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# **A Slovak Perspective on European Integration**

*Vital, no longer politically restricted, relations between Slovakia and the European Union (EU) were established at the time when Slovakia was a part of the former Czechoslovakia and the Western European integration bloc held the name "European Community." The first agreement in the new post-socialist era was signed in 1990.*

## **Development of Relations with the EU**

The aim of this Trade and Cooperation Agreement was to promote mutual trade relations and overall economic cooperation. In 1991 the Europe Agreement that established a new nature of relations was signed. This agreement did not come into force, as the Czechoslovak Republic split. It was replaced by separate agreements, one for each: the Slovak Republic and the Czech Republic.

The Slovak agreement came into effect on 1 February 1995. We talk about the new quality of relations as political, cultural and financial cooperation were incorporated into the agreement, as well as the formulation of the overall aim of full Slovak membership in the EU.

A free trade area for industrial goods needed to be created during the transitional period of 10 years. As the Interim Agreement (which only involved articles on trade aspects of co-operation) came into force by 1 March 1992, the free trade area was successfully accomplished by 2002.

The Europe Agreement became an essential part of the Pre-Accession Strategy adopted by the European Council in Essen in December 1994. A Structured Dialogue and the PHARE Programme presented two additional pillars of this strategy.

Slovakia submitted her official application for EU membership at the Cannes Summit in June 1995. Subsequently, the European Commission published *Opinions on Application for Accession* for all 10 candidate countries that became a part of Agenda 2000 – the programme of the EU for the XXI<sup>st</sup> century.

Accordingly, they became crucial for the Luxembourg Summit decision in December 1997 on initiating the accession process with all candidates. However, candidate countries were streamlined into two groups. With the first group, including the Czech Republic, Hungary, Poland, Slovenia, Estonia and Cyprus, accession negotiations were initiated in March 1998.

Slovakia, together with Latvia, Lithuania, Romania and Bulgaria, created the second group where negotiations were conducted only at the ministerial level and were aimed at the approximation of legislation.

Initially, it was even intended to exclude Slovakia from the accession process due to a presumed lack of democracy. A Strengthened Pre-Accession Strategy for the second group of candidates was adopted that consisted of the Accession Partnership and strengthened financial assistance.

The Accession Partnership, the document dedicated individually to each country, defined short-term and mid-term priorities: areas of preparation for EU membership where strengthened efforts and attention should be concentrated.

These priorities corresponded with the membership criteria, the so-called Copenhagen Criteria, adopted by the European Council in 1993. The European Commission evaluated the progress made by each candidate in its regular reports published once a year.

Short-term priorities formulated for Slovakia in March 1998 covered political topics such as improvement of opposition participation in the controlling parliamentary committees; solving pending constitutional crises regarding the presidential election; ensuring democratic parliamentary and municipal elections in 1998; and adoption of legislation granting rights to minorities.

Economic priorities included reduction of internal and external economic imbalances; budget deficit reduction; restructuring of the financial and banking sectors; as well as adoption of an amendment to the Act on Bankruptcies. Finally, harmonisation of the internal market legislation needed to be promoted.

These priorities were upgraded in response to the Commission's evaluation. Institutions and capacity building, civil society functioning, regional development and sustainable development presented mid-term priorities for Slovakia.

Strengthened financial assistance directed to the priorities and defined by the Accession Partnership was provided through three instruments: PHARE (programme aimed at administrative capacity building and investments to areas not covered by other instruments), ISPA (funding of projects oriented towards transport infrastructure development and improvement of the environment), and SAPARD (funding of agriculture and regional development). An overview of the total amount of assistance directed to Slovakia is provided in Table 1.

Table 1.  
Assistance for Slovakia between 1993–2002 (mil. EUR)<sup>1</sup>

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Total
PHARE	39,5	40,5	47,5	2,2	39,0	73,4	97,63	78,82	80,5	79,8	568,9
ISPA								45,0	50,0	50,0	145,0
SAPARD								18,0	19,0	19,0	56,0

From the PHARE Programme a variety of projects were financed to support minorities, functioning of courts, migration control, small- and medium-sized enterprises, NGOs, bank privatisation and cross-border cooperation.

