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Slovenia: the Best Performer of the Former Yugoslavia

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The Franciscan Church and the Triple Bridge in the Center of Ljubljana
(@Yoji Koyama)

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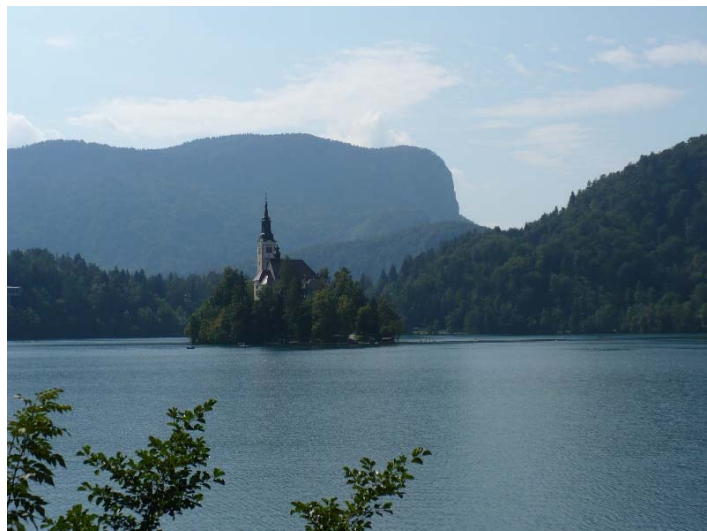
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The Main Office of Kolektor at a riverside (@Yoji Koyama)



A small island with a church in the Lake Bled (@Yoji Koyama)

Slovenia: the Best Performer of the former Yugoslavia

Yoji Koyama**

Abstract

Although the GDP per capita at purchasing power parity basis is less than the EU average, Slovenia is a relatively rich country along with the Czech Republic among new EU member states from post-socialist countries in Central and Eastern Europe. Slovenia's relative wealth is partly manifested in the fact that this country has been pulling more people from foreign countries than people emigrating from the country. During 10 years between 2009 and 2018 the number of immigrants exceeded that of emigrants, the net migrants totaled 31,426, and consequently total population increased slowly. It seems that this tendency results from the fact that this country enjoys low unemployment rate (5.4% in 2018) and stable economic growth (GDP growth rate in 2018 is 4.5%). This paper examines the reasons for the country's strong international competitiveness from perspective of economic history, mentioning 9 factors. Then, the case of Kolektor, which has developed into a multinational enterprise in a niche market, is presented. This firm formed a partnership with a West German firm as early as in 1968 in the socialist period. As a result of its efforts to absorb advanced technology and improve its products, "the student had overtaken the teacher".

Keywords: Slovenia, Former Yugoslavia, self-management, international competitiveness, Kolektor

JEL Classification: J61, L24, N94, O52, P51

1. Introduction

Slovenia is a small country with population of 2.1 million¹. Although its GDP per capita at purchasing power parity (ppp) basis is less than the EU average, Slovenia is a rich country along with the Czech Republic among new EU member states (NEM) in Central and Eastern Europe. In addition, the country has unique characteristic features. Zenonas Norkus, the author of the book *On Baltic Slovenia and Adriatic Lithuania*², classifies Slovenia as core of the world capitalist system on the grounds that the

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¹ Republic of Slovenia, Statistical Office. <https://www.stat.si/StatWeb/en/Field/Index/17>

² Many readers might be puzzled by the title of the book because in reality Slovenia faces the Adriatic Sea while Lithuania faces the Baltic Sea. Slovenia and Lithuania have things in common in terms of having religiously many Catholics and small countries which seceded from the 'centers' (Belgrade and Moscow, respectively). Zenonas Norkus, who evaluates Slovenia positively, asks whether Lithuania has a possibility to repeat 'Slovenia's success in advancing to the club of countries of technological frontier' and become a 'Baltic Slovenia'. For several reasons,

country is making innovation-led economic growth with advantage in the area of electronics, chemical (especially pharmaceutical industry) and production of engine (Norkus, 2012). In this way, we can regard Slovenia as an innovation-oriented country and a core of the world capitalist economy, and in this respect the country is different from NEM in the Baltics and the Balkans. Slovenia's relative wealth is partly manifested in the fact that this country has been pulling more people from foreign countries than people emigrating from this country.

Why has Slovenia succeeded in gaining such a relative wealth? First of all, it must be pointed out that Slovenia was one of republics of the former Yugoslavia which was quite different from the Soviet-type socialism. The former Yugoslavia began self-management in 1950 and had been a unique self-managed socialist country, albeit repeated changes in the system, until the disintegration of the Federation in 1991. Secondly, it must be pointed out that Slovenia held a unique position in the former Yugoslavia, which was a multinational state within which a significant economic inequality between north and south and cultural differences existed. Then, why was Slovenia able to gain such a unique position among NEM in post-socialist countries? After having an overview of the population movement, this paper examines the reasons from perspective of economic history.

