

PERSPECTIVES OF SLOVAKIA FROM POINT OF VIEW OF ITS INCORPORATION IN EUROPEAN UNION AND NATO

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Abstract: Incorporation into crucial European and transatlantic structures will determine whether Slovakia will be a part of stable and prosperous world, or it will be a part of periphery or semiperiphery from both economic and military point of view. Resulting from this, key fact therefore is a need of the analysis of status quo as well as perspectives of Slovakia from point of view of its strategic goals.

Key words: NATO European Union, integration, economic transformation

1. INTRODUCTION

Slovakia as an independent state (after changes in Central and Southeast Europe) found itself in 1990's in rapidly changing and globalized world. Slovakia faces an important task to create highly productive and "human" market system which will be at the same time also highly competitive and which ensure to Slovakia position among advanced states. Anyway, there is inevitable transformation of the whole economy in the sense of information society. Industries must be ecologically and energetically low demanding. It will require an inflow of foreign investment and technology. The whole process must be accompanied by changes in political, social and legislative sphere. Inevitable task also will be to secure national security of Slovakia.

Starting point is incorporation of Slovakia into prosperous and functioning economic and military structures. Stable economy, democracy, legal state ("Rechtsstaat" in the German sense), development of self-governing institutions, etc., are obvious

requirements for incorporation to these structures, as well as to become a part of economic and prosperous core of the world (which provide its national security).

2. REQUIREMENTS OF INCORPORATION OF SLOVAKIA TO EUROPEAN UNION AND NATO

There are inevitable requirements of incorporation into EU and NATO, solving the whole complex of economic, political, military, legislative, legal, environmental and other problems which are closely interrelated (without stable economy is not possible to secure military-political security of the country...).

2.1. Economic transformation

Rapid transformation of Slovak economy is main problem in the sense of incorporation of Slovakia among first-group candidates of EU membership and second-group candidates of NATO membership. It is necessary to say that since 1997 gradually has worsened economic situation. It seems to be a result of accumulated problems, which are not solved since the beginning of 1990's and above all after 1994. This situation proves following numbers. In 1998, state budget deficit reached 19.2 billion Slovak crowns, public finances deficit (including local budgets, state funds, institutions of social and health insurance, National Labour Office...) was 30.5 billion crowns, foreign debt 11.8 billion crowns, net foreign debt 3.2 billion crowns (Slovakia turned from creditor to debtor). Foreign debt per capita grew from 890 \$ in 1994 to 2290 \$ (December 31, 1998). The unemployment rate reached (June 31, 1999) 16,6%. Difficulties in agriculture and industry also increased (60% of companies have losses). Engineering, textile, steel, metallurgic and chemical industries are in bad situation. Social and health system is not able to secure needs of population from point of view of contemporary demands. There is deformed macro-economic as well as micro-economic environment (non-transparent privatization, inability to pursue law in economy). There was rising mistrust of foreign organizations. Foreign capital inflow decreased to only 1.3 billion \$ (December 31, 1998, while in Hungary in comparison it was 12.5 billion \$).

There was a lack of will to start resolute and painful reforms. The economy fell more into debt, as a result of offering of guarantees for credits with disputable return. This trend led to exhaustion of credits from the corporate sphere. Substitution of economic transformation for privatization in non-transparent environment (monopolization, lack of managerial habits, legislative vacuum, under-capitalized banks) was another mistake.

The government therefore must cope with a problem of introducing resolute reforms. Firstly there will be a need to introduce macro-economic balance and reduce state budget deficit (8,6% GDP in 1998) and public finances deficit. Inevitable is to

draw finances from population, to lower expenditures on health service and education system and to co-ordinate pension system (reinsurance) and unemployment benefit with possibilities of the state. Contemporary social system is not able to finance unemployment at level 17-18% for a long time (ability of the state is financing unemployment with 11-12%; Slovensko 1998-1999). Foreign exchange deficit must be lower by constraining import and increasing export (support of own producers, tariffs, quotas...). Necessary is to limit consumer's consumption for a short time.

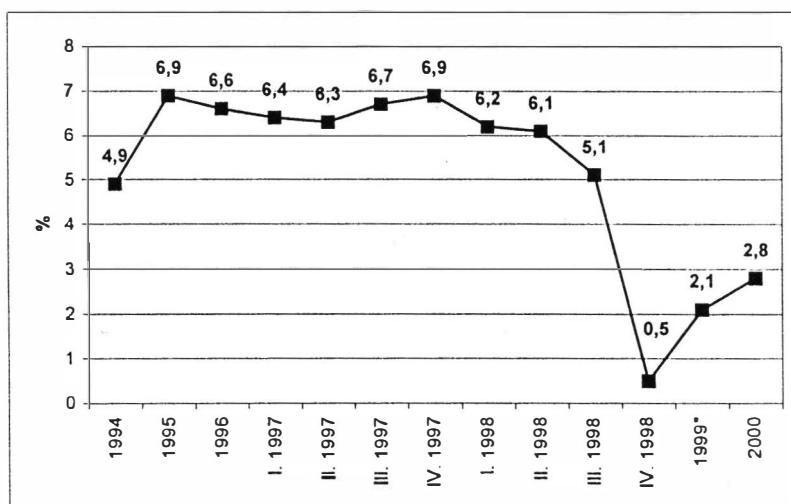


Fig. 1 GDP growth in stable prices, 1995 Source: Statistical Office 2000
Note: * Prognosis of Consensus Economics

