999 exchange rate).[13]

It can be concluded that continued process of foreign trade liberalization will cause substantial reduction of budget revenues based on import duties. Remained revenues based on import duties will represent 25% of import duties collected on the imports from 'The rest of the World' countries. In the year 1998 budget revenues from import duties amounted to almost 48 bill. SIT (1999 prices), and in the year 2001 represented only a half of the 1998 amount (23,2 bill. SIT). With the entrance into the EU we will loose additional 9,5 bill. SIT because of the complete liberalization of imports from the EU and 'Laeken' group countries, and also additional 10,2 bill. SIT transferred into the EU budget. Only 3,4 bill. SIT will be left for covering the costs of collection of import duties. Obviously, all direct effects of continued process of foreign trade liberalization have not been taken into account when the net budget position of Slovenian budget has been calculated. On one hand Slovenian budget revenues will decrease for additional 41.5 – 65.7 mil. EUR in 1999 prices and on the other hand we will not pay only 29 mil. EUR of traditional own resources into the EU budget each year, but from 52.9 to 60.9 mil. EUR (see Table 13).

Table 13

Corrections of the Slovenian net budget position due to the complete liberalization of foreign trade with EU and candidate countries and adoption of EU Common External Tariff (mill. EUR, 1999 prices)

Correction	**2004**	**2005**	**2006**
1. Budget revenues	**-41.5***	**-63.6**	**-65.7**
2. Transfers to EU budget	**-15.9***	**-18.5**	**-21.3**
3. Total	**-57.4***	**-82.1**	**-87.0**

* only for the eight months period due to the date of accession of 1.5. 2004

Source: Majcen (2002), own calculations

[12] For complete presentation of the estimation of traditional own resources Slovenia will have to pay to the EU budget see Majcen (2002).

[13] Assumption that Croatia and FYR of Macedonia completely take the advantages of the signed Stabilization and Association Agreement (SAA) with the EU, would decrease the estimated traditional own resources payments to 8,2 - 9,8 bill. SIT or 44,3- 50,7 mio. EUR. In reality Croatian exporters could take the advantage of preferential treatment for the minor part of their exports to the EU. It can be thus concluded that the estimated value would be closer to the higher numbers in the Table 4 that did not take into account SAA.

Considering the negotiation process which has been concluded on 13. of December 2002 in Copenhagen, it has to be stated that the real levels of transfers from both sides are not so obvious as it may one believe. Namely, there are many different factors that will influence the final outcome in reality: a) real growth rates of production and imports after the inclusion of Slovenia into the EU, b) inflation rates, c) exchange rate changes, and d) absorption capacity of Slovenian economy.

On the other hand we should take into the account also some additional 'costs' – Slovenia will have to pay to different EU institutions and funds and it will lose a significant amount of VAT because of decreased efficiency of gathering the tax. One should also take into account additional budget sources that will be used to compensate the difference to complete volume of direct payments, as well as the additional costs of establishing the external Schengen border.

It is obvious that when speaking about the Slovenian net budgetary position after the accession we should distinguish two 'positions'. The first one, which is strictly considering only the flows between the two budgets. And the second one, which takes into the account also additional changes in Slovenian budget due to the accession. Considering both figures, we can arrive to the estimate of direct impact of transfers on Slovenian budget. Of course, we should also have in mind that the accession into the EU (with increased market, lowered costs and increased competition) will have also a favourable positive effects on Slovenian economy. Final, direct and indirect, effects will be estimated with the use of the CGE model.

Regarding the flows between two budget it could be concluded that at the end of negotiations Slovenia succeeded to improve its positive net budgetary position from the one in the year 2003 (45 mill. EUR) to the 81 mill. EUR for each year of the period 2004-2006 (see Table 14). With the added lump-sum cash flow and budgetary compensations Slovenian net budgetary position would be positive one arising to 0.32-0.34% of GDP. This outcome has been realized due to the finally accepted corrections of the future GDP growth rates and revised volumes of GDP. Such a result certainly gives us some additional space in the (very possible) situation of lower absorption capacity than assumed of the resources from structural funds and rural development. We should also be aware of the fact that EU did not accept our estimations of traditional own resources Slovenia will have to pay to EU budget. With the revenues lost due to the complete liberalization of foreign trade with the EU and other accession countries (see Table 13), quite favourable positive net budgetary position disappears!

Adding already stated other additional costs and decreased budget revenues, we arrive to the total direct impact of accession on the Slovenian budget position (Table 12). The figures were calculated in current prices using assumed 2% annual increase from the year

1999 on. The final outcome will be probably even less favourable if we take into account the fact that exchange rates are not following completely the inflation rates in Slovenia.

It can be concluded that estimated total direct impact of the Slovenian accession on its net budget position will be clearly a negative one. Slovenian budget deficit will increase by 155 millions of EUR in the first year of accession (if we take into account also one month of postponement of VAT payments, the result for the year 2004 would be even lees favourable) and will amount to 0.6% of GDP. The greatest increase of deficit is expected in the second year after the accession (0.77%).

Of course we should have in mind that all these estimates are only partial ones, without taking into account also the reactions of economic agents as well as the government. Further trade liberalization, increased domestic market and also competition, lowered collected VAT and also lowered transaction costs, will generate changes in domestic production, trade, employment, investment and consumption. What will be the final outcome is hard to conclude without an appropriate tool. In the next section we will thus try to prepare some simulations of possible complex effects of changes in Slovenian budgetary position after the accession into the EU using the corrected version of computable general equilibrium (CGE) model of Slovenian economy, based on SAM for the year 1998 (Majcen and Buehrer, 2001). Namely, we had to correct the ‘Rest of the World’ account by splitting it down into two separate accounts: EU15 and ‘Laeken’ Group and on the other side ‘The Rest of the World’. We also added a new institution in order to simulate transfers between the two budgets after the accession of Slovenia into the EU.

The new version of the CGE model was then used for simulation of the consequences of further foreign trade liberalization in the period after the year 1998 as the outcome of the finished process of implementation of FTAs and Europe Agreement, adaptation of Customs Tariff to EU Common External Tariff for the manufacturing products, adoption of the EU Common External Tariff after the inclusion of Slovenia into the EU and estimated transfers between both budgets.

Table 14

Estimated budgetary position after the accession to the EU – Slovenia

The calculations are based on revised GDP; 1999 prices, EUR millions, SIT billions: planned date of accession: 1 May 2004

	2004				2005				2006			
	EUR	**SIT**	**% GDP**	**% GNI**	**EUR**	**SIT**	**% GDP**	**%GNI**	**EUR**	**SIT**	**% GDP**	**%GNI**
Pre-accession aid	51.0	9.9	0.22	0.22	43.0	8.3	0.17	0.17	27.0	5.2	0.10	0.10
1. Agriculture.	43.4	8.4	0.18	0.18	124.6	24.1	0.50	0.51	158.2	30.6	0.61	0.61
1a - Common Agricultural Policy	14.9	2.9	0.06	0.06	65.2	12.6	0.26	0.27	71.6	13.9	0.28	0.28
Market measures	14.9	2.9	0.06	0.06	38.3	7.4	0.15	0.16	38.8	7.5	0.15	0.15
Direct payments	0.0	0.0			26.8	5.2	0.11	0.11	32.8	6.4	0.13	0.13
1b - Rural development	28.5	5.5	0.12	0.12	59.4	11.5	0.24	0.24	86.6	16.8	0.33	0.34
2. Structural actions after capping	27.0	5.2	0.11	0.11	59.2	11.5	0.24	0.24	72.8	14.1	0.28	0.28
Structural Fund	25.9	5.0	0.11	0.11	45.9	8.9	0.19	0.19	48.9	9.5	0.19	0.19
Cohesion Fund	1.2	0.2	0.01	0.01	13.3	2.6	0.05	0.05	23.9	4.6	0.09	0.09
3. Internal Policies	49.7	9.6	0.21	0.21	59	11.4	0.24	0.24	66.3	12.8	0.26	0.26
Existing policies	12.1	2.3	0.05	0.05	20.9	4.0	0.08	0.09	28.2	5.5	0.11	0.11
Institution building	2.0	0.4	0.01	0.01	2.5	0.5	0.01	0.01	2.5	0.5	0.01	0.01
Schengen	35.6	6.9	0.15	0.15	35.6	6.9	0.14	0.14	35.6	6.9	0.14	0.14
Sub-total (1 + 2 + 3)	120.1	23.3	0.51	0.51	242.9	47.0	0.98	0.99	297.3	57.6	1.15	1.15
Cash flow lump-sum	65.0	12.6	0.27	0.28	18.0	3.5			18.0	3.5		
Total allocated expenditure	**236.1**	**45.7**	**1.00**	**1.00**	**303.8**	**58.8**	**1.23**	**1.24**	**342.3**	**66.3**	**1.32**	**1.33**
Traditional own resources	18.0	3.5	0.08	0.08	29.0	5.6	0.12	0.12	29.0	5.6	0.11	0.11
VAT resource	22.0	4.3	0.09	0.09	35.0	6.8	0.14	0.14	36.0	7.0	0.14	0.14
GNP resource	129.0	25.0	0.55	0.55	198.0	38.3	0.80	0.81	203.0	39.3	0.78	0.79
UK rebate	17.0	3.3	0.07	0.07	27.0	5.2	0.11	0.11	28.0	5.4	0.11	0.11
Total own resources	**186**	**36.0**	**0.79**	**0.79**	**289.0**	**56.0**	**1.17**	**1.18**	**296.0**	**57.3**	**1.14**	**1.15**
Net balance before budgetary compensation	50.1	9.7	0.21	0.21	14.8	2.9			46.3	9.0	0.18	0.18
Budgetary compensation	30.0	5.8	0.13	0.13	66.0	12.8	0.27	0.27	36.0	7.0	0.14	0.14
Net balance after budgetary compensation	**80.1**	**15.5**	**0.34**	**0.34**	**80.8**	**15.6**	**0.33**	**0.33**	**82.3**	**15.9**	**0.32**	**0.32**

