



**CHINA-CEE INSTITUTE**

**CEE COUNTRIES IN EUROPE:  
TOWARDS CENTRE OR PERIPHERY  
COUNTRY REPORTS ON  
CROATIA, LATVIA AND SLOVAKIA**

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**CHINA-CEE INSTITUTE**

Budapest, October 2020



## Preface

China-CEE Institute announced a “Call for Proposal” research program in December 2018. Of the proposals received, one research proposal is “CEE countries in Europe: toward Center or Periphery”. What we are presenting here is the result of this research project, conducted by a Consortia led by the scholars from University of Economics in Bratislava (Slovakia), Latvian Institute of International Affairs (Latvia), and University North (Varazdin, Croatia).

This project has developed its discussions on the future integration of the EU, with a special focus on visions presented in “White Paper on the Future of Europe: Reflections and Scenarios for the EU27 by 2025” published by the European Commission in 2017. In a multi-speed Union, EU members states either joining the “core” or the “periphery”, depending on their level of integration in different areas. This project selected three countries as case studies, namely, Latvia, Slovakia and Croatia, and implemented further analysis on the position and tendency of these three CEE countries towards EU’s center or periphery. The three countries are representing different sub-regions in the EU (Baltic, Visegrad and Balkan) with different historical legacy (depart from USSR, Czechoslovakia and Yugoslavia), different accession time into EU (2004 and 2012) and different integration levels (Schengen, Eurozone). The project will provide a further understanding on CEE countries after complex comparisons.

The China-CEE Institute, registered as a non-profit limited company in Budapest, was established by the Chinese Academy of Social Sciences (CASS) in April 2017. The Institute aims to build ties and strengthen partnerships with academic institutions and think tanks in Hungary, Central and Eastern European countries, as well as other parts of Europe. The China-CEE

Institute encourages scholars and researchers to carry out joint researches and field studies, organizes seminars and lecture series, holds training programs for students and junior researchers and publishes publications, etc.

I hope this book will help enrich the research literature on CEE countries.

Prof. Dr. CHEN Xin  
Executive President and Managing Director, China-CEE Institute  
Deputy Director General, Institute of European Studies, CASS

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## INTRODUCTION

A serious discussion about the “core” of the European Union started immediately after the publication of the White Paper on the Future of Europe<sup>1</sup> (hereinafter referred to as the “White Paper”) in which 5 scenarios of the future EU development were outlined. One of the scenarios suggested a division of the EU into a multi-speed union with EU members states either joining the “core” or the “periphery”, depending on their level of integration in different areas. Even before its publication there already were discussions about a two-speed or even about a multi-speed Europe. It brought forward the issue of the nature of the EU – its integration and integrity. The crisis and later the post-crisis development caused a discussion on the economic development of the EU. The migration crisis brought forward the issue of the political and institutional development of the EU. For many people the EU has not fulfilled the expectations on their future. It resulted in a demonstration of extremist opinions of a certain part of the political spectrum in the EU Member States regardless of the fact if they were a new or an old member state. Besides, the Brexit process also supported the critical mood towards the European Union concept. The White Paper is only a partial result of the debates on the future development of the EU. At the same time, it highlighted the most important issues, which could be of strategic importance for the direction of member states to the “core” or “periphery” of the EU.

The focus of this project has been the analysis of the position and tendency of selected CEE countries towards EU’s center or periphery. The research parameters have been chosen according to the identification mentioned in White Paper and based on scientific and professional papers, which deal with the issue of “core” and “periphery” of the EU. The objects of this research are three countries, each represented by one member of consortium participating in the project. The countries were selected based on several similarities as well as differentiating criteria (geographical

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<sup>1</sup> EUROPEAN COMMISSION (2017): White Paper on the Future of Europe: Reflections and Scenarios for the EU27 by 2025. [online]. COM (2017)2025 of March 1, 2017. Available at: [https://ec.europa.eu/commission/sites/beta-political/files/white\\_paper\\_on\\_the\\_future\\_of\\_europe\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf)

location, duration of EU membership, level of integration: adherence to Schengen area and Eurozone): Croatia (constituent part of the former Yugoslavia, part of the Western Balkans region, joined EU on 1 July 2013), Latvia (a post-Soviet republic, part of the Baltic countries, joined EU on 1 May 2004) and Slovakia (a successor state of former Czechoslovakia, member of the Visegrad Group (V4), joined EU on 1 May 2004).

With respect to methodology, the areas subject to examination within each country were (i) economics and (ii) politics and foreign policy. Within these two thematic areas, the following indicators were used: from an economic perspective, we analyzed issues of monetary and fiscal policy, macroeconomic indicators focusing on unemployment and education, social policy, harmonization of social systems, minimum wage, demographic development as well as common fiscal policy. From a political analysis perspective, we analyzed euroscepticism in each selected country, representation of extremist political parties in parliaments and governments, attitudes towards a Defense Union or Common Foreign and Security Policy, as well as migration issues, asylum laws, Schengen area adherence and the attitude towards strengthening and weakening of European institutions. Based on the examination of the above mentioned areas, we came to the conclusion about each selected country's current position and perspective tendency of moving towards the core or rather the periphery of the European Union.

Research was conducted using the methods of analysis and synthesis, methods of comparison as well as quantitative and qualitative methods of processing of the data. Given its topicality, professional and scientific articles dealing with the researched topics have been analyzed. Another important part of the research was the analysis of official documents, statements and comments issued by the political and governmental representatives of the examined countries. In the final phase, methods of deduction are used, as well as synthesis of results and the comparison of the results of each of the three selected countries.