There is a need to implant real prices of energy, housing (similarly as in the Czech Republic), water supply, etc into the economy. Similarly, revitalisation of public sector (for example IRB bank) is also needed at costs of the state, combining with ensuring inflow of foreign capital into the greatest banks (with 60% of bad credits). It is inevitable to limit expensive investment with low returns (finances are obtained for high interests as in the case of highways and energetic works).

There will be needed to redress the greatest encroachments of privatization (although legally complicated). Privatizers, who obtained companies by an average of 20% of their accounting value (as a result of legislative gap), pay no money. Apart from the fact that privatizers got these old-fashioned former socialist companies into even greater debts. Resulting tendencies are economic difficulties (VSŽ Košice), or mis-management (Kúpele Piešťany- annual profit lowered from 300-400 to 60 million crowns). It is necessary to eliminate non-rightful advantages and relieves (spa Sliač).

Further privatization requires transparency (public control) by the public competitions. Undoubtedly it is necessary to adjust legislative (failure and compensation law, deliverer shares) and to fight against political clientelism (the case of Ďuračka).

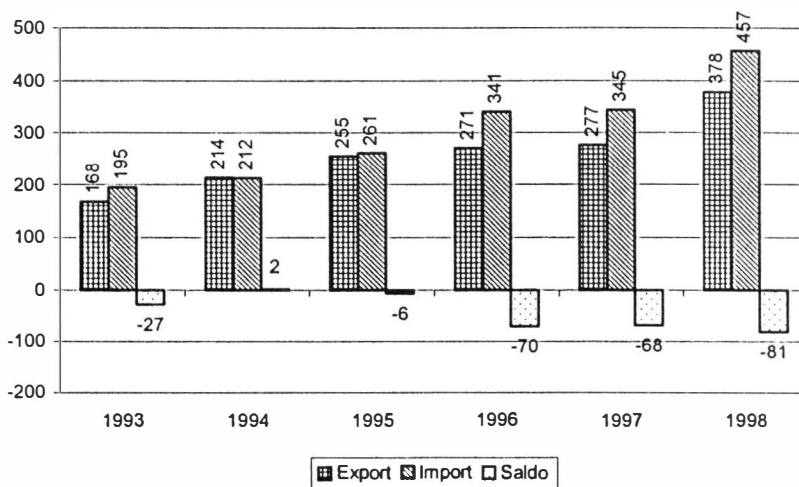


Fig. 2 Foreign exchange of the Slovak Republic, 1993-98 (billion crowns)
 Source: Statistical Office of the Slovak Republic

The goal is thus total and general improvement of entrepreneurial and societal spirit. It is connected with fight against mafias (more than 50 organized groups in 1998 according to Minister of Interior L. Pittner). Exclusion from the EU and NATO could have serious consequences for Slovakia, because 75% of foreign investment and 75-80% foreign exchange is realised with EU and V-4 countries (with OECD it is 89,9%). As a result of low competitiveness and bad export's structure (energy and materially demanding industries) has Slovakia high foreign exchange deficit. Up to one half of the deficit make Russia (38,7 billion crowns, 1998), next are Germany (9,5 billion crowns), Czech Republic (8 billion crowns).

Regional differences are increased, mainly in relative prosperous Western Slovakian Centralized Region (Lukniš, 1985) with more sophisticated production (e.g. Volkswagen car factory), better geographical position, more qualified labour, climatic and soil conditions, water and energy sources, etc.). Differences are also inside these great units (Southern Slovakian Basins; Bašovský, 1987).

Contemporary government (Dzurinda's cabinet) also lacks will to resolute measures as a result of different interests and clientelism. As a result, there is a threat of gradual decline of inevitable functions of the state (e.g. private ownership protection). There is also lack of vision of particular economic policy.

Only solving these outlined problems enables to secure admission to the EU and NATO in a real time horizon (EU 2005-2010, NATO 2003-2005).

