

**Ambassador Mussomeli's Remarks at the  
American Chamber of Commerce**

**November 24, 2010**

Adlib intro: (Thank Tomaz Lovse and Ajsa); pleased to be in Slovenia, making first public speech at an AmCham-hosted event. I hope the less-than-subtle symbolism of this fact is not lost on anyone. While there are many issues and aspects to our bilateral relationship, what at the moment is our very highest priority with the Slovenian government is our commercial and economic relationship. And one of our most important friends and partners in Slovenia is this Chamber; we greatly appreciate your efforts.

As I've said before, the U.S. is fortunate to have friends like Slovenia. Our shared values make us natural partners on many key issues. We already enjoy excellent bilateral relations in the political and military spheres that allow for many mutual benefits. This is essential, and I will work hard to maintain these strong ties. Weirdly enough, this will not be so easy for me. I am not used to good, healthy relationships. I mean professionally—personally I have been happily married for three decades. But after 30 years in the developing world I begin to see that making difficult relationships better is maybe easier than keeping a good relationship good. I hope you all will be patient with me and help me as I make this transition.

At least we have a shared challenge to bring our economic and commercial ties to that same strong level as our political and military ones. This goal is both a luxury and a hardship.

What do I mean by that? As I've mentioned in countries where I have served in the past, contentious policy issues -- such as human rights -- were often the focus of the relationship, leaving little room or time to focus on other spheres. In Slovenia that is clearly not the case.

While we may therefore have the “luxury” to focus on improving economic ties here in Slovenia, it is not always easy, precisely because it is not a “do or die” policy issue; the urgency is not always felt and the moral imperative just doesn’t resonate the same way. People who are not well off or have been laid off from their jobs or who are suffering because of ill-advised economic policies don’t pull at our hearts in the same way as people who are wrongly imprisoned or otherwise mistreated actively by various regimes.

Neither of our nations has escaped the pain of the recent economic hard times. As we now look for ways to address the impact of these difficulties, we have a unique opportunity to focus on increasing bilateral trade and partnership which will benefit both our countries, while bringing needed U.S. investment to Slovenia. And let me stress right now before I go any further that America is hardly blameless or omniscient when it comes to economic policy. And I also realize that I am very new to Slovenia and I don’t have all the answers. I have much to learn and even more to understand before I speak with any true certainty. But let me offer some tentative, cautious observations today.

First, as our friends here at the AmCham have often pointed out, any foreign investor looking at Slovenia today faces serious obstacles that need to be addressed before we’ll see the level of foreign direct investment needed to grow this economy. I’ll talk more about this, but one immediate point is that we all need to work together on these difficult reforms -- which in the end will improve the lives of both Slovenians and Americans alike.

Now, Slovenia’s track record is impressive. Over the past 19 years, this country has smoothly transitioned into a modern, democratic EU-member state. Its economic and political achievements have forged a path for others to emulate. In truth, as I mentioned in my swearing-in speech, the changes and progress that Slovenia has made in two short decades are breath-taking.

Your successful struggles -- strengthening democratic institutions, establishing a strong market economy, resolving long-standing bilateral issues -- have indeed benefited the region, not only this country.

As you have achieved one international milestone after another, Slovenia has used its experience and leadership to advance the political and economic health of the entire Western Balkans, promoting security, stability and facilitating its integration into European institutions.

Slovenia now enjoys the highest per capita GDP in the region, relatively low corruption, strong protection of intellectual property, a competitive, diverse economy, an educated workforce and sophisticated companies that know how to do business beyond their borders.

With access to the EU and the Western Balkans, Slovenia has a uniquely strong geostrategic position to build business linkages between both. Some of your business colleagues have wisely taken advantage of this, helping to build the profitable bridge between these markets. So by all accounts Slovenia's future prospects look bright. So where do our bilateral commercial and business ties stand?

Well, if we look at the numbers we might be surprised. In 2009, U.S.-Slovenian bilateral trade amounted to only €540 million, or about 1.5% of Slovenia's total trade -- and that is down from a high of €697 million in 2008. Statistics from the Bank of Slovenia put U.S. investment here at €69 million -- out of €11 billion total FDI in Slovenia. To be fair, this does not include Goodyear's investment in Sava, which, though not officially counted as a third country subsidiary, we also consider an American investment.