2. Population Movement

Looking at its population movements, after the World War II the population continued to increase slowly until 1991. Meanwhile, the fertility rate fell below 2 in the first half of the 1980s (it was 1.93 in 1985) and decreased to 1.21 in 2005. The fertility rate turned upward in the next year but it remained below 2 (it was 1.60 in 2020). Although natural decrease in population continued, total population increased during this period because of social increase in population (immigration exceeding emigration). After total population peaked at 2,007,770 in 1991, it continued to decrease until 1998 (it was 1,987,385). It can be presumed that during this period emigration exceeded immigration reflecting economic difficulties due to turbulence after the disintegration of the former Yugoslavia. Although total population increased slightly for two consecutive years from 1999, it slightly decreased again in 2001 and 2002 (this year recorded the lowest population of 1,987,267). Since 2003 total population has been increasing again (Worldometers, 2020).

Let us look at destinations of emigration from Slovenia. A table prepared by Mara and Landesman (2015) does not take into consideration peoples' movement among NEM, but it shows how many peoples emigrated from NEM to old EU member states during the period from 2000 through 2015. According to the table, the destination with the largest migrants is Germany (13,578), followed by

the author answers this question negatively. On the other hand, he says, Slovenia could become an 'Adriatic Lithuania'. In fact, Slovenia's way for transition from 'self-managed socialism' to a 'coordinated market economy' was not certain. During the period 1990-1992 in this country there were two conflicting approaches, i.e. a shock therapy and a gradualist reform plan, and it was not easy to find a settlement. Finally in December 1992, it reached a compromise in the form of an eclectic solution of both approaches. Anyway, the shock therapy was not adopted, and therefore Slovenia has not become 'Adriatic Lithuania'.

Austria (1,922), the UK (1,106), Spain (1,095), Belgium (882).

Slovenia started receiving immigrants from other former Yugoslav territories after its independence. Since it joined the EU in 2004, an increasing number of other non-EU nationals have settled in the country. The arrival of asylum seekers from the Middle East in 2015³ further accentuated this trend⁴. Looking at the structure of population as January 1, 2011, Slovenes accounted for 88.9% while 11.1% were non-Slovenia-born people. Most of the non-Slovenia-born people came from former Yugoslavia. The first placed is occupied by people coming from Bosnia and Herzegovina, followed by Croatia, Serbia, North Macedonia, Kosovo and Montenegro (Table 1). According to the latest data, the share of foreign-born citizens has further increased. 1 out of 8 residents is an immigrant, meaning that 12.5% of total population is immigrant.

Table 1 Population by Regions/Countries of the First Residence and Sex, in Slovenia as of January 1, 2011

	Total	Male	Female
Total	2,050,189	1,014,563	1,035,626
Slovenia	1,821,601	883,390	938,211
Foreign Countries	228,588	131,173	97,415
European Countries	223,662	128,613	95,049
- Countries of Former Yugoslavia	198,242	116,651	81,591
--- Bosnia and Herzegovina	96,897	60,268	36,629
--- Montenegro	2,811	1,550	1,261
--- Croatia	49,158	24,159	24,999
--- Kosovo	9,350	6,706	2,644
--- Macedonia	13,658	8,564	5,094
--- Serbia	26,368	15,404	10,964
- EU Countries	21,182	10,433	10,749
- Other European Countries	4,238	1,529	2,709
Non-European Countries	4,926	2,560	2,366
- Africa	540	346	194
- South and Middle America	979	406	573
- North America	1,138	604	534
- Asia	1,811	963	848
- Oceania	458	241	217

Source: Statistical Office of the Republic of Slovenia.

Regions where relatively many (14.0% or more) immigrants live are the metropolitan area and the Adriatic coast region⁵. *OECD Migration Outlook 2017* shows the similar trend. As for the number of immigrants in

³ See Mencinger (2017).

⁴ <https://ec.europa.eu/migrant-integration/governance/slovenia>

⁵ <https://www.total-slovenia-news.com/lifestyle/2678-immigration-in-slovenia-1-in-8-residents-of-slovenia-is-an-immigrant>

2015, next to Serbia, many people came from Bulgaria⁶. In this way, the number of immigrants from countries of the former Yugoslavia and Bulgaria, i.e. the Balkan countries has been overwhelmingly numerous. This seems to reflect the fact that as Slovenia consisted of the former Yugoslavia it is familiar to them and that there is linguistic similarity among these countries.

