

# Assessing the Effects of Slovenia's EU Accession

By Andrej Udovc

The Republic of Slovenia gained its independence from Yugoslavia in 1991. Since then, historical and cultural ties to Western Europe, a strong, developing economy and a stable democracy have assisted in Slovenia's transformation into a modern state. It acceded to the EU (European Union) on May 1, 2004.

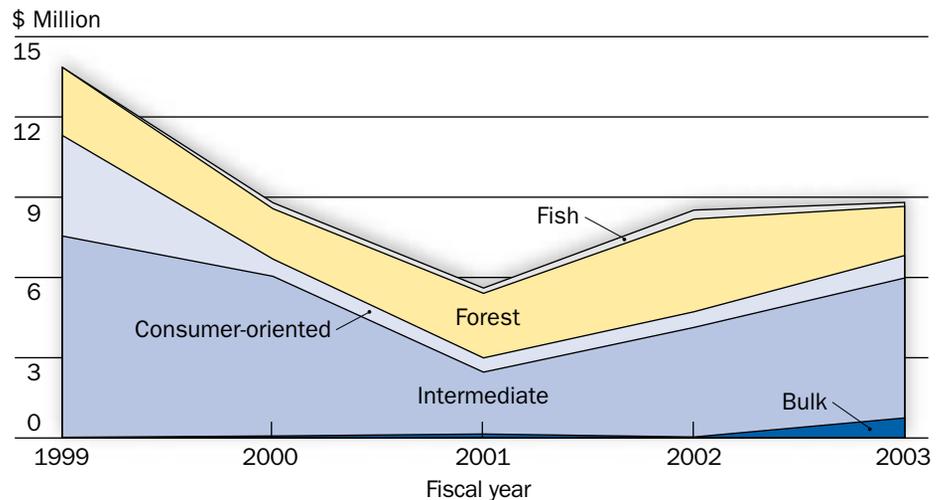
Preparations for EU membership have driven a wide range of regulatory changes in the agricultural sectors of Slovenia and the other acceding nations. They have altered food processing regulations, veterinary laws and subsidy programs to comply with EU standards. Moreover, farmers in these nations will receive support under the EU's Common Agricultural Policy market measures, such as export refunds, which will help stabilize their incomes.

## The Economic Landscape

In part because of its ties to Western Europe, Slovenia enjoys a per capita GDP (gross domestic product) substantially higher than that of some other transitioning economies in Central and Eastern Europe. In 2002, Slovenian GDP was estimated at \$37.06 billion, and per capita GDP was \$19,200.

Privatization of the economy accelerated in 2002-2003. The budget deficit dropped from 3 percent of GDP in 2002 to 1.9 percent in 2003. Despite the economic slowdown in Europe over the past few years, Slovenia maintained 3 percent growth.

**U.S. Agricultural, Fish and Forest Exports to Slovenia Fluctuate Considerably from Year to Year\***

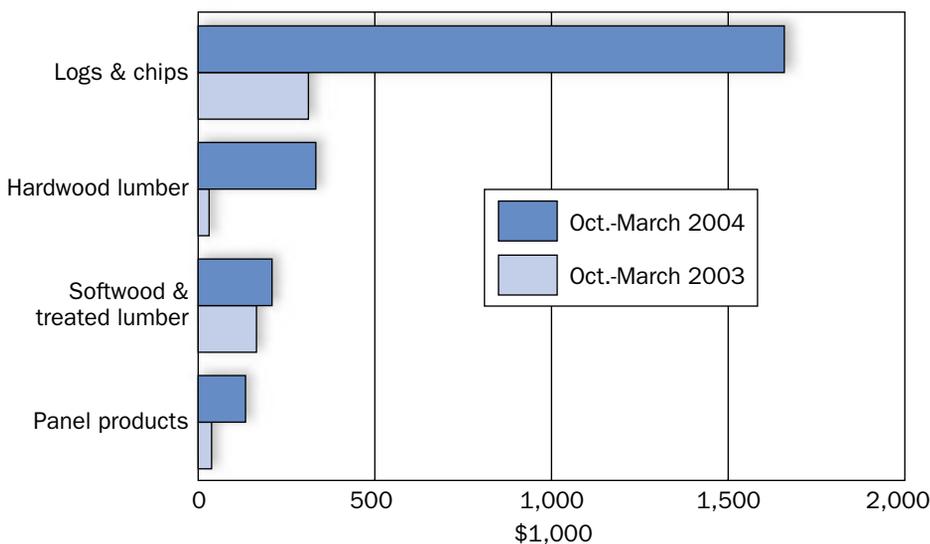


\*Official statistics understate U.S. exports because they do not account for products transhipped through other EU countries.

