

## **SLOVENE FOREIGN POLICY TOWARD SERBIA: RECLAIMING THE PAST<sup>1</sup>**

**Charles Bukowski**

Since achieving independence in 1991, Slovenia without question has been the greatest success story of the Balkans region. Following its secession from the Socialist Federal Republic of Yugoslavia (SFRY) on 25 June 1991, Slovenia removed itself from the emerging maelstrom of conflict in the region and rapidly embarked on a successful process of state-building and democratic consolidation.<sup>2</sup> As a new state, Slovenia also faced the challenges of formulating and conducting a successful foreign policy. These challenges were compounded by the country's small size and limited resources.<sup>3</sup> A key element of Slovenia's foreign policy strategy was to reject the old Yugoslav non-aligned identity and attempt to place itself firmly in the West. This effort is reflected in the two principal goals of the first decade of Slovene foreign policy: admission to NATO and the European Union (EU). At the same time, Slovenia sought to minimize—if not eliminate—its presence in the region of the former Yugoslavia. And yet as this region has stabilized, and as Slovenia achieved the goals of NATO and EU membership, the country has slowly begun to reengage itself in the region.

This article will examine one aspect of Slovenia's reengagement with the Yugoslav successor states, its relations with Serbia. Generally regarded in Slovenia as the major source of the problems which led to its secession from the SFRY, Slovenia's relations with Serbia were all-but-nonexistent through the first half of the 1990s. Since the signing of the Dayton Accords, Ljubljana has made various efforts to establish a relationship with Serbia, and the two states have essentially normal

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<sup>2</sup> See Charles Bukowski, "Testing Consolidation Theory: Understanding Slovenia's Experience," *Journal of International Relations and Development* 3.1 (2000): 67–88; Sabrina Petra Ramet, "The Slovenian Success Story," *Current History* 98.3 (1998): 112–18.

<sup>3</sup> Charles Bukowski, "Ten Years of Slovenian Foreign Policy: A Small State Encounters the World," *Slovene Studies* 22.1.2 (2000).

relations. This article will review the history of Slovenia's relations with Serbia and its political predecessors. It will look at how Ljubljana's political and economic relations with Belgrade have evolved during a tumultuous period in the region's history, attempt to identify the forces and factors that explain this evolving relationship, and finally to place these forces and factors into the context of relevant theoretical literature concerned with the foreign policy of small states.

This study will utilize the environmental model of foreign policy analysis, which contends "that environmental factors influence foreign policy by being perceived and reacted to by foreign policy decision makers."<sup>4</sup> Although this model has utility for the study of any country's foreign policy, it is particularly appropriate to the analysis of the foreign policy of a small state. Papadakis and Starr contend that with the environmental model "a state's capacity to act is not derived simply from its material resources, but rather by its relationship with all aspects of its environment, both tangible and relational."<sup>5</sup> Given the limited physical capacity of a typical small state, an analysis of its foreign policy activities based primarily on access to material resources would overly limit the scope of the analysis and make it harder to identify possible explanatory variables. In the absence of access to abundant material resources, a small state must utilize other approaches to pursue its foreign policy goals that will not tax its limited capabilities. Simply pursuing a small number of policy goals does not guarantee success. A small state must select goals that will yield good returns and yet also play to its strengths.

Slovenia's relations with Serbia represent a good example of an alternative view of resource management as well as related aspects of the environmental model. Serbia represents a known quantity for Slovenia, having been united with the territory for more than seventy years as part of various renditions of Yugoslavia. The Slovene leadership and diplomatic service would be well acquainted with their counterparts in Belgrade as well as with Serbia's interests and capabilities.<sup>6</sup> A relationship

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<sup>4</sup> Maria Papadakis and Harvey Starr, "Opportunity, Willingness, and Small States: The Relationship Between Environment and Foreign Policy," eds. Charles F. Hermann, Charles W. Kegley, Jr., and James N. Rosenau, *New Directions in the Study of Foreign Policy* (Boston: Allen & Unwin, 1987) 414.

<sup>5</sup> Papadakis and Starr 415.

<sup>6</sup> During the various conflicts related to the disintegration of Yugoslavia, Slovene officials were viewed as good sources of information by the Western

with Serbia would allow Slovenia to leverage its role as an intermediary between Serbia and Western Europe. Belgrade would look to Ljubljana as an outlet to Europe, particularly the European Union (EU), while various actors in the EU would view Slovenia as a useful partner for initiating political as well as economic activity in a state that had been largely closed to Western presence since the beginning of armed conflict in the region. Slovenia's effort to renew ties with Serbia also reflect environmental sources of foreign policy by understanding the policy as a consequence of historical factors that may condition a state's responses to its environment. Despite Slovenia's initial desire to cultivate the image of a country that was firmly a part of the West—as evidenced in its primary foreign policy goals of NATO and EU membership and its reluctance to participate in the EU's Stability Pact for Southeastern Europe and related endeavors involving "Balkan" states<sup>7</sup>—the broad impact of the country's historical experiences combined with its need to maximize its limited foreign policy resources help explain its efforts to renew and even enhance its relationship with Serbia.

### **Slovenia and the SFRY**

Slovenia's initial relationship with Serbia must be understood in the context of the SFRY. This relationship was largely a product of the changing nature of governance and economic policy within the country.

Economically, Slovenia entered Tito's Yugoslavia as the richest and most industrialized of the country's six constituent republics (Serbia was the third-richest), accounting for twenty percent of the SFRY's

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powers in their efforts to understand the intentions of the warring parties. Charles Bukowski, "Slovenian-American Relations in the Context of NATO Enlargement," eds. Zlatko Šabič and Charles Bukowski, *Small States in the Post-Cold War World: Slovenia and NATO Enlargement* (Westport: Praeger, 2002) 70.

<sup>7</sup> It was only diplomatic pressure from the US that moved Slovenia to participate in the Stability Pact and even then it insisted on being designated as a contributor state rather than a recipient state. Slovenia's refusal to participate in Balkan summits is also reflective of the country's desire to disassociate itself from the Balkans. Bukowski, "Ten Years of Slovenian Foreign Policy" 25.

economic output with just eight percent of the country's population.<sup>8</sup> The relatively industrialized condition of the Slovene economy (compared to the level of industrialization of the other republics) caused Belgrade to give special priority to Slovenia in the country's plan for modernization. As a result, Slovenia cemented its position as the industrial center of Yugoslavia, receiving raw materials from the other republics while selling them its manufactured products.<sup>9</sup> The SFRY, then, represented a near-guaranteed market for Slovene finished products, allowing Slovenia, from 1953 onward, to generate most of its own investment capital, to develop a modern manufacturing infrastructure, and to take advantage of its proximity to Western Europe by exporting heavily to that region.<sup>10</sup> Within the Yugoslav market, Slovenia's sales amounted to nearly one-third more than its foreign exports.<sup>11</sup>

In terms of their political relationship, through the 1950s, Slovenia and Serbia were merely parts of a centralized, though technically federal, state under the direction of the League of Communists of Yugoslavia (LCY). There was little room for differentiation as Yugoslavia was governed by a small party elite. The situation changed in the early 1960s, when the regional League of Communists (LC) leaderships began to differ over the future economic and political structures of the country. In general, Slovenia's leadership emerged as part of the so-called liberal faction seeking greater economic and political decentralization. The Serbian leadership (with some exceptions) sided with the conservatives that continued to hold a unified governing vision of Yugoslavia, including the economic sphere. By the mid-1960s the liberals, with Tito's support, gained the upper hand and Yugoslavia moved toward a more federal governing structure. As a truly federal system emerged in Yugoslavia, all of the republics gained considerable decision-making autonomy, both economic and political, at the expense of Belgrade. Under this arrangement Slovenia and Serbia interacted as semi-autonomous parts of the federation. Although it played a less visible

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<sup>8</sup> James Gow and Cathie Carmichael, *Slovenia and the Slovenes: A Small State and the New Europe* (Bloomington: Indiana UP, 2000) 107.

