

Trade Policy Review Body
13 and 15 May 2002

TRADE POLICY REVIEW

SLOVENIA

Minutes of Meeting

Addendum

Chairperson: H.E. Ms. Amina Chawahir Mohamed (Kenya)

This document contains the advance written questions, and replies provided by the delegation of Slovenia.¹

Organe d'examen des politiques commerciales
13 et 15 mai 2002

EXAMEN DES POLITIQUES COMMERCIALES

SLOVENIE

Compte rendu de la réunion

Addendum

Président: S.E. Mme. Amina Chawahir Mohamed (Kenya)

Le présent document contient les questions écrites communiquées à l'avance et les réponses fournies par la délégation slovène.¹

Órgano de Examen de las Políticas Comerciales
13 y 15 de mayo de 2002

EXAMEN DE LAS POLÍTICAS COMERCIALES

ESLOVENIA

Acta de la reunión

Addendum

Presidente: Excm. Sra. Ms. Amina Chawahir Mohamed (Kenya)

En el presente documento figuran las preguntas presentadas anticipadamente por escrito, junto con las respuestas facilitadas por la delegación de Eslovenia.¹

¹ In English only./En anglais seulement./En inglés solamente.

**ADVANCE WRITTEN QUESTIONS AND REPLIES PROVIDED BY THE DELEGATION
OF SLOVENIA**

I. ECONOMIC ENVIRONMENT

(1) Macroeconomic and structural situation

Question posed by United States of America (*Report by the Government of Slovenia*):

Obligated spending accounts for about 80% of the Slovenian budget, with public wages and pensions accounting for the two largest pieces of this budget. If these expenditures continue to expand, inflation will be hard to overcome. How does the Government of Slovenia plan to meet its inflation target of 6.4% for 2002? More specifically, how does it plan to overcome public sector wage pressure, and what steps will the Ministry of Labour take toward pension reform? What measures does the government plan to take to lower government spending and make it more effective?

Reply:

The revised inflation target for 2002 is 6.9%, due to high price growth in the first quarter of this year (3.2%). There is a considerably lively discussion on the causes and remedies regarding inflation in the Government and between it and the private sector. Therefore, there is a sense of importance of controlling and reducing the rate of inflation with appropriate measures. The Government announced a package of measures to curb inflation, public spending and reduce wage pressures in the public sector.

There is a newly adopted Law on wages in the public sector. The basic aim of which is to achieve limited growth or 0% growth in wages (in state administration) and channel benefits into retirement schemes. Other measures include the abolishment of indexation mechanisms on transactions of less than one year, measures in the area of controlled prices, especially regarding public services.

On the other hand, the rate of inflation is sensitive to external price growth, especially regarding the prices of energy.

In 2002-2003 Slovenia envisages a restrictive wage and employment policy in the public sector and has adopted laws on the reform of the state administration.

Pension and disability benefits reform was already fully in place in 1999. The main novelty is the introduction of voluntary and employer supported supplementary retirement schemes, based on long-term asset growth.

The Government is developing a medium term plan to reform the structure of budgetary spending in the next 4 years, to reduce debt and debt servicing, to sell state holdings, to delegate government-public functions to the private sector and introduce autonomous financing by the private sector, to increase the efficiency, especially, in the administration of state-aid, investment, public services.

(2) Investment regime and incentives

Question posed by Norway:

The Secretariat's report mentions, under "Developments in the Foreign Investment Regime", that even though there have been substantial changes that improve the framework for foreign direct investments in Slovenia there still are procedures that hinder investment from abroad. We note that the government is in the process of dealing with this issues but would appreciate an overview of which measures the government is planning to reduce the number of bureaucratic obstacles.

Reply:

Administrative hindrances to foreign investment have been systematically dealt with since April 2001 within a government appointed task force with a mandate to simplify the relevant administrative procedures and abolish redundant requirements.

The range of issues addressed by the government in order to create a friendlier environment for investors is related to the establishment of a company, business operations carried-out by a sole proprietor, commercial property development, expatriate work permits, and employment relations.

The key achievements thus far are:

- abolition of the Business Activity Permit as a requirement;
- reduction of time for the registration of a company from 3 months to 1 month;
- reduction of administrative fees by 50%;
- simplified procedures for sole proprietorships;
- simplification procedures for building permits;
- more favourable treatment of applicants for work permits in cases of corporate transferees.

Further activities to reduce the administrative burden in facilitating investment are focusing on:

- "one stop" approach for the registration of companies;
- reduction of unnecessary paper-work for companies via the "e-delivery" system of obtaining and presentation of documents;
- reorganisation of the Tax Administration, introduction of electronically supported processing methods;
- simplification of procedures regarding the acquirement of residential permits;
- preparation of new legislation regarding the recognition of qualifications;
- enforcement of the new Law on Employment, adopted in April 2002 (the Law will enter into force on 1 January 2003).

Question posed by Switzerland:

The report of the Secretariat states that Slovenia offers a package of financial incentives to investors, which include direct financial assistance and tax incentives. The government also aims to reduce administrative barriers to investment in order to attract new foreign investors in Slovenia. Recent statistics shows that 2001 was a record year for foreign direct investment in

Slovenia: how do assess the recent increase of foreign direct investment in Slovenia and how do you evaluate so far the impact of the package of incentives on the investment volume?

Reply:

The growth in inward foreign direct investment in 2001 was primarily associated with the post-privatisation acquisitions in the field of financial services and investments in the field of telecommunications. More acquisitions are expected to follow in the course of 2002. A revived interest of foreign investors in equity holdings in Slovenian companies was spurred by the Government's commitment to speed-up privatisation in the financial sector. The impact of the investment incentives package on the increase in FDI in 2001 cannot be assessed yet, since it was introduced in the middle of the year. However, the two greenfield investors who already applied for the incentive package were both approved, and are in the process of setting up their business facilities.

It was the clear message of the Government to the business community through its Programme to Attract FDI in 2001 to 2004 that has aroused a widespread interest of foreign investors in Slovenia as a site to be considered. In the language of figures, we can see that the Slovenian Trade and Investment Promotion Agency (TIPO) processed some fifty new enquiries in 2000. In 2001 this figure doubled, and in the first quarter of 2002 it soared to 180 requests for information relating to all aspects of FDI.