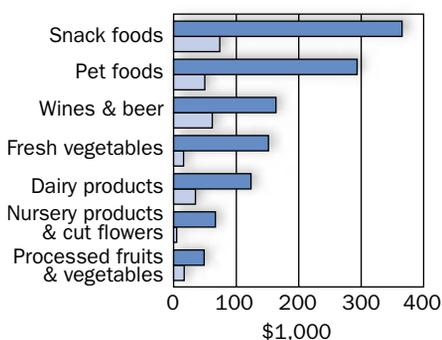


**Numerous U.S. Products Across Categories Made Big Growth Gains in the First Six Months of Fiscal 2004**

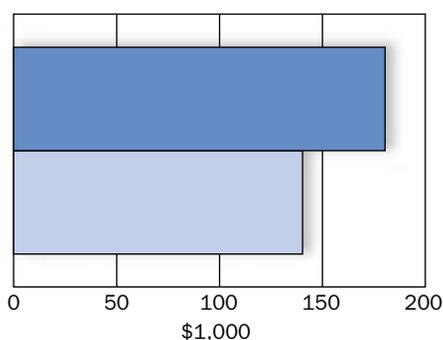
**Forest**



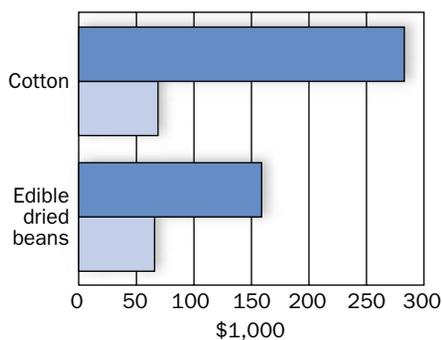
**Consumer-oriented**



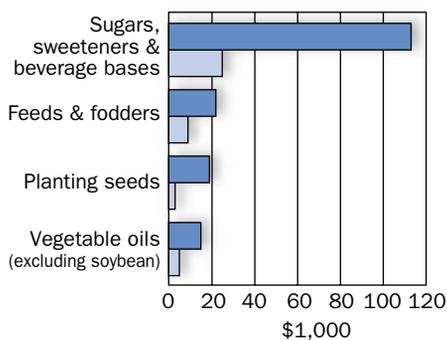
**Fish**



**Bulk**



**Intermediate**



However, further measures to curb inflation are needed. Corruption and the high degree of coordination of government, business and central bank policy remain issues of concern.

**EU Accession and Farmer Payments**

In 2002, Slovenia started using pre-accession funds from the EU, mainly for investments in farms and the food processing industry. Other forms of EU support are being substituted for these funds in 2004.

In 2002, subsidies paid to Slovenian farmers stood at 60 percent of EU levels, and likely increased to 75 percent last year. The EU will increase its contribution to Slovenian producers by 10 percent each year beginning in 2004 and continuing for the next few years. Until 2013, the Slovenian government will also make direct payments to farmers. With this formula, Slovenian farmers should reach the EU level of direct payments in 2007.

For 2004–2006, Slovenia will receive about \$409 million, which will be supported with \$400.69 million from the national budget and used for farmer payments, agricultural environmental programs and organic farming. In addition, \$67.8 million will be available for rural development from EU structural funds.

### Accession and Slovenian Production

With EU membership, Slovenia's wheat production will decrease or stay the same, so imports will likely still be required to fulfill about 50 percent of demand.

Corn production will stay the same or slightly increase, so the level of self-sufficiency will remain at 55 percent. Barley production is expected to increase by 3–8 percent, covering only 35 percent of demand.

EU producers work under the sugar regime, which consists of production quotas, high tariffs and administered prices. Under these conditions, sugar production is profitable in the EU generally. With accession, sugar prices are expected to rise by over 40 percent, making sugar production within quota highly profitable. Slovenian sugar beet production is expected to double in the years after accession because of higher producer prices, but it will meet only 70 percent of domestic demand.

In livestock production, Slovenia's producer prices already approach or sometimes exceed EU producer prices. For Slovenia's main animal product, milk, producer prices are expected to decrease; producers will probably compensate for lower prices through higher productivity, which will swell the existing surplus.

In the pork and poultry sectors, producer incomes are likely to drop with the



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abolition of market protections. But Slovenia will probably still obtain 70 percent of its pork and 20 percent of its poultry products from domestic sources.

EU accession is expected to benefit Slovenian beef and small cattle producers. Their income situation will improve, and production is expected to increase by 10–20 percent, so domestic supplies will meet or exceed demand.

### Accession and Trade

Agricultural trade among new member states is expected to increase due to elimination of tariff barriers, especially for Poland, Hungary and Slovakia. Trade between new and older EU members will not increase as much, because trade barriers have been reduced in preparation for accession; for example, tariffs were eliminated, and some export subsidies were lifted.

Tariffs collected on U.S. agricultural products could increase by \$5 million per year, primarily because many U.S. food imports transshipped through the EU have often been erroneously classed as being of EU origin (and thus subject to lower tariffs).

Slovenian tariffs are expected to rise

on U.S. vegetable oils, tobacco, processed fruits, orange juice, rice and seafood (especially squid and shellfish).

The United States has never had more than a tiny share of Slovenia's \$47 million import market for red meats, due largely to regulations banning the use of bovine growth stimulants. Similarly, U.S. poultry suppliers have never had an opportunity to reach Slovenia's \$8 million import market due to the adoption of EU-style regulations.

U.S. products that will benefit from lower customs tariffs are edible dried beans, cocoa, dried fruits, fruit juices (other than orange), pet foods, wines and whiskey.

According to official figures, U.S. exports of agricultural, fish and forest products to Slovenia have fluctuated widely over the past several years. But they have been trending upward since fiscal 2001, reaching \$8.79 billion in 2003. Moreover, the statistics understate actual U.S. exports, because they do not account for products transshipped through other EU countries. ■

*This article was prepared by an external contractor for the FAS Office of Agricultural Affairs at the U.S. Embassy, Vienna, Austria. For more information on the Slovenian market, contact that office at: Tél.: (011-43-1) 31-339-2249; Fax: (011-43-1) 310-8208; E-mail: AgVienna@usda.gov*

For details, see FAS Report SI3001. For food and agricultural import regulations and standards, see FAS Report SI4005. To find them on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.