

#### **4. ECONOMIC AND SOCIAL COMMITTEE**

**Opinion of 9 September 1998 of the Economic and Social Committee on "Slovakia in the context of reinforcement of the pre-accession strategy". CES 1162-1998**

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(CES 1162-1998)

Meeting in plenary session on 29 January 1998, the Economic and Social Committee, acting under the third paragraph of Rule 23 of its Rules of Procedure, decided to draw up an opinion on:

*Slovakia in the context of reinforcement of the pre-accession strategy.*

The Section for External Relations, Trade and Development Policy, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 23 July 1998. The rapporteur was **Mr Henri Malosse**.

At its 357<sup>th</sup> plenary session (meeting of 9 September 1998), the Economic and Social Committee adopted the following opinion by 112 votes in favour with one abstention.

### **I. Introduction**

A. *"The European Council meeting in Luxembourg on 12 and 13 December 1997 marks a moment of historic significance for the future of the Union and of Europe as a whole. With the launch of the enlargement process we see the dawn of a new era, finally putting an end to the divisions of the past. Extending the European integration model to encompass the whole of the continent is a pledge of future stability and prosperity."* (Extract from the presidency conclusions of the Luxembourg European Council of 12 and 13 December 1997 on enlargement of the European Union to include the central and eastern European countries).

**A. The Luxembourg European Council of 12 and 13 December 1997 defined a method for this historic enlargement process, which can be summed up under four headings:**

1. An annual conference of the Fifteen and all the applicant countries as a forum for cooperation on foreign and security policy, justice and internal matters, and as a forum for economic and regional cooperation (**the first conference was held in London on 12 March 1998**).

1. A reinforced pre-accession strategy for the ten applicant countries of eastern and central Europe (including Slovakia) and for Cyprus. This is based both on the existing instruments - the Europe agreements, the Phare programme and the White Paper on the single market - and on a new instrument: **partnership for accession**.

1. Negotiations proper were opened on 30 March 1998 with the Czech Republic, Poland, Hungary, Estonia and Slovenia, but **not with Slovakia**.

1. The arrangements for assessing the state of progress made in taking on the Community "acquis" and complying with the criteria of the Copenhagen Council - known as "screening" - to which all ten central and eastern European applicant countries and Cyprus are subject. It is not yet clear whether this process will be the same, in terms of arrangements and timetable, for the countries admitted to

negotiations from 30 March and for countries **such as Slovakia** for which, in the terms used by the Luxembourg Council of 12 and 13 December, it is a matter of "**preparation for accession**". In the longer term this exercise will make possible regular reports on the implementation of the partnership for accession and on the progress made by the applicant country. **The exercise will be particularly important for a country such as Slovakia, as it is similar to a "qualifying test", which if successful would definitively open the door to the process of accession negotiations.**

#### A. Partnerships for accession

These comprise two elements: a framework regulation adopted unanimously by the Council, laying down basic principles; and Council decisions (adopted by a qualified majority) for each of the central and eastern European applicant countries. Each partnership decision comprises:

1. Intermediate objectives, intended to help each country to prepare for its accession in a framework of economic and social convergence, to draw up its national programme for incorporating the Community "acquis" and to prepare a realistic implementation timetable.

1. Technical and financial assistance priorities (Phare programme, Taiex assistance office) in the form of financial planning.

1. Affirmation of the principle that aid is conditional on respect for the commitments enshrined in the Europe agreements, and on progress made.

A. It should be noted that it is the Council and not the Commission which defines the priorities of the partnership. Only financial planning remains the responsibility of the Commission, assisted by a management committee composed of representatives of the Member States.

A. The partnerships for accession are subject to consultation with each applicant state, which must present the national programme for adoption of the Community "acquis" (legislative and regulatory measures, institutional and administrative reforms, human and financial resources involved) in the context of "screening".

Other assessment instruments will be introduced, such as: joint assessment of economic policy priorities, a pact against organized crime, and the "roadmap of the internal market" devised in 1997 by **Commissioner Monti** to assist applicant countries in taking on the Community "acquis".

