

## **Ambassador Hartley's AmCham Breakfast Remarks**

**March 13, 2015**

Ajsa, Matej, Members of the Board of AmCham, Distinguished Guests,

Dobro jutro.

I would like to express my deep thanks to AmCham for giving me this opportunity to speak with you today.

And I would like to offer a warm thanks as well to two successful U.S. companies operating in Slovenia – Sheraton Four Points and A.T. Kearney – for making this morning's event possible.

Over the past five weeks as I have sought to listen and learn about Slovenia, it has been my privilege to learn about the AmCham community and to listen to the concerns of some its members.

I learned how one of the largest American companies present in Slovenia – Goodyear Dunlop Sava Tires – has invested over 200 million euros in the local economy in its proud twenty-year history in Kranj.

I learned how representatives of the United States' most innovative technology firms are partnering with the Slovenian government to promote cloud-based solutions to local clients.

And I also learned how young Slovenian business people – spurred on by the AmCham Young Professionals program – are bringing fresh optimism, energy, and creative thinking to Slovenia’s business community.

For fifteen years, AmCham Slovenia – nearly 300 companies united by shared business values – has persistently labored for a better business environment and a deeper U.S.-Slovenian commercial relationship.

You have also invested considerably in this country’s economic future – creating thousands of jobs, bolstering tax revenues and social contributions, and volunteering your time and talents to mentor up-and-coming leaders and to support innovative educational initiatives such as the Summer Economics Institute.

This is a family that I am eager to get to know better just as quickly as I can.

Your work matters to the United States.

We are all stronger and more resilient when the United States and Europe deepen cooperation, whether in trade, security, or shared values such as human rights, democracy and the rule of law, whether bilaterally or institutionally through the EU or NATO.

With apologies to Goodyear for borrowing a competitor’s line, business and trade are where the rubber meets the road – successful business and free-flowing international trade mean jobs, prosperity and stability.

I am pleased to address you at a time when the Slovenian economy is growing at one of the fastest rates in Europe.

After nearly five years of painful recession and uncertainty in the business environment, export-led growth has begun to restore health to the economy in the wake of the 2008-2009 global financial crisis.

Unemployment is starting to fall, while consumer confidence is beginning to pick up.

Ten-year bond yields on public debt stand at their lowest levels since Slovenia joined the Eurozone in 2007. This eases fears of a troika-style bailout and offers economic policy-makers vital room to maneuver.

At the same time, political leaders have started to come together to support practical steps to maintain this positive trajectory.

The Prime Minister and his partners have articulated a pragmatic vision for reforms aimed at rationalizing fiscal policy and opening the economy to outside participation.

An impressive coalition in the Parliament has taken a first step to implement a constitutional fiscal rule.

Government negotiators and social partners have found common ground on a 2015 supplemental budget aimed at bringing the government's budget deficit below 3% of GDP, in keeping with EU commitments.

The government has also prepared – and the Parliament will soon consider – an asset management strategy that will take a serious look at the role of the state in the Slovenian economy.

This offers a great place to start for a newly-arrived Ambassador, dedicated to advocating for U.S. businesses and

supporting reforms that improve the business climate and promote trade and investment.

But the U.S.-Slovenian commercial partnership will continue to face some uncertainty over the next year as Slovenian leaders work to translate these encouraging signals into sustainable growth.

To paraphrase Winston Churchill, we are, perhaps, at the end of the beginning.

So, in that spirit, taking into account my short time so far in Slovenia, I would like to pose five questions based on my initial impressions of the current state of our economic relationship.

I hope these questions will serve as a useful stimulus for our conversation this morning – and the ongoing discussion among AmCham members about how we might, together, contribute to economic progress over the coming years.

***First, how real is the danger that complacency might jeopardize economic reforms?***

GDP growth of 2.6% for one year – while very welcome – is hardly the end of the road.

There is still hard work to do on a long list of key reforms before we can truly celebrate.

The Slovenian economy in real terms has yet to regain its pre-crisis level, while exports and government investments have compensated for lagging household consumption.

But, already, there are hard choices looming, as political leaders confront the trade-offs between budget discipline and the public's expectation that economic growth should translate immediately into increased social benefits.

Or between the commitment to follow through on privatization plans and a growing chorus of voices suggesting that privatization is somehow less urgent in a period of renewed GDP growth.

Or between the drive to continue unfinished business in the banking sector after the December 2013 recapitalization and understandable taxpayer fatigue at how much more public money might prove necessary before commercial lending can restart.

Policy makers will have to balance these trade-offs as they seek to continue the growth that Slovenia witnessed last year.

As an AmCham community, I encourage you to be an active part of that conversation in order to urge the government to move forward with needed reforms that will secure long-term prospects for Slovenia's recovery.

***Second, how can we translate interest in the foreign investor community into tangible business?***

I have been struck in my first weeks in Slovenia that a wide range of potential U.S. investors are seriously looking at opportunities in this small but intriguing European market.

I suspect my European, Japanese, and other counterparts hear similar sentiments.

But the July 2014 decision to suspend privatization during last summer's election campaign undoubtedly raised eyebrows in the investor community, and many companies are still cautiously waiting on the sidelines to see if encouraging reform proposals translate into reality.

Potential investors in a wide range of sectors have shared a remarkably similar picture of their challenges in trying to break into this market.

From what I have heard so far, they struggle to identify key decision-makers among the myriad state institutions and commercial creditors responsible for implementing privatization goals.

They are obliged to grapple with unclear rules of the game or less-than-transparent bid rounds that leave investors unsure how to pitch their strategic vision for Slovenian firms.

