2014: a Year in Review

The New Year is both a moment of anticipation and hope for the year ahead, and simultaneously a moment for reflection. 2015 has started with many reminders of the struggles that we are faced with, not only here in Europe, but also globally. The rapid polarization of European societies after the attacks in Paris, the targeting of Islam and the Islamic community, discussion on limiting civil rights are perhaps the most stark and dramatic. But economically, the Euro-zone, and Europe in general, is struggling to recover or maintain economic growth. The political front seems to offer little refuge. While the voices opposing austerity are growing, the victory of Syriza in Greece at the last election could trigger a Greek exit from the Euro-zone and further economic misery.

Slovenia is not immune to these events. Following the Paris attacks, for example, anti-Muslim graffiti has appeared in all major cities. The economy is also struggling to recover and the current Gross Domestic Product growth is predicted to be short lived. Only in parliament does it look like the government will enjoy a more stable year than most of its predecessors. But what about 2014? How did the year look for Slovenia?

In the economy, banks and privatizations frequently made headlines. 2013 ended, and 2014 started, with the fresh news that Slovenia was going to avoid an international bailout. A stress test conducted within the Slovenian banking system stated that €4.78 billion Euros should be injected. This amount, not far from the Government's own calculations, was low enough (though close to 10% of GDP) to manage the bailout domestically. €3 billion came from the state, of this €1 billion was raised through the sale of long term bonds and €441 million was 'bailed-in', whereby the banks simply don't fulfil their obligations to bond-holders. A further €1.6 billion was to be covered by the profits of five banks[1],

These measures taken by the state ensured there would be no immediate need for external assistance in stabilizing the banking system. The financial markets responded positively, with Slovenian (long-term yield) bonds dropping well below the 7 percent threshold (considered the point where raising money on the bond market becomes unsustainable). Yet when the European Central Bank (ECB) released the results of a Euro-zone-wide stress test in October 2014, three Slovenian Banks were again listed: Nova Ljubljanska Banka (NLB), Nova Kreditna Banka Maribor (NKBM), and the Slovenian Export and Development bank (SID). A further 400 million in toxic assets from Banka Celje were transferred to the BAMC in December 2014.

Over the summer, a further financial setback came in the form of a European Court of Human Rights (ECHR) decision against Slovenia's Ljubljanska Banka (LJ). The LJ was a major bank in

[1] UniCredit Banka Slovenija, Banka Celje, Hypo Alpe-Adria-Bank, Raiffeisen banka and Gorenjska banka.

Yugoslavia, but at the time of Slovenian independence, so the ECHR ruled, the bank reneged on its responsibilities to ensure customers outside of Slovenia could retrieve their funds. Slovenia has argued that this is a transition issue, and thus the responsibility for all funds in local banks, regardless of their affiliation, falls on the various national governments. The ECHR, however, ruled that regardless of where the branches were located, the responsibility falls on the bank. Thus it was the LB that was the guarantor of all accounts in- and outside of Slovenia.

This case is further complicated by the fact that the LB is no longer a functioning bank. The majority of its assets were rolled into a new bank in 1994, the Nova Ljubljanska Banka (New Ljubljana Bank – NLB). The liabilities of the LB have remained with the bank. Effectively, this means the Slovenian state will have to cover the compensations awarded in this case, along with any possible future ones. It is estimated that in Bosnia and Herzegovia alone, 165,000 account holders with €140 million in savings were left without access to their funds[2]. In a recent interview on Slovenia's POP TV Croatia's newly elected president, Kolinda Grabar Kitarović, named this as one of the outstanding issues between the two countries that she hopes will soon be resolved.

Privatization of Slovenia's remaining state-owned companies remained a priority during 2014. The Alenka Bratušek government made significant efforts to attract investors in 2013 and into 2014. This continued after the elections (see below for specifics on the elections), despite Prime Minister Miro Cerer's promise to keep strategic companies as majority state-owned. 15 major companies, including two major banks (NLB and NBKM), Ljubljana's Jože Pučnik airport, Telekom Slovenia and Adria Airways, are slated for privatization. But so far, only four have been sold. The largest of these to be successfully privatized over last year was the Jože Pučnik airport. FRAport, a Frankfurt based company owning and managing (multiple) European airports, controls over 97% of Aerodrom Ljubljana, the local company running the airport. At the time of writing, a deal for Telekom Slovenia with Deutsche Telekom seems imminent. At the same time, this privatization process has led to significant political polarization in Slovenia.

This was most visible in the national elections, in July 2014. Two months prior, Slovenia went to the polls to vote for their European Members of Parliament. Despite celebrating ten years in the European Union (EU), voter turnout stood at 20%, one of the lowest levels among member states. The lack of interest and low turnout favoured centre-right and right wing parties, as it did generally across Europe. In the National election the turnout was again low, just above 50%, but this time the centre-left and left wing took the most votes. The Party of Miro Cerer (SMC) had only formed about four weeks before the elections, yet took 36% of the vote. Miro Cerer, himself a legalist, ran on a rule of law platform, including prudent privatization. Following the recent corruption scandals involving former Prime Minister Janez Janša and Ljubljana major Zoran Janković, this proved popular with voters. Cerer was also not part of the established political elite, giving him further immunity from the negative perception of politicians in Slovenia.

The other party that generated a significant amount of attention is a new leftist party, Združena Levica (United Left). The party is formed out of three smaller parties, Institute for Democratic Socialism (IDS), TRS and the Party of Work. IDS has a long history that started with the Worker-Punks University, a leftist research community. Združena Levica was unsuccessful in getting

[2] https://euobserver.com/news/31295.

candidates elected in the European elections, where they aligned themselves with the European United Left, led by Greece's Syriza Party. Unlike Syriza, however, Združena Levica have not emerged from, nor are working closely with, social movements. Yet, in the national elections they achieved 6 percent of the vote. Their platform consisted of a broader critique of the wider regime of austerity, including privatizations, prevailing in Slovenia and across Europe.

Yet despite the promise of a prudent privatization from SMC and the presence of Združena Levica in the Parliament, there is no perceptible shift in the approach to selling off national companies. As a result, there have been small and ongoing protests against this process but little more. It is perhaps surprising that there has been little popular mobilization against the many unpopular economic measures being consistently implemented by successive governments. This can, in part, be explained by the amortisation effect of the election and a more radical voice present in the parliament. The largest protests in Slovenia in the second half of 2014 were organized by the political party and the supporters of Janez Janša during his brief imprisonment on corruption charges.

To summarise, 2014 was a mixed bag, with some hints of improved economic fortunes and changes to the political landscape. Yet any of these improved perspectives remained out of reach for most residents. Overall unemployment did dip from a high of 14% in the first part of 2014 to 12.5% at the end of the year. But this has not affected women in the workforce. Their unemployment rate has remained constant at almost 15%. Budget cuts and privatizations have remained the order of the day, and the government has pushed forward with criminal charges against people arrested during the wider spread protests of 2012 and 2013. Thus far, 2015 offers little to suggest things will improve significantly.

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