

Slovakia will not contribute to the loan for Greece

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On 11 August the Slovak parliament rejected the agreement by which the former left-wing government had committed itself to lending EUR 816 million to crisis-struck Greece within the framework of the aid package of the European Union and the International Monetary Fund (IMF). The decision of the MPs, which is in line with the position held by the new centre-right government, provoked criticism from the European Commission (EC) and concern from representatives of eurozone countries. Slovakia was accused of breaking the principle of solidarity and failing to keep its commitments. Formally Slovakia does not face any sanctions but its decision may weaken the country's position in the EU. The aversion of EU leaders to Slovakia will most likely be temporary as the Slovak approach to the reform of the eurozone has some supporters, too.

The vote in the Slovak National Council went according to the recommendations of the centre-right government of Iveta Radicova that has consistently criticised the methods of fighting the financial crisis adopted in the EU. Shortly after the new government was sworn in at the beginning of July, Slovakia's prime minister made an unsuccessful attempt to renegotiate the commitments made in the Council of the EU by the former government of Robert Fico. Eventually, the government of Radicova agreed to support the establishment of the European Financial Stability Facility (EFSF) which is set to secure the financial liquidity of the eurozone countries. Under the EFSF, Slovakia agreed to grant guarantees that amount to EUR 4.5 billion.

The centre-right government however maintained its opposition to the three-year loan to Greece of EUR 816 million (equivalent to 1.3% of Slovakia's GDP from 2009). It argued that Slovakia as the poorest member country of the eurozone had made painful reforms without running into excessive debts and should not lend money to Greece which is much richer. The government could not be sure that the loan for Greece would be blocked in parliament as both the opposition left-wing party Smer-SD and the coalition Christian-Democratic Movement (KDH) were against the government's position. However, the loan was backed only by two KDH MPs and Smer-SD unexpectedly abstained from the vote, arguing that they did not have sufficient information about Greece's financial situation.

Slovakia pilloried

The rejection of the loan for Greece by Slovakia was severely criticised by the EC. Olli Rehn European Commissioner for Economic and Monetary Policy accused Slovakia of a "lack of solidarity" and his spokesperson announced vague "political sanctions". The spokesperson

for the German government also expressed criticism. Representatives of the European People's Party (EPP), whose members are two out of the four Slovak coalition parties – the Slovak Democratic-Christian Union (SDKU-DS) of Prime Minister Iveta Radicova and KDH, are pushing Slovakia for a change in its position. French MEPs from the EPP who represent the EU for the cause of Nicolas Sarkozy's Union for a Popular Movement announced they would send a special mission to Bratislava with the aim of persuading the Slovak authorities to change their mind. Angela Merkel will be talking with Iveta Radicova about Slovakia's opposition to the loan for Greece during her visit to Berlin on 25 August.

Slovak leaders are declaring that their position is irrevocable. Prime Minister Iveta Radicova has firmly rejected the criticism from the EU and emphasised that the final decision on the loan was made by the democratically elected parliament. According to Slovak leaders, the culprits for the situation in Greece are not only Greek politicians but also the EC and Eurostat which responded too late to Greece's disastrous financial situation. In the opinion of the Slovak Finance Minister Ivan Miklos, the harsh criticism of Slovakia being made by EU politicians results from the fact that Slovaks were able to demonstrate that crisis measures were inadequate and unfair. Miklos argues that there is no reason for Slovakia to bear a disproportionately large burden due to the financial aid for Greece (see Appendix) while the aid mechanism does not require payment from the banks that have been making money thanks to Greece's debts.

The EU is not formally able to impose sanctions on Slovakia. It should however be expected that relations between Bratislava and the EC will be cooler and Slovakia will be criticised in the Council of the EU. It is also likely that Slovakia will see the consequences of its decision during the appointments for positions in the EU administration or in the country's efforts to ensure the location of the headquarters of one of the EU agencies in Slovakia. Furthermore, Slovakia's credibility as a country which uses the argument of solidarity was compromised. Taken in this perspective, Slovakia's vote may be less important during negotiations for the new EU financial outline for 2014-2020.

Consequences for the eurozone

Slovakia's withdrawal from the loan does not threaten the EUR 110 billion aid package for Greece. The contribution to the loan planned for Slovakia will probably be spread across other eurozone member countries. Slovakia's decision however affects the political cohesion of the eurozone. This issue will be discussed at the September meeting of EU finance ministers.

The question of aid for Greece remains a controversial topic also in the remaining member countries of the eurozone. It cannot therefore be ruled out that Slovakia's position, although criticised by the EC and EU leaders, will be met with tacit support from these circles in the EU that are arguing for stricter treatment of eurozone countries which exceed the limits of macroeconomic indicators. Slovakia is one of the few countries that openly support the tougher rules of the Stability and Growth Pact, the introduction of concrete sanctions for exceeding the limits and the establishment of a mechanism of controlled bankruptcy for the eurozone member countries proposed by the German government.

Appendix

A comparison of the initially planned contribution for eurozone countries to the Greek loan *

Country	Greek loan against GDP (in current prices) in 2009	Contribution to the Greek loan
Slovakia	1.29%	150.77 EUR
Portugal	1.26%	193.84 EUR
Malta	1.23%	169.24 EUR
Slovenia	1.1%	191.89 EUR
Italy	0.97%	245.48 EUR
Cyprus	0.94%	200.78 EUR
Spain	0.93%	213.62 EUR
Germany	0.93%	272.31 EUR
France	0.87%	260.54 EUR
Finland	0.87%	277.87 EUR
Belgium	0.85%	266.05 EUR
Austria	0.84%	274.08 EUR
Netherlands	0.82%	285.09 EUR
Ireland	0.8%	294.38 EUR
Luxembourg	0.57%	425.53 EUR

Source: author's calculations based on the data provided by Eurostat and the IMF

* The amount of contributions made by each country has been calculated on the basis of the volume of its reserves in the European Central Bank.