Analyses OSW

CENTRE FOR EASTERN STUDIES 12.05.2010 www.osw.waw.pl

# Slovakia and Slovenia chip in to help Greece

On 8 May, the eurozone member states granted Greece a three-year loan of 80 billion euros aimed at stabilising the country's public finances. This decision has raised strong controversies in new members of the euro group, Slovakia and Slovenia, whose governments agreed to offer respectively 820 million euros and 390 million euros as help for Greece.

To be able to finance the aid package, the two countries, which are among the poorest in the eurozone, will have to take loans on financial markets, for example by issuing bonds and revising their budgets for this year. This will affect their macroeconomic indices and may increase the costs of foreign debt service.

Both Slovakia and Slovenia carried out socially painful reforms of public finances before their entry to the eurozone. As a consequence of the global economic crisis, GDP in both countries fell significantly (by 7.8% in Slovenia and 4.7% in Slovakia), and the eurozone requirement of keeping a low budget deficit resulted in limitations in the stimulation package and significant budget cuts in Slovenia.

Aid for Greece has raised protests from opposition parties and the general public in both countries although the governments are arguing that the rescue package for Athens will enable the improvement of the reliability of the euro and thus help the two countries' economies, which rely on exports. The final decision on whether to grant the aid will be taken after the parliamentary elections in Slovakia and the Slovenian referendum on the dispute with Croatia, scheduled for June this year.

The governments of the two countries have little say in determining the conditions on which the aid will be offered to Greece. Nevertheless, they are trying to influence the shape of the eurozone after the Greek crisis by taking an active part in the debate on its reform. Bratislava wants a control system to be established and sanctions imposed on member states, while Ljubljana wants to introduce an option of expelling a member state from the eurozone, in situations where the rules are broken. <grosz, MarSz>