

Chapter 3

Slovenia's Relationship with Germany: Danke Deutschland

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1. Introduction

Germany has been the most important partner of Slovenia, supporting its independence and transition into a market economy and liberal democracy. In the 1990s, the main objective and source of legitimacy of Slovenian elites was joining the EU and NATO. The collapse of the communist regimes in Eastern Europe was a huge opportunity for Germany, enabling it to reunite and to take advantage of changed geopolitics to expand its influence. However, facing shadows from the past – always present in the bilateral relations with Slovenia but never coming to the fore – and conflicting interests, it needed to work ‘through Europe’. Thus, the interests of Slovenia and Germany coincided.

In economic terms, Germany has been the most important trade and investment partner of Slovenia which has become a supplier for its industry, e.g. in the automotive sector. The Eurozone crisis, which has hit Slovenia hard, revealed structural imbalances between the two countries, such as too low interest rates and the low price competitiveness of Slovenia, characterising the relations between the north and south in the EU. This created some tensions with the EU's policy that was being increasingly related with Germany's policy. At the time, Slovenia tried to establish ties with fast growing economies outside the EU, and considered moving closer to the Visegrád countries. Nevertheless, subsequent governments remained determined to implement structural reforms, which, eventually, brought export-led growth, although at a price of high public debt levels, stagnating incomes and less secure jobs.

Another break in the relations came with the European migrant and refugee crisis of 2015 during which Slovenia faced a huge influx. Particularly, some parts of the centre-right side of the political spectrum were critical towards the German ‘open doors’ policy. The wave of nationalism and populism produced by Brexit and the victory of Donald Trump at the US elections provided them with additional impetus. In this context, Germany's stance on protecting the liberal international order, together with the return of economic growth was important in preventing Slovenia from sliding further in the direction of illiberal democracies in Europe's East.

2. Bilateral Political Relations: Danke Deutschland

2.1. Establishment of bilateral relations

For West Germany, Yugoslavia was a 'special country' (NEČAK 2017) as its communist regime, compared to the Soviet Union and its satellites, had a 'softer face' and was diplomatically more open towards the West. When Yugoslavia started to fall apart, Germany, as all the other powers, at least seemingly, wanted to keep the country together. Slovenian politicians who during the struggle for independence got in touch with the political establishment of Germany were told that they cannot hope for support.

Slovenia declared independence in June 1991 followed by an attempt of the Yugoslav national army to regain control. At the time, violent conflicts already escalated elsewhere in Yugoslavia. Since an ethnically homogenous group (Slovenes) populated the Slovenian territory, Slovenia was able to get out of the conflict relatively easily. In December 1991, Germany together with Iceland and Sweden decided to recognise Slovenia (PETRIČ 2010, 160). While Iceland was the first Western country to actually recognise Slovenia, German recognition, which took place in January 1992, was the most important. In January, the diplomatic relations between the two countries were formally established. German recognition was a signal that Yugoslavia was history. It influenced the recognition of Slovenia by the European Community, soon followed by the recognition of the United States, Russia and China and the acceptance into the United Nations in May 1992.

By recognising Slovenia, Germany grew in the eyes of Slovenians, acquiring important political capital. For many observers of foreign relations and diplomacy, this was a beginning of friendly relations, perhaps the friendliest of all bilateral relations between Slovenia and any of its partners. According to Petrič (PETRIČ 2010, 160), the relation was not a 'special one' e.g. in the sense of patronage, as Germany would not want to risk its relations with other EU members and NATO by putting Slovenia before the interests of others. However, Germany helped Slovenia extensively in its transition into democracy and market economy through advice and various development programmes and political support for joining the EU and NATO.

2.2. Open issues

Slovenia has not had any major unresolved bilateral issues with any of the Central European countries (PETRIČ 2010, 162) except, perhaps, for Austria, where a substantial number of Slovenians live and where the question of lack of respect for certain minority rights occasionally emerged.

In Slovenia, there has been a minority of ethnic Germans known as "Kočevars" some of which have lived there for generations. Following the collapse of the Nazi regime and the victory of the Communist party, many fled or were expelled with only few remaining after 1946. In contrast with the Italian and Hungarian minority (and in line with the position of members of ex-Yugoslav ethnic groups), Germans were not recognised as an official minority in Slovenia. Moreover, the de-nationalisation process in which those who were

expropriated after the Second World War were returned their properties – many of whom were of German origin or became German citizens –, went only slowly.