	2009				2010				2011			
	employ- ment	family reunifi- cation	study	others	employ- ment	family reunifi- cation	study	others	employ- ment	family reunifi- cation	study	others
Bosnia and Herzegovina	9,690	1,815	48	117	2,965	1,106	23	30	1,628	1,571	59	29
Croatia	886	380	116	84	558	175	76	50	397	298	137	85
Serbia	2,972	852	53	117	737	223	19	26	738	356	37	10
Montenegro	53	67	7	2	49	26	5	5	19	52	9	0
Kosovo	1,251	540	5	11	1,204	542	3	21	422	728	29	5

Source: Statistic Office of the Republic of Slovenia (2013).

Table 2 is interesting as it shows immigrants from former Yugoslav countries by purposes of immigration during the period between 2009 and 2011. It is employment that the largest number is shown as their purpose, followed by family reunification, study and others. Based on both Table 1 and Table 2, it can be presumed that there has been a pattern in which male adults first came to Slovenia to support their families' livelihood and after a while called their families over to the place of their living because in Table 1 the numbers of male immigrants exceeded the number of female immigrants in most cases. In the case of immigrants from Croatia, however, there might have been such a pattern previously, but the situation seems to be slightly different. As the number of female immigrants exceeds that of male immigrants such a pattern has presumably disappeared, and we can find that more immigrants with a purpose of study came from Croatia than from other countries.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Emigrants	18,788	15,937	12,024	14,378	13,384	14,336	14,913	15,572	17,555	13,527	150,414
Immigrants	30,296	15,416	14,083	15,022	13,871	13,846	15,420	16,623	18,808	28,455	181,840
Net migrants	11,500	-521	2,059	644	487	-490	-507	1,051	1,253	14,928	31,426

Source: Prepared by the author based on data of Eurostat.

⁶ OECD (2017) releases the numbers of immigrants by countries of origin in a rough way by the thousand as follows: The country which has sent the largest number of migrants to Slovenia in recent years is Bosnia and Herzegovina. Its number of immigrants from this country was about 17,900 in 2008, but then it decreased to about 5,900 in 2015. Looking at the number of immigrants only in 2015, the second place was occupied by Serbia (about 2,400), followed by Bulgaria (about 1,800), Croatia (about 1,600), Macedonia (about 1,000), Italy (about 800), etc. (OECD, 2017, p.265).

During 10 years between 2009 and 2018 the numbers of emigrants and immigrants are 150,414 and 181,840 respectively (Table 3). The years when the number of emigrants exceeded that of immigrants are only three years, i.e. 2010, 2014 and 2015. Overall, the number of immigrants exceeded that of emigrants, the net migrants totaled 31,426, and consequently total population increased slowly. It seems that this tendency results from the fact that this country enjoys low unemployment rate (5.4% in 2018) and stable economic growth (GDP growth rate in 2018 is 4.5%) and that this country is the richest (per capita GDP at purchasing power parity in 2018 is 27,000 Euro) among NEM in the Central and Eastern Europe (wiiw, 2019).

3. Short History

Historically speaking, the Slovene nation had been for more than eleven hundred years, from the second half of the 8th century to the end of the World War I, under the rule of foreign powers and its destiny was at their mercy. The nation became under the rule of Habsburg Empire in 1278 and lived under the influence mainly of German culture and partially of Italian culture in the Catholic world. At last in 1918, owing to the defeat of Austro-Hungarian Empire, Slovenes were able to escape its rule and founded a country together with Serbs and Croats. It was the Kingdom of Serbs, Croats and Slovenes (practically the first Yugoslavia), which was renamed the Kingdom of Yugoslavia in October 1929.

In the Austro-Hungarian Empire Slovenia was a less developed rural region. The logic of economic development was traditional in Slovenia from 1848 onwards. In 1848 peasants were liberated from the serfdom and obtained lands, but they had to pay previous landlords for the freedom and small pieces of land (they could not afford for more). That was quite different from other countries, e.g. Denmark where peasants got their (flat) land for free. An additional negative factor for the development of Slovene farming was the fact that landscape in Slovenia is very hilly (with many mountains). Consequently, the technological revolution in farming (new machines) did not contribute a lot to the improvement of productivity of farmers. Therefore, Slovene farmers were poor (indebted) from the very beginning, and they were not able to grow agricultural products productively and thus they were forced to become part-time workers in nearby mines and factories⁷.

