

TEN YEARS OF SLOVAKIA'S MEMBERSHIP IN THE EUROPEAN UNION

The paper analyzes the membership of the Slovak Republic in the European Union, the development of the Slovak economy during the 10 years of membership since joining the Union, participation in the financing and disbursement of funds from the EU budget, Slovakia's participation in the functioning of the single market, the euro area, the participation of Slovak citizens in elections to the European Parliament and outlines the future of Slovakia in the European Union.



1. INTRODUCTION

The Slovak Republic is now one of the 28 European Union Member States. The process started in 1990 when it began to implement political and economic changes in the former Czecho-Slovakia. After January 1, 1993, following the establishment of the independent Slovak Republic, the aim of the individual citizens and government parties was to join the countries of the European Communities as quickly as possible.

Slovakia wished to belong to the community of states, for which the primary idea is to build democratic and legal states and prosperous economies and societies. The European Union membership has been and remains a guarantee of respect for these values.

The association agreements between the representatives of the Slovak Republic and the European Union were signed on October 4, 1993. On June 27, 1995 then Slovak Prime Minister Vladimir Meciar filed the application for membership in the EU. On May 16 – 17, 2003 a referendum on the accession of Slovakia to the EU was held. 52.15% of eligible voters took part in the referendum. 92.46% of the electorate voted for Slovakia's entry into the EU. The Accession Treaty between the Slovak Republic and the European Union was signed on October 4, 2003¹. The Slovak Republic became, along with nine other states, a new Member States of the European Union on May 1, 2004. On January 1, 2008 the accession of Slovakia to the Schengen Agreement came into force. Since January 1, 2009 Slovakia has been a member of the European Monetary Union.

¹ <http://www.europskaunia.sk/tlac.php?id>.

2. PLACE OF SLOVAKIA IN THE EUROPEAN UNION

Slovakia – with a population of 5.5 million, i.e. 1.0% of the total population of the EU and an area of 49,000 km² (1.1% of the EU area) – is one of the small states².

Slovakia is an advanced industrial state. The structure of gross domestic product consists of agriculture (2.68%), manufacturing (24.26%), and services (wholesale and retail trade, repair, information, communications, financial services and insurance, professional, scientific and technical activities, public management, health care, etc. – 73.02%)³.

The GDP p. c. currently reaches € 19,400 in purchasing power parity, which is about 76% of the EU average. In the year of the accession to the EU, it amounted to 50% of the EU15 average⁴. A relative improvement was mainly due to the enlargement of the European Union with poorer countries (Bulgaria, Romania and Croatia), thus reducing the average level of GDP p. c. of the Communities.

With the GDP p. c. less than 90% of the European Union average, Slovakia belongs to the poor countries of the Union, which entitles it for funding from the Cohesion Fund.

The average wage in Slovakia amounts to € 835⁵. The average hourly wage in euro area Member States amounts to € 28, while in Slovakia it is only € 8.3⁶.

The territory of Slovakia is divided into four regions according to the NUTS 2: Bratislava (186%), which is the fifth richest region in the EU, and the other three regions, which belong to poor regions – West Slovakia (72%), Central Slovakia (59%) and East Slovakia (51%) because their GDP p. c. is less than 75% of the EU average⁷. The inclusion of the poor regions allows the three Slovak regions to be eligible for funding from the Structural Funds.

During the ten years of membership Slovakia paid € 5.8 billion to the common budget of the European Union in the framework of compulsory payments – part of the harmonized tax, the share of gross national income, the share of the import duties. For the same period, Slovakia received € 12.86 billion from European Union funds, i. e. net income amounted to € 7 billion⁸.

The Slovak Republic, during the ten years of its membership in the European Union, used funding from the Cohesion Fund and the Structural Funds for the construction of 100 km of motorways and roads, the upgrading of 1,830 km of roads, the modernization of 100 km of railways, the modernization of 1,020 schools, the establishment of 208 social care units, the creation of 130,000 new jobs, etc.⁹

2 www.eurostat.eu.

3 <http://portal.statistics.sk/showdoc.do?docid=67071>.

4 <http://www.stat.ee/299560>.

5 <http://style.hnhotline.sk/vikend-140/eu-v-cislach-alebo-co-ste-nevedeli-614691>.

6 <http://www.cas.sk/clanok/247829/sokujuce-vysledky-prieskumu-slovaci-su-chudaci>.

7 http://ec.europa.eu/regional_policy/atlas2007/slovakia/index_en.htm.