<sup>9</sup> Gow and Carmichael 108; Radio Free Europe/Radio Liberty, "Balkan Report," 30 January 2004.

<sup>10</sup> Gow and Carmichael 110.

<sup>11</sup> Jozse Mencinger, "Costs and Benefits of Secession," eds. Danica Fink-Hafner and John R. Robbins, *Making a New Nation: The Formation of Slovenia* (Brookfield: Dartmouth Publishing, 1997) 210.

role during this period (compared to Croatia and Macedonia, for example), Slovenia tended to side against Serbia and with the reformers, particularly on the question of economic decision-making. This relationship was overshadowed by the escalating dispute between nationalists in Serbia and Croatia, which ultimately led to Tito reasserting his authority following the Croatian crisis of the early 1970s.<sup>12</sup> By the mid-1970s Tito had removed the most virulent of the Croatian and Serbian nationalists and forged a compromise governing solution that continued to permit considerable autonomy among the country's six republics and two autonomous provinces. During the remainder of the 1970s Slovenia attempted to use its influence to minimize the level of resources taken from the more developed republics (Slovenia, Croatia, and the province of Vojvodina) and distributed to poorer regions of the SFRY to encourage economic development. Although Serbia was not a beneficiary of these programs, Montenegro was classified as one of the insufficiently developed regions.<sup>13</sup>

Following Tito's death in 1980, debate intensified over the respective issues of the level of political centralization in Yugoslavia and how to deal with the country's growing economic difficulties. The deliberations divided the SFRY's leadership along two dimensions: system centralization and economic liberalization. Regarding the latter, most of the leadership in both Slovenia and Serbia favored ongoing, if not increased, liberalization of the economic mechanism. The former dimension saw the two republics continue to their disagreement from the early 1960s as the LC-Slovenia pushed for more political decentralization and autonomy for the republics while its Serbian counterpart argued for more a more centralized political structure.<sup>14</sup>

In October 1984 the LC-Serbia proposed a wide-ranging reform plan that reflected its desire to recentralize the country's political decision-making process as well as remove the autonomy that had been granted to the republic's two provinces of Vojvodina and Kosovo. Croatia and Slovenia as well as the two autonomous provinces vigorously opposed this plan. At the LCY Central Committee Plenum called to

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<sup>12</sup> Steven L. Burg, *Conflict and Cohesion in Socialist Yugoslavia* (Princeton: Princeton UP, 1983); see chapters 1–3.

<sup>13</sup> Burg, Chapter 5.

<sup>14</sup> Sabrina Petra Ramet, *Balkan Babel: The Disintegration of Yugoslavia from the Death of Tito to Ethnic War*, 2nd ed. (Boulder: Westview, 1996) 10.

discuss Serbia's proposal, a Slovene delegate observed that any attempt to recentralize the country's decision-making procedures might result in "a political crisis." The LC-Serbia leader later responded by equating the debate to one over "unity or separatism." The debate often spilled over into discussions of the now rapidly deteriorating economic situation with the Serbian leadership arguing that political recentralization provided the best means for implementing rational economic reform. The Slovenes countered with a resolution at their 1986 party congress rejecting the argument that the economic crisis was an appropriate means for putting "forward centralist-unitarist solutions."<sup>15</sup>

It is ironic that during the mid-1980s new leaderships emerged in both republics as a result of public discontent with Yugoslavia's mounting political and economic difficulties, and yet these leaderships had two very different approaches to governance. As the reputation of the LCY declined in Slovenia and Serbia, challengers to the older, established leaders appealed directly to their respective publics, successfully using regional and ethnic concerns to gain support.<sup>16</sup> The result of these changes was to further polarize the country and diminish the ability of the federal government to develop and implement policy. In Slovenia the new leadership capitalized on the public's growing resentment over the amount of wealth that was transferred annually to Belgrade to be redistributed to Yugoslavia's poorer regions. Cohen writes that:

Particularly irksome to Slovenes was that each year their republic, with about 8 percent of Yugoslavia's population, contributed over 25 percent of the total federal budget and between 17 and 19 percent of the Federal Fund for Underdeveloped Regions. The Slovenian public and elite were particularly annoyed by revelations that the federal funds transferred to the less advantaged regions of the

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<sup>15</sup> Quoted in Ramet 15, 17.

<sup>16</sup> Lenard Cohen, *Broken Bonds: Yugoslavia's Disintegration and Balkan Politics in Transition*, 2nd ed. (Boulder: Westview, 1995) 50; Susan Woodward, *Balkan Tragedy: Chaos and Dissolution After the Cold War* (Washington: Brookings, 1995) 93. In Slovenia the change in party leadership was the result of competitive elections held in 1986. These elections brought Milan Kučan to the Presidency of the LC-Slovenia. Danica Fink-Hafner, "Development of a Party System," eds. Danica Fink-Hafner and John R. Robbins, *Making a New Nation: the Formation of Slovenia* (Brookfield: Dartmouth, 1997) 139.

country had been wasted as a result of the federal state's economically unprofitable investments, corruption, and the financing of bloated bureaucratic structures.<sup>17</sup>

The new Slovene leadership's response was to guard even more zealously Slovenia's influence over federal decision-making, which in turn would allow it to resist any attempts to increase the republic's monetary transfers to Belgrade.<sup>18</sup> The leadership continued to call for reform of the SFRY's economic mechanism. Internally, the LC-Slovenia embarked on both liberalization and democratization of the republic's political system. This process ultimately led to the legalization of opposition political parties and the April 1990 parliamentary election that was won by an opposition coalition.<sup>19</sup>

In Serbia, Slobodan Milošević rose to power promising to protect Serbian interests and by criticizing the old leadership for its failure to solve Yugoslavia's economic problems.<sup>20</sup> However, in contrast to the new Slovene leadership, Milošević's approach to political reform was to further centralize Serbia's governing process and to embark upon an ultimately successful effort to assert control over the Serbian provinces of Vojvodina and Kosovo.

The two new leaderships did agree on the general need for economic liberalization. However, while both sought some form of liberalization of the economic mechanism, Serbia wished to pursue reform in the context of greater centralization of the Yugoslav political structure (criticizing, for example, the emergence of "autarkic republican economies"<sup>21</sup>), while Slovenia desired a decentralized and consensual decision-making process. In a 1988 remark, Slovenia's state president was quick to criticize Serbia's growing nationalism, but highly supportive of Serbia's desire to reform the SFRY's economy, remarking "The views of Mr. Milošević with whom I disagree on political issues do not differ

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<sup>17</sup> Cohen 59.

<sup>18</sup> *Borba*, 20 July 1987: 2, translated in *Foreign Broadcast Information Service-East Europe*, 21 July 1987: 73.