(3) Privatisation

Question posed by United States of America (*Report by the Government of Slovenia*):

The process of privatisation has been slow, but has speeded up lately. What are the prospects for more privatisation in 2002 and 2003?

Reply:

The Government programme for promotion of FDI include a commitment to attract greater levels of foreign participation in privatisation process, including in the principal privatisation envisaged for the next two years: banks and public utilities.

(4) Multilateral and regional issues

Question posed by European Union:

Slovenia has concluded FTA's with various countries. All these agreements contain provisions on government procurement. Could Slovenia please inform about the contents of these provisions regarding government procurement? Which countries are granted access to government procurement tenders in Slovenia under these agreements?

Reply:

The provisions in the FTAs concluded by Slovenia, concerning government procurement, contain the following (typical) stipulations:

1. The Parties consider the liberalisation of their respective public procurement markets as an objective of (the) Agreement.

2. The parties shall progressively develop their respective regulations for public procurement with a view to grant suppliers of the other Party, (after the end of an agreed transition period), at the latest, access to public procurement markets on the basis of non-discrimination and reciprocity.

The following countries have been granted such access: EU countries (15), EFTA countries (4), CEFTA countries (6), Baltic countries (3), Turkey, Israel, Croatia, Macedonia and Bosnia and Herzegovina.

Question posed by United States of America (*Report by the Government of Slovenia*):

Slovenian government statistics indicate that Slovenia's bilateral trade with Austria, Finland and Sweden has declined. Is this true, or is trade with these countries now included in trade statistics for the EU as a whole?

Reply:

The paragraph in question needs clarification since it may be misleading as it is referring to the total volume of trade with EFTA countries and not to bilateral trade with Austria, Finland and Sweden, respectively. Statistics of trade with Austria, Finland and Sweden are followed separately as well as jointly with other trade statistics for the EU. Two-way trade with the above-mentioned countries has been growing steadily ever since they have become member states of the EU.

(5) Accession to the EU

Question posed by United States of America:

How will Slovenia's existing bilateral investment treaties be affected if Slovenia accedes to the European Union?

Reply:

Slovenia has concluded a number of bilateral agreements for the protection of investments in a more or less standard form, which relate to the so called post-establishment phases of investment and they all contain the REIO clauses. For this reason they are not in conflict with the *acquis communautaire* and will remain in force after Slovenia's membership in the EU.

II. TRADE POLICIES AND MEASURES

(1) Tariffs

Question posed by Japan:

The Report states that there is a relatively large gap between bound and applied MFN rates in non-agricultural products: the difference between them in 2001 being at 13.8 percentage points. Japan requests Slovenia to further reduce the bound rates in the market access negotiations. Please provide Slovenia's view in this respect.

Reply:

The practice shows that Slovenia has so far not increased MFN tariffs for non-agricultural products, demonstrating that the tariff system is both stable and predictable. Nevertheless, Slovenia is prepared to take part in the negotiations on market access in non-agricultural products, once an agreement has been reached in the WTO on the modalities of these negotiations.

Question posed by Korea:

Since its conclusion of a Temporary Agreement with the EU in 1996, Slovenia has maintained differential tariff regimes for EU products versus products from other countries. In particular, there is a 15 % of tariff rate imposed on automobiles and colour TV for non-EU countries while EU products enjoy zero tariffs. Does Slovenia have any plan to correct these differential treatments?

Reply:

The differences in tariffs for the above products result from the Europe Agreement which again is in full compliance with Article XXIV of the GATT 1994.

Question posed by United States of America:

The Secretariat's report indicates that Slovenia in 1999 adopted a plan to align its tariffs with the EU's MFN rates. Does this plan include a staged reduction of tariffs to EU rates, and where can interested parties obtain a copy of the phase-down plan? When does Slovenia expect to join the European Union?

Reply:

The target date for accession to the EU, set by Slovenia, was previously seen as 1 January 2002. Since that date has been readjusted to 1 January 2004, the plan to align Slovenia's tariffs with the EU's MFN rates has been also readjusted accordingly.

(2) Customs administration

Question posed by United States of America:

It appears that Slovenia has done a lot to improve its customs administration and facilitate trade. In this connection Slovenia has instituted "simplified customs procedures" for "authorized traders" only. Please describe these simplified procedures and comment on the criteria for being deemed an authorised trader.

Reply:

According to the basic customs legislation, the customs authorities may grant permission to simplify the process of completion of the required formalities, stating at the same time the necessary conditions that need to be complied with. The permission may be granted to any person eligible and qualified to deal with customs matters, if they fulfil certain requirements, i.e. "approved exporters". Therefore, this is not a matter of privilege, rather a matter of confidence. The simplified procedures (which are used on a trial basis) enable a quicker movement of goods through customs, reduction of costs to operators, and a reduction of administrative work for the customs authorities.

The provision on simplification regarding the customs declaration is laid down in Article 59 of the Customs Act.

Question posed by United States of America:

Regarding the importation of equipment used for production into designated free-trade zone, paragraph 24 notes that such equipment may be imported without restriction and duty-free so long as it remains in the designated zone. However, the paragraph goes on to say that the provision relating to imports of equipment into the economic zones was abolished on January 1, 2002. What specific provisions have been abolished? Does this mean that equipment imported for production within a zone is now dutiable and subject to the VAT and other taxes? Please explain. Also, are VAT taxes rebated for domestically produced equipment that is brought into free-trade zones for production proposes?

Reply:

Until 1 January 2002, the Law on Economic Zones contained a provision exempting equipment imported into the economic zone from payment of import duties. This provision did not make allowances for the payment of value added tax (VAT).

The VAT Act including the provisions on "the right to deduct input VAT" applies to all equipment imported from abroad as well as to equipment bought in the rest of Slovenian customs territory.

(3) Trade remedy measures

Question posed by Japan:

The Report states that the Decree on Safeguard (SG) Measures does not apply to products imported under FTAs. Does this mean that import from all FTAs to which Slovenia is a member are excluded from SG measures? Please cite all FTAs the imports from which is excluded by virtue of the provision in the Decree. Is this situation an obligation imposed by Slovenia, as prescribed in the FTA's, or rather, is it simply a right of Slovenia to decide upon its application on a case-by-case basis? When Slovenia carries out an investigation on the application of safeguards, are the import from each FTA country also taken into account?