#### I. The pre-accession strategy applied to Slovakia

A. Slovakia, a country of 5.3 million inhabitants, is the youngest of the states applying for accession. The Slovak people had long been under Hungarian domination (directly, then as part of the Austro-Hungarian Empire) before combining with Bohemia and Moravia to form Czechoslovakia after the First World War. This union did not survive the so-called "velvet revolution" of November 1989, when communist rule crumbled, partly under pressure from the crowds in Prague and Bratislava. It was on a basis of mutual consent that the two federated republics decided to dissolve the federation and set up two independent states on 1 January 1993. Thus the Slovaks saw the dream of a nation-state realized in a democratic context for the first time in their history. It was clear that the Czechs were not too concerned about separating themselves from a partner which was economically much less developed. Indeed, the two peoples, despite a common Slav origin, are separated by many factors: history, religion and different geographical environment. Slovakia borders on Ukraine to the east, and its longest frontier is the southern

one with Hungary, of which it was a dependency for centuries. Moreover, in the history of the Czechoslovak state it was often the Czechs - more numerous, better educated and economically richer - who were dominant politically, administratively and otherwise, over a Slovakia which was far from Prague and more rural.

A. In choosing Slovakia as a subject for this own-initiative opinion, the Committee wishes to study an accession strategy for a country which, in its opinion on enlargement, the European Commission did not regard as capable at present of beginning negotiations on the basis of the criteria laid down at the Copenhagen Summit. It is the only country for which this judgement was made on the basis of a negative assessment of the political criteria. The Commission took the view that the operation of Slovak institutions was not satisfactory as regards opposition rights, respect for the constitution, balance of powers, organization of elections and independence of the judiciary. It also commented on rights of national minorities - particularly the Hungarian minority (10% of the population) - and of gypsies.

A. However, it is significant that the European Commission acknowledged that Slovakia was in a very satisfactory position with regard to economic reforms and taking on the Community "acquis"; had there not been the obstacle of the political criteria, this would certainly have allowed it to be included in the group of five plus one admitted to negotiations. The European Commission took the view that Slovakia should be in a position to cope in the medium term with the competitive pressure and market forces of the EU. It also expressed satisfaction that Slovakia was determinedly committed to taking on the Community "acquis".

A. A rapid examination of economic performance and reforms reveals extremely respectable results, especially bearing in mind that Slovakia was lagging behind the Czech Republic, and the effects which the separation could have had. Particularly interesting are the figures on the privatization process (at the end of 1997 the private sector represented 82.6% of the GDP and 73% of industry), growth (6.5% in 1997) and the fact that the country has not suffered catastrophic inflation, which could have had disastrous social effects on the most disadvantaged population groups (inflation was 6.4% in 1997). EU exports to Slovakia have been increasing by nearly 50% per year since 1993, very largely to the benefit of the EU whose trade surplus has increased tenfold in three years. The European Union has very quickly become Slovakia's main partner (39% of trade in 1996).

A. It is noteworthy, however, that a number of parameters are less encouraging, showing negative trends which are sometimes alarming, such as the trade deficit (of the order of 25% in 1997) which is not decreasing despite temporary protectionist measures (it has been rising in the early months of 1998), the rise in the external debt (11 billion dollars at the end of 1997), the insolvency of many industrial enterprises, the continuing high level of unemployment - around 12% of the workforce - and finally the growing internal budgetary imbalances (state deficit, social insurance system deficit etc.). Also of note - and probably the result of political uncertainties and economic practices - is the very low rate of inward investment (0.8% of GDP) - much lower than that of Poland or the Czech Republic which absorb most of the foreign investment in central and eastern Europe (90% of such investment in 1995). Moreover, a number of texts governing economic life (law on prices, law on economic revitalization, bankruptcy law) are debatable, difficult to apply, or do not allow market laws to function properly. The independence and stability of certain institutions, such as the central bank, the statistical office and the anti-monopoly office, are not yet fully guaranteed. Privatizations have been marked by a lack of transparency. The financial sector still shows a large number of dysfunctional aspects: transparency, competition, volume of financial institutions' portfolios, malfunctioning of the capital market, etc. There is still a need for a real restructuring of the banking sector - essential to create the necessary conditions of stability and predictability.

A. The tripartite social dialogue has been blocked at national level for more than a year. The country's main trade union organization refuses to take part in it since the government took economic and social measures without consulting the social partners. The government is even attempting to bypass the most representative organizations by organizing a multipartite dialogue without them. On the regionalization front, recent years have also been marked by a tendency to maintain or strengthen the power of the central administration, particularly in budgetary terms, at the expense of local and regional elected representatives. A real democratization of institutions at local and regional levels has yet to occur.

A. The Committee has also noted that the conditions have not been met for encouraging the development of small and medium sized enterprises which, particularly in a process of transition to a market economy, play an essential role in creating jobs which compensate for the dismantling of the large state-owned groups. The pressure group of large enterprises is very strong and very influential, but this is not the case for the SMEs. The new funds to assist enterprises mainly benefit the large groups, which also have privileged access to credit, while the interest rates for SMEs are prohibitive.