Data sources: The final negotiation results - Copenhagen, December 2002; Institute of Macroeconomic Analysis and Development (IMAD) and

Statistical Office of the Republic of Slovenia (SORS); calculations by Ministry of Finance, Budget Department, December 2002

Table 15

Estimated budget deficit of the Republic of Slovenia after the accession to the EU (% of GDP)

(mil. Of EUR or bill. Of SIT in current prices)

	2004	2005	2006	2004	2005	2006
		mill. EUR			bill. SIT	
Expected budget revenues	5,634	5,844	6,088	1,500	1,622	1,752
Expected budget expenditures	5,852	6,023	6,199	1,559	1,671	1,784
Expected budget deficit	-219	-178	-112	-58	-49	-32
Expected budget deficit without the EU accession effect (%GDP)	*-0.97*	*-0.75*	*-0.45*	*-0.97*	*-0.75*	*-0.45*
1. Expected transfers from the EU budget	294	417	435	68.4	97.0	101.1
2. Expected transfers from the Slovenian budget	205	324	340	47.8	75.8	79.2
3. Expected additional change of the budgetary position after the accession (S (3a...3f))	243	309	303	57	72	71
3a Expected decreased amount of collected VAT 0.5% of GDP)	83	133	142	19.4	31.1	33.2
3b Obligations towards EU institutions	7	12	21	1.5	2.9	4.8
3c Expected decrease of revenues from import duties	46	72	75	10.7	16.7	17.6
3d "Top up" payments of direct payments	23	19	14	5.2	4.3	3.3
3e Schengen border	67	52	26	15.6	12.0	6.0
3f Estimated additional transfers of collected import duties	18	21	24	4.1	4.9	5.7
4. Increase of budget deficit due to EU accession (1-2-3)	-155	-216	-209	-36	-51	-49
Increase of budget deficit due to EU accession (% of GDP)	*-0.60*	*-0.77*	*-0.68*	*-0.60*	*-0.77*	*-0.68*
Total estimated budget deficit	-373	-395	-320	-94	-100	-81
Total estimated budget deficit (% of GDP)	*-1.56*	*-1.52*	*-1.13*	*-1.56*	*-1.52*	*-1.13*

Sources: Final results of negotiations - Copenhagen, December 2002 and Ministry of Finance; calculations made by the budget department and own calculations

4.1 Simulation results

If we sum up the assumptions used during the estimation of the levels and changes of rates of import duties applied within the CGE model, they were the following:

a) Final estimation was based on the estimated collected import duties for the year 2004;

b) Valid foreign trade regime is reflected with the share of collected import duties compared with the official import duties – in our example in the base year 1998 and in the year 2001;

c) Official rates of EU Common External Tariff, applicable in the year 2001 and estimated collected rates reflect also the situation in the analysed period 2004-2006.

With the above assumption simulations were done in two steps. Firstly, we estimated the effects of continued foreign trade liberalization due to the implementation of the Europe and other FTAs within the period 1998-2001 taking into consideration rates of collected import duties. New equilibrium solution for the year 2001 was than applied as a basis for comparison with the solution got in the second step where we assumed inclusion of the Slovenia into the EU.

Simulations were performed using the estimated elasticities of substitution and transformation. Additionally, we tested the sensitivity of the model results on the changes of the assumptions regarding the adaptation of wages or employment as well as regarding the possible reaction of the government to the changed collected import duties. Decreased incomes can be compensated with the decreased government consumption, savings or with the introduction of the new tax or increased some already existing one. We assumed that government compensates lost revenues with the increased value added tax – the CGE model was therefore adapted to find new equilibrium solution with the unchanged government consumption and savings, compensating the loss with an increase of the value added tax. All simulations were performed using the assumption of fixed aggregated balance of payments (and variable balances for both foreign accounts), with the exchange rate with EU being the nummeraire and all other assumptions used in the base solution of the CGE model.

The effects of the foreign trade liberalization due to the accession to the EU on the aggregate level are presented in Table 16. We used only the results with the assumed possibility of change in the employment. Simulations 1, 3 and 5 represent the outcome of the further foreign trade liberalization and adoption of EU Common Customs Tariff as well as their trade regime after the accession regarding the different possible reactions of the government to decreased revenues. Government was assumed to compensate decreased revenues either by decreasing consumption (Scenario 1), increasing VAT (Scenario 2), or by decreasing savings (Scenario 3).

Revenues from the import duties were estimated to fall for 59% if we compare results with the situation in the year 2001. Using this figure in order to compare the estimates of collected import duties after the accession (Majcen, 2002), we arrive to the estimate about 1.5 billion SIT lower (12 bill. SIT in 1999 prices).

But we should have in mind that as we used the static model this outcome took into account only the trade creation/diversion effect due to the changes in import duties and not real increase of imports in the period 2001-2004.

Table 16

Some macroeconomic effects of the foreign trade liberalization process in the period 2001-2004 (changes in %)*

AGGREGATE	SCENARIO 1 Trade liberalization	SCENARIO 2 + decreased VAT	SCENARIO 3 Trade liberalization	SCENARIO 4 + decreased VAT	SCENARIO 5 Trade liberalization	SCENARIO 6 + decreased VAT
1. Labour	-0.34	0.55	-2.48	-2.07	0.05	1.05
2. Capital	0.00	0.00	0.00	0.00	0.00	0.00
3. Import duties	-59.03	-58.41	-60.43	-60.13	-59.11	-58.54
4. Government consumption	-2.30	-2.95	0.00	0.00	0.00	0.00
5. Government savings	0.00	0.00	0.00	0.00	-30.89	-39.66
5. Investment	-0.38	0.33	-2.19	-1.92	-2.05	-1.79
5. GDP	-0.11	0.50	-1.59	-1.32	0.10	0.76
6. Exports (total)	1.10	2.56	-1.96	-1.19	0.92	2.33
- EU25	1.28	2.99	-2.22	-1.32	1.08	2.72
- others	0.65	1.53	-1.32	-0.87	0.53	1.37
7. Imports (total)	1.14	2.47	-1.63	-0.94	0.96	2.23
- EU25	1.17	2.53	-1.60	-0.88	0.96	2.25
- others	1.11	2.35	-1.66	-1.07	1.00	2.21
8. GDP deflator	-0.73	-0.88	-0.05	-0.03	-0.65	-0.77
9. VAT+	0.00	0.00	10.25	13.35	0.00	0.00

Elasticities of substitution/transformation from (Buehrer,1994) and GTAP data base

* SCENARIO 1 – quantity of labour is variable (fixed wages), decrease of government consumption is equal to the decreased revenues from import duties;

SCENARIO 2 – Scenario 1 + assumed decrease in collected VAT equal to 0.5% of GDP;

SCENARIO 3 - quantity of labour is variable (fixed wages), government consumption unchanged, decreased revenues compensated with the increased VAT;

SCENARIO 4 - Scenario 3 + assumed decrease in collected VAT equal to 0.5% of GDP;

SCENARIO 5 - quantity of labour is variable (fixed wages), government consumption unchanged, decreased revenues compensated with the decreased gov. savings;

SCENARIO 6 – Scenario 5 + assumed decrease in collected VAT equal to 0.5% of GDP;

+ Unchanged government consumption is obtained with the increase of VAT (Scenarios 3 in 4)

Source: simulation results with the CGE model

Complete liberalization of imports from EU and candidate countries will decrease import prices and thus increase imports from these countries – to preserve unchanged balance of payments exports should also rise through decreased prices (partially as the outcome of decreased import prices of intermediate goods). Final outcome for the level of GDP and employment is slightly negative one (-0.1 and -0.34 respectively) also because of the assumed compensating decreased government consumption (-2.3%) and thus decreased production of non-market services (Scenario 1).