Reply:

Yes, Slovenia can confirm that the countries with which it signed the FTAs, safeguard measures are excluded by virtue of the fact that the agreements themselves contain SG clauses and by virtue of the Article XXIV:8(b) provision of the GATT 1994.

Slovenia has not introduced any safeguard measures. Therefore, it has no experience in the implementation of its legislation in this area.

(4) Import licensing regime

Question posed by Hong Kong, China:

We note that Slovenia applies non-automatic licensing requirements to certain products and is preparing a new and full notification on these requirements to the WTO. We welcome the

efforts of Slovenia in enhancing transparency of its import regime and are interested to know the progress of the preparation.

Reply:

The full notification under Article 7.3 of the Agreement on Import Licensing Procedures is in its final stage of preparation. The notification will be submitted to the Secretariat in a matter of the next few weeks.

(5) Government procurement

Question posed by Switzerland:

With interest we have taken note of the new Public Procurement Act of April 2000 in order to align the domestic government procurement legislative framework with EU Directives and to the WTO Government Procurement Agreement (GPA). How do you assess so far the impact of the new Act and work of the Public Procurement Office (which was created in the Spring of 2001) with regard to the increase of transparency and liberalisation in the awarding of public procurement contracts, particularly in the transport sector? Has Slovenia the intention to become a signatory of the GPA in the next future?

Reply:

The Public Procurement Act that came into force in December 2000 has contributed to an enhanced transparency and competitiveness of the overall public procurement system regardless of any sector. However, precisely, because the system has been tested in practice, and some experience has been achieved, the system requires some improvements and streamlining. Therefore, there are certain amendments to the present Act which are under preparation. The amendments are intended to provide clarifications to specific provisions of the Act, elimination of contradictory provisions, and delineation of award procedures with respect to the values of contracts. Simplification of procedures is envisioned for contracts of lower values.

The awards of contracts in certain instances, beyond the thresholds of EU directives, have demonstrated the need for specific regulation in order to ensure transparent procurement, when there is a lack of competition on the bidding side.

The Public Procurement Office's prime responsibility is to function in the context of greater transparency of the public procurement system and monitor the proper application of the Act. Among the general functions, among the Office's tasks are the issuance of guidelines, specific opinions and an advisory and information role in relation to entities and potential bidders. Furthermore, the Office receives reports from entities on awarded contracts. The Office's function is also to increase the awareness of the rules and principles of the public procurement system within the government administration at various levels as well as in the private sector.

The Slovene transport sector has been in most part liberalised, including some semi-monopoly segments that are open to entrants by competitive bidding for licences and concessions. National highways and railways as well as city transport remain in state ownership and ownership of local communities (municipalities) but are undergoing privatisation. The Public Procurement Act will remain relevant to the extent of relevant legislation provides for confer of exclusive rights.

The priority of Slovenia is to fully harmonise its legislation with the relevant EU directives and the Government Procurement Agreement in the WTO in the process of its eventual accession to that Agreement.

Question posed by European Union:

Is the “National Review Commission” (NRC) operational? Could Slovenia please provide some more details about the composition and nomination of its members, competencies, independence and functioning? What measures is the NRC allowed to adopt in case of infringement of Public Procurement provisions? Do these measures include provisional suspension of the tendering process? What is the relationship between the NRC and the Public Procurement Office? Could Slovenia please also explain in detail the notification mechanism from the Public Procurement Office to the NCR in case of infringement by contractors? And if means of recourse exist against these decisions?

Reply:

The National Review Commission has been operational for three years. The Review of Public Procurement Procedures Act defines its composition, its competence, the manner in which it is appointed, and the procedural aspects of its work. The Commission is appointed by the Parliament and is accountable to it. Members are appointed on the basis of professional merits. The president of the Commission must fulfil the requirements for court judge. The Commission is functionally independent.

The NRC is authorised to take decisions in matters of compliance with the Law in contract award procedures and to review tender documentation and submissions and their compatibility with the tender conditions and requirements. The Commission performs on the basis of written submissions and documentation, and depositions and may make on-site inspections of relevant documents. Then Commission may suspend the tendering proceedings and may order corrections, of the tender documents as well as the cancellation of the proceedings.

The Law requires prior conciliation between entities and tenders before a review procedure can be initiated before the Commission, and only if such a conciliation attempt has failed.

Decisions of the National Review Commission are binding for entities; non-compliance is subject to fines. The Commission is obliged to report alleged offences and felonies to the proper authorities.

The Public Procurement Office and the National Review Commission are two different bodies belonging to different branches of the state administration. The former reports to the Government and the latter to the Parliament. The PP Office is authorised to report to the NRC on cases of infringements of the law, but this requirement has not been practised so far. The planned amendments to the Law are also going to address the question of relations between the two bodies and clarify them, in order to avoid conflicts of interest.

(6) Export subsidies

Question posed by United States of America:

In previous years Slovenia has notified support for export subsidies, can you please indicate whether or not these subsidies still exist in the form of grants and interest subsidies?

Reply:

Slovenia does not provide export subsidies. Therefore, Slovenia did not notify any export subsidies in the previous years.

(7) Intellectual property rights

Question posed by Japan:

According to the Report, Slovenia has concluded an agreement with the European Union on patent extension, which provides that once a patent is filed in the EU, it is automatically extended to Slovenia and vice versa. In this regard, we ask Slovenia to provide us with explicit details of this agreement. What is the difference between this agreement and the European Patent Organisation?

Reply:

There is obviously an error in this part of the Report. Slovenia did not conclude an agreement on patent extension with the European Union but only with the European Patent Organisation. Slovenia is an observer to the European Patent Organisation. The Agreement with this organisation provides that once a European patent application is filed, an extension to Slovenia could be requested.

Act on the ratification of European Patent Convention is already in governmental procedure. It is expected that it would be submitted to the Parliament in June this year.