<sup>19</sup> Ljubljana Domestic Service, 24 April 1990, translated in *Foreign Broadcast Information Service-East Europe*, 25 April 1990: 68–69.

<sup>20</sup> Cohen 54.

<sup>21</sup> Cited in Cohen 56.

from mine in economic matters. He is just as liberal as I am when it comes to economic matters."<sup>22</sup>

By 1989 Serbia's design for reform of the Yugoslav political system fully emerged. The recommendations of a panel of Serbian experts headed by Milošević called for strict limits on the application of the principle of interregional consensus and for most decision-making to be made on the basis of "qualified majorities." While the idea of political pluralism was endorsed, political activity was to be "organized in harmony with the social or interest structures of our society."<sup>23</sup>

The Slovene response was to return to the spirit of Yugoslavia's 1974 constitution, which emphasized consensual decision-making among the country's regions and equality among its nationalities. Pushing the notion of equality further, the LC-Slovenia leadership advanced the idea of "asymmetric federation" as a solution for many of the country's problems. Under this arrangement each republic would be permitted to construct its own power sharing relationship with the federal government. Republics could choose to function with considerable autonomy or limit their own ability to make policy and conform to decisions made in Belgrade.<sup>24</sup>

By the time of the asymmetric federation proposal, the LC-Slovenia and Slovene civil society were moving quickly toward the goals of liberalization and democratization.<sup>25</sup> The Slovene stance on SFRY political reform should be understood both as a reaction to growing fears of a Serbian takeover of Yugoslavia and to the increasing momentum within Slovenia (and within the LC-Slovenia itself) toward democratization as well as the discontent of much of the Slovene population with the perceived burdens membership in the SFRY brought on the republic.<sup>26</sup> This process culminated in the adoption by the Slovene parliament in September 1989 of an amendment to the republic's constitution to guarantee political pluralism. Subsequent amendments in December guaranteed the right to freedom of political association, the full

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<sup>22</sup> Cited in Cohen 60.

<sup>23</sup> Cited in Cohen 58.

<sup>24</sup> Cohen, 63.

<sup>25</sup> See Tomaz Mastnak, "Civil Society in Slovenia: From Opposition to Power," ed. Paul G. Lewis, *Democracy and Civil Society in Eastern Europe* (London: Macmillan, 1992).

<sup>26</sup> Cohen 59; Ramet 24–31.



legalization of alternative political parties, and the right of those parties to participate in competitive elections.<sup>27</sup> The elections were subsequently set for 8 April 1990.

Slovenia followed its calls for SFRY reform with complementary changes to its own constitution. In late September Slovenia's parliament further amended the constitution to give it the right to secede from Yugoslavia and to require Slovenia to approve any efforts by Belgrade to intervene in the republic in the event of a declaration of emergency. The latter amendment was developed out of concern over Belgrade's intervention in Kosovo earlier in the year following an emergency declaration—a move opposed by Slovenia and described, only somewhat ironically as a Serbian version of asymmetric federation.<sup>28</sup> The amendments were heavily criticized by Serbia (and were later ruled unconstitutional by Yugoslavia's Constitutional Court—the ruling was ignored by Slovenia) and resulted in mass demonstrations in Serbia and Montenegro denouncing the LC-Slovenia leadership. In December, when efforts by Serb activists from Kosovo to travel to Ljubljana to protest Slovenia's actions and “explain” Serbia's views were blocked by the Slovene government, the Serbian Socialist Alliance of Working People (SAWPY-Serbia) called on Serbian businesses and other institutions to sever their ties with Slovenia. In response more than 130 large Serbian businesses ceased contacts with Slovenia—at considerable cost to the Serbian economy.<sup>29</sup>

Later in December, at its eleventh congress, the LC-Slovenia declared itself to be a modern political party of the left and in support of democracy, basic human rights, and a market economy. It subsequently changed its name to the League of Communists of Slovenia-Party of Democratic Renewal (LC-Slovenia/PDR) and declared its intentions to compete in the scheduled April 1990 parliamentary elections.<sup>30</sup>

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<sup>27</sup> Adolf Bibič, “The Emergence of Pluralism in Slovenia,” *Communist and Post-Communist Studies* 26.4 (1993): 375.

<sup>28</sup> Viktor Meier, *Yugoslavia: A History of Its Demise* (London and New York: Routledge, 1999) 119.

<sup>29</sup> Laura Silber and Allan Little, *Yugoslavia: Death of a Nation*, rev. ed. (New York: Penguin, 1997) 78; Meier, 119–22.

<sup>30</sup> Charles Bukowski, “Slovenia's Transition to Democracy: Theory and Practice,” *East European Quarterly* 33.1 (March 1999): 82.

Slovenia and Serbia also clashed over plans to hold an LCY Congress in January 1990. Fearing that such a party gathering would hinder its efforts at pursuing more autonomy, the LC-Slovenia unsuccessfully opposed the plans. Efforts were also made to discuss Slovenia's concerns on a bilateral basis with Serbia and Milošević, but he rejected the request, perhaps preferring to negotiate with Slovenia on the federal level, where his views were more likely to prevail. Slovenia's fears regarding the outcome of the impending congress increased when it was made known that voting at the congress would take place by delegate rather than by region, thereby providing Serbia with a decided numerical advantage. Slovenia's response was to caution against permitting the numerical majority to override the wishes of each regional delegation and to declare its right to "decide either for a unilateral cancellation of democratic centralism or for the complete organizational independence of the League of Communists of Slovenia."<sup>31</sup>

Slovenia entered the congress with the goal of radically reforming the LCY and reducing the role the league played in Yugoslavia's politics. The Slovene delegation also proposed more autonomy for the regional parties, essentially transforming the LCY into a "league of independent and free republican organizations." Serbia's response was to equate support for Slovenia's proposals as favoring "war among Yugoslav communists ... and a war among Yugoslav nations."<sup>32</sup> After all of its proposals were voted down, and a day before the congress's scheduled close, the Slovene delegation left the meeting.<sup>33</sup> Attempts to continue the proceedings by Serbia were opposed by Croatia, and the meeting was suspended until May. The LC-Slovenia/PDR leadership refused to attend the May meeting, as did delegations from Croatia and Macedonia. This occasion marked the effective end of the LCY.

The events of December and January suggest that Milošević altered his approach to Slovenia following the republic's constitutional revisions of September 1989 and the failure of the planned rally of Serbs in Ljubljana. Once it became clear to Milošević that the Slovene leadership could not be compelled to reverse course, he commenced efforts to drive Slovenia out of the SFRY. This can be seen in the

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<sup>31</sup> Cited in Cohen 64.

<sup>32</sup> Cited in Cohen 84.

<sup>33</sup> Ljubljana Domestic Service, 22 January 1990, translated in *Foreign Broadcast Information Service-East Europe*, 23 January 1990: 68-69.