Another issue was war reparations (TRAMPUŠ 2015). As much as 100,000 Slovenians, that is 7% of the total population at the time, died during the occupation and the Second World War. At the Paris Peace Conference, it was agreed that as a part of the damage incurred by Yugoslavia, Slovenia would receive 3.5 billion in U.S. Dollars (plus interest rates) in compensation. In reality, less than 1% of that amount was paid. In 1994, the National Assembly of Slovenia adopted a decision calling upon the Slovenian Government to re-assess the war damage, prepare a claim and enter into negotiations with Germany. However, Germany refused to discuss the issue and the Slovenian Government was hesitant in putting pressure on it.

After its reunification, German focus turned towards Eastern Europe where it became an important actor. The Slovenian foreign policy declaration of 1999 – the first of two since 1991 – identified Germany as one of the most important countries in Europe, next to France and the U.K. (National Assembly of the Republic of Slovenia 1999). In practice, however, relations with Germany have been the most important. In 2001, German Chancellor Gerhard Schröder paid a visit to Slovenia which was the first high-level visit from the German side. The visit took place at the tenth anniversary of Slovenian independence, highlighting the capital Germany earned through the recognition of Slovenia.

2.3. EU accession

The accession of Slovenia to the EU in 2004 brought certain changes to the bilateral relations such as greater complexity of cooperation, with new topics and institutional settings. Since then, Slovenia no longer referred to the reparations issue, at least not openly.

Political cooperation now also took place on a party level. In 2004, the centre-left government, led by the Liberal-Democratic party of Slovenia (Liberalna demokracija Slovenije – LDS), formed by reformists from the past communist regime, which has been in power throughout most of the transition period, lost the election to a coalition of centre-right parties, known as the “Slovenian spring”, led by the Slovenian Democratic Party (Slovenska demokratska stranka – SDS) under Janez Janša, that built their programme on breaking linkages with the former regime in ideological and personal terms. Political parties started to develop ties with sister parties in other European countries, especially those in Germany. Following their entrance to the European Parliament, the government coalition parties became members of the European People's Party – EPP.

Slovenia, a frontrunner amongst the new member states, was now preparing to adopt the Euro and enter into Schengen in 2007 and to become the first new member state to preside the Council of the EU in 2008. In 2006, Slovenian Foreign Minister Dimitrij Rupel, who also served under the past centre-left government coalition, stated publicly that bilateral relations with Germany “were so excellent that they could hardly have been better” (GAUBE 2006). At the occasion of adopting the Euro in 2007, German Chancellor Angela Merkel visited Slovenia.

2.4. EU crises

What followed was a rather rocky era, characterised by the global economic and financial crisis and the Eurozone crisis which have severely affected Slovenia as a small and open economy and created substantial political turbulence at home.

The savings policy, attributed to the increasingly powerful role of Germany in the Eurozone, created some tension with Germany. It motivated the not very successful attempts to find new friends among fast growing and emerging economies in Europe and Asia, especially during the centre-left government of Borut Pahor (2008–2012). However, both Pahor and Janez Janša, who succeeded Pahor as Prime Minister (2012–2013), accepted structural reforms as a right way and chose Germany as the place of their first foreign visit. In 2011, during the visit of Chancellor Merkel in Slovenia, the two partners adopted declarations on the deepening of cooperation in the areas of joint interest (Ministry of Foreign Affairs of Slovenia 2011). On EU affairs, which were increasingly influenced by diverging views and tensions within the Union, Pahor's government had set as a priority for Slovenia to stay attached to the 'Franco–German train' and remain in the core of the EU at any cost.

The new radical left party United Left, which entered parliament during the 2014 elections in the context of the Eurozone crisis, exerted pressure to put the issue of German war reparations back on the agenda. The 2014 elections were, however, won by a progressive liberal party of law professor Miro Cerar (later renamed into Modern Centre Party, *Stranka modernega centra* – SMC), with a pro-European, progressive liberal and thus pro-German programme. The new Slovenian foreign policy declaration of 2015 reaffirmed the Euro-Atlantic orientation and the importance of Germany (National Assembly of the Republic of Slovenia 2015). Among the few changes made was introducing geopolitics as a new doctrine noting the geostrategic position of Slovenia in terms of transit and transport corridors, as well as the conflict with Croatia over the maritime border in the Piran bay, which was supposed to be ruled by the Court of Arbitration until Croatia decided to step out of the process unilaterally in 2015, arguing that the procedure was compromised by the Slovenian side.

For Trampuš (TRAMPUŠ 2015), *Danke Deutschland* was in fact the only foreign policy doctrine Slovenia had had since its independence. This was both a cause and a consequence of the public perception of Germany in Slovenia. According to a poll by daily Delo of July 2015, in spite of only a slow return of growth after several years of crisis, 14% of the respondents saw the role of Germany in the EU as very positive, 25% as positive, 30% as neither positive nor negative, 13% as negative and 8% as very negative. The same poll confirmed the support of Slovenians for a politically stronger EU in terms of a federation (POTIČ 2015).