III. SECTORAL POLICIES AND MEASURES

(1) Agriculture

Slovenian views on the future developments of CAP

Slovenia is of course closely watching the current preparations for the mid – term review of CAP that is bound to happen next month. No essential changes are expected to take place in the immediate future because the real shifts can only be a result of the current WTO negotiations. The enlargement of the EU can also be used as a good argument to the more conservative member countries that the financial constraints simply do not allow CAP to be carried out in the existing form.

So what do we expect in the short term? Some Common Market Organisations like CMO in rye and beef sector can be improved. No substantial changes will probably happen in the field of sugar and milk, with the exception of direct payments to be introduced on grassland. Obligatory modulation in the form of shifting the funds from the direct payments of the first pillar to the rural development and agri – environmental measures of the second pillar seems to be almost certain. This so called Robin Hood approach can only be successfully implemented in the countries with a large share of big farms. At present it is used only in a limited number of countries.

Slovenia tries to anticipate this very probable development of CAP by allocating some 40% of agricultural subsidies to the agri – environmental and rural development measures. In this respect we are not lagging far behind the leading countries where that ratio is around 45%. When we take EU as a whole, only 10% of agricultural subsidies are spent on the second pillar measures.

Predicting the future developments of CAP is a real job for the soothsayers since U.S.A. revealed its plans to increase the agricultural envelope by some 70% or so. That could significantly slow down the pace of CAP reform in Europe to say the least. Some of the measures used by the U.S.A. can find its echo also in future CAP measures.

Income safety net based on insurance premiums for counter - cyclical movements can be a very appealing weapon in the armoury of future agricultural subsidies in the U.S.A. as well as on the old continent. Especially so if it could be sold as a "Green Box" measure.

Question posed by Japan:

The Report states that the Government introduced the system of direct payments to farmers for all major crops (i.e. area payments per surface unit, generally hectares). In Japan's view, such system appears to come under the "amber box" classification. However, the Report goes on to say "Slovenia notified, for the first time, to the WTO its "blue box" measures as well as a strong increase in "green box" measures". Bearing this in mind, does Slovenia consider the above direct payments to be "blue box" or "green box" measures? If so, please provide the reason for such classification in concrete terms. For example, do these direct payments correspond to Article 6.5(a) of the Agricultural Agreement? If so, why? Or rather, do they correspond to the so-called "decoupled income support", as described in paragraph 6 of Annex 2 of the Agricultural Agreement?

Reply:

"Blue box" measures

Within the last few years Slovenia has completely abolished a system of administratively fixed prices for all agricultural produce as well as state monopoly on wheat. A result was a steep decrease of agricultural prices that threatened to decrease the farmers' income. In order to compensate the farmers for the potential loss of income, direct payments were introduced as the main measures of our agricultural reform that started in the year 1999 and then on the full scale in the year 2000.

Slovenia has adopted production-limiting programmes with regard to the direct area payments and the direct headage payments under Article 6.5(ii) of the Agreement on Agriculture. Usage of the land is registered on the basis of ortho-photo system. Agricultural land register and Animal register have been established. There is a 100% administrative control of all applications as well as 10% on spot control in case of animal premium and 5% on spot control in case of area based direct payments. Additional criterion in case of headage based payments, namely that the livestock density of not more than 2 livestock units per hectare (cross-compliance), is to be observed. Payments and administrative control are carried out by a paying agency that operates a special integrated administrative control system (IACS). On the spot control is delegated to the Inspectorate for agriculture, forestry, hunting and fisheries.

Producers and producer organisations were informed about the production limiting programmes in question in the Decree on the implementation of financial interventions for the preservation and development of agriculture and food production (OJ RS 27/2000).

Requirement that payments are made on 85% of the base level of production are ensured by producer organisations, paying agency and inspectorate that carries out the so called on the spot control as to the actual state of play of the data provided in the applications.

Base level of production is determined on the basis of the available statistical data on the arable crops production and usage of the land in hectares for the area based payments. The respective year was 1991.

As to the animal headage premium the available statistical data come from the year 1993.

"Green box" measures

Direct payments within national agri-environmental programme comply with the Annex 2, paragraph 12 (b) on the basis of the criteria set out in the provisions of the Decree on the implementation of financial interventions for the preservation and development of agriculture and food production (OJ RS 27/2000). Payments for the agri-environmental programme are limited in scope and value in order to cover the extra costs or loss of income because of smaller yields and additional work. Basic calculations related to the eligibility of extra costs or loss of income has been done on the basis of the Guideline to the Good Management Praxis (OJ SRS 29/86).

Payments for the agri-environmental programme are subject to the conclusion of the 5-year obligation for farming according to the provisions of the Decree on the implementation of financial interventions for the preservation and development of agriculture and food production (OJ RS 27/2000). Contract stipulates the fulfilment of the special conditions (like Good Agricultural Practice Code) in order to qualify for the agri-environmental programme set out in the quoted decree.

Question posed by Japan:

In paragraph 2 of the Report, it is stated that the agricultural exports to the EU in 2000 decreased to USD 70 million, while imports from the EU amounted to USD 350 million. Does this mean that Slovenia is increasingly relying on imported agricultural products? Does not this tendency affect Slovenia's food security?

Reply:

For the last few years there is more or less constant ratio of 2 : 1 of the value of imported agricultural products versus exported agricultural products. It is true that the value of our agricultural exports to EU decreased last year by 15,9%. On the other hand we managed to increase the export to the republics of former Yugoslavia by 17,4%.

The shift in the structure of imports and exports of agricultural products does not affect Slovenia's food security as the exports of agricultural products increased on the aggregate level by 5,4%, while the imports increased by 3,3% in the year 2001.

Question posed by Japan:

According to the Report, while output declined for both crop and livestock production in 1992 and 1993, the production started to recover as from 1994, and such recovery benefited from growing amounts of Government subsidies. In this regard, we note that, in Table III.4, the state aid for agriculture and fisheries increased from 17.2 billion SIT in 1998 to 38.3 billion SIT in 2000. Do such Government subsidies not create too much of a burden on Slovenia's budget?

Reply:

Slovenia considers that the increase of agricultural budgetary envelope is a price to pay in order to align its agricultural policy measures with the Common agricultural policy of the EU.