8 Vstup do únie bol pre nás top biznis, Hospodárske noviny, 30.4.2014.

9 Vstup do únie bol pre nás top biznis, Hospodárske noviny, 30.4.2014.

Table 1 • Payments and receipts of Slovak Republic to the EU budget (EUR mil.)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Payments	219.6	359.0	401.6	519.2	594.9	711.6	647.3	693.7	742.8	838.35
Receipts	388.0	609.5	696.2	1,082.6	1,241.8	1,192.4	1,905.0	1,785.1	2,286.8	1,978.5
Difference	168.4	250.5	294.6	563.4	646.9	480.8	1,257.7	1,091.4	1,544.0	1,140.15

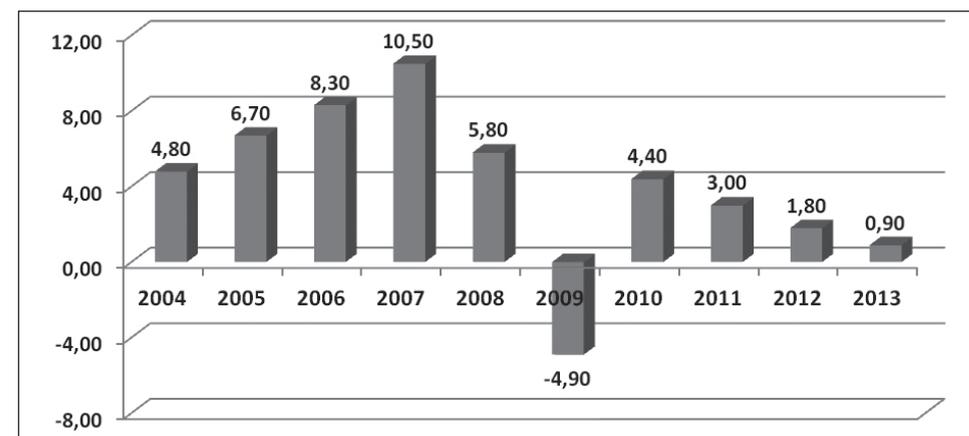
SOURCE: VSTUP DO ÚNIE BOL PRE NÁS TOP BIZNIS, HOSPODÁRSKE NOVINY, 30.4.2014.

Slovakia is still a net recipient from the EU budget. Since its entry into the Union as a poor country, it has been drawing funds from the Cohesion Fund. Three of the four Slovak regions belong to the poor regions regarding their economic level, which entitles them to funding from the Structural Funds. In the years 2014 – 2020, Slovakia can draw € 20.4 billion, for Cohesion Policy programs € 14 billion, and for agriculture support € 4.6 billion¹⁰.

2.1. Changes in the Slovak economy during the 10 years of European Union membership

During the 10 years of membership in the European Union, significant changes have taken place in the Slovak economy. Changes leading to the improvement or deterioration of the economic situation over the last ten years have been influenced by three main factors: the economic policy of governments, membership in the European Union, and the global economic crisis.

Figure 1 • GDP growth (in %) during the ten years EU membership of the Slovak Republic



SOURCE: NATIONAL BANK OF SLOVAKIA

10 <http://www.webnoviny.sk/ekonomika/clanok/820506-desat-dovodov-preco-je-slovensku-v-europskej-unii-lepsie/>.

After joining the European Union, the Slovak economy showed an increasing rate of GDP growth. However, it is not possible to quantitatively prove that joining the European Union was the impetus for these economic activities. Economic growth was halted due to the global economic crisis, when demand on world markets decreased.

The economic growth peaked in 2007. FDI inflow slowed down after 2004 due to the deceleration of privatization. The inclusion of Slovakia into the single market of the European Union encouraged new investors such as Kia Motors, Samsung and others who use the non-barriers EU single market to invest in Slovakia. FDI realization in Slovakia comes from 90% of European Union Member States (Germany, Netherlands, Austria, Hungary, France and others)¹¹. Foreign companies use state of the art technology in their operations, which leads to the modernization of the Slovak economy and society. FDI is an important factor in the creation of new jobs.

Table 1 • Foreign direct investment in Slovakia in 2004 – 2012 in billion USD

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI	4.03	3.11	5.80	4.01	4.87	-6.08	1.77	2.14	2.82

SOURCE: WWW.UNCTADSTAT.UNCTAD.ORG

Before Slovakia's accession to the EU (in 2003), the share of exports to the European Union Member States was 83% of the total exports from Slovakia, and the share of imports was 73%. Currently (in 2013), the imports from Member States of the European Union stands at 63.6% and exports at 83.7%. From these quantitative indicators we can conclude that joining the European Union did not have a major impact on the territorial structure of exports and imports of Slovakia¹².