The European migrant and refugee crisis has substantially affected Slovenia, which became a main point of entry into the Schengen area after Hungary closed its border with Croatia in September 2015 (BUČAR et al. 2017). The crisis resulted in criticisms of the German Government and German policy, especially by the centre-right opposition. However, following the closure of the Western Balkan Route, the situation improved. The economic indicators also improved and the attachment to German economic motor boosted Slovenian exports. Moreover, once the Court of Arbitration finally reached its decision on the Piran

bay in 2017 (in 2015, the tribunal decided to continue with the procedure in spite of the Croatian withdrawal), Germany – together with some northern European countries and against many others who decided to stay ‘neutral’ – stated openly that the decision should be implemented, thus once again earning gratitude from the Slovenian side.

3. Economic Relations: Buying Cars, Selling Parts

3.1. Transition into market economy

With the disintegration of Slovenia and, to a lesser extent, the collapse of the Eastern bloc, Slovenia lost the markets for its products. The idea was to compensate for this by opening towards Western Europe. In 1991, Germany was already the most important trade partner of Slovenia. Slovenian exports to Germany accounted for 1 billion U.S. Dollars. Slovenia even had a small surplus in bilateral trade with Germany. However, as noted by the Bank of Slovenia at the time, the structure of the trade was about to change very quickly which required a swift accommodation of the Slovenian economy (Bank of Slovenia 1992, 10–11).

Against some difficulties in the early 1990s and crises in individual low technology and labour intensive sectors, based on its relatively well skilled labour force and good technological education, Slovenia was able to enter the product chains of the neighbourhood countries and regions such as South Germany, Northern Italy and Austria.¹ The relatively widespread fluency of the German language and a heritage from the pre-communist period also helped. Slovenia was able to take advantage of its geostrategic position in terms of transit and trade and of its natural environment and relatively good public infrastructure, which enabled the development of services such as tourism.

3.2. Fixing of exchange rates

Before entering the EU in 2004, Slovenia had a surplus in its bilateral trade with Germany. After tying its currency to the Euro to fulfil the criteria for entering the European Monetary Union, the terms of trade, however, deteriorated, resulting in a growing trade deficit, not just with Germany but also with the rest of the Eurozone countries. On the other hand, based on rational expectations of investors, already before the enlargement, a number of positive changes in terms of investments and availability of financial resources materialised. The declining interest rates following the adoption of the Euro fuelled domestic spending resulting in a trade deficit and a number of bubbles in real estate and finance.

In 2006, the Slovenian–German Chamber of Commerce was established in Ljubljana to promote business cooperation. Bilateral cooperation in the area of business was also facilitated through the National Chamber of Commerce, chambers of individual industrial sectors, business clubs and other similar associations and entities. The bilateral trade was

¹ These represented a historical milieu of Slovenian early industrialisation, foundations for which were set by the Austro–Hungarian Empire which had built railways and supported education and development of administrative capacities.

especially strong in the automotive sector where Slovenian firms produced parts or products for personal cars and other motor vehicles for personal transport, tractors, trucks and working vehicles, as well as in electronic devices, kitchenware and machinery. The importance of the automotive sector was demonstrated by the publication of a comprehensive specialised German–Slovenian automotive technical dictionary which is one of a few of its kind.

Germany has also been one of the most important sources of foreign investments. In 2006, it ranked third, after Austria and France (GAUBE 2006). Following 2004, with the new centre-right government coming to power, the economic policy became more supportive of foreign investments in terms of setting the lists of state owned companies and assets for sale and offering incentives for greenfield investments.²

3.3. The economic and financial crises of 2009–2014

The economic and financial crisis resulted in capital flight, bursting bubbles in individual sectors and gave a final blow to those which were already in poor shape. In order to keep the economy running, the government continued to spend, which resulted in a growing public deficit and debt. Since Slovenia gave up sovereignty over monetary matters by entering the Eurozone, it could not devalue in monetary terms but had to deal with structural imbalances by increasing price-competitiveness. Introducing savings measures to devalue in fiscal terms amidst the crisis, however, resulted in a secondary recession in 2012. Moreover, as a small and open economy, Slovenia was exposed to pressures by the foreign financial markets. Due to the crisis in the financial sector, interest rates remained high which extended the crisis (LOVEC–CRNČEC 2014). The change in the policy of the European Central Bank (ECB) saved Slovenia from defaulting in 2013.