Another possible government reaction to decreased revenues is an appropriate increase in one of the taxes – here we assumed that VAT should change to the extent that government consumption and savings remain unchanged. The outcome of such a policy is clearly a negative one for the economy – the final necessary increase of VAT was estimated to be 10% – while employment decreased by 2.5%, GDP by 1.6%, investment by 2.2%, exports by 2% and imports by 1.6%.

Compensation with the government savings (-30.9%) does not have a negative effect on aggregate employment and GDP with the positive effects of liberalization on trade, but again with decreased investment activity.

With the Scenarios 2, 4 and 6 we added also the estimated decrease of the VAT collection (0.5% of GDP) in order to see the reaction of the economy.[14] It can be concluded that, as expected, assumed decreased rates indeed have a favourable positive impact on the economy.

If we sum up the results obtained regarding the (isolated) effects of foreign trade liberalization, it has to be concluded that the effects are indeed very sensitive to the assumed reaction of the government. Insisting on unchanged government consumption through the adequate rise in the VAT rate will have a clearly negative effects on the Slovenian economy. On the other hand compensation with the decreased government savings will have a negative impact on the investment activity and thus on the lower growth rate of the economy. In case we have used dynamic CGE model for the simulation of changes of particular aggregates compared with the steady growth of the economy, these negative effects on investment activity would came out. It is therefore obvious that a static CGE model can not provide the final answer about the effects of changes in Slovenian budget. Namely, a great share of transfers are connected with the changes in the structure and the levels of investment activities or can have indirect effect on investment activity.

[14] We assumed that the decrease of VAT collection will be the outcome only because of the decreased collection on imports of goods – the basic sector rates were then decreased acordingly and than applied in the simulations.

4.2 Financial flows between Slovenia and EU after the accession

In this section we tried to get some estimates of the complex effects of accession into the EU. Due to the static nature of the model the results obtained did not show complete, short and long run effects, but are mainly focused on the short run outcome – short enough that changes in the investment activity can not affect the levels of capital. Nevertheless, we tried to capture also some, at least medium run, effects through the assumed decrease of transaction costs.

During the preparation of particular scenarios we tried to get as close as possible to the reality. We assumed that quantity of labour is variable, that government will try to preserve unchanged level of its consumption and savings, compensating the changes with the changes in the VAT rate. We did not make any changes in the structure of government consumption and in the structure of investment. Finally, eight scenarios have been prepared, starting with the foreign trade liberalization and ending with complex set of transfers between both budgets, decreased collection of VAT, changes in government savings, consumption and subsidies:

a) Scenario 1: further foreign trade liberalization due to the accession into the EU;
b) Scenario 2: + decreased VAT rate (0.5% of GDP);
c) Scenario 3: + decreased transaction costs (2% decrease of world import prices);
d) Scenario 4: + net transfers from the EU budget (0.33% GDP; 0.26% going to agriculture);
e) Scenario 5: + corrected payments of import duties, additional payments to EU institutions, additional government investments due to the Schengen border, additional direct payments to farmers;
f) Scenario 6: + lower absorption capacity (only 50% use of the estimated use of sources for rural development and sources from structural and cohesion funds);
g) Scenario 7: + no changes in transaction costs;
h) Scenario 8: + decrease of government consumption by 5%.

With the assumptions within the Scenarios 1 to 5 we tried to capture the changes in the protection, transfers between budgets and some additional costs Slovenia will have after the accession. We added also an estimate of decreased transaction costs using the estimates prepared for the EU countries (European economy, 1988: p18). We continued with the assumed lower absorption capacity in order to get some notion of the possible effects of not so unrealistic outcome, no changes in transaction costs (to capture only the very short run effects) and the possibility of decreased government consumption. The results on the aggregate level are presented in Table 17.

The results of first two scenarios were already presented in the previous subsection – possible positive effects of foreign trade liberalization disappear if the government tries to preserve its unchanged consumption and savings with increased VAT rates. Estimated loss in collected VAT on the other hand does have a positive impact on the macro aggregates despite the necessary additional increase in the VAT rates.

With the accession and the abolishment of borders in the next few years we can expect decrease of transaction costs – we assumed that this decrease will be equal to 2% of the value of trade with the EU countries.[15] As the transaction costs are not explicitly modelled in the model, we corrected only import prices by 2%. The results obtained with the Scenario 3 clearly point out the very positive impact: real GDP would rise by 2.2%, employment by 3.2%, exports by 5.5% and imports by 6.7% with trade diversion towards EU countries. Despite unchanged government consumption and savings, abolished import duties and decreased effective VAT rates, new equilibrium VAT rate remained almost unchanged (-0.5% compared with the base solution in the year 2001).

We than proceeded with the introduction of the officially estimated net outcome of the assumed transfers between two budget (0.33% GDP) and with the increased subsidies for agriculture sectors in the amount of 0.26% of GDP. We did not make any corrections in the structure of government consumption or investments. Results are, compared to the ones obtained in Scenario 3), as expected, even more favourable. Additional inflow of money (at the unchanged government consumption and savings) resulted in the even lower VAT rates (-6.5%) resulting in higher competitiveness of the economy.

More realistic situation is certainly Scenario 5 with all additional transfers and payments from the Slovenian budget included. Results obtained are still positive ones with increased GDP, employment, investment and trade, despite the necessary increase of VAT tax to compensate all additional transfers and payments. But what could happen if the absorption capacity will be lower than assumed (50% of assumed one)? The fact is that EU assumed much higher absorption capacity for the new member countries for the use of Structural funds than it was obtained for the existing EU countries – with the assumption of compensation of lower transfers through the VAT tax which has to rise by 15% and thus decrease the competitiveness of the economy, the final outcome show considerable

[15] The direct costs of frontier formalities and associated administrative costs for the private and public sector were estimated to be of the order of 1.8% of the value of goods traded within the Community (European economy, 1988: p. 18). With the abolishment of technical regulations and other non-border barriers added this figure was estimated to be, on average, around 2% of firms' total costs or 3.5% of industrial value-added. Of course there are great differences between sectors with some industrial and service sector branches subject to market entry restrictions which could experience considerably higher potential costs and price reductions (energy generating, transport, office and defence equipment, financial services, and road and air transport) of the order of 10 to 20%, and even more in some cases. It is obvious that in the paper some very important effects of abolishemnt of non-tariff barriers have not been taken into account. One possible way to capture them would be to incorporate estimated ad-valorem equivalents for non-tariff barriers into the existing CGE model.

decrease in almost all macro aggregates (with still positive changes) with the exception of decreased employment.

All former results could be regarded as the effects in at least medium or long run. Given the assumptions and the model used, they show positive net outcome of the Slovenian accession into the EU. But they are indeed quite sensible to the assumption of decreased transaction costs which will not be realized in a very short period. This was the reason why we tried to see the effects without the decreased transaction costs (Scenario 7). Results obtained point to the fact that in the very short run a negative outcome of the accession should be expected – of course if the government still wants to have unchanged its consumption and increased investment activities. In case that the government tries to behave more rational and finds the possibility to decrease its own consumption (5% decrease assumed in Scenario 8), this would greatly diminish negative short run effects.

Results obtained show how important is the behaviour of the government already in the short run after the accession into the EU – rational behaviour will certainly moderate possible short run negative effects of the accession and improve already favourable long run effects.

Table 17

Some macroeconomic effects of the accession into the EU (changes in %)

AGGREGATE	SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4	SCENARIO 5	SCENARIO 6	SCENARIO 7	SCENARIO 8
1. Labour	-2.475	-2.071	3.157	5.091	1.996	-0.449	-5.699	-0.928
2. Capital	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3. Import duties	-60.43	-60.13	-58.48	-57.54	-59.08	-60.32	-61.97	-59.15
4. Government consumption	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-5.000
5. Government savings	0.000	0.000	0.000	13.88	13.88	13.88	13.88	13.88
6. Investment	-2.193	-1.915	2.166	4.230	3.025	1.018	-3.099	0.989
7. GDP	-1.587	-1.322	2.192	3.485	1.443	1.018	-3.781	-0.440
8. Exports (total)	-1.960	-1.190	5.451	6.951	3.467	1.007	-5.557	1.179
- EU25	-2.225	-1.321	6.357	8.054	4.009	1.181	-6.336	1.347
- others	-1.321	-0.874	3.264	4.285	2.158	0.588	-3.677	0.775
9. Imports (total)	-1.628	-0.936	6.631	8.838	5.343	2.464	-4.972	1.138
- EU25	-1.603	-0.879	7.871	10.092	6.589	3.693	-4.876	1.231
- others	-1.660	-1.067	2.999	5.165	1.691	-1.140	-5.222	0.898
10. GDP deflator	-0.050	-0.030	-0.285	-0.589	0.050	0.499	0.866	-0.723
11. VAT+	10.245	13.347	-0.541	-6.489	5.741	15.157	30.618	5.760