In Slovenia industrialization started in the 1890s. Slovenia had the role to supply raw materials and semi-products to industrial cities such as Vienna, Graz (now in Austria) and Trieste (now in Italy). The

⁷ That was also a time of a large-scale of emigration of Slovenes to mine regions in Western Europe and the USA. In Slovenia the owners of mines and factories were in majority foreign nationals and they supported a kind of gray economy since that was a kind of a subsidy for their business. They were able to pay workers less because workers had some additional means for their survival. Such a relation is what Kristensen and Jaklic (1995) call 'valley community' despite the fact that many localities in Slovenia are not situated in a valley. The reason why they call so is that internal social cohesion and mutual rivalry as a pattern are rooted in a distant past because Slovenia's continuous geo-political situation has been structured by the Alps. Thus a strange combination of village mutualism based on extremely small family farms together with a foreign-owned monetary sector combined and secured each other's existence (pp. 5-8). Interestingly, communists after WWII preserved this traditional way of survival in Slovenia. Still it is present very much even today. Among others, Slovenes are not so mobile and very much dependent on their local factories and very much dependent on larger families.

railway was built to connect Trieste and Vienna and on the way the value-adding chain was formed to transform imported raw materials (at Trieste harbor) to final (finished) products near Vienna. Having been separated from this role, Slovenia now became situated in a culturally and economically quite different world such as 'the first Yugoslavia', where Slovenia became the most advanced region and in turn gained a position to supply finished products to new markets such as Serbia. In 'the first Yugoslavia' Slovenia learnt very quickly to produce finished products for the Yugoslav market because it was previously part of the quite advanced value-adding-chain connecting Trieste and Vienna. This initial advantage was something other Yugoslavs did not have⁸. In addition, the Slovene industry became protected by tariff barriers, and therefore the country industrialized rapidly. Compared with industry, agriculture benefitted less from the new environment. The Slovene agriculture was prevented the access to its traditional market (Austria) by protective policies and could not compete with agricultural products from the less developed regions in terms of prices in the Yugoslav market.

After the World War II former Yugoslavia was reconstructed as a socialist state under the guidance of Tito. Initially, Yugoslavia was constructing socialism on the model of the Soviet experiences. In 1947, however, the leadership of Yugoslavia came into conflicts with that of the Soviet Union, and then suddenly Yugoslavia was expelled from the Cominform. Yugoslav communists became skeptical about the Soviet-type socialism. After the theoretical reexamination, the Yugoslavia started the construction of its unique self-managed socialism in 1950. Powers of higher state organs were significantly curtailed by the economic reform of 1965, and thereby powers of self-managed enterprises became stronger. Some of powers on the economic matters were transferred from the state to self-managed enterprises and municipalities, and thereby the scope in which the market mechanism functions expanded. In the same year Yugoslavia became the first socialist country to join the GATT. This meant that the Yugoslav economy was included in the international division of labor and that its economy was opened to foreign investment. In 1967 the law on foreign investment was enacted. In this way, the Yugoslav economy was incorporated into the world economy since the second half of the 1960.

As mentioned above, in the former Yugoslavia there was substantial economic inequalities between north and south, which was greatly caused by historical and cultural factors. Slovenia was economically most developed republic in the former Yugoslavia. Since the second half of the 1970s the Yugoslav economy fell into stagflation, which intensified further leading to a serious economic crisis. With this as a background, conflicts among Republics deepened. At last in June 1991 Slovenia declared its independence together with Croatia, and in December of the same year they got international recognition.

4. Strong International Competitiveness

Until the 2008 global financial crisis⁹ exports by the manufacturing industry was active. Thanks to this,

⁸ For this description of the value-adding-chain, I am indebted to Professor Marko Jaklic. An-email in November 2020.

⁹ Slovenia, the best performer in Central and Eastern Europe, lost its footing because of the 2008 global financial

the country's foreign trade balance and the current account balance had been almost balanced. This exemplifies the country's strong international competitiveness, to which various factors have contributed.

First, the people of Slovenia have a strong attachment to their regions. Population has not been concentrated in the capital so much. The present population of Slovenia is 2.1 million. Ljubljana, the capital, has population of 280 thousand. Compared with other countries, the level of concentration of population in the capital is very low. In addition to the tradition that people construct and possess their own houses in their hometown, the political, financial and economic decentralization which was carried out in the 1970s and 1980s reinforced people's loyalty to their regions. Land ownership has been very important for inhabitants in rural areas. Immediately after the war in the former Yugoslav period, farmland reform was carried out based on the principle "to give land to the ploughman". Then the movement for organization of agricultural productive cooperatives on the model of Soviet kolkhoz began in 1947, but it was not successful. Since much criticism was directed at the Soviet-style socialism after Yugoslavia was expelled from the Soviet bloc in June 1948, this movement for organization of agricultural productive cooperatives was stopped. Even in the socialist period in the former Yugoslavia including Slovenia socialist large-scale agricultural enterprises possessed only 15% of all farmland and the rest (85%) of them were possessed by private farmers. Even after peasants have become workers they desired to possess their own land and houses, and managers of firms supported their attempts actively. It seems that these circumstances explain fewer emigration from Slovenia compared with other post-socialist countries. During the period of self-managed socialism workers supported local firms by allowing lower wages. Managers of the firms in turn gave special consideration and favors to them in employment, wages, side jobs (e.g. farming, help with colleagues' housing construction, handcraft, etc.), loans, children's education, etc (Kristensen and Jaklic, 1998). Thanks to stable employment, workers were able to devote themselves to the improvement of skills specific to the firms.