Alenka Bratušek, who led a sort of technical government in 2013 and was the last in the line of Prime Ministers to implement the painful pro-cyclical reforms, visited Chancellor Merkel to get a confirmation that Slovenia is on the right way, promising some additional savings, privatisation and restructuring of the banking sector. Germany was satisfied but wanted to see results. During her visit, an investor conference was organised. This was a slow beginning of return to an export led growth in which Germany played an important role. However, Slovenian public debt which used to be one of the lowest in the Eurozone remained high, as did interest payments. A number of state assets were sold to the Bank Asset Management Company (also known as the ‘bad bank’) and to foreign investors at a discounted price. Wages declined or stagnated and jobs became much less secure.

² Due to the doctrine of economic gradualism (i.e. slow transition from regulated economy towards a free market), the scope of foreign investments in Slovenia has been rather small, explaining fluctuations and changes in position of individual partner countries over the years. During the economic and financial crisis, many argued that the doctrine of economic gradualism was responsible for the low level of investments, lack of price competitiveness and weak position of Slovenian companies in terms of value added in the supply chains as, for example, compared with other Central and East European countries such as the Czech Republic, Hungary and Slovakia, which were doing much better at the time.

3.4. Recent numbers and trends

According to the Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology (Spirit Slovenia 2017), between 2011 and 2016, exports to Germany went from €4.4 billion to €5.2 billion, and imports from €4.2 billion to €4.6 billion, meaning that the Slovenian surplus increased from €200 to €500 million. Slovenia was actually one of the few countries in the Eurozone with a surplus in trade with Germany. However, Slovenian GDP and productivity were still 20% behind the EU average and 60% behind Germany.

While Germany has been the most important trade partner of Slovenia, with its share in trade constantly around 20% and growing in the recent years, Slovenia was only the 38th most important trade partner of Germany, demonstrating a clear asymmetry in the mutual dependency between the two.

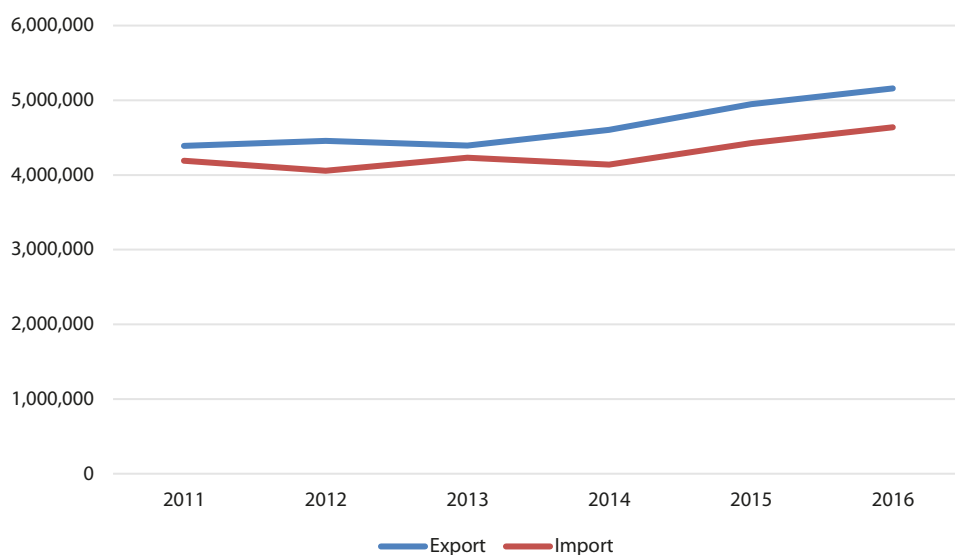


Figure 1.
Slovenian trade with Germany (€1,000)

Source: Spirit Slovenia 2017

In 2016, 5,321 Slovenian companies exported to Germany and 17,393 companies imported from Germany. The automotive sector was very important – Slovenian companies working within this sector were providing parts for the German car manufacturer giants. Strategically important business deals related to the automotive sector were also made by the Slovenian port operator Luka Koper which cooperated with BMW and Daimler (KOCBEK 2017).

Table 1.
Slovenian trade with Germany by product groups (2017)

Export			Import		
Product groups	%	€1,000	Product groups	%	€1,000
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	23%	1,288,354	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	17%	902,001
Electrical machinery and equipment and parts thereof, sound or video reproducing and reproducing apparatus and parts and accessories of such articles	19%	1,090,921	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	13%	665,915
Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof	13%	732,471	Electrical machinery and equipment and parts thereof, sound or video reproducing and reproducing apparatus and parts and accessories of such articles	12%	636,028
Aluminium and aluminium products	6%	340,164	Plastics and articles of plastics, rubber and articles of rubber and rubber	9%	450,011
Pharmaceutical products	4%	253,762	Iron and steel	5%	245,988
Plastics and articles of plastics, rubber and articles of rubber and rubber	4%	231,623	Pharmaceutical products	4%	215,697

Source: SORS 2018

In the last decade, a number of strategic investments and partnerships have been discussed between Slovenia and Germany, especially regarding the outdated railway network and the Luka Koper port, providing for the shortest access of sea cargo from Asia to Central Europe. German investors have been competing with Chinese, East European and others, but the domestic lobby groups in Slovenia have usually turned out to be the largest obstacle.

