



# Integrated Country Strategy

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Slovenia

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## 1. Chief of Mission Priorities

As Slovenia forms a new government following the June 3 elections, it will be important that Embassy Ljubljana engage Slovenia's new political leadership to advance U.S. political, economic, and security objectives in the region. Embassy Ljubljana's top foreign policy objectives are encouraging Slovenia's active security engagement and cooperation, supporting efforts to modernize and open the economy to U.S. trade and investment, promoting public support in Slovenia for U.S. policies to counter Russia's malign influence, and ensuring embassy effectiveness and accountability. Occupying a geographically-strategic location between central Europe and the Western Balkans, Slovenia's relationships both within and outside the region are critical to U.S., European, and transatlantic security.

U.S. security engagement seeks to increase Slovenia's contributions to global security and to meet its commitments as a NATO Ally. The United States also encourages strong Slovenian leadership in promoting peace and stability in the Western Balkans through continued participation in Kosovo peace-support operations, military capacity-building activities, border security training, and counterterrorism efforts throughout the region. With one of the fastest growing economies in Europe, Slovenia's outgoing government committed to incremental defense spending increases of at least 30 million euros each year for ten years, much of it intended to finance new investments in capabilities to meet NATO force goals. Once fully implemented, these resources would increase Slovenia's defense spending to about 1.2 percent of GDP by 2026, clearly insufficient to meet NATO's two percent target, but higher than Slovenia's current defense spending at roughly 0.9 percent of GDP. Slovenia's investments in defense capabilities and modernization lag behind those of other NATO Allies and are significantly below the 20 percent of overall defense spending as agreed to at the 2014 Wales Summit, although the defense minister has pledged Slovenia will increase procurement spending and achieve this target by 2021.

With excellent infrastructure, a well-educated workforce, proximity to European transportation hubs, and among the highest economic growth rates in the EU, Slovenia is currently one of Europe's fastest growing economies and an attractive destination for U.S. trade and foreign investment. While the global economic crisis of 2008 devastated Slovenia's economy and exposed systemic weaknesses, particularly in the financial services sector, recent years have brought rising incomes, falling unemployment, low inflation rates, and burgeoning consumer confidence. According to the Statistics Office, Slovenia's economy grew by five percent in 2017 to more than USD 49 billion, its fourth consecutive year of growth and its highest growth rate since 2007. Economic growth was propelled by exports, which grew by more than ten percent in 2017, while domestic consumption increased as well. Current forecasts predict GDP growth between four and 5.1 percent in 2018, which would again place Slovenia among the fastest-growing EU economies.

Slovenia's participation in the Visa Waiver Program since 2004 has only increased two-way travel and investment. More than 25 years after abandoning communism, however, Slovenia

has yet to complete vital structural economic reforms and reduce state involvement in the economy, which remains at least 50 percent state-owned despite pledges to the EU to increase the pace of privatization. Slovenia has a small domestic market and is heavily dependent on foreign trade, 75 percent of which is with the EU, primarily Germany, Italy, and Austria. Bank of Slovenia data indicate that U.S. companies accounted for 13.9 percent of foreign direct and indirect investment in 2016. Opportunities for U.S. trade and investment would increase if Slovenia enacted much-needed labor, tax, and pension reforms, accelerated privatization, created an environment more open to foreign investors, and increased transparency in public procurement. Slovenia has taken positive steps to open its economy, including privatizing some state-owned companies and implementing limited tax reform, but the pace of reforms remains too slow.

Although Slovenia is an EU partner and a NATO Ally, many Slovenians remain sympathetic to Russia and see their country as a bridge between East and West, a legacy of the former Yugoslavia's nonalignment. Slovenians appreciate U.S. popular culture, but skepticism of U.S. intentions and anxiety about U.S. power, role, and influence – coupled with decreasing professionalism in the media space – often leads to irrational perceptions of U.S. policy. Widespread skepticism of NATO, a desire for balance between the major powers, and a tendency to give “Slavic brother” Russia a free pass often detract from voices advocating greater U.S.-Slovenia and transatlantic cooperation. Post's success in engaging a Slovenian public skeptical of U.S. foreign policy rests largely on our ability to reach audiences through digital platforms and third-party voices (often Slovenian alumni of U.S. government programs) to amplify support for U.S. policy goals. By expanding educational, scientific, and cultural cooperation – areas in which Slovenes desire much more interaction with the United States – Embassy Ljubljana is laying the groundwork for Slovenians to better understand and appreciate U.S. policies.