Thanks to the ISPA assistance, the motorway section D61 in Bratislava was constructed, three railway sections were modernised and more sewage tanks were constructed or reconstructed. Implementation of SAPARD in Slovakia was launched in 2002. In that year 13 per cent of disposable public expenditures of the years 2000 and 2001 were approved as assistance.

## Moves to Fulfil Membership Criteria

The Copenhagen Criteria specify conditions under which a country can become an EU member. They concern three sets of criteria: political, economic and legislative.

The political criteria stipulate that accession countries must have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

Economic criteria involve the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

<sup>1</sup> Delegation of the European Commission in the Slovak Republic, *PHARE, ISPA, SAPARD – From the Pre-accession Financial Aid towards Structural Funds in Slovakia*, 2003.

Finally, the ability to assume the obligations of membership – that is, the legal and institutional framework (*acquis*) is considered.

In its 1997 *Opinion on Slovakia's Application for EU Membership*, the Commission concluded that Slovakia had to face a number of problems regarding the fulfilment of political criteria.

“The government pays insufficient respect to the powers devolved by the Constitution to other bodies and too frequently disregards the rights of the opposition. A constant tension between the government and the president of the Republic is one example of this situation. The frequent refusal to involve the opposition in the operation of the institutions, particularly where a parliamentary scrutiny is concerned, underlines this trend.”<sup>2</sup>

Better guarantees of independence for the judicial system and satisfactory conditions for its operation, a more effective fight against corruption, and improvement in the treatment of minorities were also required.

As far as economic criteria were concerned, according to the Commission, Slovakia “should be able to cope with competitive pressure and market forces within the Union in the medium term, but this would require more transparent and market-based policies.”<sup>3</sup>

Finally, Slovakia was firmly committed to take on the *acquis* even if further progress was still required to ensure the effective application of the *acquis*. In 1999, the Commission's Regular Report concluded that thanks to the changes introduced since September 1998, Slovakia fulfilled the Copenhagen political criteria.

The independence of the judiciary had improved *de facto* but needed to be consolidated *de jure*. Continued efforts were still needed to sustain the stable functioning of democratic institutions, to step up the fight against crime and corruption and to protect minority rights. This report facilitated the way into the EU for Slovakia.

The invitation for Slovakia to accession negotiations was the result of the Helsinki European Council decision adopted in December 1999. According to the same decision, the differentiation between the first and the second group of candidates was eliminated. Progress in the accession process started to be dependent solely on the readiness of each candidate.

In its 2001 Regular Report, the Commission found that Slovakia had made considerable progress in deepening the stability of her institutions guaranteeing democracy, the rule of law, human

rights and respect for and protection of minorities. Significant progress was achieved with regard to the structure and functioning of the administration.

The legal framework for decentralisation of public administration and the civil service act was adopted. Important steps were pursued to strengthen independence of the judiciary. Corruption, however, remained a serious cause for concern. Moreover, it was important to improve efforts to fight against discrimination.

Slovakia as a functioning market economy “should be able to cope with the competitive pressure and market forces within the Union in the near term”<sup>4</sup> provided that it makes further efforts in fiscal consolidation and implementing a structural reform programme. The Commission found a good progress in the area of legislation harmonisation.

However, some problems persisted, e.g. the enforcement record in the field of state aid remained non-transparent. The 2002 Regular Report states that progress was achieved with regard to the structure and functioning of the administration, notably by setting up a Civil Service Office and building up decentralised, regional administrations.

The Commission, however, expressed concern regarding the proper functioning of self-administration. Some progress was noticed in the fight against corruption, which remained a cause for serious concern. Compliance with the economic criteria was formulated as follows: “The continuation of its current reform path should enable the Slovak Republic to cope with competitive pressure and market forces within the Union.”<sup>5</sup>

Improvements might be made with regard to both the current account and fiscal deficits (in particular in the health and pension area). The unemployment problem remained an important one to solve. The Commission considered that Slovakia would be able to assume the obligations of membership in accordance with the envisaged timeframe.