Elasticities of substitution/transformation from (Buehrer,1994) and GTAP data base

SCENARIO 1 – further foreign trade liberalization and adoption of EU Common Customs Tariff;

SCENARIO 2 – Scenario 1 + assumed decrease in collected VAT equal to 0.5% of GDP;

SCENARIO 3 – Scenario 2 + decreased transaction costs by 2%;

SCENARIO 4 – Scenario 3 + net transfers from the EU budget (0.33% GDP; 0.26% going to agriculture);

SCENARIO 5 – Scenario 4 + corrected payments of import duties, additional payments to EU institutions, additional government investments due to the Schengen border, additional direct payments to farmers

SCENARIO 6 – Scenario 5 + lower absorption capacity (only 50% use of the estimated use of sources for rural development and sources from structural and cohesion funds;

SCENARIO 7 – Scenario 6 + no changes in transaction costs;

SCENARIO 8 – Scenario 7 + decrease of government consumption by 5%;

Source: simulation results with the CGE model

5 Conclusions

The main aims of the paper were the following: a) presentation and analysis of the process of Slovene foreign trade liberalization and the approach to the foreign trade regime in the EU, b) a brief explanation of the situation in the Slovenian trade regime before the inclusion into the EU, extending the analysis beyond the tariff barriers with other measures directly or indirectly affecting imports, c) estimation of the effects of the continued foreign trade liberalization and inclusion into the EU.

Regarding the changes and the existing levels of tariffs it has to be concluded that lost market and the accession process has forced opening of the Slovenian economy to external competition, which was certainly the necessary condition for prosperity and survival of a small economy critically dependent on foreign trade. With the accession to the WTO Slovenia did not fulfil this goal completely, as relatively high MFN applied tariff rates remained in force, which were only partially aligned with the EU Common Customs Tariff. MFN tariffs have in fact little relevance for domestic producers already facing strong competition from duty-free imports, as they are applied to only 15% of total imports.

Regarding the NTBs, the analysis revealed the fact that Slovenian import regime has only few non-tariff barriers. The only remaining quantitative restrictions are those on textiles and clothing and they will also be phased out by the end of the year 2004. As a result of implementation of WTO obligations and EU accession requirements Slovenia has made positive achievements in the harmonization of national standards and technical regulations, increased transparency of public procurement and a removed a 10% preference of domestic bidders, has made almost no use of enacted anti-dumping, countervailing and safeguard measures, relaxed conditions of access to domestic markets through legislation on investments, competition, state aid and intellectual property rights. There are only few sectors additionally protected with some forms of NTBs: textiles and clothing, but only until the end of the year 2004, agriculture with increasing government assistance and some service sectors, which certainly have not attracted enough attention regarding the levels of protection so far.

Slovenia did make great steps towards liberalization of service sectors but mainly through the harmonization of the legislation to EU standards. In real life service sectors are moving slowly towards higher competitiveness and many of them still need some form of protection from foreign competition to at least temporarily survive and gain some more time to adapt to new conditions. It is obvious that foreign competition is efficiently forcing domestic companies to restructure. Regional and/or multilateral services trade liberalization undoubtedly provides two positive outcomes – countries gain better market access for their services in partner countries' markets and by opening their markets they affect not only service sectors but also other sectors of the economy through better supply and lower prices.

Some further knowledge regarding the possible levels of non-tariff barriers could be obtained indirectly through analysis of the openness of particular sector to trade, using the indicator of the share of total trade (imports + exports) in the value of production, and through the analysis of the market concentration, using the data on the total number of firms operating with the particular sector and the share of the first four largest firms in total value of production in particular 2-digit NACE rev. 1 sector. It can be expected that sectors with low trade openness and/or high market concentration could be additionally protected with some forms of non-tariff barriers.

Results obtained on trade openness reveals that manufacturing sectors are already very opened to foreign competition with some exemptions (printed matter and recorded media, and to some extent also food products and beverages). These results only once again confirm the findings regarding the low levels of tariff protection and almost no other forms of protection. Market concentration is on the other hand relatively high in some manufacturing sectors, which is also partially the result of a small domestic market – taking into account high trade openness, this should not have any great influence on imposing non-tariff barriers.

Quite the opposite are the results obtained for agriculture and service sectors, again with some exemptions (see water and air transport services, which are mainly the result of small country). Their trade openness is very low or even non-existent. High market concentration for some sectors only additionally adds to the fact that all these sectors reveal low levels of competitiveness and need of some additional protection against foreign competition. Typical sectors, which resulted the least opened also regarding the GATS commitments, are transport, communications, financial services and health and social services. Agriculture is special case with high state support and very high calculated nominal rate of protection compared to manufacturing sectors.

The new version of the CGE model was used for simulation of the consequences of further foreign trade liberalization in the period after the year 1998 as the outcome of the finished process of implementation of FTAs and Europe Agreement, adaptation of Customs Tariff to EU Common External Tariff for the manufacturing products, adoption of the EU Common External Tariff after the inclusion of Slovenia into the EU and estimated transfers between both budgets. Eight scenarios have been prepared, starting with the foreign trade liberalization and ending with complex set of transfers between both budgets, decreased collection of VAT, changes in government savings, consumption and subsidies.

Given the assumptions and the model used, results show positive net outcome of the Slovenian accession into the EU. But they are indeed quite sensible to the assumption of government reaction as well as of decreased transaction costs which will not be realized in a very short period. This was the reason why we tried to see the effects without the decreased transaction costs (Scenario 7). Results obtained point to the fact that in the very short run a negative outcome of the accession should be expected – of course if the government still wants to have unchanged its consumption and increased investment activities. In case that the government tries to behave more rational and finds the possibility to decrease its own consumption (5% decrease assumed in Scenario 8), this would greatly diminish negative short run effects.

Results obtained show how important is the behaviour of the government already in the short run after the accession into the EU – rational behaviour will certainly moderate possible short run negative effects of the accession and improve already favourable long run effects.

At the end we would like to point out some limitations and deficiencies of the research activities done. We certainly have to improve the quality of the model used - imperfect competition, changes in the structure of government consumption and the structure of investment, dynamics and introduction of ad-valorem NTBs at least for some of service sectors.

With the assumed perfect competition and constant economies of scale, it was not able to come closer to reality at least for some sectors. Secondly, we did not modelled any changes in the structure of government consumption and in the structure of investment. Thirdly, due to the static nature of the model the results obtained did not show complete, short and long run effects, but are mainly focused on the short run outcomes – short enough that changes in the investment activity can not affect the levels of capital. Nevertheless, we tried to capture also some, at least medium run, effects through the assumed decrease of transaction costs. In case we have used dynamic CGE model for the simulation of changes of particular aggregates compared with the steady growth of the economy, changes of investment activity would came out. It is therefore obvious that a static CGE model can not provide the final answer about the effects of changes in Slovenian budget. Namely, a great share of transfers are connected with the changes in the structure and the levels of investment activities or can have indirect effect on investment activities. We will certainly try to overcome all these deficiencies in our future research work with development and use of dynamic general equilibrium model of Slovenian economy.

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APPENDIX

TABLE A1: Average unweighted import duties (tariffs + agriculture levies) paid for imports from different countries in the year 2002 (%)