Question posed by Uruguay:

Could Slovenia comment on paragraph 16 of the Summary Observations of the Secretariat Report that states that: “While Slovenia’s sectoral policies have moved towards greater market orientation, the level of government assistance in agriculture has been increasing. The share of agriculture to GDP has been decreasing over the last few years (from 5% a decade ago to around 3% in 2000), but there has been an increase in budgetary allocations to the sector. Recent OECD calculations indicate that the average producer support estimate (PSE) in Slovenia is higher than the OECD average and similar to that of the EU. The agriculture sector, comprising a large proportion of small farms located in mountainous areas, is also shielded from international competition by a combination of specific border measures (high tariffs and relatively restrictive tariff quotas)”?

Reply:

It is true that the share of agriculture in the GDP has been decreasing over the period of last few years but on the other hand it is also true that agriculture has been playing significant multifunctional role in the society. Different countries give different weights and priorities to a wide range of individual non-trade concerns. They play a very specific role in agriculture, which is among others also a provider of public goods that can not be necessarily sold on the free market. Strengthening of economic power of rural areas, environmental protection, food safety, supply of good quality food, cultural heritage and preserving the population in the countryside are just some of the roles entrusted to agriculture.

Almost 60% of our population live in the rural areas. Besides rural development measures as we implement them are extremely important in order to cope with the growing natural afforestation which is extended on some 56% of the total territory of Slovenia.

The importance of this issue can best be seen from the fact that we spend some 40% of our agricultural subsidies for the rural development measures and the plan for the next year is to go up to 55%. It is needless to say that all rural development measures qualify as the “Green Box” measures according to the WTO Agreement on Agriculture.

Another reason for having producer support estimate (PSE) on a relatively high level is due to the fact that have been decreasing the level of agricultural prices and at the same time we had to offset the loss of farmers` income by introducing area and headage based direct payments.

Question posed by Brazil:

According to the Secretariat Report (pgs 36 and 37) the Slovenian tariff structure is characterised by tariff escalation. We would be interested in knowing Slovenia’s intentions and plans with regard to this issue in the current WTO negotiations. We encourage Slovenia to further reduce the gap between applied and bound tariffs in the current negotiations.

Reply:

The rationale behind this gap is that the countries have more space for manoeuvre and they need not take so many actions by introducing general and special safeguard measures. The practice shows that indeed Slovenia does not take any safeguard measures in the field of agriculture. Our position in this respect is to support the reduction of the tariff rates from the bound level as it was a case in the Uruguay round.

Question posed by Brazil:

What are Slovenia's plans with regard to its specific duties and mixed tariffs in the current negotiations. We encourage Slovenia to convert them to *ad valorem* tariffs.

Reply:

For the time being we do not intend to convert our specific duties to the *ad valorem* tariffs. This issue could be addressed in the ongoing WTO negotiations. The final result depends upon the outcome of negotiations in this very field.

Questions posed by Brazil:

The Secretariat report points out that Slovenia's PSE (product support estimate) is higher than the OECD average. We further note that amount of agricultural state support has increased consistently between 1998 and 2000. We would be interested in knowing how Slovenia plan to position itself with regard to these issues in the current WTO agriculture negotiations.

Reply:

Question on PSE is roughly the same as Uruguay's. A common answer is provided to this question.

Questions posed by Brazil:

We are interested in more detailed information on the impact that the incorporation of the "*acquis communautaire*" will have on Slovenia's tariffs and tariff quota regimes (particularly as regards agricultural products).

Reply:

The impact of *acquis communautaire* on Slovenian agriculture is self evident. We intend to take up the whole *acquis* upon accession which means among others that the customs tariff and tariff quota regime will be the same as for all other EU member countries.

Questions posed by Brazil:

We would be interested in more detailed information in the light of paragraphs 31 to 34 of the Secretariat report, on the functioning of Slovenia's tariff quotas and non-automatic import licensing system as regards agricultural products. If possible we would request that a copy of the relevant legislation currently in force be attached to the answers or that the website (internet) address be provided for accessing that legislation.

Reply:

This answer is valid also for the similar question put by Slovak Republic. This year Slovenia introduced an improved system of tariff rate quota allocations. For the majority of agricultural products the "first come first served" system is used. Quotas for more sensitive goods like dairy products, meat, wheat, some fruits and vegetable as well as wine are allocated according the auctioning system that is recommended in the economic theory as the most transparent and the most objective one. The first results that we have this year can be said to be quite encouraging ones. Relevant regulation is at the time being available only in Slovenian language.

Questions posed by Brazil:

The Secretariat report points out that Slovenia's RTA's have resulted in a number of tariff quotas, particularly as regards agricultural products. We would like to know how these tariff quotas apply to coffee (grain)?

Reply:

Slovenia does not apply any tariff rate quota on coffee. The customs duty on raw coffee is 2% only.

Answer to Kenya and India on our commitments towards developing countries:

Slovenia will most probably become a member of EU before the end of a new WTO round. All EU commitments regarding the special and differential treatment for the developing countries will be valid for our country as well.

(2) Manufacturing

Question posed by United States of America:

Can you please specify as to what ailing industries benefit from higher than average tariff protection?

Reply:

Applied tariff rates are not specifically aiming at protecting "ailing" industries. They are the result of historical developments and the actual structure of Slovenian manufacturing and trade. Furthermore, Slovenia has never raised tariffs for these specific industries or introduced safeguard measures in order to protect them. The restructuring of selected industries is supported by other instruments.

Question posed by United States of America:

In previous years Slovenia has notified subsidy programs that support manufacturing sectors and services. Can Slovenia please indicate whether these programs still exist and in what form the subsidy is made?

Reply:

The state-aid programmes still in force are determined by specific legislation and by the Law on State Aid, the annual Law on the Execution of the Budget and other legislation. The programmes that were in force in 2001 were:

- assistance to the steel industries, supporting a restructuring programme with a phase-out plan;
- support for public passenger and combined transport operations (described further in the replies);
- restructuring programmes for the leather-processing, footwear and textile industries;
- programme for the enhancement of entrepreneurship and competitiveness (new programme established in 2001);
- development of small business enterprises (this programme was incorporated into the above programme in 2001);
- support programme for the development of the tourist industry;
- employment-related programmes;
- support programmes in the area of research and development;
- regional development programme;
- support programmes for the introduction of environmentally friendly technologies.