The fundamental problem of the Slovak economy is the high unemployment rate. Unemployment in the Slovak economy has started growing during the time of the joint state of Czecho – Slovakia, when the production and export of weapons were seriously limited. Similarly, Slovakia significantly reduced production in the light industry, whose production was destined for export to the former USSR. Also, domestic consumption of light industry products has been replaced by cheap imports from Asian countries. Thus, the lost jobs have not been replaced by creating new jobs until today. Unemployment remains well above the average unemployment rate of the European Union.

The lack of job opportunities in the Slovak economy was partly offset by the entry into the single market, which ensures free movement of labor.

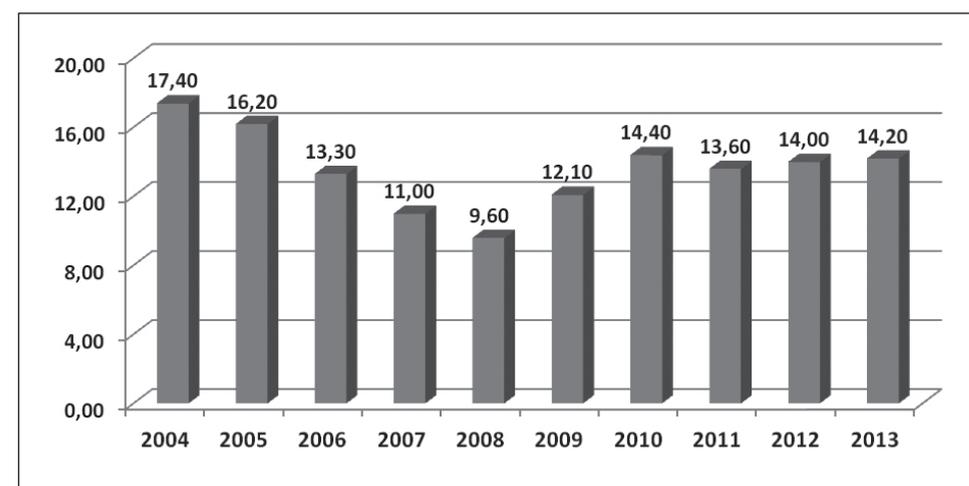
11 <http://www.webnoviny.sk/ekonomika/clanok/820506-desat-dovodov-preco-je-slovensku-v-europskej-unii-lepsie/>.

12 www.ssu.sk.

Slovakia is a country with a high migration for work. One year after Slovakia joined the European Union 120,000 Slovak citizens were working abroad; in 2007 this number reached 250,000. Currently it is about 140,000.

Emigration of the citizens of the Slovak Republic to the European Union Member States creates labor market imbalances. Emigration culminated in 2007. The highest emigration rate from Slovakia was between 2004 and 2007, when approximately 4% of the active workforce went to Great Britain, Ireland and Sweden¹³. Since 2008, the whole EU has been marked by the crisis. Slovak citizens most often emigrate to work in the Czech Republic, Austria, Hungary, Germany, Great Britain and Ireland.

Figure 2 • Unemployment rates in the Slovak Republic in 2004 – 2013 (% of economically active population)



SOURCE: [HTTP://PORTAL.STATISTICS.SK/SHOWDOC.DO?DOCID=1801](http://portal.statistics.sk/showdoc.do?docid=1801).

The economy is gradually consolidating. For 2014, the National Bank of Slovakia predicts a growth of 2.1% and for 2015 in the amount of 3.1%¹⁴. To tackle the problem of unemployment, the Slovak economy should show more than the 3% growth, because only growth above this value creates new jobs.

13 <http://www.podnikam.weboviny.sk/ekonomika/48/migracia-praca-unia/35350>.

14 www.nbs.sk.

Table 3 • Changes in the Slovak economy (during ten years of EU membership)

Indicator	2003	2013
GDP annual change in %	4.8	0.9
Average inflation in %	8.5	1.4
Unemployment in %	17.4	14.2
Number of unemployed in thousands	459.2	386.0
Average monthly wage in EUR	477	824
Public finance deficit (% of GDP)	-2.8	-2.8
Public debt (% of GDP)	42.4	55.4
Changes in the economy during 10 years (2003 – 2013)		
How much more powerful is the Slovak economy?	by 49%	
How much more do Slovaks earn?	by 72%	
How much higher are prices?	by 39%	