“In the period leading up to accession, Slovakia needs to continue its preparations, in line with the commitments it has made in the accession negotiations.”<sup>6</sup> The comprehensive Monitoring

4 Commission of the European Communities, *2001 Regular Report on Slovakia's Progress Towards Accession*. Brussels, 2001.

5 Commission of the European Communities, *2002 Regular Report on Slovakia's Progress Towards Accession*. Brussels, 2002.

6 *Ibid.*

2 Commission of the European Communities, *Agenda 2000 – Commission Opinion on Slovakia's Application for Membership of the European Union*. Brussels, 1997.

3 *Ibid.*

Report on Slovakia's preparations for membership reflects the situation at the end of September 2003.

Slovakia's macroeconomic performance was found as considerably improving, although some imbalances remained significant. The preparation of additional public expenditure reforms has gained a very strong momentum. The restrictive fiscal policy stance supports the narrowing of Slovakia's high current account deficit.

However, most of the necessary measures still need to be further specified. Additional vigorous efforts in improving the legal framework for a market economy area need to be pursued, too. As regards the overall administrative and judicial capacity, there is room for further improvements.

Further efforts are a necessity to reduce the duration of court proceedings in civil and commercial cases. As regards the implementation of the *acquis*, Slovakia "has reached a high level of alignment with the *acquis* in most policy areas."<sup>7</sup> However, Slovakia must "take immediate action to address four issues of serious concern in two chapters of the *acquis*."<sup>8</sup>

This includes the fulfilment of the conditions specified in the Accession Treaty for the transitional arrangement granted in the steel industry. It also concerns the field of agriculture, as regards Slovakia's preparations for setting up the Payment Agency, for implementing the Integrated Administration and Control System and for upgrading the agro-alimentary establishments in the area of public health protection.

## Negotiations for Accession

The EU started accession negotiations with Slovakia in February 2000 after the European Council in Helsinki decided so in December 1999. In comparison to the first group, Slovakia had a two-year delay. However, it declared its target to conclude negotiations by the end of 2002, so that it would be able to participate in the first wave of enlargement.

The negotiations were run by chapters in the framework of the Accession Conference. There were 31 chapters altogether, 29 of which were "real" (real negotiations took place), while Chapter 30 involved institutional questions and Chapter 31 summarised all remaining issues that occurred during negotiations.

<sup>7</sup> Commission of the European Communities, *Comprehensive Monitoring Report on Slovakia's Preparations for Membership*. Brussels, 2003.

<sup>8</sup> *Ibid.*

Table 2. Course of the Accession Negotiations between Slovakia and the EU<sup>9</sup>

Chapter	Opened	Closed
6 Competition Policy	25.5.2000	24.10.2002
12 Statistics	25.5.2000	25.5.2000
16 Small and Medium-sized Enterprises	25.5.2000	25.5.2000
17 Science and Research	25.5.2000	25.5.2000
18 Education and Training	25.5.2000	25.5.2000
20 Culture and Audio Visual Policy	25.5.2000	24.11.2000
26 External Relations	25.5.2000	25.5.2000
27 Common Foreign and Security Policy	25.5.2000	25.5.2000
8 Fisheries	24.10.2000	24.10.2000
15 Industrial Policy	24.10.2000	24.10.2000
23 Consumers and Health Protection	24.10.2000	24.10.2000
25 Customs Union	24.10.2000	12.6.2001
4 Free Movement of Capital	24.11.2000	27.6.2001
3 Free Movement of Services	21.11.2000	17.5.2000
9 Transport Policy	21.11.2000	22.4.2002
19 Telecommunication and Information Technologies	21.11.2000	17.5.2001
1 Free Movement of Goods	30.3.2001	30.3.2001
5 Company Law	30.3.2001	17.5.2001
11 Economic and Monetary Union	30.3.2001	30.3.2001
Social Policy and Employment	30.3.2001	17.5.2001
21 Regional Policy	30.3.2001	29.7.2001
22 Environment	30.3.2001	11.12.2001
29 Financial and Budgetary Provisions	30.3.2001	13.12.2002
14 Energy	17.5.2001	26.10.2001
2 Free Movement of Persons	12.6.2001	27.6.2001
7 Agriculture	30.3.2001	21.3.2002
10 Taxation	30.3.2001	13.12.2002
28 Financial Control	30.3.2001	13.12.2002
24 Cooperation in the Fields of Justice and Home Affairs	27.6.2001	11.6.2002