SAWPY-Serbia declaration described above that concluded with the statement, "We recommend that no citizen of Serbia ask Slovenia to stay in Yugoslavia."<sup>34</sup> The relentless manner in which the Slovene delegation's proposals were rejected at the LCY Congress, often to applause, also supports this thesis.<sup>35</sup> Slovenia's response to Milošević's efforts came in February when it significantly reduced its payments to the SFRY's federal development fund, which was a source of revenue for Serbia (via transfers to Kosovo), opting instead to transfer funds directly to the Kosovar leadership in Pristina.<sup>36</sup>

Slovenia's April 1990 parliamentary elections resulted in the triumph of a coalition of non-communist parties known as DEMOS (Democratic United Opposition of Slovenia). Milan Kučan, who had recently resigned from the LC-Slovenia/PDR presidency was elected the country's president, and the party was the single largest vote-getter in the race. Borisav Jović, who assumed the position of president of Yugoslavia's federal presidency, and was an ally of Milošević, stated that Slovenia's election was illegitimate and that the political events taking place in Slovenia and Croatia meant "the further disintegration of Yugoslavia." Cohen writes that "In contrast to Prime Minister Marković, who had pleaded for unity within a more pluralistic framework, Jović was promising to *impose* unity in order to halt pluralistic 'chaos.'"<sup>37</sup> At a meeting of the Federal Presidency on 28 May, Jović called for the passage of constitutional amendments that would centralize the political system and argued that political pluralism and the right of dissociation should be subject to legal regulation.<sup>38</sup>

Subsequent Slovene attempts to assert the republic's sovereignty were opposed by Serbia, either directly or through President Jović. When Slovenia's parliament adopted a "Declaration on the Sovereignty of the State of the Republic of Slovenia" on 2 July 1990, Jović insisted the legislation be repealed. He stated that the declaration "denigrated and infringed upon the shared interests of Yugoslav nations and nationalities." In October, referring to Slovenia's (and Croatia's)

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<sup>34</sup> Cited in Meier 121.

<sup>35</sup> Meier (138) notes that the rejection of a Slovene proposal to condemn the Serbian boycott against Slovenia received particularly strong applause.

<sup>36</sup> Meier 122.

<sup>37</sup> Cohen 117. The emphasis is Cohen's.

<sup>38</sup> Meier 150.

continued movements toward sovereignty, he declared “Everything that symbolizes Yugoslavia or carries the Yugoslav name is despoiled in the most crude and primitive manner.” He went on to call Slovenia’s actions “unscrupulous.”<sup>39</sup> Slovenia’s plebiscite of 23 December, in which voters overwhelmingly favored secession from the SFRY, was regarded with equal disdain. Jović’s actions also appeared to partially coincide with Milošević’s apparent plan to drive Slovenia out of the SFRY. At a 10 October meeting of the federal presidency, he arranged to place before the federal parliament Serbia’s proposal for a stronger Yugoslav federation, while denying the parliament the opportunity to consider a joint proposal from Croatia and Slovenia that called for replacing the federal structure within a confederation.<sup>40</sup>

Slovenia further reduced its financial commitment to the SFRY in January 1991 following the revelation that the Yugoslav National Bank had made an undisclosed loan to the Republic of Serbia totaling 28 billion dinars (about \$1.8 billion). Milošević used the funds—in the run-up to elections in Serbia, which he handily won—to repay some of Serbia’s foreign debt and to liquidate the debts of key Serbian enterprises. Slovenia responded by ceasing all transfers of hard currency to Belgrade (although it would continue to make payments in dinars to the federal government) and by declaring that it would not recognize future debt incurred by the federal government.<sup>41</sup> Slovenia’s concern over the extent of Milošević’s control of federal institutions included the Yugoslav military, especially given that a disproportionate number of officers were of Serbian and Montenegrin origin. As tensions increased through the winter, Slovenia reduced its contributions to the military from fifteen billion dinars to three billion and stopped sending conscripts to the federal army (diverting them to Slovenia’s growing territorial guard).<sup>42</sup> Further contact between Slovenia and Serbia continued during the spring of 1991 through a series of meetings of the presidents of each of the republics. These meetings, which excluded the participation of the now nearly bankrupt and ineffective federal government, represented a last-ditch attempt to hold the SFRY together.<sup>43</sup>

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<sup>39</sup> Cited in Cohen 120, 180.

<sup>40</sup> Meier 157.

<sup>41</sup> Meier 161–62; Ramet 45–46.

<sup>42</sup> Ramet 46; Woodward 255.

<sup>43</sup> Meier 162.

By the spring of 1991, the Slovene leadership was focused primarily on extracting the republic from the SFRY. The December 1990 referendum on secession called for Slovenia to assert full sovereignty in six months. As that deadline drew closer, priority was given to smoothing the road toward independence. This view was encouraged by Milošević's apparent lack of concern over Slovenia's continued presence in the SFRY, arguably evident in his 24 January 1991 remarks, which seemed to grant some validity to Slovenia's drive toward secession.<sup>44</sup>

### **Slovenia and Serbia after the SFRY**

The Slovene parliament passed a declaration of independence for the republic on the evening of 24 June 1991. Three days later elements of the Yugoslav army attacked Slovene territorial defense forces, commencing a brief war that lasted less than a fortnight. Milošević's role in the federal army's actions is ambiguous. It is likely that the military intervention can be attributed to Yugoslav Prime Minister Marković or to the Yugoslav army itself in a desperate effort to keep the federation together.<sup>45</sup> At this point Milošević had no compelling reason to keep Slovenia in the federation, and, as noted above, appeared to have spent the previous twelve months trying to drive Slovenia toward secession. His more serious concern was Croatia's concurrent declaration of sovereignty, which removed over 600,000 Serbs from of the SFRY. Milošević's preferences are evident in the of the State Presidency's decision of 15 July to order the withdrawal of the Yugoslav army from Slovenia (although it took more than three months to complete the withdrawal). Meier states that this decision was initiated by the Serbian leadership a few days earlier and permitted Milošević to concentrate his resources on the more critical issues of Croatia and Kosovo.<sup>46</sup>

Subsequent disputes between the two states during 1991 reflect a somewhat more normal interaction. In August the Slovene industry minister visited Belgrade to discuss the normalization of business

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<sup>44</sup> Silber and Little 113–14. Meier (163) is skeptical of this view, noting that Milošević, while personally not opposing Slovenia's secession, had to worry about the views of the army and how his statements would be interpreted by Croatia.

<sup>45</sup> Meier 178–80.

<sup>46</sup> Meier 224–25.

relations between Slovenia and Serbia. He stated that business communities in both states have "an unequivocal desire to continue and promote their cooperation."<sup>47</sup> Nevertheless, Slovenia's secession led to both sides treating commerce between the two states as foreign trade. Slovenia imposed tariffs on goods from Serbia in October, and Serbia reciprocated two months later. It was estimated that trade volume between Slovenia and Serbia fell by more than two-thirds from 1990 to 1991.<sup>48</sup> The introduction of the tolar by Slovenia further complicated commerce and many firms were forced to resort to barter relationships to continue trade.<sup>49</sup>

Slovenia took full advantage of Milošević's decision and embarked on a rapid and successful effort to secure its sovereignty and remove itself from the growing violence that engulfed much of the former Yugoslavia in the following months. Upon emerging as an independent state, Slovenia sought to remove itself from all aspects of Yugoslavia's collapse and to build a new European identity based on admission to NATO and the EU. These new circumstances provided little opportunity for Slovenia to interact with Serbia (now part of the Federal Republic of Yugoslavia) through the mid-1990s. When a new relationship began to emerge, it was largely characterized by Slovenia's new orientation toward Western Europe and its eventual accession to NATO and the EU in 2004 respectively.