They have to navigate a bureaucracy where senior-level decisions do not always seem to translate into concrete action, and politicians and civil servants at times approach implementation of EU requirements differently.

I am encouraged that investor interest is very much alive – and I am eager to work with the AmCham community to find practical ways to channel this interest into concrete business deals that allow U.S. and other foreign companies to play a positive role in taking proud Slovenian companies to the next level.

The U.S.-Slovenia Business Bridge that AmCham will organize later this year promises to be a particularly valuable forum for bringing investors together with opportunities.

***Third, how can the ongoing negotiations over the Transatlantic Trade and Investment Partnership (T-TIP) bring Slovenia and the United States closer together?***

I am delighted that Slovenian leaders have identified the United States as one of a handful of priority export markets. Bilateral trade – currently under 1 billion euros in both directions – has definite room for improvement.

As the Ministry of Economic Development's own T-TIP impact study noted in January, these ongoing negotiations offer both potential benefits for local firms and a new improved playing field that both political and business leaders must prepare for.

We are eight rounds into negotiations that aim to unite the world's two largest economies: I cannot tell you what the final result will look like.

But I do very much believe that a meaningful and informed debate on both sides of the Atlantic will be crucial to this process.

Trade matters to the United States.

Last year, my country exported over \$2 trillion in goods and services – over 50 times the size of the Slovenian economy – supporting over 11 million U.S. jobs.

In Asia, we are negotiating the Trans-Pacific Partnership, leading a race to the top on environmental and labor standards in the world's fastest-growth region.

And of course here in Europe, we are working with the European Commission toward a rules-based approach to transatlantic trade that safeguards the health, safety, and environmental standards that consumers in both Europe and the United States have come to expect.

And I am equally confident that trade matters here in Slovenia and across Europe.

The Slovenian government noted that T-TIP has the potential to support the ongoing economic recovery by offering local firms streamlined access to the U.S. market, promoting export diversification, and fostering opportunities in the automotive, pharmaceutical, and electrical sectors.

And European Commissioner for Trade Malmstrom, who is leading the EU side in the T-TIP negotiations, has made clear that the Commission is negotiating T-TIP responsibly in order to keep consumer safety, environmental, and labor standards high – goals shared by the U.S. side.

Allow me to quote the Commissioner from a speech she gave in Germany last month: “T-TIP will make clear (1) that authorities don’t have to open public services to competition from private providers if they don’t want to, (2) that they don’t have to privatize or outsource any service if they don’t want to, [and] (3) that they can keep monopolies in public services and utilities if they choose.”

Of course, we must be clear-eyed that Slovenian business will be better positioned to expand into the U.S. market – and U.S. firms better able to invest in Slovenia – if the Slovenian

economy undergoes the types of reform the government is working to implement.

Open economies are best able to seize the opportunities that free trade presents.

It is one thing for me – President Obama’s representative in Slovenia – to speak about T-TIP’s potential benefits.

But it is every bit as important for business leaders like you to speak openly about the potential benefits that a closer trade relationship with the United States might offer.

So I encourage AmCham and its members to join this important public conversation.

***Fourth, how can outside voices help reinforce good economic policies in Slovenia?***

The decisions about how to move ahead with reforms – stabilizing the banking sector, tackling fiscal policy, finding the right balance on privatization – rest entirely with Slovenia and its leaders.

But I believe that friends and partners like the United States and Slovenia’s other trading partners still have an important role to play in sharing outside perspectives and offering constructive advice about challenges in the business climate.

The European Commission noted last month that decisive policy action, improved export performance, and recovering growth have reduced Slovenia’s macroeconomic imbalances.

But the Commission also noted that weak corporate governance, high concentrations of state ownership, overleveraging in the corporate sector, and rising public debt create the potential for financial instability and merit close attention from political leaders.

Similarly, the International Monetary Fund's regular Article IV consultations in February highlighted the positive trends in export growth and EU-funded public investment, noting that the 2013 bank recapitalization has contributed to stability in the financial sector.

But the IMF also pointed out risks that insufficient reform implementation and weak external demand could jeopardize this improving economic outlook in the years ahead, calling on the government to accelerate corporate restructuring, put public finances on a more sustainable path, and follow through with reforms in the banking sector.

These outside voices sound remarkably similar to Slovenia's own Institute for Macroeconomic Analysis and Development, which has called publicly for "determination and courage" to follow through on real reforms critical to maintaining momentum toward growth.

I look forward to hearing your views on how the United States and like-minded partners in the international community can help reinforce the reform trajectory we all want to see.

**Finally, *what can AmCham do to help?***

It is already apparent to me that this group – the voice of the international business community in Slovenia – is working to push our commercial relationship forward and help Slovenia live up to its enormous potential as a partner for international business.

But can we do even more together?

I look forward to talking with you over the coming weeks and months about how AmCham can use this platform to advocate on behalf of U.S. business interests with local political leaders, promoting not only U.S. investments in Slovenia but also Slovenian investments in the United States.

And I look forward to talking with you about how AmCham can push beyond the confines of Ljubljana to build business bridges throughout this beautiful and creative country.

And perhaps most important, I look forward to talking to you about how we can support the AmCham Young Professionals, an impressive group of future leaders that is bringing energy and fresh ideas to our work.

This is an exciting time to be in Slovenia, and a particularly exciting time to meet with AmCham to learn about how we can take our commercial relationship to the next level.

I am very much looking forward to cooperating with you about these – and many other – issues in the spirit of laying the groundwork for ever-closer economic ties between Slovenia and the United States.

We have a solid foundation to build on, and I am convinced that, ultimately, we are stronger and more prosperous working together.