A. In an uncertain political climate, the economic and social prospects now look less favourable. It is necessary to remove a number of uncertainties to ensure continuing growth, economic and social cohesion and the success of the pre-accession strategy.

#### I. **The partnership for the accession of Slovakia**

The Council decision lays down short-term objectives (up to the end of 1998) and medium-term objectives (no date stipulated).

A. For the short term, the partnership concentrates in particular on the following points which the Economic and Social Committee regards as significant:

- **Political criteria:** the holding of national and local elections, respect for opposition rights, and provisions on the minority languages;
- **Economic criteria:** overcoming internal and external imbalances, and removal of monopolies, particularly in the energy sector, reform of the banking sector;
- **Strengthening of institutional and administrative capacity:** adoption of legislation in the fields of the civil service and the environment;
- **Single market:** public procurement, legislation on state aids, harmonization in the veterinary and plant health sectors;
- **Justice and internal policy:** combating corruption and crime.

A. For the medium term, the partnership covers a very large number of points, with very special attention given to the stability of democratic institutions. The Committee would pick out the following:

- the independence of the judicial system, support for NGOs and the independence of the media;
- strengthening the institutional structures for regional development;

- taking on the Community "acquis" of the single market in fields such as intellectual property, data protection or the audiovisual sector;
- the ongoing reform of the judicial system and police forces;
- strengthening the authorities which control the nuclear safety sector, completion of the Mochovce nuclear power station according to international safety standards;
- the transport sector;
- the environment.

A. The funds allocated to Slovakia under the Phare programme for the period 1995-1997 were ECU 95 million. From 1998 onwards, Slovakia will benefit from the adjustment facility provided for countries which are not included in the first set of negotiations. The European Commission's projections envisage a total of ECU 145 million for the 1998-1999 period (Phare + adjustment facility). Slovakia can also take advantage of the EIB's guaranteed loan facilities and, under the Phare fund, of various EU internal programmes (Leonardo, programme for SMEs, 5th framework programme for research and development). From 2000 onwards, Slovakia can also benefit from the agricultural aid instrument and the structural instrument for environment and infrastructure (ISPA) of the cohesion fund type.

#### I. **Initial general comments on the pre-accession strategy**

A. The Economic and Social Committee is very keen to involve economic and social interest groups in the process of enlargement (see the Opinion on "Enlargement of the European Union", CES1197/97, for which **Mr Masucci** was rapporteur, and the Opinion on the "Reinforced pre-accession strategy", - CES 456/98 - rapporteur **Mr Hamro-Drotz**). It notes that the very complicated arrangements drawn up by the Council do not involve the economic and social partners in the EU and the applicant countries. The Committee recommends that this be remedied.

A. In general terms the Committee is worried about the impact on citizens, in the applicant countries as in the EU countries, of an arrangement which is so complicated and so lacking in transparency. It therefore calls for a simplification of procedures and an authentic strategy for communicating with and explaining to citizens, using the media and the socio-economic organizations - natural opinion transmitters.

A. The Committee regrets that the partnerships for accession scarcely touch upon very important aspects such as the Citizens' Europe, policies in favour of small and medium-sized enterprises, research and development policy, common external trade policy and the CFSP. Accession is a long-term process, with significant effects on economic and social operators and on citizens in general.

A. The Committee suggests that the partnerships should include an instrument for economic and social assessment of the pre-accession strategy. Such an instrument must be capable of operating independently of the national governments and of the European Commission. One possibility would be to set up an observatory on the economic and social impact of the pre-accession strategy. It could be organized in the form of a network of independent teams, working in each applicant country and closely linked with the economic and social partners. This observatory should also have the task of presenting independent opinions on the preparation of legal measures to adapt legal systems to the Community

*acquis*. The ESC could give the necessary stimulus for the establishment of these observatories, and act as their staging-post with the economic and social interest groups and institutions in the European Union.

### **I. Results of the hearing of economic and social organizations and bodies representing civil society, organized by the ESC**

On 8 and 9 June 1998 the ESC study group held a hearing in Bratislava involving the country's most important socio-economic organizations (*Appendix 2*). A questionnaire had been sent to the organizations beforehand (*Appendix 1*). This event, organized thanks to the support of the Commission delegation, made it possible to reach the following conclusions:

A. Most of the organizations stress the difficulties in obtaining access to information on relations with the European Union, caused by the attitude of the government. However, these organizations have been able to establish excellent relations with their counterparts in the European Union and have joined European structures (ETUC, UNICE, Eurochambres, COPA, etc.); this gives them access to information on the European Union and to European cooperation programmes. Because of the authorities' closed attitude, the various organizations perceive the information and support of the European institutions and of the Commission delegation in Bratislava as essential to enable them to follow the progress of the pre-accession strategy. In this context, a number of organizations expressed a wish for more constant and more active support on the part of the delegation.