Second, a positive legacy from self-managed socialism can be pointed out. Former Yugoslavia of self-managed socialism had a half market economy. Managers have accumulated experiences and knowledges concerning a market economy. Workers had a strong feeling of belonging to their firms. This point can be confirmed by a survey conducted by the Japanese confederation of trade unions in electric machine industry. According to the interim report of attitude surveys of workers of electric machine industry in 10 countries, which was published in 1985, "in Sweden and Yugoslavia stronger feelings of belonging to their firms were shown than in Japan". As for Slovenia in particular, Slovenes are very much dependent on one (local) firm. They are not mobile because their social (family)

crisis and the subsequent crisis in the Eurozone. Small countries' strength, i.e. 'ability to swiftly react to changing external environment (Svetlicic, 1997) did not seem to be displayed sufficiently in the outburst of the 2008 global financial crisis. The reason is that Slovene elite in the areas of politics and economy were late in noticing dangerous signs such as a hectic cross-border capital movement and overheating of Slovene economy. Mencinger (2013) calls 4 years from 2005 through 2008 "the period of gamble".

imbeddedness which is very historically rooted¹⁰.

Third, workers in Slovenia are in general very punctual, calm and diligent like the Germans, and their mentality is quite different from that of people in the southern part of the former Yugoslavia. According to Professor Miroslav Stanojevic, whom I interviewed in 2004, this country is a society giving priority to work, and opinion polls show that Slovenes' basic value is work and family.

Fourth, generally speaking, people's educational level is rather high, and the level of workers' skill is relatively high. These might be legacy from the Habsburg Empire. In my interview with Professor Joze Mencinger in April 1997 he highly evaluated the educational reform led by Maria Teresia in the period of the Habsburg Empire. It could be considered that thanks to this reform not only elite but also workers, peasants and craftsmen had higher level of intelligence and skills at that time and that the present Slovenia is on the basis of the accumulation of their efforts and practices generation after generation.

Fifth, Slovenia has higher level of technological potential. The number of patent per a million people, expenses of R&D, the number of staff engaging in R&D and the share of staff engaging in R&D as a percentage of active population in 2000 are indicators which show a country's technological potential. According to data in 2001 when Central and East European countries did not join the European Union yet, the number of patent per a million people in the case of candidate countries (the status at that time) was 8 on average. This was by far smaller than the case of EU-15 (old EU member states) where the corresponding number was 161 on average. This is natural. Looking at 11 candidate countries (now NEM) individually, there are remarkable differences. It is conspicuous that the case of Slovenia with 41 exceeded the case of Spain, an old EU member state, with 24. In terms of three indicators, i.e. expenses of R&D as a percentage of GDP, the share of private firms of total expenses of R&D and the share of staff engaging in R&D of active population there were substantial differences between EU-15 and candidate countries. It was Slovenia and the Czech Republic that were in better positions. In the case of Slovenia, the expense of R&D as a percentage of GDP was 1.52%, the highest among the candidate countries (now NEM), exceeding that of Ireland, Spain, Portugal and Greece which were among EU-15. According to the latest data, we can find that Slovenia put emphasis on R&D. As of 2014 Slovenia's expense of R&D as a percentage of GDP is 2.39%, which is higher than the average of the EU-28 of 2.01% and the highest among NEM. In the case of the Czech Republic it is 2.00%.

¹⁰ This description on Slovene people, I am indebted to comments by Professor Marko Jaklic in an e-mail in November 2020.

Table 4 Indictors on Technological Potential (%)

Country	number of patent per a million people in 2001	expenses of R&D (as a percentage of GDP in 2000	number of staff engaging in R&D in 2000	Share of staff engaging in R&D as a percentage of active population in 2000
EU15	161	1.93	65	1.38
Germany	310	2.48	71	1.62
Greece	8	0.67	29	
France	145	2.13	64	
Ireland	86	1.21	73	
Portugal	5	0.76	23	
Finland	338	3.37	71	2.58
Spain	24	0.94	54	
Sweden	367	3.78	75	
11 Candidates	8	0.78	45	0.84
Hungary	19	0.8	44	1.11
Poland	3	0.7	36	0.73
Czech Republic	11	1.33	60	0.93
Slovakia	6	0.67	66	0.86
Slovenia	41	1.52	56	1.36
Estonia	11	0.66	23	0.98
Latvia	8	0.48	40	0.69
Lithuania	2	0.6	22	0.91
Bulgaria	2	0.52	21	0.48
Romania	1	0.37	69	0.39
Cyprus	14	0.26	21	0.51

Source: The data is from Eurostat. Requoted from *Revue Elargissement*, No.44.