By the beginning of 1992 Slovenia's independence (and to a somewhat lesser extent Croatia's) was firmly established. Serbia's response to the change was to attempt to create a new Yugoslavia composed of Serbia and Montenegro (and perhaps parts of other republics where Serbs constituted a plurality of the population) and to seek international recognition of the new country's right to all of the assets of the SFRY (estimated at \$2 billion). Slovenia and Croatia opposed this latter endeavor and sought an equitable division of those assets. The international community, helped by an International Monetary Fund finding in December 1992, ultimately sided with Slovenia, Croatia, and the other succeeding states.<sup>50</sup> Beyond this issue

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<sup>47</sup> TANJUG 8 August 1991.

<sup>48</sup> TANJUG 9 October 1991; and 16 October 1991.

<sup>49</sup> TANJUG 15 October 1991.

<sup>50</sup> Mojmir Mrak and France Arhar, "Succession Issues in Allocating the External Debt of the SFR Yugoslavia and Achieving Slovenia's Financial

and the related issue of assignment of Yugoslavia's debts, Slovenia and Serbia had little official contact in the period 1992–95. Commercial contacts also came to a near standstill—a victim of international sanctions. The loss of the Serbia-Montenegro market cost the Slovene economy as much as \$1.5 billion in sales.<sup>51</sup> It is also likely that foreign direct investment in Slovenia suffered as Western firms that previously viewed Slovenia as a gateway to the larger Yugoslav market curtailed their plans.<sup>52</sup>

Slovenia's ambivalence to the region is evident in its slow response to the FRY's recognition of Slovenia in August 1992. Ljubljana did not reciprocate until December 1995, prompting Belgrade to accuse Slovenia of having a "double standard" and that verbal statements regarding the need to normalize relations were "not enough."<sup>53</sup> Slovenia's position was that it was prohibited by "international circumstances" from reciprocating Belgrade's gesture, but moved quickly to implement recognition following the signing of the Dayton Accords. Slovenia was the first of the former Yugoslav republics to grant recognition to the FRY. A few days after Slovenia resumed relations with Belgrade, the Slovene parliament voted to lift the country's trade embargo on the FRY contingent upon Belgrade formally signing the Dayton Accords.<sup>54</sup>

Despite the signing of the Dayton Accords and an end to conflict in the region, Slovenia and Serbia had little interaction through the remainder of the decade. The main obstacle was the continued presence of Milošević at the head of the FRY government and the accompanying international sanctions that the FRY faced for its refusal to extradite Milošević to The Hague. Although both countries had agreed to recognize the other, no arrangements were made for the exchange of representatives or the opening of embassies.

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Independence," eds. Mojmir Mrak, Matija Rojec, and Carlos Silva-Jáuregui, *Slovenia: From Yugoslavia to the European Union* (Washington: The World Bank, 2004) 104.

<sup>51</sup> TANJUG, 23 November 1995.

<sup>52</sup> Bogomil Ferfila and Paul Phillips, *Slovenia: On the Edge of the European Union* (Lanham: UP of America, 2000) 11.

<sup>53</sup> "Normalization of Relations with Former Yugoslav Republics," *Review of International Affairs* (Belgrade) 15 June 1996: 5.

<sup>54</sup> HINA, 3 December 1995; AFP, 6 December 1995.

The two countries sparred often over the disposition of the SFRY's assets and debts as well as the international legal status of the SFRY. Regarding the former, Slovenia was keen to extricate itself from responsibility for the SFRY's foreign debt so that it could gain access to private international credit markets. In order to do this, Slovenia had to reach agreement with the London Club—a group of commercial banks that held a substantial portion of the SFRY's debt. Negotiations were opened in mid-1993 and an agreement in principle was reached two years later regarding the portion of the debt that would be allocated to Slovenia. The FRY strongly opposed this agreement and went so far as to take legal action to stop its implementation.<sup>55</sup> From Belgrade's perspective, the agreement undercut its long-standing contention that the FRY was the successor state of the SFRY and should therefore have sole authority to make decisions regarding Yugoslavia's debts and assets. If Belgrade's contention had won out, Milošević would have been permitted to negotiate Slovenia's (and the other former Yugoslav states) debt with the London Club on his terms. This would have placed Slovenia at a severe disadvantage, disrupted its efforts to gain access to international credit markets, and likely would have led to poorer terms for Slovenia once international credit became available. In addition Milošević would have used his position to minimize the FRY's portion of the debt and therefore increase Slovenia's share and to take advantage of his access to the SFRY's remaining international assets.<sup>56</sup> In the end, Milošević's efforts failed and Slovenia's agreement with the London Club was finalized in June 1996. Slovenia subsequently issued bonds to secure its debt to the London Club banks.

The dispute between Slovenia and the FRY over the SFRY's assets was most visible in Slovenia's efforts to gain admission to the Bank for International Settlements (BIS), which would facilitate the incursion of debt by Slovenia on a bilateral basis. Initially Slovenia attempted (in conjunction with Croatia, Macedonia, and Bosnia-Herzegovina) to negotiate a division of the SFRY's deposits (approximately \$660 million) with the BIS in conjunction with its request for membership. The Bank proposed a formula for division of the assets that was accepted by the four petitioning countries, but opposed by the FRY. When no settlement was forthcoming, Slovenia and the other three former Yugoslav states were

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<sup>55</sup> *The Financial Times* 29 March 1996: 2.

<sup>56</sup> Mrak and Arhar 108–109.



admitted to the BIS while negotiations over the assets continued.<sup>57</sup> No resolution was reached on the issue until after Milošević was deposed.

Milošević's defiance of the war crimes tribunal in The Hague further hindered the development of relations between Slovenia and the FRY when in 1999 the Slovene government banned high-ranking government and political officials from Serbia and Montenegro from entering Slovenia. With this move, Slovenia joined the European Union members and fifteen other countries (including the US) in an effort to force the FRY to comply with transfer requests from the International Criminal Tribunal for Yugoslavia.<sup>58</sup> The ban could also be viewed as an effort to advance Slovenia's candidacy for NATO and EU membership.

A new chapter in Slovene-Serbian relations opened in late 2000 with the electoral defeat of Milošević. Although Slovenia had made efforts to remain in contact with Serbian opposition parties, nothing substantive could emerge from negotiations between the two countries until Milošević was replaced as FRY President by Vojislav Koštunica following the September 2000 elections. In November, subsequent to the installation of a new government, Slovenia signaled its intention to open full diplomatic relations with the FRY. Slovene Foreign Minister Peterle cited the new government and the country's admission to the UN as compelling reasons for the decision. Belgrade reciprocated two weeks later.<sup>59</sup> The Slovene Chamber of Commerce opened an office in Belgrade at about the same time. Peterle also met with a Serbian opposition representative in anticipation of elections scheduled in Serbia in December. Peterle indicated that Slovenia could build extensive ties with the FRY and Serbia provided the opposition was successful in the upcoming elections. In addition to normalizing diplomatic relations, Peterle hoped for progress on issues of succession and an increase in commerce.

Despite sanctions and a lack of diplomatic relations, trade between Slovenia and the FRY grew by more than fifty percent to \$184 million (see table 1). Earlier statements from Serbian opposition leaders indicated that they would be more flexible on succession issues and would perhaps withdraw Milošević's contention that the FRY was the

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<sup>57</sup> *The Financial Times* 14 May 1997: 3.

<sup>58</sup> *Glas Javnosti* (Belgrade) 18 September 1999: 2.