A. The need for objective, independent analyses of the economic and social consequences of the integration process is widely felt, particularly in sensitive sectors such as industry or agriculture. What is needed is a real debate in civil society about the conditions of the pre-accession strategy. This debate needs to be preceded by a wide-ranging information campaign and to be conducted by the economic and social forces and the organizations of civil society.

A. The economic and social organizations and those of civil society which were represented at the hearing came out unanimously in favour of their country's accession to the European Union. They therefore call upon the European institutions to send the Slovak people positive signals on Slovakia's right to integration and its ability to join the leading group of countries admitted to enlargement negotiations, with no other precondition than respect for the Copenhagen criteria and the success of the pre-accession process.

A. Slovakia's economic and social organizations and those representing civil society regard their integration into European structures and their cooperation with their counterparts in the Member States as essential in order to strengthen their position within Slovak society and ensure the conditions for successful accession. They are therefore looking to the European Union to strengthen exchange and cooperation programmes and measures, provided that they are directly accessible for them. In parallel, these organizations are very keen for the EU cooperation programmes and activities to be carried out in consultation with organizations in neighbouring countries, so as to strengthen regional cooperation and deepen the economic, social and cultural relations of Slovakia, particularly with the Czech Republic, Hungary, Poland, Austria and Ukraine.

A. Most of the Slovak organizations are launching an appeal to the political authorities of their country for far-reaching democratization and real decentralization of government methods, which should result in recognition of the role of the social partners, of the socio-economic organizations and of those of civil society as major, independent protagonists in the country's democratic life.

## I. **Comments on Slovakia's partnership for accession**

A. The Economic and Social Committee supports in principle the idea of integrating Slovakia into the European Union. It regrets that the present political context has led to a postponement of accession negotiations. Through its own-initiative opinion the Committee intends to support the establishment of a state governed by the rule of law in Slovakia, in accordance with the democratic values of the European Union. The Committee wishes to contribute constructively in this way and send a positive signal to Slovak socio-economic organizations and society.

A. The Committee regrets that the question of maintaining and strengthening relations between the CEEC themselves and between them and their neighbours is not included among the priorities of the partnerships. This aspect seems to it to be particularly relevant in the case of Slovakia, which has borders with Austria, Ukraine, Poland, the Czech Republic from which it recently separated, and Hungary - a country with which it had a difficult past and recent disputes. The Committee takes the view that regional integration and frontier cooperation projects should be among the first priorities of the partnership for Slovakia, but also for its neighbours, so as to promote a regional framework of cooperation, mutual confidence and stability.

A. Similarly, the Economic and Social Committee is concerned that the enlargement process should not revive regional tensions, particularly between the applicant countries. In this spirit and given the special history of the two entities which formerly constituted Czechoslovakia, it would be preferable for them to accede to the European Union simultaneously, if the situation allows (this is not the case at present).

A. As regards the content of Slovakia's partnership for accession, the Committee suggests that the following areas be developed or strengthened:

- Organization of the social dialogue and of policies to encourage employment and implement the social chapter. Indeed, in Slovakia, excessively systematic application of tripartism - blocked at present - would not allow enough scope for direct relations between the social partners without involvement of the state. It is therefore desirable to support an independent social dialogue, provide it with the means for proper functioning and associate it very closely with the pre-accession process, particularly on the social chapter of the Treaty.
- The establishment of an environment which is more favourable to SMEs, craft industries and the entrepreneurial spirit: in particular, this would involve new laws to ensure greater transparency and a "depoliticization" of economic life (for example, transparency and easier access for SMEs to public contracts), the establishment of stable, independent institutions, a reform of the banking system to facilitate and improve access to credit, and finally support for the development of organizations representing SMEs.
- Organization of local authorities, entrusting increased responsibilities and resources to locally elected representatives. In this context, an active regional policy must be set up to ensure a reduction of disparities in living standards and in unemployment levels which are at present very noticeable between the western and eastern parts of the country.
- Active policies on education, research and culture.



A. The Economic and Social Committee calls upon the European Commission to establish more systematic contacts with Slovakia's economic and social organizations and those of civil society:

1. As regards communication and information, the Commission delegation in Bratislava must be given the necessary resources to set up a unit for contacts with the economic and social organizations and civil society. This unit should provide on its own initiative all the information which Slovak civil society needs on the conditions and process of preparation for accession, thus improving citizens' control of the integration process. The texts adopted as part of the pre-accession process (laws, regulations, standards, etc.) must be forwarded in the Slovak language to the organizations representing economic and social groups and civil society, as rapidly as possible, free of charge and without any special formalities.