SKD2	TOTAL	OTHER COUNTRIES	ALBANIA	BOSNIA AND HERZEG.	BOLGARIA	SERBIA & MONTE NEGRO	CROATIA	CZECH REP.	EFTA	ESTONIA	EU15	HUNGARY	ISRAEL	LATVIA	LITHUANIA	MACEDONIA	POLAND	ROMANIA	SLOVAKIA	TURKEY
01	5.1	5.9	5.0	1.8	1.6	11.4	5.2	1.4	3.0	2.3	5.1	4.7	8.2	7.5	4.0	7.0	9.6	4.4	2.5	7.2
02	0.7	2.4	0.0	1.1	0.0	2.0	0.0	0.0	0.0	0.0	0.5	0.0	12.3	0.0	0.0	0.0	3.4	0.0	0.0	0.0
05	3.3	2.6	0.0	0.0	0.0	0.0	2.3	0.0	4.1	0.0	3.6	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
10	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	0.4	2.1	0.0	0.0	0.0	1.2	0.3	0.6	1.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.7
15	12.6	13.0	19.9	2.1	14.5	18.2	10.2	10.2	10.7	2.0	13.4	12.5	12.2	0.0	13.4	7.8	10.3	7.3	8.7	16.1
16	13.4	18.0	0.0	0.0	0.0	29.9	10.0	29.9	25.1	0.0	15.8	19.7	0.0	0.0	0.0	44.9	29.9	0.0	7.5	0.0
17	1.3	8.5	17.9	1.3	3.0	9.0	1.4	0.9	0.8	0.3	0.3	2.1	11.2	3.6	2.8	0.5	1.3	2.7	0.7	1.7
18	4.4	16.1	18.5	1.6	3.2	14.7	3.9	0.9	2.9	9.3	0.7	1.5	17.4	2.8	4.2	4.6	1.7	3.4	1.1	2.0
19	4.4	15.6	0.0	4.7	7.0	14.6	4.4	3.0	3.2	0.1	0.6	3.9	8.7	7.0	11.4	5.3	5.1	3.5	2.6	2.7
20	1.2	6.0	0.0	1.5	1.6	4.6	1.7	0.9	1.1	0.0	0.4	1.0	12.0	0.5	1.3	2.5	2.0	1.8	1.1	2.2
21	1.0	10.1	20.0	1.8	3.4	7.7	1.5	1.5	1.8	3.7	0.3	2.8	3.2	0.0	0.0	3.2	3.2	5.3	1.4	2.9
22	1.5	7.9	10.0	5.2	2.6	4.8	1.8	2.5	0.7	10.0	1.0	4.8	4.3	10.1	5.0	5.3	4.4	4.9	2.5	0.8
23	0.2	3.0	0.0	0.0	0.0	1.7	0.2	0.0	0.1	0.0	0.1	0.3	0.0	0.0	2.0	3.0	0.0	0.0	0.8	0.0
24	1.1	3.8	5.3	2.9	2.0	3.4	0.9	0.7	0.7	0.0	0.8	1.1	1.6	0.0	2.0	0.8	0.6	1.8	1.2	2.2
25	1.1	8.8	0.0	2.8	2.0	9.4	1.7	1.7	1.2	0.0	0.3	1.9	5.0	11.5	5.0	0.8	2.2	3.9	2.8	3.2
26	0.8	7.6	0.0	2.8	3.2	7.8	1.2	0.8	1.2	14.2	0.3	0.8	3.8	4.3	2.5	1.4	2.2	4.3	1.5	5.5
27	0.5	5.0	0.0	0.8	1.4	2.3	1.5	0.4	0.7	10.0	0.2	0.2	4.9	0.0	0.0	0.4	0.5	0.0	0.2	2.3
28	1.7	9.7	0.0	2.6	2.5	7.8	1.5	1.3	0.9	0.5	0.5	2.2	5.1	0.0	8.6	1.1	2.3	3.9	2.1	3.7
29	1.2	7.6	0.0	3.5	3.8	7.4	2.7	1.1	0.8	3.0	0.4	2.6	3.8	3.7	2.5	2.5	1.4	2.6	1.5	1.9
30	0.6	1.3	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	2.3	7.8	0.0	4.9	2.5	6.4	1.4	1.6	1.2	4.4	0.8	2.6	2.2	6.7	2.0	1.6	1.1	3.0	2.4	3.5
32	4.0	6.1	0.0	3.7	0.0	1.0	3.0	1.6	1.7	0.8	1.9	2.6	0.9	0.0	3.7	3.7	1.1	0.2	0.2	1.8
33	2.6	6.7	0.0	5.0	7.0	4.5	3.5	2.2	0.9	3.3	1.3	2.2	2.0	0.0	1.4	0.0	1.9	2.1	2.0	3.6
34	1.1	8.6	15.0	3.8	1.2	7.1	2.1	1.1	2.6	0.0	0.4	3.3	12.3	0.0	3.3	0.0	1.7	1.3	1.3	2.0
35	2.1	7.0	0.0	2.2	6.0	5.3	4.2	0.5	1.3	0.0	0.6	3.0	4.4	0.0	0.0	4.0	0.1	0.0	2.0	8.8
36	5.0	13.1	0.0	1.6	3.6	11.2	2.9	2.3	2.6	3.7	1.5	3.9	7.3	5.7	5.1	4.5	2.9	3.7	1.8	3.7
40	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
72	1.1	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
74	1.4	4.0	0.0	0.0	0.0	5.2	2.0	0.0	1.1	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
92	0.9	2.8	0.0	2.5	10.0	3.4	0.8	2.2	2.1	0.0	1.1	1.4	3.5	0.0	0.0	0.0	1.8	0.0	4.0	5.0
XX	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	3.3	**8.2**	**15.6**	**2.5**	**3.8**	**8.7**	**2.9**	**1.7**	**1.6**	**3.8**	**2.4**	**3.2**	**4.7**	**3.3**	**4.2**	**3.2**	**2.5**	**3.0**	**1.7**	**3.2**

TABLE A2: Average unweighted official import duties (tariffs + agriculture levies) for imports from different countries in the year 2002 (%)

SKD2	TOTAL	OTHER COUNTRIES	ALBANIA	BOSNIA AND HERZEG.	BOLGARIA	SERBIA & MONTE NEGRO	CROATIA	CZECH REP.	EFTA	ESTONIA	EU15	HUNGARY	ISRAEL	LATVIA	LITHUANIA	MACEDONIA	POLAND	ROMANIA	SLOVAKIA	TURKEY
01	9.9	9.9	9.9	0.0	4.5	9.9	9.8	4.4	9.8	7.7	6.7	4.7	9.5	9.8	9.9	9.9	4.6	4.3	4.4	9.8
02	2.3	2.3	2.3	0.0	0.0	2.3	2.1	0.0	2.1	1.0	0.0	0.0	2.1	2.1	2.1	2.1	0.0	0.0	0.0	2.1
05	4.7	4.7	4.7	0.0	0.0	4.7	4.7	0.0	0.2	0.1	4.7	0.0	4.7	1.9	4.7	4.7	0.0	0.0	0.0	4.7
10	1.7	1.7	1.7	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	0.6	0.6	0.6	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	2.1	2.1	2.1	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	20.7	20.7	20.7	0.0	13.4	20.7	20.6	12.3	18.4	16.9	18.7	13.6	20.6	20.4	20.7	20.7	13.3	13.4	12.2	20.4
16	19.5	19.5	19.5	0.0	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
17	10.8	10.8	10.8	0.0	0.0	10.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	17.0	17.0	17.0	0.0	0.0	17.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	14.1	14.1	14.1	0.0	0.0	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	7.2	7.2	7.2	0.0	0.0	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	10.4	10.4	10.4	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	9.2	9.2	9.2	0.0	0.0	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	5.1	5.1	5.1	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	7.2	7.2	7.2	0.0	0.0	7.2	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	11.7	11.7	11.7	0.0	0.0	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	8.9	8.9	8.9	0.0	0.0	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	6.6	6.6	6.6	0.0	0.0	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	11.2	11.2	11.2	0.0	0.0	11.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	10.1	10.1	10.1	0.0	0.0	10.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	2.1	2.1	2.1	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	11.2	11.2	11.2	0.0	0.0	11.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	7.8	7.8	7.8	0.0	0.0	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	8.5	8.5	8.5	0.0	0.0	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	13.9	13.9	13.9	0.0	0.0	13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	8.5	8.5	8.5	0.0	0.0	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36	14.1	14.1	14.1	0.0	0.0	14.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
40	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
72	2.5	2.5	2.5	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
74	5.7	5.7	5.7	0.0	0.0	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
90	8.0	8.0	8.0	0.0	0.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
92	3.4	3.4	3.4	0.0	0.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
93	6.0	6.0	6.0	0.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0	0.0	6.0	6.0	6.0	6.0	0.0	0.0	0.0	6.0
	11.5	**11.5**	**11.5**	**0.0**	**2.6**	**11.5**	**4.2**	**2.4**	**3.7**	**3.4**	**3.7**	**2.6**	**4.2**	**4.1**	**4.2**	**4.2**	**2.6**	**2.6**	**2.4**	**4.1**

TABLE A3: Average import duties (tariffs + agriculture levies) paid for imports from different countries in the year 2002 (%)