<sup>59</sup> Radio Slovenia 20 November 2000.

sole and direct successor of the SFRY.<sup>60</sup> Just prior to the Serbian elections President Kučan met with Koštunica's top aide, Zoran Djindjić, in Ljubljana. Kučan stated that "Slovenia has big expectations from the December parliamentary elections in Serbia" and that Slovenia stood ready to assist Serbia as it emerged from isolation.<sup>61</sup> Slovenia's efforts to cultivate support within the Serbian opposition are evident in President Kučan's statement in February 2000 that Kosovo should remain a part of Serbia.<sup>62</sup> In May 2000, Slovene Foreign Minister Dimitrij Rupel met with Serbian opposition leader Goran Svilanović in Slovenia. During their meeting, Svilanović indicated his agreement with Slovenia's position that affairs among the former republics of Yugoslavia should reflect the equality of all states—implicitly rejecting Milošević's position.<sup>63</sup> This relationship soon began to bear fruit when Svilanović was named FRY Foreign Minister later in the year, and Rupel was quick to host him for a brief visit to Ljubljana.

The replacement of the federal government in Belgrade finally permitted all of the successor states to begin discussions on the disposition of the SFRY's assets. Talks began in December 2000 and by April 2001 they had agreed on the distribution of Yugoslavia's holding with the BIS. Agreement on the distribution of the remaining assets and related matters was reached two months later. The need for all five national legislatures to ratify the agreement prevented it from taking effect until June 2004.<sup>64</sup> Although Slovenia and the FRY both ratified the agreement in July 2002, the Croatia government became bogged down in political debate over the issue and held up implementation for nearly two years.

Slovenia welcomed the arrest and subsequent transfer of Milošević in March and April 2001. A statement from the Slovene foreign ministry said the developments would "contribute to the stabilization of the situation not only in the FRY but in the entire region." The foreign ministry expressed the hope that Milošević would be held accountable both for his actions within Serbia and the FRY and for

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<sup>60</sup> Radio Slovenia 12 October 2000.

<sup>61</sup> STA (Ljubljana) 28 November 2000.

<sup>62</sup> BETA (Belgrade) 2 February 2000.

<sup>63</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 10 May 2000.

<sup>64</sup> STA 2 June 2004.

his culpability in the disintegration of Yugoslavia and the resulting conflicts.<sup>65</sup>

Table 1: Slovenia's Trade with Serbia-Montenegro

Imports (in millions of US dollars)

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
1.6	32.0	42.1	67.5	36.1	40.9	47.3	58.1	76.3

Exports (in millions of US dollars)

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
9.5	95.7	112.4	102.6	84.9	143.4	235.5	329.6	392.6

Source: *International Trade Statistics Yearbook* (New York: United Nations, 2000 and 2004).

The process of normalization between the two countries began in earnest in March 2001 with a visit to Belgrade by Foreign Minister Rupel. In addition to talks with a variety of officials from the FRY and the Republic of Serbia, Rupel signed agreements on trade and on cooperation in culture, education, sports, and science. Both sides indicated a particular interest in enhancing their economic relationship, which had languished for nearly a decade.<sup>66</sup> Rupel returned to Belgrade in September to officially open Slovenia's embassy there and conduct talks with FRY officials. The new embassy was Slovenia's largest and reflected Ljubljana's interest in expanding its ties with the FRY as well as its overall presence in the former SFRY region. Talks focused on enhancing economic cooperation between the two states. Minister Rupel conveyed Slovenia's interest in the FRY joining the Central European

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<sup>65</sup> 31 March 2001.

<sup>66</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 23 March 2001.

Free Trade Agreement (CEFTA) and an offer to assist in the process.<sup>67</sup> FRY Foreign Minister Svilanović reciprocated Rupel's visits six weeks later when he came to Ljubljana to open his country's new embassy. With the signing of three bilateral agreements during the visit the number of official agreements between Slovenia and the FRY grew to eight. Facilitating economic cooperation was again a major issue for discussion. Trade between the two countries grew by fifty-three percent with Slovene exports increasing by sixty-four percent while imports from the FRY grew by sixteen percent (see table 1). Foreign Minister Rupel continued to position Slovenia as a source of advice for Yugoslavia by offering to share Slovenia's experiences with regard to gaining membership in the EU with Belgrade.<sup>68</sup>

Commercial relations between the two countries continued to expand in 2002. As Slovenia furthered its efforts to rebuild its economic presence in the former-SFRY region, exports to Serbia and Montenegro grew by over one-third. The beneficial nature of the relationship for Slovenia is evident in that imports from the FRY grew by less than one-quarter during the same period (see table 1). The most noteworthy development was the opening of a Slovene-owned shopping center in Belgrade that represented a \$38 million investment for the parent company, Mercator, and the single largest foreign investment in Serbia in 2002. The complex was the largest build by Mercator to date and was enthusiastically received by Belgrade shoppers. The opening was attended by the two countries' respective foreign ministers, and in the words of Minister Rupel, "This is the return of Slovenia to Serbia." Mercator indicated that within three years it intended to open a similar facility in Novi Sad. The day after the opening of the new shopping center, commercial flights between Ljubljana and Belgrade were resumed for the first time since 1991.<sup>69</sup> By the end of the year Slovene investors were the single largest presence in Serbia by number (although US investments far-exceeded Slovenia's in terms of value) and totaled approximately \$100 million.<sup>70</sup>

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<sup>67</sup> RFE/RL *Newsline*, 18 September 2001; and press release, Ministry of Foreign Affairs, Republic of Slovenia, 17 September 2001.

<sup>68</sup> Press release, 11 November 2001.

<sup>69</sup> AFP 5 and 6 December 2002.

<sup>70</sup> *Večer* 20 September 2003.

Economic imperatives continued to play a growing role in expanding Slovenia's relations with Serbia—now part of the state union of Serbia and Montenegro (Serbia-Montenegro)—during 2003. Slovene investors showed increasing interest in the state. More than a dozen new ventures were reported, and the presence of Slovene managers in Belgrade had become large enough to lead to the founding of a Slovene Business Club.<sup>71</sup> Slovene businesses were clearly taking advantage of their knowledge of the region and its language as well as personal contacts. Obviously, no other group of investors would be able to make as accurate an assessment of political and economic risks posed by Serbia-Montenegro. Another factor driving Slovene interest in the union (but particularly Serbia) was the economic downturn in the EU—the primary destination of Slovene exports. Although Serbia and Montenegro were by no means a substitute for the EU market, they did represent a means of making up at least some of the negative impact of the EU recession.<sup>72</sup> Trade between Slovenia and the new state union continued to grow, but was hindered by the substantial imbalance in Slovenia's favor, with Slovenes selling more than five times what they purchased from Serbia and Montenegro (see table 1). Attempts by the two countries to negotiate a free trade area that might have facilitated Serbian exports stalled in late 2002. With Slovene accession to the EU set for May 2004, at which time Slovenia's pre-existing trade preferences would become void, there was little incentive to finalize a trade deal in 2003.<sup>73</sup>

Politically, Slovenia joined with the rest of the world in expressing shock over the assassination of Serbian Prime Minister Djindjić on 12 March. However, former President Kučan used the event to further his domestic agenda when he remarked that the assassination reinforced the idea that the long-term stability of Slovenia depended on it joining a “stable and safe world.” This was certainly a reference to the referendum that was to be held ten days later in Slovenia regarding its efforts to join NATO and the EU.<sup>74</sup>

A visit to Ljubljana in June by state union Foreign Minister Svilanović resulted in the signing of the seventeenth bilateral agreement

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<sup>71</sup> *Večer* 20 September 2003.