In 2016, the value of German foreign direct investment (FDI) stock was about €4 billion, accounting for 10% of total FDI stock, which placed Germany first among places of residence of foreign investors (Bank of Slovenia 2017).³ In Slovenia, there were over 600 companies with German capital, most of which have performed well. In 2016, they directly employed 46,000 people and created revenues of €7 billion (KOCBEK 2017). The most important investments in the recent period were the one of Fraport into Ljubljana Airport, the purchase of the Adria Airways national carrier by the German investment fund 4K investment and the takeover of Letrika, a producer of electronic and electrical equipment

³ The estimates differ as many German companies were present in Slovenia via Austrian affiliates which the Central Bank, according to its methodology, treated as an Austrian investment.

by Mahle Company. As evident from these cases, German investments basically followed the pattern of bilateral trade.

German businesses in Slovenia highlighted good conditions for research and development and a highly qualified labour force among the positive aspects of the business environment. According to the President of the Slovenian–German Chamber of Commerce, Gertrud Rantzen, the quality of the Slovenian labour force positioned Slovenia at the top of the CEE countries (Slovenian Press Agency 2017). Among the weaknesses, inflexible labour law, the cost of labour, the tax system and taxes were mentioned. Surveys demonstrated positive trends in the predictability of economic policy and the quality of the education system. Among CEE countries, Slovenia was traditionally in the top 5 of locations for doing business for German companies. In 2017, it placed second (the same as in 2011), behind the Czech Republic.

The economic crisis resulted in economic emigration. According to the Statistical Office of Slovenia, emigration, which was 4,000 a year in the period 2008–2011 doubled in the following years. By 2016, 51,928 people moved out of Slovenia. Germany, which used to be the main destination country for Slovenians was replaced by Austria where 2,000 people went each year (DERNOVŠEK 2016). In a county with no more than 2 million inhabitants, emigration of especially young and better educated persons was interpreted as a national disaster. In 2015, according to the Slovenian Embassy in Germany, 27,000 Slovenians lived in Germany. In the period 2005–2010, the number of Slovenians in Germany was in decline. In contrast, between 2010 and 2015 it increased by 35%.

4. Institutional Relations: A Good European but Where is Europe?

4.1. Euro-Atlantic integration

Following its independence, the main interest of Slovenia was to be recognised by the international community and join the Euro-Atlantic organisations such as the EU, NATO and OSCE. As a small country by definition, and having no or limited historical experience of foreign policy and diplomatic relations of its own, Slovenia sought support from multilateral organisations and international norms as a strategic opportunity and pragmatic choice (BOJINOVIĆ FENKO – ŠABIČ 2014; 2017).⁴ Thus, its interests were aligned with those of Germany which was, albeit for different reasons, also a big supporter of multilateralism and of a strong role of common institutions and norms in international politics.

When pressured to choose between the U.S. and Germany, however, Slovenia chose the former. When German Chancellor Schröder decided to oppose the U.S. intervention in

⁴ As a frontrunner among the transition countries from Eastern Europe and thus ready to be used as an example for the others, and as a country which was committed towards its Euro-Atlantic partners but also kept good relations with Russia and China, Slovenia found its place in the international relations. It became non-permanent member of the Security Council in the mid-1990s and hosted a bilateral meeting between newly elected presidents of the U.S. and Russia, George W. Bush and Vladimir Putin in 2001. In the early period, Slovenia aimed to specialise in issues related with internationalisation of norms and institutions such as human rights and humanitarian issues, e.g. demining, and supported the rehabilitation of wounded children from the Middle East.

Iraq, the centre-left government, led by the Liberal-Democratic party of Slovenia, against the substantial opposition of public opinion at home, signed the Vilnius Statement, thus joining the other East European countries supporting the U.S., which in the U.S. rhetoric became known as the 'New Europe', as opposed to the 'old European' countries such as Germany and France.

The presidency of the EU Council, which Slovenia assumed with great pride in January 2008 as the first of the new member states, was carried out in cooperation with Portugal and Germany. The half-year period was characterised by issues such as the energy union, the EU constitutional treaty, relations with Russia and the Western Balkans. The Western Balkans has been particularly important for Slovenia for its proximity and past linkages. After turning away from the post-Yugoslavian space in the early period of independence, Slovenia later on realised the geostrategic importance of this region (BOJINOVIĆ FENKO – ŠABIČ 2014) where Germany also played an important role. Trying to live up to its new role, Slovenia followed the policy of Germany and became one of the first countries in the EU to recognise the independence of Kosovo – in spite of negative implications this had for its relations with Serbia, being one of its main non-EU trade partners.