SKD2	TOTAL	OTHER COUNTRIES	ALBANIA	BOSNIA AND HERZEG.	BOLGARIA	SERBIA & MONTE NEGRO	CROATIA	CZECH REP.	EFTA	ESTONIA	EU15	HUNGARY	ISRAEL	LATVIA	LITHUANIA	MACEDONIA	POLAND	ROMANIA	SLOVAKIA	TURKEY
01	**4.3**	1.9	5.0	0.3	1.4	9.7	3.2	1.5	4.6	0.0	7.0	2.3	4.9	0.0	4.0	6.2	5.7	0.1	0.2	8.8
02	**0.3**	2.1	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.6	0.0	11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
05	**1.5**	2.7	0.0	0.0	0.0	0.0	1.8	0.0	1.5	0.0	1.1	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
10	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**0.4**	2.1	0.0	0.0	0.0	0.1	0.0	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
15	**9.4**	8.2	11.5	0.1	7.0	12.6	3.8	3.9	8.6	0.0	10.8	12.2	6.0	0.0	11.4	0.8	9.1	0.6	8.0	8.6
16	**33.7**	15.0	0.0	0.0	0.0	15.0	10.0	44.8	44.6	0.0	28.7	0.6	0.0	0.0	0.0	44.9	15.3	0.0	14.9	0.0
17	**0.7**	7.5	17.9	0.4	1.3	5.4	0.6	0.1	0.1	0.1	0.1	0.3	7.1	0.1	0.3	0.2	0.7	0.7	0.1	0.7
18	**3.1**	16.5	17.9	0.2	1.1	8.7	2.0	0.2	0.1	5.6	0.1	1.0	16.7	3.6	1.5	3.0	0.8	2.1	0.8	1.0
19	**2.5**	8.9	0.0	0.3	1.1	7.0	1.5	1.5	0.4	0.5	0.2	0.1	16.4	6.9	8.4	0.7	1.1	0.7	0.1	0.2
20	**0.3**	3.2	0.0	0.3	0.4	1.1	0.1	0.1	0.0	0.0	0.1	0.2	11.7	0.0	0.4	0.5	0.2	0.1	0.0	0.8
21	**0.2**	1.5	19.9	0.0	0.0	3.7	0.1	0.0	0.3	0.0	0.1	0.1	4.3	0.0	0.0	0.4	0.1	0.0	0.0	1.3
22	**0.8**	5.2	10.0	1.6	0.3	1.1	0.6	0.1	0.1	10.0	0.4	0.7	3.3	10.1	1.1	2.9	1.6	9.8	0.0	0.7
23	**0.0**	0.1	0.0	0.0	0.0	0.3	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	1.9	0.1	0.0	0.0	0.0	0.0
24	**0.3**	1.6	2.0	0.2	0.1	0.6	0.1	0.0	0.2	0.0	0.1	0.1	0.1	0.0	0.1	0.3	0.0	0.0	0.0	0.1
25	**0.7**	9.1	0.0	0.4	0.4	7.7	0.3	0.1	0.3	0.0	0.2	0.1	1.7	11.5	0.0	0.1	0.1	0.1	0.1	0.1
26	**0.3**	5.0	0.0	0.4	0.1	6.2	0.0	0.1	0.0	11.5	0.1	0.1	1.7	0.0	0.2	0.1	0.3	2.7	0.1	0.3
27	**0.1**	0.2	0.0	0.0	0.0	0.7	0.3	0.0	0.0	10.0	0.0	0.0	0.1	0.0	0.0	0.3	0.1	0.0	0.0	0.0
28	**0.7**	7.9	0.0	0.8	0.2	5.7	0.2	0.2	0.4	0.4	0.2	0.4	0.5	0.0	6.2	0.1	3.1	1.0	0.3	0.4
29	**0.7**	5.6	0.0	0.4	0.1	6.9	0.7	0.3	0.1	0.3	0.2	0.4	0.5	1.5	0.1	0.3	0.2	0.7	0.2	0.2
30	**0.0**	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	**0.8**	4.3	0.0	0.9	0.9	5.6	0.1	0.5	0.3	2.9	0.3	0.3	0.7	4.6	0.3	0.0	0.1	0.7	0.4	0.4
32	**1.1**	2.8	0.0	6.4	0.0	0.1	0.6	0.1	1.2	2.7	0.2	0.6	0.1	0.0	0.3	1.6	0.1	0.1	0.1	1.1
33	**1.1**	3.6	0.0	1.0	7.0	4.1	0.5	0.5	0.1	0.8	0.2	1.2	1.0	0.0	0.1	0.0	0.5	3.7	0.0	0.8
34	**0.4**	10.0	15.0	0.9	4.5	1.4	0.1	0.1	0.5	0.0	0.1	0.2	12.9	0.0	0.0	0.0	0.1	0.4	0.0	0.1
35	**1.7**	5.5	0.0	2.2	0.1	0.4	4.0	0.1	0.4	0.0	0.1	1.2	1.2	0.0	0.0	0.1	0.0	0.0	0.0	11.8
36	**2.3**	13.2	0.0	0.2	2.8	15.4	0.1	0.6	0.1	1.5	0.4	1.0	3.3	0.1	0.9	0.2	0.2	1.0	0.1	2.4
40	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
72	**0.0**	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
74	**0.8**	3.6	0.0	0.0	0.0	5.2	0.3	0.0	2.9	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
92	**0.7**	1.9	0.0	4.9	10.0	0.7	0.2	0.3	1.3	0.0	0.5	0.2	0.6	0.0	0.0	0.0	0.2	0.0	5.8	0.1
XX	**16.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1.2	**3.6**	**8.9**	**0.2**	**0.6**	**4.5**	**0.8**	**0.3**	**2.5**	**0.4**	**0.7**	**2.2**	**0.6**	**0.4**	**1.6**	**1.0**	**1.1**	**0.2**	**0.2**	**1.0**

TABLE A4: <u>Average official import duties</u> (tariffs + agriculture levies) weighted by imports from different countries in the year 2002 (%)

SKD2	**TOTAL**	OTHER COUNTRIES	ALBANIA	BOSNIA AND HERZEG.	BOLGARIA	SERBIA & MONTE NEGRO	CROATIA	CZECH REP.	EFTA	ESTONIA	EU15	HUNGARY	ISRAEL	LATVIA	LITHUANIA	MACEDONIA	POLAND	ROMANIA	SLOVAKIA	TURKEY
01	**7.0**	2.3	5.0	0.0	3.0	10.3	9.1	3.7	4.6	0.0	9.7	8.5	10.9	0.0	7.0	19.0	19.4	0.5	8.1	16.4
02	**0.2**	2.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
05	**4.6**	4.9	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	4.5	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.6
10	**2.9**	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	**1.0**	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	**0.4**	2.3	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15	**14.9**	12.2	12.9	0.0	7.7	16.7	16.9	11.5	8.8	0.0	14.6	16.2	20.0	0.0	19.1	26.4	11.3	0.5	8.6	9.1
16	**37.5**	15.1	0.0	0.0	0.0	15.1	45.0	45.0	44.8	0.0	30.4	15.3	0.0	0.0	0.0	45.0	15.4	0.0	15.0	0.0
17	**1.0**	11.4	18.0	0.0	0.0	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	**3.2**	18.1	18.0	0.0	0.0	18.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
19	**3.3**	12.7	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20	**0.3**	5.3	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21	**0.1**	1.8	20.0	0.0	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	**0.6**	7.1	10.0	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23	**1.8**	8.2	0.0	0.0	0.0	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	**0.8**	6.6	2.0	0.0	0.0	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25	**0.8**	12.2	0.0	0.0	0.0	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26	**0.4**	8.3	0.0	0.0	0.0	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27	**0.7**	4.6	8.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
28	**0.8**	11.4	0.0	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
29	**0.8**	9.3	0.0	0.0	0.0	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30	**0.0**	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31	**1.1**	9.7	0.0	0.0	0.0	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
32	**1.4**	4.2	0.0	0.0	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	**1.7**	6.6	5.0	0.0	0.0	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
34	**0.7**	18.0	10.0	0.0	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
35	**2.5**	8.2	0.0	0.0	0.0	13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
36	**2.2**	14.5	0.0	0.0	0.0	16.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
40	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
72	**0.0**	0.1	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
74	**0.2**	6.2	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
90	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
92	**0.5**	2.4	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
93	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1.9	**6.8**	**11.0**	**0.0**	**0.4**	**10.2**	**2.8**	**0.5**	**2.3**	**0.0**	**0.7**	**3.4**	**0.4**	**0.0**	**1.3**	**5.5**	**1.2**	**0.0**	**0.2**	**1.0**

TABLE A5: STATE AID IN THE YEAR 2001 AS % IN VA AND OUTPUT (mio SIT)