In addition to our foreign policy objectives, Embassy Ljubljana remains committed to protecting and supporting the welfare and interests of U.S. citizens visiting or living in Slovenia while facilitating legitimate travel to the United States. Embassy Ljubljana's top management priority is to increase wages for Locally Employed (LE) Staff, which have not increased since 2010. Given rapid economic growth and falling unemployment rates in recent years, Slovenia's job market is becoming more competitive. During similar economic conditions in 2007, Embassy Ljubljana lost ten percent of its LE staff within five months. Given that the Embassy only employs 59 LE staff, a similar resignation pattern would severely hamper operations. To remain competitive and retain highly-skilled and trained staff, the Embassy's management goal is to increase wages from the 60th to the 70th percentile target market. The Chancery and CMR were both built in the early 1900s and require extensive preventive maintenance. Given the lack of setback and the Russian Embassy's close proximity, Post also recommends Embassy Ljubljana's consideration for a New Embassy Compound (NEC).

## 2. Mission Strategic Framework

The Mission's top priorities are to (1) strengthen Slovenia's commitment to the Western Alliance and promote Slovenia's active role in responding to security challenges to the fullest extent of its resources, both in the immediate Western Balkans neighborhood and on a global level; (2) support Slovenia's efforts to modernize and open its economy while strengthening bilateral trade and investment with the United States; (3) promote good governance and anti-corruption, counter disinformation, and encourage better understanding among the Slovenian public of U.S. culture and values in order to more positively shape public views of U.S. policies and priorities; and (4) retain and realign LE staff while improving embassy security and safety infrastructure.

**Mission Goal 1:** Strengthen Slovenia's commitment to the Western Alliance and promote Slovenia's active role in responding to security challenges to the fullest extent of its resources, both in the immediate Western Balkans neighborhood and on a global level.

**Mission Objective 1.1:** Slovenia increases its capabilities and capacity to partner with Allies to meet global security challenges and support common NATO-EU positions on European security in the face of external aggression.

**Mission Objective 1.2:** Slovenia adopts a credible plan to meet its NATO cost and capabilities obligations by 2021-24.

**Mission Objective 1.3:** Slovenia increases its leadership role in promoting stability and prosperity in the Western Balkans and Eastern Europe.

**Mission Goal 2:** Support Slovenia's efforts to modernize and open its economy, strengthen bilateral trade and investment with the United States.

**Mission Objective 2.1:** Slovenia expands opportunities for bilateral trade and investment by reducing informal obstacles to foreign (including U.S.) investment to allow U.S. companies equal opportunities to compete, based on transparent, rule-of-law procedures.

**Mission Objective 2.2:** Slovenia makes credible progress toward privatizing key sectors of its economy.

**Mission Objective 2.3:** Slovenia partners with the United States and EU to diversify European energy sources to foster greater energy security in the Western Balkans and Central Europe.

**Mission Goal 3:** Promote good governance and anti-corruption, and encourage better understanding among the Slovenian public of U.S. culture and values in order to more positively shape public views of U.S. policies and priorities.

**Mission Objective 3.1:** Slovenian media, universities, NGOs, rising professionals, political parties, public officials, and others are actively engaged with the U.S. Embassy to help Slovenians better understand U.S. culture and values, encourage more objective media coverage on U.S. topics, and foster a more informed debate on U.S. policies.

**Mission Objective 3.2:** Slovenian public and private entities partner with the United States in public diplomacy efforts to counter Russia's malign activities and offensive cyber efforts to influence public opinion, disseminate misinformation and propaganda, and attack the values and institutions that underpin free societies.