Taking that and some other U.S. investments into account, we can safely say that American FDI in Slovenia is slightly higher than the official numbers. I suspect that we can somehow do better than that -- and we want to do better. Given the impressive advantages I just outlined, we see great potential for increasing our bilateral economic cooperation.

Yet, despite the positives, from the foreign investor's point of view, and when contrasted with comparable neighbors, Slovenia arguably does not appear *that* open for business. For example, while Slovenia ranked 45<sup>th</sup> overall out of 139 countries in the 2010 World Economic Forum's Global Competiveness Report, it was ranked 116 -- 116 -- out of 139 when looking at foreign ownership and rules impacting FDI. For example, regarding Foreign Ownership, Slovenia is considerably behind such neighbors as Georgia (89) and Albania (66), while regarding Rules Impeding FDI Slovenia has not kept up with Romania (90) and Azerbaijan (82). Investors need this country to roll out the "welcome mat" by making important reforms to the business environment and opening it up to foreign capital.

Again, as this Chamber has noted, one likely reason why Slovenia is still feeling the pinch of the recent economic crisis is due to important economic reforms that have yet to be implemented. Now we all know that reform is not easy -- in fact, it is hard to make structural economic changes. Americans understand this because we are in the same situation back home. It has not been an easy two years on the economic front in America and time has shown that much of it has been the result of years of irresponsibility, both in government and in the private sector.

I always like to make a distinction between political desire and political will. Both Slovenia and America have a strong political desire to fix their economies and make them stronger and more competitive. But desire is fundamentally different from will. I also have sincere desires and hopes. Whenever I see myself in the mirror I have a strong genuine sincere desire to go on a diet. But when that next piece of chocolate cakes passes by that desire to diet fades and I have no will. Governments are like that way too often about economic matters.

There are no painless fixes. The way to confront this crisis is through responsibility and transparency. Now, there's still plenty of work to do in the U.S. and nothing gets done without courage and hard work. While the U.S. too falters, there have been some positive steps recently, but not without pain. The President recently pushed

through one of the most comprehensive financial reform packages since the Great Depression. And when President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law, he admitted that its passage had been “no easy task.”

Now is the time to work seriously on solutions for Slovenia’s long-term growth and development. The Government of Slovenia is already addressing very important, difficult reforms with regards to pensions, energy, and health care -- but it also needs to tackle issues that prevent it from attracting significant foreign investment, which is equally crucial for growth. I think we all agree that Slovenia has serious economic issues to address -- and it can use the legacy of this crisis to make difficult, but important reforms to improve the business climate. Crises, like revolutions, are dangerous, but can be very useful if they are carefully channeled. When crises occur people start to wake up and take notice of problems they were just as happy to ignore. That is not Slovenian nature; that is human nature.

Now I’m proud to say that even before my arrival, our Embassy and the AmCham have worked together on ways Slovenia could strengthen the investment climate and improve competitiveness, and we recently presented these recommendations to the Prime Minister. We look forward to working together with your Government on these issues.

Please understand that I’m not suggesting that Slovenia adopt American-style *laissez-faire* capitalism. Slovenia is a European social democracy; it should not simply imitate the U.S. model, which -- given our historical, geographical, and size differences -- is probably a less-than-perfect fit for Slovenia, anyway. Besides, even though I’m new, even I realize that Slovenia is a successful market economy and needs no “new” model. However, there are comparable European social democracies -- Switzerland, Denmark, and Finland, for example -- that are more in-line with Slovenia and are among the most competitive in the world. And that is our point --

Slovenia could be far more competitive by implementing concrete changes to its business environment.

Now I mentioned some obstacles to investment that were jointly identified by the AmCham and our Embassy. These include a lack of transparency, especially in public procurement; an unnecessarily complex and time-consuming bureaucracy; and confusion over who has responsibility or jurisdiction among Slovenian Government agencies. And there are serious impediments in the areas of taxation and the labor market. It also appears that the government controls, directly or indirectly, far too great a share in far too many companies, even by European standards. Without attractive conditions and a simple approach to bring FDI here, Slovenia will continue losing investment to countries that may not have its economic potential, but are more attractive to 21<sup>st</sup>-century investors.

Allow me to give you a bit more detail on our joint recommendations:

Foreign investors should be welcomed by a “one-stop shop” to help cut through red tape, walking them through the necessary steps and paperwork. There are many successful models in the region, including in Slovenian’s largest trading partner, Germany.