<sup>9</sup> Intergovernmental Conference on the Slovak Accession in the EU. [www.foreign.gov.sk](http://www.foreign.gov.sk)

The decision on the number of chapters to be opened first was taken in March 2000. Subsequently, the chief negotiator for Slovakia submitted the Slovak positions on eight chapters. Negotiations in six of them were provisionally closed by July 2000.

A year later, negotiations were already opened in all chapters and provisionally closed in nineteen of them. The goal to catch up with the first group of candidates was met as a result of a strong effort on both sides and the readiness to make compromises.

The European Council in Copenhagen concluded accession negotiations with ten candidate countries in December 2002. The ratification process was launched. The European Parliament approved the EU enlargement on 9 April 2003. The Accession Treaty was signed in Athens on 16 April 2003.

Important for the treaty ratification in Slovakia was the positive outcome of the referendum that took place in May 2003. In this referendum, Slovak citizens supported the EU accession by 92 per cent of votes. However, it is crucial to mention that only 52 per cent of citizens participated in the rather complicated referendum.

The Slovak parliament approved the treaty on 1 July 2003. Subsequently, ratification followed in all current EU members in the second half of 2003. The successful ratification was followed by full Slovak membership in the European Union as of 1 May 2004.

## Post-accession Freedoms

In the Accession Treaty all the conditions of EU membership are set forth. They are formulated in accordance with the outcome of the accession negotiations. In the following part we concentrate only on one particular topic: the effects of joining the EU internal market in terms of introducing four freedoms: free movement of goods, services, capital and persons.

### A. Better Access to the European Market: Free Movement of Goods

In 1992 the European Single Market has been officially completed. Free movement of goods belongs to one of the four main freedoms. It includes abolishment of physical, technical and fiscal trade barriers. Physical barriers represent customs controls at the borders. Eliminating these controls is connected with significant savings on transport and administrative costs.

As far as technical barriers are concerned these are eliminated by harmonising national standards or setting minimum standards

and by adoption of the mutual recognition principle. Fiscal barriers are the result of different indirect taxes (value added tax, tax on alcohol, cigarettes and tobacco). Minimum tax rates have been agreed for the EU member states.

Abolishment of trade barriers is crucial for Slovak–EU trade. Signing of the Europe Agreement (the so-called Association Agreement) was the first step done at the beginning of the '90s. Articles on trade included creation of a free trade area for industrial goods during a transitional period of ten years.

During this period, the EU has become the most important trading partner for Slovakia. Whereas at the beginning of transition it accounted only for about 30 per cent of Slovak foreign trade, its share increased to almost 60 per cent in 2001. Together with other Central and Eastern European countries (who are also candidates to join the EU in the first round of enlargement), the EU market absorbs almost 90 per cent of Slovak export.

Ongoing trade liberalisation would decrease the costs for Slovak producers (administrative and transport costs, certification costs and unit costs of production) and improve access to the European market. This is true mainly in the case of agricultural products, food, beverages and steel, because trade barriers for these products remain relatively high on the side of the EU.