**Mission Objective 3.3:** To facilitate people-to-people diplomacy, Embassy Ljubljana serves the interests of U.S. citizens in Slovenia and facilitates legitimate travel to the United States through the delivery of consular and other services.

**Management Objectives:**

**Management Objective 1:** Retain and re-align highly qualified staff to carry out Mission objectives.

**Management Objective 2:** Improve security and safety infrastructure by working with the Office of Overseas Buildings to identify options to relocate the Chancery to meet security and safety issues.

### 3. Mission Goals and Objectives

**Mission Goal 1:** Strengthen Slovenia's commitment to the Western Alliance and promote Slovenia's active role in responding to security challenges to the fullest extent of its resources, both in the immediate Western Balkans neighborhood and on a global level.

**Description and Linkages:** This Mission Goal addresses the 2018-22 EUR Joint Regional Strategy Framework's *Goal 1: Strengthen the Western Alliance* and *Goal 3: Secure and Stabilize the Eastern and Southern Frontiers*; the Joint Strategic Plan's *Goal 1: Protect America's Security at Home and Abroad* and *Goal 3: Promote American Leadership Through Balanced Engagement*; and the National Security Strategy's *Pillar I: Protect the American People, the Homeland, and the American Way of Life* and *Pillar III: Preserve Peace Through Strength*. Bolstering Slovenia's capabilities and capacity to partner with Allies to meet global security challenges and support common NATO-EU positions on European security in the face of external aggression will protect the American people and American homeland by strengthening NATO and promoting security interests in Central Europe and the Western Balkans.

**Mission Objective 1.1:** Slovenia increases its capabilities and capacity to partner with Allies to meet global security challenges and support common NATO-EU positions on European security in the face of external aggression.

**Justification:** Slovenia has an excellent record of participating in every NATO operation, as well as in EU and UN missions, and is well positioned as a force multiplier to promote security and stability in the Western Balkans. Supporting and sustaining Slovenia's NATO interoperability and capacity-building efforts will enhance our already strong strategic partnership and advance U.S. security interests in the region by providing Slovenia with the capabilities and capacity to respond to local crises, train and mentor potential NATO aspirants, and ensure continued freedom of movement for U.S. and other Allied forces in the region.

**Mission Objective 1.2:** Slovenia adopts a credible plan to meet its NATO obligations by 2021-24.

**Justification:** Although Slovenia slashed defense spending precipitously between 2011 and 2015, the outgoing government has pledged to reverse those cuts and increase annual defense spending by at least 30 million euros through at least 2024 to meet its NATO obligations, although these increases will still be insufficient to meet the NATO threshold of spending two percent of GDP on defense. If fully implemented and sustained, these resources will allow Slovenia to increase spending on equipment and modernization to meet its NATO capability target of equipping two battalion battle groups by 2025 and take on greater roles in future NATO operations, thereby securing and stabilizing the Alliance's eastern and southern frontiers.

**Mission Objective 1.3:** Slovenia increases its leadership role in promoting stability and prosperity in the Western Balkans and Eastern Europe.

**Justification:** Slovenia's friendly relations with its neighbors and reputation as the most successful former Yugoslav republic uniquely position it to exert positive influence in the troubled region through targeted security-sector cooperation and capacity building activities to counter Russian influence, amplify U.S. messages on critical regional issues, and provide security and law enforcement training to inculcate best practices, thereby helping to secure and stabilize NATO's eastern and southern frontiers.

**Mission Goal 2:** Support Slovenia's efforts to modernize and open its economy and strengthen bilateral trade and investment with the United States.

**Description & Linkages:** This Mission Goal addresses the 2018-22 EUR Joint Regional Strategy Framework's *Goal 2: Strengthen and Balance the Transatlantic Trade and Investment Relationship*; the Joint Strategic Plan's *Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation*; and the National Security Strategy's *Pillar II: Promote American Prosperity*. Supporting Slovenia's efforts to modernize and open its economy will promote bilateral trade, economic growth, and job creation in the United States by opening up opportunities for U.S. investment in Slovenia as well as encourage Slovenian companies to invest in the United States.