1. As regards cooperation and assistance programmes, a larger share of the projects financed by the pre-accession instruments must be devoted to supporting civil society and its representative organizations. The beneficiaries of European aid must guarantee access to information on current studies and projects. At all events, more systematic and more detailed information must be given to citizens on the results of the projects supported by the European Union.

1. As regards socio-economic analysis of the impact of accession, the European Commission must support the work of independent experts working in Slovakia in the context of a European observatory, liaising closely with economic and social organizations and civil society.

1. On regional cooperation, the Committee recommends strengthening in particular the cooperation programmes covering education, culture, social relations and trade. Programmes of the INTERREG type should be boosted and the Commission must make sure that the local elected representatives in the cross-border regions concerned are fully involved.

A. The ESC calls upon the government and parliament of the Slovak Republic to respond to the aspirations of their citizens, most of whom are very much in favour of integration into the European Union. It is up to the government and parliament to initiate the necessary reforms in order to make possible Slovakia's accession in the first group of central and eastern European applicant countries. The ESC was very impressed by the dynamism and desire for integration into the Union shown by Slovakia's economic and social organizations and those representing civil society. Of all the necessary reforms, it is in the Committee's view the democratization of political, economic and social life which would be the key to success. Resumption of a real social dialogue, recognition of the fundamental role of economic and social organizations as components of society, consultation and a willingness to listen to the organizations representing civil society and finally the establishment of strong local and regional authorities, constitute the basis of this democratization. It is in this way that Slovakia will be able to liberate its energies and potential for progress and that it will be able to attract more foreign investment. The ESC is willing to continue the fruitful dialogue established to this end with the country's socio-economic organizations.

Brussels, 9 September 1998.

The President of the Economic and Social Committee

**Tom Jenkins Adriano Graziosi**

The Secretary-General of the Economic and Social Committee

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**N.B.:** Appendices overleaf.

## **APPENDICES**

- 1. Questionnaire addressed to economic and social organizations and to bodies representing civil society in the Slovak Republic**
- 2. List of bodies which took part in the hearing and/or replied to the questionnaire**

**Note on the Slovak economy (see separate appendix)**

### **APPENDIX 1**

#### **Questionnaire addressed to economic and social organizations and to bodies representing civil society in the Slovak Republic**

1. Do you have enough information on the integration process and on the partnership for accession of Slovakia to the European Union? If not, what information is lacking?
2. What is your view of the preparations being made for your country's accession to the European Union? Do you have any suggestions as to the timetable or the priorities?
3. What difficulties do you anticipate in Slovakia in meeting the accession criteria and in implementing the measures for adapting to European Union legislation?
4. What in your view are the likely economic and social consequences of implementing the pre-accession strategy for Slovakia? Have you any suggestions for accompanying measures?
5. Has your government involved you in the preparations for your country's accession to the European Union? What form does this involvement take or could it take?
6. How do you regard the European ESC (Economic and Social Committee)'s initiative of consulting you and preparing an own-initiative opinion on Slovakia's pre-accession strategy? Would you be in favour of continuing contacts with the ESC? If so, in what form?
7. Do you already have contacts with your counterparts in the European Union? Do you intend to develop them in the coming years, and would you like support in doing so?
8. How do you regard the present state of your country's relations with its neighbours (Czech Republic, Poland, Ukraine, Hungary, Austria)? What contacts do you have with your counterparts in those countries? Do you wish to develop or strengthen these contacts in future?

### **APPENDIX 2**

#### **List of the bodies which took part in the hearing and/or replied to the questionnaire**

**Employers' organizations:**

- Federation of Employers' Associations of the Slovak Republic
- Slovak Chamber of Commerce and Industry

**Workers' organizations:**

- Confederation of Trade Unions of the Slovak Republic

**Various interest groups:**

- Slovak Academic Information Agency: Service Center for the Third Sector
- Association of Towns and Communities of Slovakia
- Association of Agricultural Co-operatives of Slovak Republic
- "House of Europe" Bratislava
- Focus - Center for social and marketing analysis

**Representatives of the Slovak Government's offices and departments:**

- Ministry of Labour
- Office of the Government of the Slovak Republic: Institute for the Approximation of Law
- Council of the Government for economic and social agreement
- National Agency for Development of Small and Medium Enterprises

**Others:**

- Delegation of the European Commission to the Slovak Republic
- M.E.S.A. 10 - Center for economic and social analysis
- Center for Economic Development (CPHR)