SOURCE: [HTTP://WWW.INVESTUJEME.SK/DESAT-ROKTOV-V-EU-MOZME-SI-DOVOLI-KUPIT-VIAC/](http://www.investujeme.sk/desat-rokto-v-eu-mozme-si-dovoli-kupit-viac/)

3. ENTRY INTO THE EUROPEAN MONETARY UNION

Since January 1, 2009 Slovakia has been a member of the European Monetary Union. The introduction of the euro as the national legal tender brought many benefits for Slovakia. However, some benefits are overrated such as the reduction of transaction costs due to the exchange of the national currency to the euro as well as the reduction of exchange rate risks. A significant disadvantage is the loss of a significant part of economic policy – the independent monetary policy – and of the opportunity to respond to developments in the global economic situation by changing the exchange rate of the national currency. After the outbreak of the economic crisis, partially due to the absence of a national monetary policy, Slovakia has experienced the largest drop in the Visegrad countries. However, currently, thanks to the euro, it is the fastest growing.

Slovakia, as a member of the euro area, is more tied to the Eurozone economies and must accept the present and future obligations and conditions of the European Monetary Union. However, the political party Freedom and Solidarity (SaS) opposed Slovakia's contribution to the first loan to Greece. Slovakia played an important role in solving the debt crisis. Due to the negative attitude of the Eurosceptic SaS party in the National Council of the Slovak Republic, the amendment to the Lisbon Treaty – required for the establishment of the European Stability Mechanism – was not approved the first time. Prime Minister Iveta Radicova tabled a proposal for the amendment of the Lisbon Treaty again. She teamed up the approval of changes to the Lisbon Treaty in the parliament with a vote of confidence for the government. The amendment approval to the Lisbon Treaty has succeeded only with the con-

sent of the opposition party SMER, which has conditioned its positive vote with the vote of confidence for the government.

Slovakia's participation in the European Monetary Union meant the downfall of the government on October 12, 2011 and early parliamentary elections in which the pro-European oriented SMER party won. Slovakia, as a shareholder with a share of 0.824% on the European Stability Mechanism, has cash flow obligations of € 620 million and a further 5.8 billion as liabilities¹⁵.

Funding for the European Stability Mechanism and the European Financial Stability Fund, under which Slovakia participated in the bailout of Greece, Spain, Ireland, and Cyprus increased the debt of our country.

Table 4 • Indebtedness of Slovakia (% of GDP) and funding rescue mechanisms – the EFSF and ESM

Year	2011	2012	2013	2014	2015
W/o financing	41.5	48.4	49.9	50.0	51.3
W/ financing	43.4	52.7	54.8	55.2	56.2
Debt increase	1.9	4.3	4.9	5.2	4.9

SOURCE: EÚ NÁM DALA OBCHOD AJ ZBYTOČNÉ REGULÁCIE, HOSPODÁRSKE NOVINY 29.4.2014.

The introduction of a common currency affected neither the inflow of foreign direct investment into the Slovak economy nor the volume of foreign trade with the euro area Member States. Nevertheless, the people of Slovakia regard the common currency positively.

4. ELECTIONS TO THE EUROPEAN PARLIAMENT 2014

On May 24, 2014 the country held elections to the European Parliament. 13.05% of eligible voters attended the elections¹⁶.

Eight political parties gained seats for Members of the European Parliament. The largest share of votes was won by the ruling party SMER – 24.09% – with a mandate for four deputies; two deputies for Christian Democratic Party – 13.21%, Party of Democratic and Christian Union – Democratic Party – 7.75%; the mandate for one deputy for Ordinary People and Independent Personalities – 7.46%, NOVA – 6.83%, Freedom and Solidarity – 6.66%, the Hungarian Coalition Party – 6.53% and Most – Hid 5.83%¹⁷.

One of the thirteen Members – a member of the Freedom and Solidarity party – is a representative of a Eurosceptic party. Other mandates include pro-European parties.

¹⁵ EÚ nám dala obchod aj zbytočné regulácie, Hospodárske noviny 29.4.2014.

¹⁶ http://www.europskyparlament.sk/spravodajstvo_a_aktivita/aktivita/activity.2014/.

¹⁷ http://www.europskyparlament.sk/spravodajstvo_a_aktivita/aktivita/activity.2014/.

Participation in the elections to the European Parliament was the lowest of all European Union Member States. Interest of the citizens in these elections since 2004, when the country held European elections for the first time, has been gradually decreasing. In 2004 voter turnout was 16.7% and in 2009, 19.64%¹⁸. The willingness of voters to attend elections is declining in all Member States. Voter apathy is explained by the view of voters that their voice has very little influence on events in the European Union. The low participation of Slovak voters is probably also enhanced by the overall negative economic situation in Slovakia and by the particularly high unemployment. The use of funds from the European Union – the Structural and Cohesion Funds – are often criticized for corruption.