**Mission Objective 2.1:** Slovenia expands opportunities for bilateral trade and investment by reducing informal obstacles to U.S. investment to allow U.S. companies equal opportunities to compete based on the rule of law.

**Justification:** Strategically located between Central Europe and the Western Balkans, with excellent infrastructure and a well-educated labor force, Slovenia is one of Europe's fastest growing economies and an attractive location for U.S. trade and investment. While the global economic crisis of 2008 devastated Slovenia's economy and exposed systemic weaknesses, particularly in the financial services sector, recent years have brought rising incomes, falling unemployment, low inflation rates, and burgeoning consumer confidence. Slovenia's economy grew by five percent in 2017 to more than USD 49 billion, its fourth consecutive year of growth and its highest growth rate since 2007. However, potential investors in Slovenia still face significant challenges, including a lack of transparency in economic and commercial decision-making, time-consuming bureaucratic procedures, opaque public tender processes, and an often inconsistent taxation and regulatory structure. Expanding opportunities for bilateral trade and investment would strengthen and balance the transatlantic trade and investment relationship and offer opportunities to create American jobs and promote American economic prosperity.

**Mission Objective 2.2:** Slovenia makes credible progress toward privatizing key sectors of its economy.

**Justification:** At least 50 percent of Slovenia's economy remains state-owned or state-controlled. Despite pledges to increase the pace of privatization, Slovenia remains resistant to privatization and foreign acquisitions of state-owned firms, despite general awareness of foreign investment's importance to economic growth, job creation, and development of new technologies. Slovenia has taken positive steps to privatize some state-owned companies and implement limited tax reform, but many private sector contacts assess the pace of the reforms as too slow. Increasing the pace of privatization would strengthen and balance the transatlantic trade and investment relationship and offer opportunities to create American jobs and promote American economic prosperity.

**Mission Objective 2.3:** Slovenia partners with the United States and EU to diversify European energy sources to foster greater energy security in the Western Balkans and Central Europe.

**Justification:** Slovenia increasingly imports electricity to meet growing domestic consumption in the face of flat domestic production and could face shortfalls in the near future, particularly in view of its limited financial resources and the long regulatory approval process required for new hydroelectric or nuclear capacity. Roughly one-third of Slovenia's electricity comes from hydroelectric sources, one-third from thermal sources, and one-third from nuclear power (with non-hydro renewables constituting two percent of the total). Almost half of Slovenia's total energy consumption consists of imported petroleum purchased on global markets. Russia provides most of Slovenia's natural gas, which accounts for 12 percent of overall energy consumption. Slovenia uses approximately 0.8 billion cubic meters of gas annually, most of which is based on a take-and-pay contract with Gazprom that it renewed in April 2018 for five years. Although supportive of the Three Seas Initiative's goals of advancing transatlantic security and economic prosperity through greater economic integration in the region, Slovenia has concerns as to how potential projects would be selected and funded, as well as whether the Initiative would duplicate existing EU and other regional bodies. Encouraging Slovenia to develop a comprehensive energy strategy and propose tangible projects under the Three Seas Initiative would strengthen and balance the transatlantic trade and investment relationship and offer opportunities to create American jobs and promote American economic prosperity.

**Mission Goal 3:**

Promote good governance and anti-corruption, and encourage better understanding among the Slovenian public of U.S. culture and values in order to more positively shape public views of U.S. policies and priorities.

**Description & Linkages:** This Mission Goal addresses the 2018-22 EUR Joint Regional Strategy Framework's *Goal 4: Preserve Western Democratic Principles*; the Joint Strategic Plan's *Goal 3: Promote American Leadership through Balanced Engagement*; and the National Security Strategy's *Pillar IV: Advance American Influence*. Effective public diplomacy engagement through greater media, educational, scientific, and cultural cooperation will promote U.S. leadership and influence while countering skepticism of U.S. power and role in the region.