The various forms of state-aid are mainly grants attached to specific policy objectives, in exceptional cases government loan guarantees can be provided, or additional capital investment, low interest loans for specific cases of support.

The year 2001 has seen a considerable reductions in the value and scope of government support schemes, compared to the year 2000, both in manufacturing and services. New programmes involve support for line passenger bus services and the programme for the enhancement of entrepreneurship and competitiveness. Support programmes for the steel industry, for example, have dropped by almost 30% in 2001, compared to the year 2000.

(3) Financial services

Question posed by Japan:

Slovenia has been pursuing liberalisation in the insurance sector. In this respect, does Slovenia have any plan to liberalise the services in mode 1 regarding insurance for maritime shipping, commercial aviation, space launching and freight (including satellites)?

Reply:

Slovenia will consider further liberalisation in the insurance sector in the ongoing GATS negotiations framework.

Question posed by United States of America:

Mention is made of the financial crisis of 1992 and how it led to restrictions of foreign presence aimed at restoring the “safety and soundness of the system” in spite of possible reduced competition. Since 1999-2000, the focus is reported to have returned to increasing competition and foreign presence. Please provide details of how this increased competition and

foreign presence is being achieved, making a relative comparison to the level of competition and foreign presence achieved previous to the financial crisis of 1992 and the level of competition and foreign presence in Slovenia at present. For instance, what kind of capital account liberalisation has been made, and what additional reforms have been passed and implemented, or remain in the planning stages? Regarding planned reforms, is there a timetable attached to them that trading partners may use to follow the progress of reforms in Slovenia?

Reply:

What is called the "1992 financial crisis" was in fact not a specific financial crisis. Slovenia broke off from the previous system inheriting a legacy of high inflation and other imbalances, that is why the first period of independence focused on securing the internal stability of a fragile newly emerging financial system. Therefore, Slovenia needed to safeguard against external financial shocks.

After this first phase of achieving stability, the gradual liberalisation has started. The major breakthrough occasioned with the adoption of the Law on Foreign Exchange in 1999.

Upon the adoption of the Foreign Exchange Law and other regulations by the Government of Slovenia as well regulations of the Bank of Slovenia, between 1999 and 2001 almost all controls of capital flow have been abolished.

Regulations have fully liberalised foreign direct investments, foreign credit transactions, personal capital transfers, most security transactions of residents and non-residents. Some remaining measures concerning short-term capital transactions will be phased-out.

The Bank of Slovenia adopted a time-table for the abolishment of all the control measures.

The only remaining restriction in the area of capital flow is in the competency of the Bank of Slovenia, and that is the question of possession of bank accounts in foreign countries by permanent residents of Slovenia. The Foreign Exchange Law is to be additionally amended to abolish further technical control in trading with securities.

Question posed by United States of America:

What are the "specialised institutions" and what public functions do they carry out?

Reply:

The specialised institutions referred to in the text are the Slovene Export Corporation, the Nuclear Pool and the Slovenian Capital Company.

The Slovene Export Corporation is an export credit agency, established in 1992 as a special private law financial institution for insurance and financing of exports, in accordance with the special Law on Export insurance and Finance Corporation of Slovenia. The majority shareholder of the Slovene Export Company is the Republic of Slovenia. Activities that it performs in wider interest and for the account of the state are: export credit insurance against non-commercial risks, investments' insurance against non-commercial risks, medium-term export credits insurance against commercial risks, short-term export credits' insurance against commercial (non-marketable) risks in non-OECD countries, insurance against exchange rate risks.

Slovenian Capital Company is a joint-stock company whose sole founder is the Republic of Slovenia. It has been established on the basis of the Pension and Disability Insurance act with a view to assure additional funds to finance the transition toward the funded pension and disability insurance system.

The Slovenian Nuclear Pool has been operating as a commercial interest association since 1994 and links all of the major Slovenian insurance companies and two reinsurance companies with a view to assure additional safety of the Krško nuclear power plant (NPPK). The Nuclear Pool insured NPPK against fire (Material Damage – MD), Machinery Breakdown (MBD) and third-party liability (TPL). MD and MBD, including the nuclear risk, was provided by the Slovenian and Croatian pools in equal proportions, while the Slovenian pool covers liability insurance.

Question posed by United States of America:

Please clarify how “commercial presence (being) required to offer insurance in Slovenia” accords with Slovenia’s existing GATS commitments which include Mode 1 supply for marine, aviation and transport insurance.

Reply:

In practice Slovenia fully applies Mode 1 for marine and aviation insurance as well as for transports in transit.

Question posed by United States of America:

Please clarify whether the insurance supervision body is an independent body. The information seems to suggest that it reports to Parliament.

Reply:

It is fully independent from the Government and reports directly to the Parliament.

Question posed by United States of America:

Can 100 percent foreign-owned subsidiaries or joint ventures provide third-party auto liability insurance?

Reply:

Yes, according to the Third party-motor liability Act from 1994, third party motor liability insurance can be carried by an insurance company that is irrespective of ownership registered in the Republic of Slovenia.

Question posed by United States of America:

Does Slovenia have any legal barriers that limit Mode 1 supply of reinsurance, insurance intermediation or services auxiliary to insurance? We would anticipate that Slovenia could bind a wider range of cross-border supply.

Reply:

Cross-border supply (Mode 1) of the referred services is not allowed. A foreign insurance agency or insurance brokerage company may perform activities related to insurance agency or insurance brokerage only through a branch. In order to establish a branch, an authorisation by the Insurance Supervision Agency is required. The same holds for the reinsurance business.

Conditions for provision of services auxiliary to insurance remain the same as those scheduled in the GATS commitments. Provision of consultancy and claims settlement services is conditioned with the incorporation as a legal entity and the consent of the Bureau of insurance is required. For actuaries and risk assessment activities provision of services is possible only through professional establishment.

Slovenia would consider further liberalisation in the context of ongoing GATS negotiations.