No.	CPA		SECTORS	VALUE ADDED	OUTPUT	**STATE AID**	SHARE % (VA)	SHARE % (OUTPUT)
1	01	A	Products of agiculture, hunting and related services	112845	240343	**27580.3**	24.4	11.5
2	02	A	Products of forestry, logging and related services	20159	36583	**241.6**	1.2	0.7
3	05	B	Fish and other fishing products, services incidental to fishing	748	1813	**10.3**	1.4	0.6
4	10	C	Coal and lignite; peat	16934	28286	**18.7**	0.1	0.1
5	11	C	Crude petroleum and natural gas; services incidental to oil and gas extraction excluding surveying	0	43	**0**		0.0
6	12	C	Uranium and thorium ores	0	0	**0**		
7	13	C	Metal ores	0	0	**0**		
8	14	C	Other mining and quarrying products	8038	19131	**11.8**	0.1	0.1
9	15	DA	Food products and beverages	120160	429247	**5404.8**	4.5	1.3
10	16	DA	Tobacco products	6535	17981	**0**	0.0	0.0
11	17	DB	Textiles	38719	143382	**1029.1**	2.7	0.7
12	18	DB	Wearing apparel; furs	39128	132745	**378.7**	1.0	0.3
13	19	DC	Leather and leather products	17216	54921	**1726.4**	10.0	3.1
14	20	DD	Wood and products of wood and cork (except furniture), articles of straw and plaiting materials	44546	132422	**381.3**	0.9	0.3
15	21	DE	Pulp, paper and paper products	41153	159099	**4449.7**	10.8	2.8
16	22	DE	Printed matter and recorded media	58123	127394	**151.5**	0.3	0.1
17	23	DF	Coke, refined petroleum products and nuclear fuel	-76	12482	**33.5**		0.3
18	24	DG	Chemicals, chemical products and man-made fibres	117592	298053	**248.3**	0.2	0.1
19	25	DH	Rubber and plastic products	52744	175537	**306.3**	0.6	0.2
20	26	DI	Other non-metallic mineral products	58769	152725	**93.2**	0.2	0.1
21	27	DJ	Basic metals	62259	245306	**361.9**	0.6	0.1
22	28	DJ	Fabricated metal products, except machinery and equipment	109746	305247	**1250.9**	1.1	0.4
23	29	DK	Machinery and equipment n.e.c.	110868	358978	**889**	0.8	0.2
24	30	DL	Office machinery and computers	4574	20323	**30.3**	0.7	0.1
25	31	DL	Electrical machinery and apparatus n.e.c.	68087	202197	**391.2**	0.6	0.2
26	32	DL	Radio, television and communication equipment and apparatus	25747	90199	**272.5**	1.1	0.3
27	33	DL	Medical, precision and optical instruments, watches and clocks	24879	55603	**882.6**	3.5	1.6
28	34	DM	Motor vehicles, trailers and semi-trailers	32057	310338	**1420.9**	4.4	0.5
29	35	DM	Other transport equipment	7902	30180	**42**	0.5	0.1
30	36	DN	Furniture; other manufactured goods n.e.c.	72626	184503	**631.8**	0.9	0.3
31	37	DN	Recovered secondary raw materials	4579	13165	**11.4**	0.2	0.1
32	40	E	Electrical energy, gas, steam and hot water	113032	252322	**12.5**	0.0	0.0
33	41	E	Collected and purified water, distribution services of water	15706	27225	**15.6**	0.1	0.1
34	45	F	Construction work	244942	829906	**703.9**	0.3	0.1
35	50	G	Trade, maintenance and repair services of motor vehicles and motorcycles; retail trade services of automotive fuel	81884	162113	**184.3**	0.2	0.1
36	51	G	Wholesale trade and commission trade services, except of motor vehicles and motorcycles	136090	365731	**2754.6**	2.0	0.8
37	52	G	Retail trade services, except of motor vehicles and motorcycles; repair services of personal and household goods	268300	404898	**491.1**	0.2	0.1
38	55	H	Hotel and restaurant services	106350	226658	**1542**	1.4	0.7
39	60	I	Land transport and transport via pipeline services	143264	307169	**6266.4**	4.4	2.0
40	61	I	Water transport services	4538	18348	**0**	0.0	0.0
41	62	I	Air transport services	7854	26461	**2**	0.0	0.0
42	63	I	Supporting and auxiliary transport services; travel agency services	52795	196938	**1141.5**	2.2	0.6
43	64	I	Post and telecommunication services	97269	178786	**24.3**	0.0	0.0
44	65	J	Financial intermediation services, except insurance and pension funding services	129934	192025	**171**	0.1	0.1
45	66	J	Insurance and pension funding services, except compulsory social security services	29975	55394	**5**	0.0	0.0
46	67	J	Services auxiliary to financial intermediation	18743	30212	**16**	0.1	0.1
47	70	K	Real estate services	362280	437598	**112.2**	0.0	0.0
48	71	K	Renting services of machinery and equipment without operator and of personal and household goods	3955	9036	**5.6**	0.1	0.1
49	72	K	Computer and related services	35224	66802	**115**	0.3	0.2
50	73	K	Research and development services	28093	44830	**2399.2**	8.5	5.4
51	74	K	Other business services	190977	464507	**12929.2**	6.8	2.8
52	75	L	Public administration and defence services; compulsory social security services	269966	462098	**4571.5**	1.7	1.0
53	80	M	Education services	239217	303799	**1592.4**	0.7	0.5
54	85	N	Health and social work services	213464	330661	**3126.8**	1.5	0.9
55	90	O	Sewage and refuse disposal services, sanitation and similar services	15805	26761	**29.2**	0.2	0.1
56	91	O	Membership organisation services n.e.c.	19743	54336	**3858.3**	19.5	7.1
57	92	O	Recreational, cultural and sporting services	83813	147650	**334.3**	0.4	0.2
58	93	O	Other services	22796	36705	**144.5**	0.6	0.4
59	95		Private households with employed persons	1761	1761		0.0	0.0
60	99		Services provided by extra-territorial organisations and bodies					
			TOTAL	4214427	9638961	**90798.4**	2.2	0.9

Source: Government of Slovenia, Fifth Survey on State Aid (2003), Statistical office of the R of Slovenia – IO table for the year 2000, Production in the year 2001, own calculations