Sixth, there exists neo-corporatism. This is a mechanism of social dialogue and coordination of interests by representatives of employers' organizations, trade unions and the government, which were formed in democratically developed countries like Nordic countries. Bohle and Greskovitz (2012) researchers studying post-socialist countries in Central and Eastern Europe, explain the conditions for neo-corporatism to function as follows: there should be "strong labor capable of constraining employers' choices but also controlling workers and moderating their strategies, capital able to check but also willing to and help enforce the mutual obligations of social partners, and a state able to assist the interaction and help enforce the mutual obligations of social partners" (Bohle and Greskovitz, 2012, p. 197). They exist in this country which inherited the tradition of self-management. In order to articulate interests of employers, workers and the governments and coordinate the labor market, the Economic and Social Council (ESC) was established in September 1994. At that time, it was necessary to decrease the inflation rate in order to satisfy the Maastricht convergence criteria for the adoption of euro. Concerning this point, the consensus within the country was achieved relatively easily thanks to this mechanism (Stanojevic, 2012). The country succeeded in restraining wage increase within the increase in labor

productivity during the period between 1998 and 2004 except 2001. In this way, the trilateral social dialogue and coordination of interest enabled a moderate increase in wages, thus guaranteeing the maintenance of strong international competitiveness of the country.

Seventh, the development strategy of Slovenia should be mentioned. It boils down to exploration of market niches and thorough internationalization of economic activities. According to Svetlicic (1997), smallness of the domestic market is not a problem. Access to the world markets is decisively important. Small countries like Slovenia need not have a whole set of industries. Instead, they should find good areas appropriate to them, i.e., market niches and specialize in the areas. For that purpose, they should thoroughly internationalize all kinds of activities.

Eighth, the strategy of polycentric/decentralized development which was initiated in Slovenia in the early 1970s should be mentioned. With this reform a substantial part of political power was transferred to republics and communes. Similar reforms were carried out also in other republics and autonomous provinces at that time, but the decentralization was consistently carried out in Slovenia. This assured Slovene managers to respond very autonomously to instructions from the central government. They also had autonomy toward local governments. As far as they had almost no financial request to local governments and maintained the employment level in their regions, Slovene firms were able to enjoy much greater autonomy toward party functionaries and state bureaucrats (Whitley, Jaklic and Hocevar, 1997).

Finally, I would like to add policies adopted by Stane Kavcic who served as Prime Minister of the Republic of Slovenia from 1967 through 1972. He encouraged development of the most modern sectors, for example, electronics, banking and finance, and service industry and in fact invested in these industries. He was criticized for 'liberalistic deviation' by Tito as well as the leadership of the League of Communists of Yugoslavia and lost the position (Rusinow, 1977; Gow and Carmichael, 2000), but it may be safely said that his policies bore fruit later.

5. Thorough Internationalization

As long as Slovene firms targeted only at the domestic market, it would be impossible for them to enjoy economy of scale and economy of scope. If Slovene firms desired to survive they would be required to internationalize their activities thoroughly.

This country is economically open. According to data of 2011, exports (goods + services) account for 72.1 of GDP, and imports (goods + services) account for 71.1% of GDP. Consequently, the openness of the economy is about 143. This country is an industrially advanced country. According to data of 2006, agriculture, forestry and fishery generated only 2.0% of GDP. Industry and construction generated 24.0% and 5.4% of GDP respectively, and the rest was generated by service sector including trade, finance, transport and communication. The share of industry of GDP was not so much, but as shown by Table 5 the production of tradable was overwhelmingly accounted for by industry. Agriculture and food industry play only negligible roles in exports.

Table 5 Ten Most important Product Groups in Merchandise Exports from Slovenia to the EU-27 in 2008

Ranking	Product label	Share
1	Road vehicles	22.3
2	Electrical machinery	8.9
3	General industrial machinery	5.5
4	Iron and steel	5.3
5	Manufactures of metal	5
6	Furniture and parts thereof	4.9
7	Medical and pharmaceutical products	4.3
8	Non-ferrous metals	3.6
9	Specialized industrial machinery	3
10	Miscellaneous manufactured articles	2.9

Source: Gligorov, et al. (2009), p. 148.

Andrea Jaklic and Marjan Svetlicic (2003) mention Gorenje (Home appliances), Prezent (textile products), Iskraemeco (electronics), Krka (pharmaceutical), Kolektor (commutators and motors), etc. as highly industrialized firms. In the case of Gorenje, for example, about 93% of its total production are directed to exports, of which 80% are exported to the EU. This firm has 29 subsidiaries in 18 countries and 6 agencies. According to Daniel and Svetlicic (2001), there are many market niches of semi-processed goods which are profitable but too small to attract large firms' attention. A very good example of use of such a market niche is Kolektor, a small firm in Slovenia.