2.2. Transformation of political system

Economic development of Slovakia is not possible without political system stabilisation and without providing democratic development in the sense of Western democracies. Position of media (right to information, freedom of speech) position of opposition in the power structures, political control over power (opposition, media, third sector), solving ethnic problems, has to be in accordance with European standards. On the other hand there are also duties of ethnic minorities. Special case is the Roma problem as primary social and cultural issue. Its solving consist only on equality of the ethnic group with other population, their cultural and social upraising, own elite building and on enforcing of their self-governing institutions. As a key problem, it seems to be issue of their internal division. Necessary is also solving relations to neighbours who are now members of NATO or EU (with exception of Ukraine). First of all, there is a need to solve disputes with Hungary, Czech Republic and Austria (Gabčíkovo power station, minorities, property arrangement, nuclear energy).

Relations to Poland and Ukraine are without problems. There is a need to pay more attention to own the most important neighbour (Poland), from economic cooperation point of view, military and political contacts. Slovakia must keep correct relation to powers (USA, Russia, Germany). Only fulfilment of these political assumptions will enable realisation of ambition of Slovak integration into EU and NATO.

2.3. Transformation in the military - political area

After disintegration of the Eastern bloc and former Czechoslovakia, the military - political situation of Slovakia distinctly changed. Slovakia is regarding its economic, personal, etc. potential the smallest unit in the region. Situation in Slovakia is changing again after admission of our neighbours to the NATO. There was until 1998 an asymmetry between Eastern and Western Europe in the military area. Stable, secure and relatively prosperous West and on the other side unstable and non-prosperous Eastern Europe (including Slovakia) in the security vacuum (Slovensko 1998 - 1999). In 1998 as a result of admission of our neighbours to the NATO (Hungary, Poland, and Czech Republic) emerged a new situation. The zone of stability at the border of Slovakia extends. Security problems of Slovakia are shifted more towards non-military spheres (economic, environmental...), that is towards internal national security (Slovensko 1998 - 1999). External national security problem is given by the foreign policy position of Slovakia. Though there was reached enhancing of the security in the region, but non-acceptance into NATO gave Slovakia different level of security comparing to its neighbours (other conditions for army modernization, creation of common anti-aircraft defence, co-ordination of command and control, etc.).

Experiences from Kosovo tell that small isolated state without staunch allies has not in the case of conflicts a good position. If Slovakia want to exclude a threat of aggression, it is needed to enforce cooperation with the Organisation for Security and Cooperation in Europe, UNO and with NATO, which is the only functioning security system in Europe. Pragmatic behaviour of the Slovak government during the Kosovo