In the security field, Slovenia has been involved in international operations in Afghanistan and Iraq, mainly with military instructors and often in close cooperation with Germany or under German command. The bulk of Slovenian forces was engaged in operations in the Western Balkans, e.g. in Kosovo (Ministry of Defence 2018), which was also one of the priority areas for Germany.

4.2. Alternative partnerships

The global and financial crisis and the Eurozone crisis weakened Slovenian capabilities, forcing it to focus all the available resources on staying solvent. The government of Borut Pahor (2008–2012) was committed to the European idea but at the same time sought opportunities in cooperation with fast growing and emerging economies, albeit at the expense of turning a blind eye to the human rights issues, with Libya being a notable example.⁵ In 2012, during the vote on Palestine in the UN General Assembly, Slovenia abstained (as did Germany), against wide public support (BOJINOVIĆ FENKO – LOVEC 2015).

During the economic and financial crisis, the idea of joining the Visegrád 4, which seemed to grow in strength both economically and politically, was discussed. In the 1990s and up to the economic and financial crisis, Slovenian elites and citizens believed they were 'too advanced' to take part. The centre-right government of Janša was in power only in 2012–2013 and did not have enough time to move closer to the V4. The centre-left government of Cerar (2014–2018) preferred alliance with small countries in the core of the EU.

When Cerar's government took over in 2014, Slovenia was under the close watch of its Euro-Atlantic partners for its good relations with Moscow – one of its most important non-EU trade partners – Slovenia had hoped to benefit from the South Stream pipeline

⁵ The Libyan episode was especially telling since the government did not see the deal completed as the Arab Spring broke out in the Middle East and North African region sweeping the autocratic rules. Pahor's government running out of money and ideas and unwilling to engage in serious cuts, collapsed.

project which was supposed to cross its territory. The project was, however, put on halt by the European Commission for violating the rules of the energy market. Germany was interested in the conflicting North Stream project. Even though Slovenia did not contest the sanctions against Russia, it was not a big supporter either. Moreover, in 2016, Slovenia was one of the first EU member states where Putin set foot following the annexation of Crimea. The government argued that the reason for the invitation was the 100th anniversary of a Russian chapel built at the site where an avalanche killed Russian prisoners of war during the First World War but this could not hide the fact that the event legitimised Putin's regime. According to unofficial information from Slovenian officials, the visit was discussed with the U.S. and German partners beforehand.

Slovenia has also participated in the "One belt one road" (OBOR) initiative by China. When some interest groups in Germany pushed for a close monitoring of the Chinese investments in the EU and sanctions against dumping based on state economy, Slovenia, like many other East European countries, was not particularly enthusiastic about it. In the end, there was no agreement on EU level on more substantial measures.

In the fight against the Asad regime in Syria, Slovenia provided support to the Kurds, just like Germany. In the negotiations over the Transatlantic Trade and Investment Partnership (TTIP), Germany turned out to be the strongest opponent of the U.S., with the SPD partners in the government coalition in Germany drawing red lines on the trade dispute settlement mechanism, food safety and other issues. Against the supportive stance of the main coalition party SMC, the Slovenian public opinion was very critical towards the TTIP (the relation between those against and those in favour was 4:1), just like in Germany.

4.3. Fast changing external environment

Following the suppression of the opposition after the failed coup in Turkey, tensions between the Erdogan regime and Germany increased. Tensions were already heated due to attempts of the Erdogan regime to use the migrant and refugee crisis as a leverage against Europe and the EU's criticism of political affairs in Turkey. The governments of Germany and of some other Northern EU member states with Turkish minorities pushed for the termination of the accession process with Turkey. In contrast, Slovenia, with a very small Turkish minority, and being one of the biggest supporters of the Turkish accession to the EU, argued for keeping the doors open (LOVEC 2016a; 2017).⁶

The U.K. vote to leave and the victory of Donald Trump at the U.S. elections challenged the perception of the EU and of the liberal international order as being taken for granted. In Slovenia, a pro-EU country and small and open economy, the disintegration trends and economic nationalism resulted in pessimism. The government supported some of the ideas put forward by David Cameron such as business friendlier environment and democratic control in the Eurozone, but was also averse to proposals on migration policy and the U.K.'s veto on the Eurozone matters (while Germany seemed to share some of the U.K.'s views on migration and business environment) (ŠELO ŠABIĆ et al. 2018). Both government and

⁶ President of the National Assembly Milan Brglez criticised the decision by the European Parliament to terminate the accession negotiations process.

public opinion in Slovenia supported an 'ever closer union', something which was against the ideas of Cameron, while Merkel, seeing no real political support for a federation, pushed for flexible cooperation, also known as 'multi-speed Europe'. As regards the election of Trump, the only positive thing seemed to be the fact that his wife Melania was a Slovenian, although not a particularly proud one.