<sup>72</sup> *Večer* 10 July 2003.

<sup>73</sup> Radio B92 (Belgrade), 11 January 2003.

<sup>74</sup> AFP 12 March 2003.

between the two powers.<sup>75</sup> The previous month Slovenia and Serbia signed a memorandum on energy cooperation, which allowed a Slovene energy company to open an office in Belgrade as part of an effort to sell energy on the Serbian market. Slovenia also agreed to advise Serbia on meeting EU regulations in the fields of trade and production of electricity.<sup>76</sup> An important milestone was reached on 8 June when Slovenia reciprocated Serbia-Montenegro's gesture to Slovene citizens by permitting the union's residents to travel to or through Slovenia without securing a visa.<sup>77</sup> During the first visit of the state union's president, Svetozar Marović, to Slovenia, the two states signed a development agreement which permitted Slovenia to furnish certain forms of aid to Serbia-Montenegro after its impending accession to the EU. Slovenia also indicated its willingness to advise Serbia and Montenegro on the process of seeking EU membership.<sup>78</sup> This gesture was becoming a prevalent part Slovenia's relationship with Serbia as the Slovene's regularly offered to share the knowledge they had gained in their efforts to join the EU—and to a lesser extent NATO. The approach was part of a broader effort to provide advice to all of the former Yugoslav republics and culminated with the establishment of Slovenia's Assistance Center for EU Integration in 2004. The center's mission is to provide advice to Western Balkan countries based on Slovenia's experiences.<sup>79</sup> During Marović's visit Slovene President Drnovšek remarked that "Slovenia is interested in seeing Serbia-Montenegro follow in our footsteps on the path to European integration."<sup>80</sup> Slovene Foreign Minister Rupel echoed this view during an August visit to Belgrade.<sup>81</sup>

Since 2003 Slovenia's relations with Serbia have continued to focus on further development of trade and investment between the two states and on Slovenia's support for integrating Serbia into the West, particularly a closer association with the EU. Slovenia began to promote the contention that integrating Serbia and other former Yugoslav states

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<sup>75</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 11 June 2003.

<sup>76</sup> STA, 16 May 2003.

<sup>77</sup> STA, 9 June 2003.

<sup>78</sup> Television Slovenia, 9 July 2003.

<sup>79</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 10 September 2004.

<sup>80</sup> STA, 10 July 2003.

<sup>81</sup> TANJUG, 28 August 2003.

into the EU and NATO represented the best road to securing peace and stability in the region. Foreign Minister's Rupel's May 2004 commentary in *The Wall Street Journal* argued that firm EU and NATO commitments to the candidacy of the Western Balkan states would bring the region more trade and foreign investment. The resulting economic growth, he argued, would go far toward stabilizing the political systems of these states.<sup>82</sup>

Slovene foreign investment in Serbia continued to grow. Most notable was an announcement in May 2005 that the Slovene retailer Mercator would build a third shopping mall in Serbia at a cost of \$32 million.<sup>83</sup> With investments like this, Slovenia continued to hold its place as the largest foreign investor, by number of projects, in Serbia.<sup>84</sup> Overall, trade between the two countries increased by over forty percent in 2004 with Serbia-Montenegro representing the ninth largest destination for Slovene exports.<sup>85</sup> Two other indicators of the growing commercial relationship between the two countries were the introduction of direct freight rail service between Ljubljana and Belgrade in October 2004<sup>86</sup> and a doubling of the number of flights between the two capitals.<sup>87</sup>

At the start of 2005, Slovenia's foreign minister assumed the post of Chairman-in-Office of the Organization for Security and Cooperation in Europe. While visiting Belgrade in February, Foreign Minister Rupel used the one-year, rotating position to recommit the organization to full engagement in southeast Europe and said that stability in the region was a "key priority" of his term. He stated that, "Moving Serbia and Montenegro towards the European Union is the only realistic alternative for regional stability and economic development."<sup>88</sup>

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<sup>82</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 19 May 2004.

<sup>83</sup> See News, 6 May 2005.

<sup>84</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 7 January 2005.

<sup>85</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 17 March 2005.

<sup>86</sup> *Financial Times*, Global News Wire, 26 August 2004.

<sup>87</sup> See News, 20 April 2004.

<sup>88</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 7 February 2005.

By mid-2005 the relationship between Slovenia and Serbia had to a great extent normalized. In the economic sector, trade between the two countries continued to grow at a strong rate although Slovenia still enjoyed a substantial positive balance toward Serbia. Table I illustrates the growth of Slovenia's trade with Serbia-Montenegro since 1995. While separate figures for trade were not consistently available, the bulk of the trade documented in this table represents trade with Serbia. On balance Montenegro accounts for about ten to fifteen percent of trade between Slovenia and Serbia-Montenegro.<sup>89</sup> Although the record shows significant annual growth in trade with Serbia-Montenegro, it should be noted that Slovenia's trade with other former Yugoslav states developed at an even quicker pace. For example, exports to Macedonia were valued at \$189 million in 1993 and \$162 million in 2003. Exports from Slovenia to Bosnia-Herzegovina totaled \$119 million in 1993 and \$533 million in 2003.<sup>90</sup>

While Slovenia's business ties in Serbia are more extensive than those of Serbia in Slovenia, the Serbian presence in Slovenia is growing. It was announced in early 2005 that the Serbian Chamber of Commerce would open an office in Ljubljana by the end of the year.<sup>91</sup> Although Slovenia's accession to the EU in May 2004 did void many commercial agreements between the two countries, Slovenia was able to maintain some of its assistance programs. In addition tariffs on Serbian food exports were removed with EU accession.<sup>92</sup> Politically, the two states must still resolve some secession issues including the disposition of the assets of the SFRY's National Bank. In June of 2005, the two sides agreed to a renewed effort to settle the remaining secession issues through regular and more frequent meetings of relevant governmental bodies.<sup>93</sup> Formal governmental relations revolve around a regular (at least annual) exchange of visits by the countries' foreign ministers as well as occasional exchanges of visits by heads of state and/or government.

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<sup>89</sup> Estimate derived from figures in RFE/RL, "Balkan Report," 30 January 2004.

<sup>90</sup> *International Trade Statistics Yearbook* (New York: UN, 2000 & 2004).

<sup>91</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 17 March 2005.

<sup>92</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 7 January 2005.

<sup>93</sup> Press release, Ministry of Foreign Affairs, Republic of Slovenia, 24 June 2005.



## Conclusions

This examination of Slovenia's relations with Serbia demonstrates the utility of the environmental model in facilitating an understanding of the conduct of Slovenian foreign policy. The limited material resources available to Slovenia as a small state require that it enhance its foreign policy capabilities by making efficient use of the relational environment in which it operates. The environmental model understands a state's foreign policy as the result of the manner in which a state's decision-makers recognize and respond to both the tangible (resources) and relational aspects of the environment in which it must operate.<sup>94</sup> The tangible environment available to Slovenia is very limited. With a population of barely two million, Slovenia supports a military of less than 7,000 soldiers.<sup>95</sup> In 2001 Slovenia maintained thirty-two embassies, six missions, and eight professional consular posts worldwide involving 207 diplomatic personnel (out of a total of approximately 450 Foreign Ministry personnel).<sup>96</sup> Given these limitations, the relational environment presents Slovenia with an additional means of pursuing its foreign policy goals.