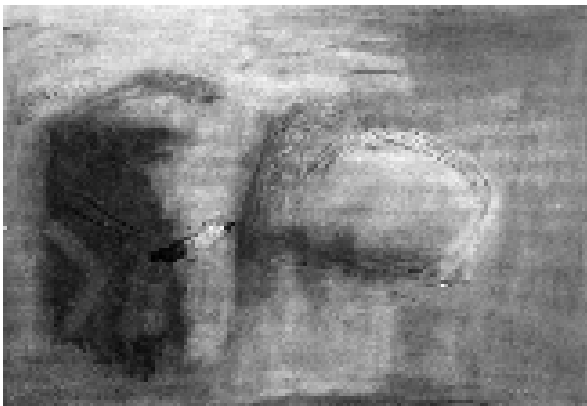
Another advantage of joining the European Single Market would be the larger assortment of goods available to consumers at better prices. EU membership brings the adoption of the Common Commercial Policy (CCP) by the Slovak Republic.

As a result, Slovakia introduces common tariffs on imports from third countries as well as non-tariff measures on, e.g., imports of agricultural products or textiles; and it delegates its competencies regarding anti-dumping or safeguard measures. With respect to the current trade relations of Slovakia, we do not expect the CCP to create serious difficulties for the country.

### B. Free Movement of Services

The free movement of services as one of the four basic internal market freedoms involves the right to start and conduct business in all EU member states as well as the right to provide services from the country of origin.

Austria and Germany, fearing undue competition of cheaper service providers from Slovakia, tried to negotiate a transitional period for the free movement of services. As a result, both parties will



be able to put into effect national measures during the transitional period for the free movement of people.

These measures will be aimed mainly at construction, cleaning and security services. Moreover, Slovakia will not be applying compensation schemes for investors for a period of three years after EU accession. Currently, the protection of investors' property (up to 20.000 EUR) with regard to the amount of trade in stocks stipulated by law is too high for Slovakia.

### C. Free Movement of Capital

Slovakia had to accept more compromises when conducting negotiations concerning the free movement of capital. Besides an unlimited flow of finances, this freedom involves also the freedom to invest that means, among other things, to acquire movable and immovable property abroad.

Slovakia feared considerable price increase of real estate and subsequently a serious social impingement when adopting this part of the EU legislation immediately upon EU accession. Initially it requested a five-year transitional period for acquiring land and buildings as a secondary residence and ten years for agricultural land and forestland in Slovakia.

In order to set the negotiations ahead, the Slovak government

decided to give up the first request mentioned above and to modify the second request to seven years with a possibility to prolong it by another three years if necessary. This will not apply to self-employed farmers.

They will be allowed to buy land three years after they settle in Slovakia and actively start to do business in agriculture. The agreement on the part of the EU on this issue is negotiable during the transitional period in the area of free movement of goods.

### D. Free Movement of Persons

The free movement of persons is the last freedom within the Single Market. In 1992 the free movement of persons in the EU was extended also to students and pensioners so that everybody can live and work in each EU member state. The border controls have been dismantled; there are no limits as far as purchases for personal use are concerned (except for some special goods). The right of equal treatment and mutual recognition of qualification are ensured.

For Slovak citizens, the opening up of the EU labour market would make possible finding a better-paid job or gaining new skills and experiences. After the accession, however, this freedom will be restricted for several years: the transition period is maximum seven years, and the present EU member states can decide on it individually.

The free movement of labour does not only have advantages. In the case of Slovakia, it is likely that qualified people will leave the country, as they can speak foreign languages and in the EU there is a high demand for them.

We will lose the money invested in their education, as well as their skills and potential. On the other hand, it will not solve the problem of unemployment in Slovakia, because most unemployed people are not willing or able to take over jobs offered in the EU.

Slovak membership in the EU brings positive economic effects; some negative effects and disadvantages, however, appear as well. Slovakia as a small nation is not able to stay outside the EU integration process as it depends heavily on the EU market.

The integration into the EU brings many advantages and challenges. It is necessary, however, to give up some present advantages so that it might receive more important and bigger ones in the future.

**Suggested Reading**

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