

The new Slovakian government wants to co-decide on the future of the eurozone

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The Slovakian centre-right government, formed on 9 July, at the onset of its operation made strenuous yet unsuccessful efforts to change the rules of functioning for the European Financial Stability Facility (EFSF) and the conditions on which the loan would be granted to Greece. Prime Minister Iveta Radicova and Minister of Finance Ivan Miklos almost immediately upon having been nominated set off for Brussels (12–13 July) where they held talks with the president of the European Council, the president of the European Commission and eurozone finance ministers. They were trying to convince their interlocutors that the EU has adopted the wrong methods for overcoming the financial crisis, which imposed overly heavy burdens on Slovakia, the eurozone's poorest member state.

Since no concessions were obtained from the EU leaders, the new Slovakian government finally accepted the establishment of the stability facility while sustaining its objection against the loan to Greece. Nevertheless, the Slovakian parliament is very likely to accept both projects by the votes of the opposition and part of the coalition members. However, further attempts from the Slovakian government to push through liberal solutions in the EU's financial reforms should be expected in the future.

The liberal reformers' government

The cabinet led by Iveta Radicova consists of the coalition of the Slovak Democratic and Christian Union – Democratic Party (SDKU-DS), the liberal party Freedom and Solidarity (SaS), the Christian Democratic Movement (KDH) and the party Most-Hid related to the Hungarian minority. Apart from Prime Minister Radicova, the strongest positions in the new government have been taken by the economists who were the authors of the liberal reforms carried out in Slovakia in 1998–2006. Mikulas Dzurinda, the then prime minister and present president of the SDKU-DS, has been nominated foreign minister, and his close associate Ivan Miklos will hold again the post of deputy prime minister and minister of finance.

Presumably, former advisors to Minister Miklos, namely Minister of Education Eugen Jurzyca and the parliamentary speaker and leader of SaS Richard Sulik, will have a strong influence on the government's economic policy. The new government's priorities are focused on economic issues. The cabinet wants to increase budget earnings by simplifying the system of public levies. This way it wants to reduce the public deficit to 3% of GDP by 2013. According to Minister Miklos, the deficit this year will reach 7% of GDP, which is 1.5 percentage points higher than forecasted by the preceding cabinet. Other challenges the new governments wants to face are: the problem of unemployment, the rate of which has

exceeded 15%, and the reduction of public debt, which increased by 7 percentage points over one year to reach the level of 35.7% of GDP in 2009.

The criticism of EU solutions

Economic growth in Western European countries and the value of the euro are the key factors necessary for the improvement of the economic situation in Slovakia, which is the most heavily dependent of all EU member states on exports. Slovakia, which adopted the common European currency at the beginning of 2009, has been included in both the loan to Greece project and the establishment of the European Financial Stability Facility (EFSF). The two projects were consulted and accepted this May by Robert Fico's left-wing cabinet and at the same time were strongly criticised by SDKU-DS and SaS, who are now members of the new government coalition.

Leaders of those parties have consistently been emphasising that aid to Greece worth 816 million euros (1.3% of GDP in 2009), would require Slovakia to take a loan for that purpose, while much wealthier countries are to offer relatively lower amounts (for example, Luxembourg will offer an amount equivalent to 0.6% of its GDP).

Representatives of the Slovakian government also emphasise that Slovakia, which is much poorer than Greece, before the entry to the eurozone carried out a number of costly social reforms, the necessity of which has been ignored by the Greek government so far. The Slovakian minister of finance also blames the European Commission and the Eurostat and European banks for Greece's problems, since, in his opinion, they failed to react early enough to first signs of the Greek financial crisis.

Despite the final consent to the establishment of the European Financial Stability Facility, the Slovakian government is still very critical of the project's objectives. The EFSF, which is designed to help restore financial liquidity to more eurozone member states which have plunged into crisis, if necessary, will issue bonds guaranteed *inter alia* by eurozone member states. The guarantees granted by Slovakia are relatively high and will reach nearly 4.5 billion euros, the equivalent of 7.1% of GDP in 2009 (as a comparison, the guarantees granted by Luxembourg account for 3% of that country's GDP). The launch of EFSF aid to a country at risk will each time require consent from all eurozone member states, which will offer another opportunity for Slovakia to lay down the conditions it is pushing through at present, for example the imposition of stricter sanctions on those eurozone member states which fail to meet the limits set for macroeconomic indicators and the establishment of the controlled bankruptcy procedure.

Slovakian policy prospects in the eurozone

This strong objection presented by the new Slovakian government against the methods adopted by the eurozone for overcoming the financial crisis met with definite resistance from EU leaders, who ruled out any possibility of modifying the obligations accepted by the previous cabinet. Being aware of those limitations, the new Slovakian government decided to support the establishment of the EFSF, however with the reservation that it would insist on launching the facility only in extreme cases. It also sustained its demonstrative objection

against the loan to Greece, being however aware of the strong likelihood that support for this project by the left-wing opposition (Smer-SD and SNS) and the coalition member KDH will prevent Slovakia's exclusion from this project.

This has allowed the government to maintain the image of a tough defender of national interests, who accuses its predecessors of a lack of negotiating skills, and at the same time to prove that Slovakia is fulfilling its previous obligations. However, Iveta Radicova's cabinet is likely to take more active efforts to influence the eurozone's policy in the future. Given the similarity of some concepts for reform of the eurozone (for example, controlled bankruptcy of a state), Slovakia's policy is likely to be conducive to the implementation of German projects. Since the elections in Slovakia, Germany has gained an ally who also insists on the eurozone adopting more restrictive solutions in the spirit of liberalism.