**Mission Objective 3.1:** Slovenian media, universities, NGOs, rising professionals, political parties, public officials, and others are actively engaged with the U.S. Embassy to help Slovenians better understand U.S. culture and values, encourage more objective media coverage on U.S. topics, and foster a more informed debate on U.S. policies.

**Justification:** Slovenians appreciate U.S. popular culture, but skepticism of U.S. intentions and anxiety about U.S. power, role, and influence - coupled with decreasing professionalism in the media space - often leads to irrational perceptions of U.S. policy and influence. Embassy Ljubljana's success in engaging a Slovenian audience skeptical of the United States depends largely on reaching audiences through digital platforms and third-party voices and effectively engaging Slovenian alumni of U.S. government programs to amplify support for U.S. policy goals. Embassy Ljubljana is laying the groundwork for Slovenians to better understand and appreciate U.S. policies by expanding its educational, scientific, and cultural cooperation. Encouraging Slovenians to develop a deeper understanding of U.S. culture and values would advance American influence and promote U.S. leadership and Western democratic principles in the region.

**Mission Objective 3.2:** Slovenian public and private entities partner with the United States in public diplomacy efforts to counter Russia's malign activities and offensive cyber efforts to influence public opinion, disseminate misinformation and propaganda, and attack the values and institutions that underpin free societies.

**Justification:** Despite Slovenia's firm Euro-Atlantic affinity, many Slovenians, including some government leaders, are nostalgic for the non-aligned movement and believe Slovenia can serve as "a bridge between Russia and the West" – thereby seeming to forget that, as a NATO and EU country, Slovenia no longer straddles the East-West divide. The Slovenian desire for "balance" in its international relationships, public skepticism of U.S. foreign policy, and tendency to give Russia a pass on its bad behavior coalesce to make Slovenia a useful target for Russian propaganda. This trend also presents one of the most challenging aspects of U.S. public and diplomatic engagement in Slovenia. Achieving these objectives would advance American influence and promote U.S. leadership and Western democratic principles in the region.

**Mission Objective 3.3:** To facilitate people-to-people diplomacy, Embassy Ljubljana serves the interests of U.S. citizens in Slovenia and facilitates legitimate travel to the United States through the delivery of consular services.

**Justification:** Embassy Ljubljana's most important mission is to serve American citizens by providing routine and emergency services such as passport renewals, voter registration, notarial services, and social security and federal benefits support. The Embassy's Consular Section also plays a vital role in promoting public diplomacy efforts by facilitating legitimate travel to the United States by tourists, students, academics, exchange visitors, government officials, and those engaged in business and commercial affairs.

## 4. Management Objectives

**Management Objective 1:** Retain and re-align highly qualified staff to carry out Mission objectives.

**Justification:** Given rapid economic growth and falling unemployment rates in recent years, Slovenia's job market is becoming more competitive. To attract and retain highly-skilled and trained staff, the Embassy would like to increase wages from the 60th to the 70th percentile target market. Through attrition due to retirements, we plan to re-align FTE, as needed, to continue to further operational goals.

**Management Objective 2:** Improve security and safety infrastructure by working with the Office of Overseas Buildings to identify options to relocate the Chancery to meet security and safety issues.

**Justification:** Built at the turn of the 20th century, the Chancery is a historic building with no setback and shares a compound wall with the Russian Embassy. Diplomatic Security has extensive security concerns given our proximity to the Russians. Due to space constraints, the GSO section is located in a separate Annex across town which separates and complicates operations at a small Embassy. The Chancery building requires constant maintenance due to its aging infrastructure and limited space to house modern building operation systems. Ljubljana is currently number 35 on the Top 80 List for a New Embassy Compound (NEC). To coordinate the regular preventive maintenance needed to maintain the Chancery, GSO Annex, Warehouse and historic Chief of Mission residence and assist with the site survey work, Embassy Ljubljana requires a full-time, on-site Facilities Maintenance Manager.