TABLE A6: TRADE OPENESS OF PARTICULAR SLOVENIAN SECTORS AND THE LEVEL OF COMPETITIVENESS IN THE YEAR

	CPA		Total output at basic prices	Total value added at basic prices	Imports c.I.f.	Exports f.o.b.	share of imports in output	share of exports in output	Total
5	11	Crude petroleum and natural gas; services incidental to oil and gas	47	0	37,861	0	80281.7	0.0	80281.7
17	23	Coke, refined petroleum products and nuclear fuel	11,176	-66	164,869	4,723	1475.1	42.3	1517.4
24	30	Office machinery and computers	18,198	3,985	49,673	5,111	273.0	28.1	301.0
29	35	Other transport equipment	27,024	6,885	33,407	17,883	123.6	66.2	189.8
27	33	Medical, precision and optical instruments, watches and clocks	49,788	21,676	43,905	49,784	88.2	100.0	188.2
18	24	Chemicals, chemical products and man-made fibres	266,883	102,451	278,822	220,685	104.5	82.7	187.2
28	34	Motor vehicles, trailers and semi-trailers	277,883	27,929	270,888	238,750	97.5	85.9	183.4
26	32	Radio, television and communication equipment and apparatus	80,766	22,432	91,694	56,220	113.5	69.6	183.1
21	27	Basic metals	219,652	54,243	209,993	142,470	95.6	64.9	160.5
23	29	Machinery and equipment n.e.c.	321,436	96,593	222,998	269,338	69.4	83.8	153.2
13	19	Leather and leather products	49,178	15,000	40,588	33,050	82.5	67.2	149.7
40	61	Water transport services	15,616	3,665	8,659	13,500	55.5	86.4	141.9
25	31	Electrical machinery and apparatus n.e.c.	181,052	59,321	109,945	122,414	60.7	67.6	128.3
12	18	Wearing apparel; furs	118,863	34,090	70,937	77,193	59.7	64.9	124.6
10	16	Tobacco products	16,101	5,694	13,414	6,402	83.3	39.8	123.1
15	21	Pulp, paper and paper products	142,460	35,854	80,685	92,036	56.6	64.6	121.2
30	36	Furniture; other manufactured goods n.e.c.	165,208	63,276	47,527	148,274	28.8	89.8	118.5
11	17	Textiles	128,387	33,734	81,997	58,504	63.9	45.6	109.4
19	25	Rubber and plastic products	157,180	45,953	81,110	87,627	51.6	55.7	107.4
41	62	Air transport services	22,521	6,343	8,558	12,636	38.0	56.1	94.1
3	05	Fish and other fishing products, services incidental to fishing	1,204	435	1,047	64	86.9	5.3	92.2
14	20	Wood and products of wood and cork (except furniture), articles of straw	118,574	38,811	31,444	68,691	26.5	57.9	84.5
20	26	Other non-metallic mineral products	136,753	51,202	52,945	54,532	38.7	39.9	78.6
22	28	Fabricated metal products, except machinery and equipment	273,324	95,616	87,301	96,783	31.9	35.4	67.4
8	14	Other mining and quarrying products	21,025	9,492	9,850	826	46.8	3.9	50.8
48	71	Renting services of machinery and equipment without operator and of	8,322	3,599	3,773	0	45.3	0.0	45.3
49	72	Computer and related services	61,524	32,049	14,537	12,463	23.6	20.3	43.9
9	15	Food products and beverages	384,357	104,689	103,815	61,555	27.0	16.0	43.0
42	63	Supporting and auxiliary transport services; travel agency services	167,614	42,639	40,156	29,700	24.0	17.7	41.7
39	60	Land transport and transport via pipeline services	261,432	115,707	35,575	67,121	13.6	25.7	39.3
1	01	Products of agiculture, hunting and related services	202,901	102,752	56,236	10,262	27.7	5.1	32.8
2	02	Products of forestry, logging and related services	30,884	18,356	5,733	2,665	18.6	8.6	27.2
16	22	Printed matter and recorded media	114,071	50,639	11,452	13,484	10.0	11.8	21.9
50	73	Research and development services	41,289	25,561	5,658	2,384	13.7	5.8	19.5
51	74	Other business services	427,810	173,764	51,174	26,842	12.0	6.3	18.2
4	10	Coal and lignite; peat	31,085	19,997	3,962	18	12.7	0.1	12.8
36	51	Wholesale trade and commission trade services, except of motor vehicles and motorcycles	350,961	128,832	10,698	32,464	3.0	9.2	12.3
43	64	Post and telecommunication services	152,165	78,559	11,371	5,561	7.5	3.7	11.1
57	92	Recreational, cultural and sporting services	133,690	76,424	7,768	3,046	5.8	2.3	8.1
38	55	Hotel and restaurant services	207,896	95,290	13,392	0	6.4	0.0	6.4
45	66	Insurance and pension funding services, except compulsory social security	56,856	32,412	1,936	1,632	3.4	2.9	6.3
32	40	Electrical energy, gas, steam and hot water	182,847	85,388	3,186	7,815	1.7	4.3	6.0
44	65	Financial intermediation services, except insurance and pension funding	197,092	140,495	5,820	3,420	3.0	1.7	4.7
34	45	Construction work	805,164	221,909	11,361	14,785	1.4	1.8	3.2
52	75	Public administration and defence services; compulsory social security services	391,976	227,420	3,308	1,149	0.8	0.3	1.1
53	80	Education services	251,171	196,790	1,343	325	0.5	0.1	0.7
35	50	Trade, maintenance and repair services of motor vehicles and motorcycles;	155,566	77,517	0	1,023	0.0	0.7	0.7
47	70	Real estate services	403,027	329,628	1,363	921	0.3	0.2	0.6
6	12	Uranium and thorium ores	0	0	0	0			0.0
7	13	Metal ores	0	0	1,994	3			0.0
31	37	Recovered secondary raw materials	11,788	3,989	0	0	0.0	0.0	0.0
33	41	Collected and purified water, distribution services of water	19,729	11,864	0	0	0.0	0.0	0.0
37	52	Retail trade services, except of motor vehicles and motorcycles; repair	388,547	253,990	0	0	0.0	0.0	0.0
46	67	Services auxiliary to financial intermediation	31,010	20,266	0	0	0.0	0.0	0.0
54	85	Health and social work services	307,954	199,466	0	0	0.0	0.0	0.0
55	90	Sewage and refuse disposal services, sanitation and similar services	24,231	14,412	0	0	0.0	0.0	0.0
56	91	Membership organisation services n.e.c.	49,199	18,003	0	0	0.0	0.0	0.0
58	93	Other services	33,235	20,786	0	0	0.0	0.0	0.0
59	95	Private households with employed persons	1,383	1,383	0	0	0.0	0.0	0.0
60	99	Services provided by extra-territorial organisations and bodies	0	0	0	0			0.0
		FISIM	0	-106,919					0.0
		Purchases of residents abroad			87,637				0.0
		Purchases of non-residents at home				143,511			0.0
		Total	8,707,076	3,652,272	2,623,364	2,319,642	30.1	26.6	56.8

Source: Statistical Office of the R of Slovenia – IO table for the year 2000, own calculations

TABLE A7: PRODUCT CONCENTRATION - THE NUMBER OF FIRMS OPERATING AND THE SHARE OF SALES OF THE GREATEST FOUR FIIRMS WITHIN THE SECTOR IN THE YEAR 2000

	CPA		No. of firms	Sales	Sales of the first 4 firms	share in total sales (%)
1	01	Products of agiculture, hunting and related services	-	-	-	-
2	02	Products of forestry, logging and related services	-	-	-	-
3	05	Fish and other fishing products, services incidental to fishing	-	-	-	-
59	95	Private households with employed persons	-	-	-	-
60	99	Services provided by extra-territorial organisations and bodies	-	-	-	-
10	16	Tobacco products	1	19191337	19191337	100.00
17	23	Coke, refined petroleum products and nuclear fuel	4	20073828	20073828	100.00
4	10	Coal and lignite; peat	6	32491444	32461330	99.91
52	75	Public administration and defence services; compulsory social security	5	6026913	6021034	99.90
41	62	Air transport services	22	22654731	22360215	98.70
40	61	Water transport services	16	2976632	2750972	92.42
43	64	Post and telecommunication services	93	179549413	156539704	87.18
45	66	Insurance and pension funding services, except compulsory social security	7	250542	215723	86.10
28	34	Motor vehicles, trailers and semi-trailers	74	276476990	238041554	86.10
7	13	Metal ores	15	11420486	8615341	75.44
29	35	Other transport equipment	36	23258455	17176024	73.85
53	80	Education services	420	9367462	6676111	71.27
21	27	Basic metals	76	156149448	101505168	65.01
57	92	Recreational, cultural and sporting services	465	68503037	43574065	63.61
13	19	Leather and leather products	77	58628675	36605690	62.44
32	40	Electrical energy, gas, steam and hot water	65	368003168	222540139	60.47
26	32	Radio, television and communication equipment and apparatus	129	84533626	50360266	59.57
31	37	Recovered secondary raw materials	33	14281687	8268276	57.89
15	21	Pulp, paper and paper products	87	127658735	71280809	55.84
11	17	Textiles	201	185811484	103492082	55.70
12	18	Wearing apparel; furs	279	56790337	31070888	54.71
18	24	Chemicals, chemical products and man-made fibres	146	304495894	162417418	53.34
35	50	Trade, maintenance and repair services of motor vehicles and motorcycles;	1146	726639563	386749277	53.22
27	33	Medical, precision and optical instruments, watches and clocks	199	68967725	32981755	47.82
19	25	Rubber and plastic products	395	165761428	77087307	46.50
23	29	Machinery and equipment n.e.c.	423	297712602	136777121	45.94
48	71	Renting services of machinery and equipment without operator and of	76	2393984	1078123	45.03
25	31	Electrical machinery and apparatus n.e.c.	274	148656670	58419169	39.30
56	91	Membership organisation services n.e.c.	37	789182	305290	38.68
55	90	Sewage and refuse disposal services, sanitation and similar services	45	16714841	6386802	38.21
24	30	Office machinery and computers	88	30865463	11221652	36.36
42	63	Supporting and auxiliary transport services; travel agency services	662	194276738	68933254	35.48
8	14	Other mining and quarrying products	81	15814971	5491624	34.72
5	11	Crude petroleum and natural gas; services incidental to oil and gas	197	43881952	14844785	33.83
58	93	Other services	248	9130054	2977529	32.61
22	28	Fabricated metal products, except machinery and equipment	995	265663961	83316896	31.36
33	41	Collected and purified water, distribution services of water	52	35170515	10969008	31.19
6	12	Uranium and thorium ores	102	60022723	18359022	30.59
39	60	Land transport and transport via pipeline services	1049	163983025	48636106	29.66
50	73	Research and development services	203	12160108	3601828	29.62
20	26	Other non-metallic mineral products	185	116484699	33178451	28.48
46	67	Services auxiliary to financial intermediation	208	10877427	3060489	28.14
47	70	Real estate services	484	42472560	11623798	27.37
37	52	Retail trade services, except of motor vehicles and motorcycles; repair	2962	751558031	196185311	26.10
49	72	Computer and related services	716	73965297	17652752	23.87
9	15	Food products and beverages	352	336479393	77639826	23.07
44	65	Financial intermediation services, except insurance and pension funding	93	18135022	3910847	21.57
16	22	Printed matter and recorded media	781	110963265	23361020	21.05
14	20	Wood and products of wood and cork (except furniture), articles of straw	481	116879921	24201303	20.71
34	45	Construction work	2378	508622223	104422268	20.53
54	85	Health and social work services	474	66536785	11164960	16.78
30	36	Furniture; other manufactured goods n.e.c.	435	104195900	17383217	16.68
38	55	Hotel and restaurant services	1081	89555247	11042966	12.33
36	51	Wholesale trade and commission trade services, except of motor vehicles	7577	1391880811	157645874	11.33
51	74	Other business services	6228	418985453	27478281	6.56
		Total	32964	8444791863	3049325885	36.11

Source: Financial statements of firms for the year 2000, own calculations