6. Idrija Valley: A Miniature of Slovenia

Very interesting is the case of Idrija valley. This is a deep valley in the western part of Slovenia. It is a place where headquarters of two multinational enterprises Kolektor and Hidria are located. Organic mercury was found in this river in 1490, and a mine was open in the early 16th century. This valley is different from others in the following points: For several centuries people in Idrija were workers rather than peasants. The local inhabitants have based their living on industrial work instead of agriculture for which their valley with its gorgy cliffs and cold climate was in any case ill-suited. Among them a considerable pool of engineering knowledge has been created and a culture of engineering achievements has been established. This has brought a technical and geodetic school, which was opened to trained miners and engineers in 1772. Such a strong linkage between education and industry has continued until today as both multinational enterprises (Kolektor and Hidrija) have been actively investing in their employees.

With more than 13% of the world's mercury output, the Idrija mine became the second largest mercury mine in the world after a Spanish mine. With a decrease in the world consumption of mercury and a decrease in its price in the second half of the 20th century, the extraction and refining of mercury

gradually became unprofitable. As the mine was being closed in the first half of the 1960s the Slovene government decided to transfer the production of insignificant products in a large firm Iskra¹¹ to Idrija in order to provide this town with employment (Lazarevic, 2013, pp. 18-19). When Kolektor¹² was established the number of workers was only 47.

As the technology and knowhow provided by Iskra was obsolete, the firm keenly need foreign strategic partner in order to introduce advanced technology. In 1968 a West German company Kaut & Bux (K&B), the leader in the European market, became a strategic partner and 49 % owner of Kolektor based on the law on foreign investment of 1967.

As Kolektor has greatly invested in its R&D while eagerly absorbing technology from K&B and improved its products, its technological level has exceeded the level of K&B in the early 1980s, and exceeded K&B in terms of the number of patent. In 1997 Kolektor has become a main producer of commutators in Europe. In 2000 Kolektor acquired a commutator producer in South Korea and established Greenville factory in the USA (North Carolina). The situation of the former partner, K&B, worsened in the 1990s and became a subsidiary of an American company Kirkwood. In 2000 Kolektor acquired a factory of K&B from the American company. In this way, Kolektor came to have its production sites and affiliates abroad.

In 2002 Kolektor proposed the purchase of 51% of KII-Kautt & Bux Europe. In August of the same year Kirkwood finally agreed to accept Kolektor's offer and sell its share in Kolektor. At the same time, Kolektor also purchased the German company K&B from Kirkwood and thus came to completely dominate the European market (Lazarevic, 2013, pp. 103-104). The book 50 Years proudly describes "The student had overtaken the teacher! After 40 years of its existence, Kolektor became an independent company" (Lazarevic, 2013, p. 104).

Covering 20% of world demands and over 50% of European demands, Kolektor is now a global leader in the area. About 700 people work in Idrija while more than 3,000 employees work in the Kolektor group as a whole. Kolektor tries to diversify its activities, and it is operating worldwide in areas such as finance and banking, information and communication, electronics, plastic parts, etc. Kolektor is a rare case in which it started from a small domestic firm, then became a foreign-owned firm, and finally it has become a multinational enterprises operating worldwide (Svetlicic, 2008).

7. Significance of Experiences of Slovenia and Kolektor

Kolektor's experiences are interesting because while post-socialist countries in Central and Eastern Europe have been eager to attract foreign investment (inward FDI) Slovenia has been active in outward FDI with Kolektor as an example. Slovenia itself has experienced the economic crisis of the former

¹¹ Iskra was a giant firm producing electric machines and appliances. It had about 30,000 employees in 1980 (Koyama, 1980). Iskra went bankrupt and was divided into several firms in the 1990s.

¹² Initially the firm was named Tovarna Kolektorjev Idrija (Idrija factory workers group). This name continued to be used for a while, and later the firm was renamed Kolektor. As at present the firm's name Kolektor is very famous let us call it Kolektor.

Yugoslavia, conflicts among republics, collapse of socialism, and great changes such as republics' cessation and their independence. In the case of Slovenia, however, as it has had a pseudo market economy already before the system change it has not suffered from 'transformational recession' in Kornai's sense that a transformational recession is caused by the transformation from supply-constrained economies to demand-constrained ones (Kornai, 1995). Morita (2020) thinks that "For 40 years in which being separated from Western countries incentives to commodity development have disappeared in Central and East European countries and the Soviet Union", socialist industries, especially machine and equipment manufacturing industries have had no power left to compete on the markets which were opened after the system changes. In his opinion, there was no room for them to prolong their lives, and they came to 'sudden death', consequently 'system change crises' occurred. Therefore, in order to restructure these enterprises these countries keenly needed fresh foreign capitals. In Slovenia, however, such things have not occurred. Instead, in the early 1990s its output has declined due to the loss of former Yugoslav markets. Many Slovene firms actively advanced to Western markets in order to substitute the loss of the Yugoslav market. Among them Kolektor, which had continuously endeavored to raise its technological capability, advanced to the foreign market. In the 2000s it made outward FDI, evolving into a multinational enterprises. Next, let me explain factors for its success.