Question posed by United States of America:

Regarding Mode 3 supply, can Slovenia confirm that the changes implemented through the Insurance act of 2000 mean that foreign suppliers (for life, non-life, reinsurance) now have the right to choose their form of commercial presence – 100 percent subsidiary, joint-venture or branch?

Reply:

Yes.

Question posed by United States of America:

Do any limitations exist for branching? How are branches regulated under the Insurance Act - do any capital requirements apply?

Reply:

Foreign insurance company may perform insurance business in the Republic of Slovenia by a branch, which has received an authorisation by the Insurance Supervision Agency. Art. 97 of the Insurance Act stipulates the conditions, which a branch of a foreign insurance company must fulfil. Requirements relate to the composition of the management board (at least two members), adequate staff and technical equipment, sufficient equity at disposal (capital requirements as stipulated in art. 110 and 111 of the Insurance act reasonably apply also to branches) and money deposit or other adequate financial assets which are used as security to meet the obligations arising from insurance contracts concluded in the territory of the Republic of Slovenia or covering risks situated in the Republic of Slovenia. Article 98 of the Insurance Act further stipulates the documents, which have to accompany the application for an authorisation.

Question posed by United States of America:

Does Slovenia apply any restrictions on foreign companies seeking to invest in domestic insurance companies?

Reply:

No.

Question posed by United States of America:

Are branches of foreign companies required to put a percentage of their premiums in the guarantee fund as discussed in Article 112 of the Insurance Act of 2000?

Reply:

Yes, according to article 97 (3), the chapter 5 on risk management - including article 112 - applies also to branches of foreign insurance companies.

Question posed by United States of America:

Article 258 of the Act states that “regulations issues by the Insurance Supervisory Agency shall be published in the official gazette of the Republic of Slovenia”. Does this process include publishing draft regulations in advance to allow for public comment?

Reply:

The Council of experts of the Insurance Supervision Agency may only adopt regulations when it has legal basis in the law. Before adopting a regulation, the Insurance Supervision Agency is not legally obliged to publish the proposed regulation. Nevertheless, the Insurance Supervision normally consults the Slovenian Insurance Association on informal basis about the draft regulation.

Question posed by United States of America:

Item 17 of the Insurance Act of 2000 indicates that foreign insurance concerns are required to join this association while domestic concerns are not. Is this correct?

Reply:

Insurance companies established in Slovenia are not obliged to become members of the Slovenian Insurance Association, membership is voluntary. Membership at the Slovenian Insurance Association however will be obligatory for branches of insurance companies coming from the EU member states (after accession to the EU), but only in the case that these branches would like to perform compulsory third-party motor liability insurance. In this case it must also join the guarantee fund which is intended to cover losses caused by drivers of unknown and uninsured motor vehicles. (This provision is contained in Article 94, paragraph 5 of Insurance Act and not in Article 17).

This is however not a regime that would apply now to branches of foreign insurance companies – which now applies to WTO member states.

Question posed by United States of America:

Does Slovenia allow private provision of pension fund management services, either as part of its insurance regime or separately regulated as pension funds?

Reply:

Yes. According to the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia no. 106/99, 72/00, 124/00 and 109/01), which entered into force on January 1, 2000, private pension arrangements are possible. Private pension plans can be carried out by mutual pension funds, pension companies and insurance companies, which are licensed to perform life-insurance business according to Insurance act. Insurance companies, banks and pension companies can manage mutual pension funds.

(4) Telecommunications

Question posed by Canada:

Paragraph 18 states that the services industries in Slovenia could benefit from increased foreign presence (in terms of increased transfers of capital, technology and know-how) and enhanced market access commitments. It also notes that Slovenia introduced a new telecommunications law in 2001 that ended the monopoly rights in the fixed telephony market. According to paragraph 6, though, Slovenia did not take any specific commitments in the extended negotiations on telecommunication services. Please indicate whether Slovenia is considering making commitments under GATS in the telecommunication services sector to further improve the process of modernisation of this sector and, if so, what commitments Slovenia is considering?

Reply:

Slovenia is considering making commitments under GATS in the telecommunications services sector based on the existing legislation, which provides a mandate for further liberalisation and for technological advancement of the telecommunications sector. In particular, as it is stated in the Report by the Secretariat (paragraphs 29 and 30 on page 72), Slovenia *could* grant, *according to the 2001 Telecommunications Act* full market access and national treatment for the *telecommunications* services, when they are provided through cross-border supply or through consumption abroad, *as well as for the services provided through commercial presence.* *An upgrade on mobile telephony penetration is in place, since it has reached a mark of 75%.*

Question posed by Canada:

Paragraph 27 states that liberalisation of the telecommunications sector has been gradual. Does Slovenia intend to bind its autonomous liberalisation under the GATS? If so, when?

Reply:

Slovenia is prepared to bind its autonomous liberalisation in the telecommunications sector in the context of the ongoing GATS negotiations.

Question posed by Hong Kong, China:

We appreciate the efforts made by Slovenia to liberalise the telecommunications sector which include, among others, the divestiture of the state-owned "Telekom Slovenije". We would like to know more about the liberalisation plan of "Telekom Slovenije" and the details of foreign participation in the further divestiture expected in the near future.

Reply:

Slovenia considers the liberalisation of the telecommunications sector and the sale of a 65% share in Telekom Slovenia as two different and fairly independent activities. The implementation of liberalisation, as mandated by the Telecommunications Act, is proceeding at a satisfactory pace, while the sale of the state share in the "TS" is treated with a lower priority due to the current unfavourable market conditions for such divestitures.

Question posed by Korea:

According to page 71, paragraph 27 of the Secretariat Report, the Slovenian Government has started to divest its majority holding in "Telekom Slovenije". Please provide detailed information on the privatisation plan and the relevant laws and regulations.

Reply:

The Slovene Government has an intention to divest a majority holding in the "Telekom Slovenije", once the market conditions for such divestiture become more favourable. There is no specific privatisation plan yet.

Question posed by Korea:

Page 71, paragraph 28 of the Secretariat Report provides that a new Telecommunication Act was introduced. Is there an English version of the Act published? If it is available at an official Internet site, please provide the exact site address. If the English version is not yet published, could you let us know the plan of your government with respect to publishing such a version.