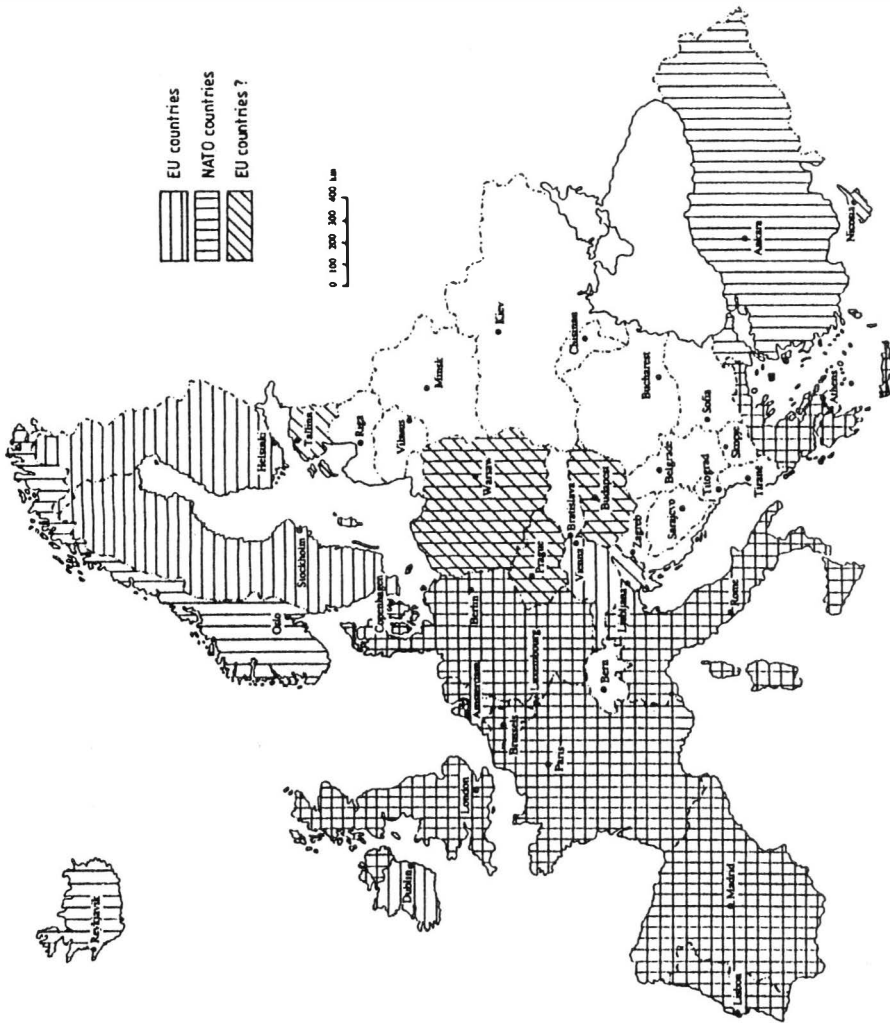


Fig. 3 EU and NATO countries

crisis (in spite of certain troublesomeness) strengthened positions of Slovakia and our integration ambitions. It is inevitable, however, to continue with reforms of the army (professionalization, orientation towards mobile army, quality of command including language preparation). There is also a question of success of the new members' admission from the economic and military point of view. Further extension is probable after longer period. An important factor apart from economic situation and political stability will also reinforcing civic control of the army, army's independence on political parties and naturally not admit in the region and in Slovakian territory ethnic and religious conflicts.

3. CONCLUSION

If Slovakia wants to become integrated into functioning European structures (EU, NATO), its representatives must resolutely continue in economic transformation to solve many problems. Political and social stability depends on success of these problems solving. The government must have a will to continue resolutely (also bearing the consequences of difficult decisions) in reforms, to relieve (at least partially) of clientelism in political life and economy. Only in this case, Slovakia will start a journey to information and prosperous society. It is an open society, which is able to receive new impulses without prejudices and to solve economic, social, environmental, ethnic and other problems. This reinforces also internal national security of Slovakia. Own cultural identity protection is important. External security is possible to secure only by the admission to NATO. Slovakia at the end of the century faces the challenge in the form of transmission to the society of a new type. On successful solutions of these problems will depend future position of Slovakia in Europe and in the World context. An important impulse in this direction will be incorporation of Slovakia to prosperous economic and military structures.

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Resume

Perpektivy Slovenskej republiky z hľadiska jej začlenenia do EÚ a NATO

Začlenenie Slovenska do rozhodujúcich európskych a transatlantických štruktúr je pre Slovensko kľúčovou úlohou uprostred rýchlo sa meniaceho a globalizujúceho sveta. Slovensko bude musieť ešte pred začlenením do integračných zoskupení previesť celý rad zmien najmä v oblasti ekonomickej, vojenskej, politickej, legislatívnej a sociálnom systéme. Základnou podmienkou pre vstup do EÚ a NATO je transformácia v oblasti ekonomickej, politickej a vojenskej. Ide o vyriešenie dlho odkladaných a neriešených problémov ako je deficit štátneho rozpočtu (19,2 mld. Sk), verejných financií (rozpočty miest a obcí, fondy, poisťovne, atď.), deficit zahraničného obchodu, ktorý svedčí o nízkej konkurenčnej schopnosti výroby (80 mld. Sk), rastúca zahraničná zadlženosť (11,8 mld. Sk), vysoká nezamestnanosť (18,7%). To všetko je dôsledkom zlej štruktúry ekonomiky, ktorá je energeticky, ekologicky a surovinovo náročná. Tak

isto chýba kapitál na modernizáciu podnikov, infraštruktúry (1,3 mld. \$ zahraničných investícií) atď. Treba napraviť netransparentnú privatizáciu aspoň v najkrikľavejších prípadoch. Je tu aj otázka vôle k rozhodným reformám.

Nevyhnutné bude zaviesť reálne ceny (bývanie, energie, voda) a zrealniť celý systém poisťovní, dôchodkový systém a možnosti štátu v zdravotníctve, školstve a podobne. Rozhodne treba zamedziť priepastným regionálnym, ale aj sociálnym rozdielom.

Nevyhnutne treba transformovať politický systém. Treba prerušiť priame väzby politickej a ekonomickej moci v podobe korupcie a klientelizmu. Treba zlepšiť postavenie médií, opozície, tretieho sektoru, minorít (Rómovia). Tak isto treba doriešiť vzťahy so susedmi.

Vo vojensko-politickej oblasti je treba zabezpečiť civilnú kontrolu armády, jej profesionalizáciu, modernizáciu, kompatibilitu spojenia a velenia s krajinami NATO a celkovo dosiahnutie rovnakej miery stability a bezpečnosti ako u susedov (Česko, Poľsko, Maďarsko). Treba zabezpečiť spoluprácu s NATO, OBSE, OSN a ďalšími organizáciami. Inými slovami treba zabezpečiť aby záujmy Slovenska a integračných zoskupení, do ktorých chce Slovensko patriť boli blízke, alebo totožné.