A second area slowing foreign investment and the country’s long-term competitiveness is the lack of privatization. Slovenia’s state-share of GDP is high, even in comparison with others in the EU. Frankly, the private sector can almost always do better -- and the customer benefits. The Slovenian Government should identify which economic sectors truly belong in state hands, and then divest itself of the remainder.

A third area, taxation, is critical for companies when deciding where to invest. It affects their bottom line, both directly and indirectly. By simplifying existing taxation, eliminating impractical regulations and decreasing the overall tax burden in

areas where Slovenia is less competitive, your government can both encourage foreign investment and support domestic entrepreneurship.

A fourth area where we have suggested reform is in the labor market: Slovenia's high social contributions and labor rigidity hurt its ability to compete. The Government could soften this by revising the current legal framework, which prevents companies from responding in a timely manner and impedes employee transfer between jobs and how quickly they can be hired or fired. Let me stop here to also emphasize that we support the fair treatment of workers - I have served in too many places where workers have few genuine rights and benefits to think that businesses are always benign and fair! But, conversely, is it fair when rigid labor laws discourage foreign investors from locating operations here and creating new jobs? A balance must be struck.

Finally, we often hear from U.S. firms that would like to invest here that they have serious concerns over the lack of transparency in public procurement. Many have felt shut out of the bidding process due to pre-existing ties between buyers and bidders, as well as sometimes-opaque outcomes that appear to not always be based on the best product or lowest price. Others have noted tenders based on subjective selective criteria unrelated to the company's ability to provide the best product or services.

Taken together, these factors discourage investment and trade between our countries at the exact time when they could benefit our common economic recovery. Without a fair and level playing field, the real losers are the people: consumers and workers. Consumers who are denied the best products and services at the lowest prices, and workers who are denied better jobs. Perhaps most importantly, societal attitudes toward foreign direct investment need to change. FDI is not something to fear -- though Slovenians are not alone in sometimes being suspicious of investment from abroad. I recall the outcry in the U.S. when the Japanese bought Rockefeller Center in New York, which lasted until Americans figured out that Rockefeller Center wasn't going anywhere—that only took Americans a few years to comprehend....

In addition to working together to strengthen the business climate, we want to leverage cooperation already forming between our economies and encourage new opportunities for strategic U.S.-Slovenian commercial partnerships benefitting both sides: we see areas ripe for increased bilateral trade and investment. For example...

Green and traditional energy: on green energy, there has already been movement. The Prime Minister led a delegation of 20 innovative green-tech Slovenian companies to New York to attend an “Investing in Green” conference in September. Ten of the firms then continued to Dayton, Ohio for a day of networking and matchmaking with firms there. We have heard positive responses from delegation members and their U.S. partner, who is following up with the Slovenian Consulate in Ohio on resulting business opportunities.

Another area for growth is in the IT sector. Many of you are proof of Slovenia’s wealth of intellectual, scientific and technical potential and well-educated population. Yet some of that potential is being lost because it is not being commercialized. No country has better entrepreneurial know-how than the U.S. -- we know how to turn ideas into business solutions. It requires active encouragement of inventors to become innovative entrepreneurs. It could begin with a university teaching MBAs how to partner with IT professionals, engineers, and scientists to encourage commercial invention applications. Or it might be a public-private sector partnership incubator to help start-up firms position themselves in the market and attract investors. There are already people here who understand this well: one private Slovene company recently took a group of start-up, local IT firms to Silicon Valley, exploring potential partnerships and investment in technology sectors - and this is just the start. I understand that Prime Minister Pahor would also like to lead a separate trade delegation to Silicon Valley early next year. These trips represent exciting opportunities to start building bilateral trade and investment.

In closing, together, in cooperation with the Government of Slovenia, the American Chamber of Commerce, and the larger business community, let’s take a fresh look at

what we can all do to strengthen U.S.-Slovenian commercial and economic ties. I have chosen this goal as one of my top priorities because I believe the benefits are substantial for both sides. We share a common interest in a Slovenia that remains a strong, vibrant partner and ally. Not only will this create new opportunity for trade, investment and partnership between our two countries, it will also enhance the stability and security of a region that is counting on a strong, economically-solid Slovenia. Getting there will not be easy, but we owe it to ourselves -- and to our citizens -- to succeed. Thank you.