7.1. Learning Advanced Technology and Managerial Skill

A German company K&B has played a role of good teacher. It was not only in terms of transfer of technology and knowhow. Especially in the mid-1970s when in spite of a decrease in products quality at Kolektor no adequate countermeasures were taken in Idrija factory, a representative from K&B came to Idrija and reprimanded leaders of the production site. He taught the Slovene people what should be a market economy and established the principle of direct responsibility in the production processes. Kolektor has not only absorbed advanced technology and managerial skills actively, but also developed its own technology in response to requests from its foreign client companies. In addition, Kolektor has tackled technological development in collaboration with Faculty of Engineering at the University of Ljubljana and worked out its development strategy taking into consideration advices by individual economists at the University of Ljubljana.

7.2 Existence of Capable Entrepreneurs and Commitment by Workers to Their Firm and Community

There have always been capable entrepreneurs at Kolektor. In contrast to central planned economies, self-managed socialism in the former Yugoslavia was a decentralized country with a pseudo market economy. There was almost no instruction and intervention by the Republican government. The city authorities of Idrija acted in place of the Republican government and decided to accept the transfer of part of Iskra's production lines in this municipality and provided the new firms with premises. Also in the later period it continued to play a role of guardian. It can be said therefore that there has been larger

room for entrepreneurs to display their managerial ability. Since the mid-1960s managers at Kolektor have learned how to do business in a market economy and with Western companies, accumulated experiences and become shrewd managers. The unity of Kolektor's management and its workers' long-term commitment to the firm and the community has contributed to Kolektor's competitive advantage.

7.3 Concentration of Own Managerial Resources to Overseas Niche Market

For long years Kolektor dedicated itself to production and development of commutators. This gave its clients the trustworthiness. The proof is the number of patents which Kolektor has acquired. There are many cases in which even if the market is small in a country, the market that involves many countries is never negligible. It can be said that Kolektor is exactly what Herman Simon advocates 'Hidden Champion'¹³.

8. Conclusions

Let me summarize the above-mentioned discussions. First, since Slovenia had a market economy, albeit within the framework of socialism, already in the socialist period, especially after the economic reform of 1965 and it was included in the international division of labor, firms did not forget efforts to develop commodities meeting consumers' requests under the pressure of markets.

Second, since the period of the first Yugoslavia before the World War II the Slovene industry had been protected by a certain level of tariff barriers, and consequently they were able to secure advantageous position in the former Yugoslav market. After its economy was included in the international division of labor the Slovene industry increased its exports under the rule of the IMF and the GATT, gradually improving its international competitiveness.

Third, after the system change and independence in 1991 the Slovene firms advanced to the Western markets further in order to compensate the loss of the former Yugoslav markets. Indeed, the 1990s was difficult period. However, as its trade balance and current account balance were almost balanced and the external debt was relatively small, unlike other post-socialist countries the country did not obey recommendations by the IMF. In the 1990s while maintaining various legal regulations against foreign investors temporarily, the country was able to strengthen its economic power.

Fifth, along with the disintegration of the former Yugoslav Federation workers' self-management has finished, however, unlike to Croatia which totally rejected self-management, Slovenia has inherited the fruits of self-management. As an example, the mechanism of social dialogue and coordination of interest by representatives of employers' association, trade unions and the government can be mentioned. This enabled Slovenia to satisfy the Maastricht convergence criteria and adopt the euro earlier than any

¹³ According to Herman Simon (2012), there are many 'hidden champion firms' in European advanced countries. He thinks that these firms improve their export competitiveness and ultimately improve a country's international competitiveness. He defines a 'hidden champion firm' as a firm which satisfies the following three criteria: 1) Its market share is within top three, or the first place in the continent where the firm is located; 2) Its sales with less than US\$ 4 billion; 3) generally low public recognition of the firm.

other NEM in Central and East European countries and develop at a steady pace.

It can be considered that for the above-mentioned reasons Slovenia was able to occupy a unique position such as an innovation-oriented country belonging to the core of the world capitalist economy. Now the country is stagnating due to the pandemic of Covid-19, but sooner or later its economy will recover and return to the orbit of economic growth. It is expected that the number of emigrants will not exceed that of immigrants.

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