In the European Commission's report on corruption, the Slovak Republic occupied the 24th place. Among Member States of the European Union there are only worse conditions regarding corruption in Italy (25th), Romania (26th), Bulgaria (27th) and Greece (28th). The report criticizes the independence of the judiciary, the problematic prosecution of corruption, the opaque financing of political parties and the non-transparent system for drawing funds from the European Union. As stated by the EU Commissioner for Home Affairs Cecilia Malstrom: "Corruption undermines citizens' trust in democratic institutions and the rule of law, damaging the European economy and depriving the State of much needed tax revenue."¹⁹

5. CONCLUSION

Slovakia's membership in the European Union means a stable and qualitatively better position for the country in the world community. Benefits of membership in the European Union for ordinary citizens include the freedom of movement within the territories of all States of the Union, as well as economic opportunities abroad.

Particularly positively assessed is the mobility of students who have the opportunity to complete part of their studies at universities of European Union Member States through the Erasmus programme with the financial support of the European Union. During the period of Slovakia's membership in the European Union, for example, over 20,000 Slovak students have studied under the Erasmus programme abroad²⁰.

Slovakia's participation in the single market attracted FDI into the economy, not only from the Member States of the European Union but also from other countries in the world. Slovakia has gained substantial funds for modernization during the 10 years of its membership in the Union, as indicated above.

In the Slovak society, however, there are many criticisms of the European Union membership. The relatively low competitiveness of the economy of Slovakia is exploited by transnational corporations. Despite the declared positive results in the economy, the Slovak economy is not converging with the most developed economies in the European Union. When compar-

ing the GDP p. c. in 2004 and 2013 of the richest country of the European Union, Luxembourg, with that of the Slovak economy, we find that Luxembourg achieved a GDP p. c. of 61,629 USD in 2004 and Slovakia of 13,553 USD. Luxembourg was 4.547-times richer in 2004 than Slovakia. In 2013 Luxembourg reached 110,423 USD and Slovakia 17,706 USD. The difference compared to 2004 increased to 6.23 times. From this we can conclude that, at least between these two countries, not only there is no convergence but there is a slight divergence.

In order to achieve a bigger economic growth, it would be appropriate to focus national economic policy more on growth and export. Many measures that would lead to better results are, however, limited by our membership in the European Union.

Often criticized is the state of the Slovak agriculture and the food self-sufficiency of Slovakia in connection with EU membership. We must agree with the view that the agriculture in the so-called new Member States is discriminated against in comparison with the so-called old Member States. For comparison, we state the rate of food self-sufficiency in selected countries of the European Union: Germany (94%), Poland (85%), Czech Republic (72%), Hungary (71%), Slovakia (50%)²¹. Food self-sufficiency of Slovakia, however, recorded a downward trend before joining the European Union. In addition to the European Union – free movement of subsidized food from rich countries of the Union within the single market – we need to look for reasons for the fall also in the small general support for agriculture in Slovakia.

The views of the Eurosceptic party representative Richard Sulík, who became a member after the last elections to the European Parliament, on the European Union are sufficiently critical. He argues that the majority of Slovak citizens sobered up from the EU after the 10 years of our membership. The second critical remark is directed at the increase of officials in the European Union's institutions – an increased bureaucracy in Brussels, which often make unreasonable and inconsistent regulations, measures; for example the EU banned menthol cigarettes for health reasons, but subsidizes tobacco growers with millions of euros²².

In conclusion, the accession to the European Union was the wish of the majority of citizens of the Slovak Republic. After ten years of membership, Slovakia has achieved many positive results through its membership in the European Union. Many citizens and experts of Slovakia regard our membership in the EU more critically after a decade than before joining the Union. Nevertheless, a more optimal way for the further economic development of Slovakia than participation in integration processes does not currently exist.

18 http://www.euractiv.sk/verzia-pre-tlac/zoznam__liniek/volby-do-europskeho-parlamentu.

19 <http://www.cas.sk/clanok/272072/nelichotiva-sprava-o-uplatkarste-v-eu-v-rebricku-korupcie>.

20 <http://www.webnoviny.sk/ekonomika/clanok/820506-desat-dovodov-preco-je-slovensku-v-europskej-unii-lepsie/>.

21 www.polnoinfo.sk.

22 Sulík, R.: Desať rokov v Európskej únii, Hospodárske noviny 28.4.2014.