The idea of a multi-speed Europe was received negatively in Slovenia. The idea was underlying the Commission President Juncker's *White Book* on the future of the EU. It was a response to divisions between north and south and north and east in the EU and Brexit (ŠELO ŠABIČ et al. 2018). On the one hand, the idea that member states would be able to decide in which policies to participate was appealing, for it would strengthen the flexibility, accountability and, perhaps, also effectiveness of the decision-making. On the other hand, however, unity would be weakened further and the bigger member states would gain in strength due to the weakening of the common institutions. Moreover, there was no guarantee that the increased accountability would translate into positive developments in the second or third tier countries; to the contrary, with less institutional and other opportunities available and with the weakening of the EU as such, there would be more cause for nationalism and for 'alternative partnerships'.

5. Specific Issues: Macron before Macron

The new post-EU accession era in the relations between Slovenia and Germany was defined by two major crises: the Eurozone crisis and the migrant and refugee crisis. During both of these crises, Slovenia was a collateral in a conflict between Germany and camps opposing its policy – Southern members in the case of the Eurozone crisis and the East European countries in the case of the migrant crisis. The external pressure facilitated some anti-EU and anti-German sentiments on the centre-right and centre-left. The mainstream reaction was, however, a call for stability and more Europe.

5.1. The Eurozone crisis

As already explained, the causes of the economic and financial crisis in Slovenia were in part domestic (institutional quality) and in part external (too low interest rates). What was particular about the Slovenian situation was that Slovenia – as many other East European countries – has been supporting the 'German' savings policy. Such position was not completely irrational as Slovenia was in fact in relative terms (relative to GDP) exposed the most to a potential Greek default. Moreover, as a small and open economy, Slovenia was exposed to changes in the external environment and to the speculation of financial markets. Throughout the crisis period, Slovenia supported further economic integration in terms of a fiscal and banking union as well as the strengthening of democratic control over the decision-making in the Euro group where smaller members often found themselves pushed aside.

In 2013, Slovenia was saved from defaulting by the changed ECB policy. After the government of Janez Janša fell apart in 2013 because of allegations of corruption, a technical

government led by Bratušek took over. During the years of crisis, debt accumulated in state owned banks which required urgent capitalisation.⁷ After Bratušek did her short term, it was time for elections and for a new political government to take over. Janša, leader of SDS, who was imprisoned in 2014 during the elections campaign for corruption (his verdict was later repealed by the Constitutional Court) found himself without support from the EPP in the judicial process against him, which meant that the ties with the EPP and especially its German part were broken. The elections were won by a newcomer, Cerar, a law professor, and his party, which had a liberal progressive pro EU programme, similar to the big coalition in Germany. When Macron won the elections in France, many compared this landslide victory to the one of Cerar.⁸

5.2. The migrant and refugee crisis

In September 2015, after Hungary closed down its border with Serbia, Slovenia faced the first wave of migrants and refugees. Initially, police forces tried to stop migrants on the border, but the pressure of a growing number of people became too strong. In October, when Hungary closed down its border with Croatia, the situation was repeated, although in more dramatic proportions.⁹ When target countries in Europe, including neighbouring Austria, started to curb their intake, the government panicked over Slovenia potentially turning into a migrant pocket which would in a matter of days result in a security and humanitarian crisis. Thus, in October, the government decided to give military forces police authorities and started to set a razor wire fence on the border with Croatia (BUČAR et al. 2017; LOVEC 2016b). The securitisation of the migration issue by the government, which was supposed to calm the population and offset the growing pressures by the centre-right opposition, had the opposite effect, creating an atmosphere of fear.

⁷ Under pressure from the European Commission (which had to approve state support) Slovenia had to haircut subordinated bond and shareholders, restructure and privatise its banks. Slovenia did those things before the new banking regulation became binding. The scope of the haircut and the fire sale privatisation soon became a source of controversies since they were not based on proper analyses. Thus, Slovenia seemed to serve as an example for other larger countries where the resolution of the banking sector would be needed, such as Italy (LOVEC 2018).

⁸ Another newcomer to the parliament was the United Left, a party similar to Syriza of Greece or Podemos in Spain. Being a strong critic of the German policy on the Eurozone, the United Left in fact had linkages with German Die Linke. After Syriza won the elections in Greece and began to negotiate on restructuring of its debt, Slovenian Finance Minister at the time, Dušan Mramor, was – as later revealed by Greek Finance Minister at the time, Janis Varufakis – the one to say out loud at one of the Eurozone meetings that Eurozone should prepare for a “plan B”, i.e. Grexit, if Greece was not to accept the savings programme, thus basically saying what German Finance Minister Wolfgang Schäuble wanted to, but could not. Soon, however, both Varufakis and Mramor resigned.