Reply:

The English version of the Telecommunications Act is available at the following address:
http://www.gov.si/mid/DocFiles/Telecommunications_Act.pdf.

Question posed by United States of America:

Regarding the 3 GSM wireless licenses that have been awarded, in the future, will you adopt a technologically neutral approach. For example, will you allow the use of U.S. technology when you migrate to your third generation wireless platform?

Reply:

In order to be compatible with the neighbouring countries in particular, and implementation of the EU regulations, opening the telecommunications field to other than the UMTS standard would not be opportune.

Question posed by United States of America:

While it is extremely encouraging that the Slovenian government is divesting its shares in "Telekom Slovenije", what plans are in place for full privatisation, and what timeframe is there for this to occur?

Reply:

Due to the fact, that a substantial number of European incumbents are still majority owned by the respective states, Slovenia, particularly in the light of the present telecommunications market situation, does not foresee a very fast sale of the complete state share in the "Telekom Slovenije".

Question posed by United States of America:

Regarding opening fixed voice telephony to competition by unbundling the local loop, can new firms now own and operate their own telecom facilities and also utilise "Telekom Slovenia's" facilities to provide competing voice services to the public? Is resale of "Telekom Slovenia's" services and facilities allowed?

Reply:

The market is fully liberalised and no licence is needed. A newcomer only needs to notify the National Regulatory Agency (NRA) of its intention to start the services. The only exception is fixed and mobile voice telephony, where a licence is required. The reason for this is the obligation by law to finance the provision of universal service in the case of fixed voice telephony, and the need to manage the frequency space in the case of mobile telephony.

The incumbent is required to issue a Reference Interconnection Offer, and respect "all reasonable requests for interconnection". The TS must allow other operators to allow sharing of its facilities and installations (e.g. ducts, poles, antenna towers, etc.). In view of this provision, we have not explicitly foreseen a resale of TS facilities and services in the Telecommunications Act. The resale of TS is otherwise not prohibited. There is one big – 10% of the market – resaler of the mobile telephony services of the Mobitel (owned by TS). This is a purely commercial agreement between the network operator and the resaler.

Question posed by United States of America:

Please elaborate upon the independent nature of the Telecommunications and Broadcasting Agency as regulator of this industry. Is this body now fully staffed and functioning?

Reply:

The body is functional and is still in the process of hiring staff. At this time it has 44 employees with a plan to employ further staff to reach a complement of 68 persons by the end of 2002. An extensive training programme has been set up.

Question posed by United States of America:

Who appoints members to this regulatory agency? Who, if anyone, can dismiss those members?

Reply:

The director and three deputies are appointed by the Government. They have a mandate of five years and can be dismissed before the termination of the 5-year period only in the following cases:

- if convicted of a felony;
- for infringements of the relevant laws or relevant regulations in the course of performing the functions as director or deputy director.

Question posed by United States of America:

How are decisions made? Are decisions appealable to a court?

Reply:

The decisions by the NRA are made by the director and they are final. Decisions can be contested in a court of law on the basis of the generally applied justice system.

Question posed by United States of America:

What enforcement authority does the Agency have? For instance, can the Agency impose fines, and to what extend/amount?

Reply:

The NRA can impose fines of up to Euro 7500 in the case of manager level responsibility and Euro 50 000 in the case of companies.

Question posed by United States of America:

Are the procedures of the Agency open and transparent? For instance, is public comment on proposed new rules and regulations solicited and/or allowed? Are proposed new rules and regulations made before they are finalised and legislated upon, at least?

Reply:

NRA must publish its decisions in advance on the network, for comments and final decisions in the Official Gazette.

Question posed by United States of America:

Has the regulator issued regulations on interconnection and rules regulating the dominant carrier ("Telekom Slovenije")?

Reply:

The NRA has arbitrated on interconnection fees between the TS and other operators. It has approved, after thorough negotiations and extensive modifications, the Reference Interconnection Offer provided by TS.

Question posed by United States of America:

Please explain how “prices are no longer administrated, but the Act authorizes the Government to regulate rates”.

Reply:

There is a factual error in the Report of the Secretariat. The government is no longer authorised to regulate rates.

Question posed by United States of America:

Please elaborate upon the meaning of the sentence “Telekom Slovenije is required to provide universal service without financial compensation for a period of at least two year after entry into force of the Act”.

Reply:

The TS has to provide universal service for at least two years without financial compensation. After that period, other voice telephony operators will have to contribute to the cost for the provision of the universal service.

Question posed by United States of America:

Does "Telekom Slovenije" have a universal service plan? If so, how is it administrated? Is "Telekom Slovenije" providing this service for free?

Reply:

The universal service plan will be required after the expiry of the two year period mentioned above.

Question posed by United States of America:

Do you anticipate updating your 1995 GATS telecommunications to reflect your current laws and practices? Will you also adapt the model telecom Reference Paper in your schedule?

Reply:

Yes, there is an intention to update Slovenia's GATS commitments.

Question posed by United States of America:

Currently, are there any foreign investment limitations for any telecom service or Internet service firm that wants to provide services in Slovenia?

Reply:

There are no limitations on foreign investment in the telecommunications sector. Examples are the third mobile operator, Western Wireless, and further companies providing VoIP and internet services.

(5) Transport

Question posed by United States of America:

In August 2000, Slovenia notified subsidies for the support of transport organisations. Can Slovenia please indicate whether these subsidies are still in effect and in what form?

Reply:

In the year 2001 there were two programmes still in effect in the area of transport:

- subsidies for (internal) line bus services;
- support for the implementation of transport policies in the public railways system (pertaining to passenger services and container transport services).

In both cases there are performance requirements attached to grants. The basic policy is to support loss-making public passenger transport services and to stimulate the development of combined transport services of goods.

(6) Tourism

Question posed by Japan:

Please provide the Slovenia's position regarding the liberalisation of the mode 1 in travel agency services.

Reply:

The Slovene Law on the promotion of Tourism does not restrict Mode 1 at all. In fact in cross-border supply of services, consumption abroad and establishment, the regime is fully liberalised. The law imposes conditions and restrictions in relation to issues of consumer protection against fraud and situations of insolvency of operators in the area of tourism.