Factors emerging out of the relational environment fall into two categories: pre-independence and post-independence. Regarding the former, the impact of history looms large. Slovenia's seventy years of association with Serbia through its inclusion in Yugoslavia, left Slovene political and business leaders with a deep understanding of all aspects of Serbian life as well as a network of personal and institutional relationships at many levels. The re-emergence of relations with Serbia was accomplished at minimal cost and with a high probability of success. In effect, Slovenia was able to leverage the vestiges of its former relationship with Serbia to quickly rebuild political and economic ties. As noted earlier, Slovenia's role as an exporter of finished goods to other republics in the SFRY was well-established as part of Tito's plan for the economic development of the country. It is not surprising that Slovenia has been so adept at re-establishing that market. The success of Slovene companies

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<sup>94</sup> Papadakis and Starr 415.

<sup>95</sup> US Department of State, "Background Note: Slovenia," August 2005. Available at: <http://www.state.gov/r/pa/ci/bgn/3407.htm>.

<sup>96</sup> Bukowski, "Slovenian-American Relations in the Context of NATO Enlargement" 55.

like Mercator at selling consumer goods in Serbia reflects that long-established pattern.

And yet the use of pre-independence relationships would not have been possible without the emergence of critical post-independence factors. The most crucial of these factors was Slovenia's successful campaign to gain admission to NATO and the EU. Immediately following independence, Slovenia sought to position itself as a European nation and disengage from most political activities related to the former Yugoslavia. As its relationship with Western Europe grew and as the situation in the region stabilized, Slovenia became less apprehensive about becoming engaged once again in the affairs of the Western Balkans. The level of apprehension diminished considerably with Milošević's departure from office, and the evidence demonstrates that Slovene-Serbian relations began to grow significantly in both quantity and quality after Milošević departed for The Hague. Even though Slovenia's membership in NATO and the EU did not become official until 2004, the evidence suggests that by 2000 the Slovene government felt comfortable enough about its reputation (as a European state rather than a Balkan state) and with its security arrangements to adopt an active policy of reengaging Serbia on various levels. In addition, as EU membership drew closer, Slovenia found it could capitalize on its former relationships in the Western Balkans and come to be viewed by the EU members as a sort of gateway to the region. Conversely, Slovenia sought to use its experiences with NATO and the EU as a means of building a mentoring relationship with Serbia and the other former Yugoslav republics. This mentoring theme has been a part of Slovenia's approach to Serbia since 2002, and the establishment of Slovenia's Assistance Center for EU Integration represents an institutionalization of the approach as well as an expansion of its application to the entire region. Thus Slovenia was able to rebuild ties to the region on its own terms. Slovenia's responses in this respect represent another facet of its use of the relational environment.

A final aspect of the relational environment revealed in this study is the impact of domestic factors. This source is most evident in Slovenia's pre-independence relationship with Serbia. Obviously relations during this period do not constitute foreign policy, however the environmental model is robust enough to permit its application to inter-republic affairs and enable this study to utilize a single analytical approach throughout the scope of the investigation. The evidence

presented here demonstrates that domestic economic and political forces both played a role in fashioning Slovenia's preferences for reforming the SFRY. Slovenia possessed the SFRY's most advanced economy. It exported extensively to Western Europe, and its ability to compete with other economies was primarily determined by its own ability to reform and liberalize within the Yugoslav system. Thus Slovenia joined with Serbia during much of the 1980s in supporting economic liberalization. But while Serbia advocated an increasingly centralized political system, Slovenia fought for greater autonomy—fearing that it would come to be dominated by Serbia. This fear grew as Milošević began to consolidate power. Slovenia's fear of Milošević was enhanced by the impact of political liberalization. As Slovenia moved toward liberalization and democratization, its opposition to political centralization grew more intense. Following the 1990 election of an opposition government in Slovenia and a subsequent referendum on independence, the Slovene leadership had little choice but to strongly oppose Serbian efforts to centralize the federal government and the LCY. Domestic factors also appear to be an element in driving Slovenia's economic re-engagement with Serbia. The Slovene business community was interested in reentering the Serbian market. In addition to building on old relationships, Slovene products sold in Serbia would be less likely to compete with high quality products from Western Europe.<sup>97</sup> By 2003 the Serbian market was viewed as a means of offsetting somewhat the reduced demand for Slovene exports in Western Europe as a result of the slowdown in EU economic growth.

The environmental model of foreign policy analysis demonstrates how Slovenia, as a small state, can maximize its foreign policy capabilities by successfully responding to its relational environment. Slovenia's interactions with Serbia do not represent a typical large state-small state relationship.<sup>98</sup> Nevertheless, as a small state, Slovenia must always strive to extract the greatest opportunities possible from its environment. Slovenia has successfully cultivated a productive relationship with Serbia, overcoming the disastrous effects of the SFRY's disintegration. Building on its past ties and successfully utilizing its post-

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<sup>97</sup> RFE/RL, "Balkan Report," 30 January 2004.

<sup>98</sup> Slovenia's population is 2.01 million and its annual GDP for 2004 was valued at \$39.4 billion. Serbia and Montenegro has a population of 10.8 million, while the value of its GDP in 2004 was \$26.3 billion. *CIA World Factbook 2005*. Available at: <http://www.cia.gov/cia/publications/factbook/index.html>.

independence relationship with Western Europe, Slovenia has fashioned a new Western identity while maintaining an active political and economic presence in Serbia and the Western Balkans.

Bradley University

## POVZETEK

### SLOVENSKA ZUNANJA POLITIKA DO SERBIJE PO RAZPADU JUGOSLAVIJE

*Članek z enega zornega kota obravnava obnovljene slovenske odnose s Srbijo v drugi polovici 90. let prejšnjega stoletja. Avtor pregledno povzema slovenske odnose s Srbijo in drugimi državami, ki so nastale na tleh bivše Jugoslavije. Pri tem upošteva glavne dejavnike v gospodarskih in političnih odnosih in jih postavlja v teoretični okvir, ki ustreza zunanji politiki majhnih držav. V analizi se uporablja okoljevarstveni model zunanje politike, ki pripisuje manjši pomen naravnim virom, namesto tega pa poudarja pomen, ki ga ima za majhno državo premišljena izbira zunanjepolitičnih ciljev. Slovenski odnosi s Srbijo so dober primer tovrstne politike. Avtor ugotavlja, da je glede na slovensko politiko varnost v regiji odvisna od srbske integracije v Evropo. Prav zato se Slovenija od l. 2003 osredotoča na razvoj trgovinskih odnosov s Srbijo. Hitra rast trgovinske menjave in slovenskih investicij v Srbiji je pripomogla, da so se do l. 2005 slovenski odnosi s Srbijo normalizirali. Uspeh gospodarskih odnosov je bil deloma posledica dolgoletnega poznanstva slovenskega vodstva s Srbijo v okviru Jugoslavije. Politični uspeh pa je bil posledica večje slovenske varnosti z vstopom v Nato in Evropsko unijo. Tudi slovenska notranja politika je vzpodbujala obnovitev odnosov s Srbijo.*