⁹ At first, Slovenia once again tried to establish Schengen controls. However, Croatia decided to pass the migrants onwards as soon as possible, and prevented Slovenian authorities from keeping migrants at the Croatian side of the border. The number of people entering Slovenia each day reached up to 12,500. With its small police force, Slovenia could hardly match security and humanitarian needs of such a number of people. While the number of incidents was relatively small, tensions emerged every time migrants felt they were not being allowed to proceed onwards.

German Chancellor Merkel commented on the reaction of her Slovenian colleague Cerar by saying: “See, what they had to do because there is no agreement on the distribution of burdens”, thus showing some understanding for his actions. It seemed as if Slovenia was used as a weak link to legitimise a return to ‘fortress Europe’. Germany was formally against closing down borders anywhere on the Western Balkan Route, as this would result in a local humanitarian and security crisis that could even spur into a regional conflict. However, at the time, Germany already started to limit the intake. Austria on the other hand, became more openly opposed to taking in new migrants. Austria, together with Slovenia and the other Western Balkan countries, with the support of a number of other EU member states, especially the Visegrád 4, and the European Commission, started to coordinate control over transit and measures to close down the route, which improved the management of the crisis on the ground and contributed to successful implementation of the EU–Turkey agreement that was supported by Germany (BUČAR et al. 2017).

The closure of the corridor in March 2016 saved the Cerar Government. Already in November 2015, when the Dutch Government leaked a plan of a ‘mini-Schengen’, leaving Slovenia out, the opposition argued Cerar should resign if this was to materialise. Later on, the centre-right opposition, especially Janša’s SDS, which was criticising directly Merkel’s policy, started to campaign against immigration and planned to hold rallies in ‘protection of the homeland’.

In contrast with Some East European member states, Slovenia did decide to accept its relocation quota, which was still relatively small (around 560 asylum seekers) and started implementing it. However, similarly to a number of other member states, Slovenia was opposed to the so called ‘automatic distribution key’,¹⁰ which was supported by Germany. In spite of most of the people not seeing a single migrant and in spite of a very small number of them deciding to ask for asylum in Slovenia, the securitisation of the issue and the frustrations accumulated during the past crises supported reactionary politics.

6. Conclusions and Outlook

In the 1990s, Slovenia and Germany found out that they share many interests: the EU’s enlargement towards the East was a huge economic and political opportunity for both of them. Both needed the umbrella of joint norms, institutions and policies – Slovenia to avoid the reefs of transition and Germany to avoid the shadows from the past. Both came out of this period victorious – Slovenia as a frontrunner among transition countries, as an excellent pupil in the EU and ready to engage in a more active role and Germany as the only remaining great power in Europe. For Slovenia and Germany, however, this new era came with a price. Monetary union was in fact a political one without sound foundations in economics. Structural reforms, which should have been implemented over decades, preferably in times of high growth rates, were now concentrated in a couple of years of negative growth, resulting in huge political pressures. Moreover, the world around was changing very quickly with powers such as Russia trying to defend their geopolitical

¹⁰ According to the automatic distribution key, member states would not vote on each of the allocations since the latter would be pre-determined by a formula, known as the distribution key.

position and emerging economies such as China challenging the liberal democratic order, not to mention the split with the U.S. and U.K. in the Euro-Atlantic sphere.

Slovenia sought alternative partnerships through a pragmatic foreign policy but discovered several times that it depended more on the liberal democratic order – strong multilateral institutions and norms, stable environment for trade and investments – than the big proponents of such an order, for example Germany. This is not to say that the decisions to move closer to the smaller North European countries in support of the German policy was easy. The governments in Slovenia often realised that this brings significant costs in the short run. Moreover, the populist voices, challenging the liberal-democratic pro-EU stance have been strengthening on the left and right side of the political spectrum.

The period following 2004 has also been turbulent for the German–Slovenian relations. Following the Slovenian accession to the EU, the bilateral relations have strengthened further and were – as explained above – often described as ‘excellent’. The Eurozone crisis and the migrant and refugee crisis which have significantly affected Slovenia have done some damage, at least in the short term. Germany has been blamed for both of these crises. Some of the old and new political forces which have started to build on an anti-German attitude have, however, been too weak to really change the course of the bilateral relations. Moreover, increasing awareness of the growing global instability and dependence of Slovenia on the EU has, in many ways, brought Ljubljana even closer to Berlin. Germany was often seen as a warrant for the survival of the European integrations and peace and security in Europe.

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