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Slovakia proposes new rules of participation in the eurozone stabilising mechanism

On 23rd February Deputy Prime Minister and Minister of Finances Ivan Mikloš presented the Slovakian stance on the Franco-German Competitiveness Pact and the plan of appointing the European Stabilisation Mechanism (ESM). The centre-right government agrees to most points of the Franco-German pact. Slovakia's priority is an attempt to force through a new way of calculating credit guarantees given by particular countries to the ESM.

The role of the European Stabilisation Mechanism is to grant credits to those eurozone members that face bankruptcy. Slovakia wants the shares of particular eurozone members in guarantees handed over to the ESM to account for the strength of their economies (including GDP level, public debt, and the development degree of the financial sector). In the present mechanism – the European Financial Stability Fund, which is to be replaced by the ESM in the middle of 2013, shares in guarantees correspond to the amount of reserves particular countries have in the European Central Bank, which in turn are half dependent on the population of particular countries. According to Slovakia, the new way of calculating guarantees within the ESM would be fairer and more beneficial to the eurozone's poorest members. The Slovakian proposal is backed by Slovenia and Estonia.

The Slovakian government took a flexible stance on the Franco-German Competitiveness Pact. Nevertheless the proposal to standardise the enterprise income tax base still raises objections from Slovakia. Such proposals are traditionally seen by the Slovakian right as a threat to the competitiveness of the Slovakian economy and an introduction to tax harmonisation. It must be assumed though that at present the issue of guarantee calculation mechanisms within the ESM is more important to the Slovakian government, and when it comes to CIT base standardisation, Slovakia will be more willing to concede. <grosz>