The project is split according to two divisions. The first division is geographical, by which the report is divided into three parts, each focusing on one of the three selected countries. The second division is thematic, by which each part is divided into an economic and political section, with

subsections based on individual indicators. Based on the thematic division, the project uses two groups of scientific methods to aid in accomplishing its goals.

The economic sections are more quantitatively oriented, as well as utilizing the scientific methods of analysis and comparison, such as analyzing statistical data according to a predetermined template. The template was established from scientific articles and publications specifying the position of EU member states in the context of the ‘center—periphery’ debate. The research is based on the macroeconomic indicators as well as selected socio-economic indicators concerning the standard of living in the selected countries. Statistical data were obtained from Eurostat, the World Bank and statistical institutions of the selected countries, and from documents published by the European Commission, where we fall back on program documents of the Europe 2020 Strategy. The data was quantified transparently, which in turn aided the transparency of the comparison.

The political section is oriented more on qualitative research, though the methods of analysis and comparison were also used, as well as methods of induction and deduction. Quantitative research was used mainly in the interpretation of electoral results and public opinion polls, as provided by Eurobarometer and the national statistical organizations. Otherwise, the analysis of scientific articles and political declarations was the main method of research. In this context, we applied the principle that a greater tendency to extremist opinions among the populations of the studied countries represents a centrifugal force towards the periphery of the EU.

The project focused on the analysis of selected parameters researching the position of selected member states. The research parameters were chosen according to the identification mentioned in the White Paper and based on scientific and professional papers, which deal with the issue of “core” and “periphery” of the EU. The objects of this research are three countries, each represented by one member of consortium participating in the project. The selection of a sample of three member states was due to limitations of space as well as to streamline the necessary coordination between consortium partners. These states were selected to be a representative sample of the CEE countries. The selection

was based on several similarities as well as differentiating criteria. The most important criterion was to encompass the entire CEE region. For this reason, it was divided into subregions, with each of the consortium members representing one – Croatia for the Western Balkans, Latvia for the Baltic countries and Slovakia for the countries of the Visegrád Four platform. Related to this is the fact that all three members are post-communist countries which had to adjust from a command economy to a free market economy. Another aspect that binds them together is that all three were members of a (at least *de iure*) federal entity – Yugoslavia in the case of Croatia, the USSR for Latvia and Czechoslovakia for Slovakia. The breakup of these federal entities posed additional challenges in adjusting to a new economic system, and it also influenced the opinions of national elites and populations towards EU integration. Apart from each being a CEEC and therefore a post-communist country treated as a “new” EU member, they are all small countries (between 2 to 6 million inhabitants) with open economies. This might suggest the adoption of a similar strategy in the EU-wide debate on the formation of a core and a resulting periphery. On the other hand, the differentiating criteria are tied to the duration of EU membership of the chosen countries. Thus, we have Slovakia and Latvia, which both joined in 2004, versus Croatia, which only joined in 2013. This ties into the question of the resulting level of integration, such as adherence to the Schengen area and eurozone membership (with Latvia and Slovakia having accomplished these two steps, while Croatia is in the process). Their different position on the geopolitical map of Europe also gives them unique priorities with respect to various EU policies and initiatives, such as migration or common defense.

# **CEE Countries in Europe: Towards Centre or Periphery**

## **REPORT ON CROATIA**

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# CHAPTER 1. ECONOMICS

Ante Rončević<sup>1</sup>

## 1.1. Indicators

After the Homeland War, in the period from 1995 to 2019, the Republic of Croatia achieved the highest growth rate of gross domestic product (GDP) by 6.6 percent in 1997. In the same period, the highest drop in GDP was in 2009 by 7.3 percent. Since 2015, Croatia has continuously achieved GDP growth ranging from 2.4 to 3.5 percent. According to the projections of the Government of the Republic of Croatia by 2021, Croatia will have a growth rate of more than 2.5 percent a year.

### Real GDP rates of change – Croatia (in %)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real GDP growth	5,3	2,0	-7,3	-1,5	-0,3	-2,3	-0,5	-0,1	2,4	3,5	2,9	2,6

Note: The data are according to ESA 2010 methodology, from 2017 are provisional. More information can be found on [www.dzs.hr](http://www.dzs.hr)

Source: CBS.

Compared to the selected transition countries for the period from 2003 to 2017, where Croatia averaged an average GDP growth rate of 1.6 percent, Slovakia achieved 4.1 percent, Romania 4.0 percent, Poland 4.0 percent, Bulgaria 3.5 percent, Czech Republic 3.3 percent, and Hungary 2.1 percent.

### Average real GDP growth vs. peers. 2003 -2018

	Czech R	Hungary	Poland	Slovak R.	Sloveni a	Bulgaria	Romani a	Croati a
Average real GDP growth vs. peers	3,3	2,1	4,0	4,1	2,2	3,5	4,0	1,6

Note: The data are according to ESA 2010 methodology.

Sources: Eurostat and CBS.

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<sup>1</sup> Assoc. Prof. Ante Rončević. PhD, Head of Department of Economics, University North, Croatia

### *Gross value added structure*

Between 2011 and 2018 most of the Croatian GDP was contributed by mining and processing of minerals, processing industries, energy and water supplies by about 21 percent. Trade, transportation, accommodation and hospitality services amounted to 20.2 percent (2011) to over 23 percent (2018). Public administration, education and health care account for more than 15 percent in the gross value added structure, while real estate business accounted for about 10 percent.

### **Gross value added structure**

(in current prices)

<b>GVA BY THE NCEA</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
A	4,2	3,9	4,1	3,5	3,6	3,8	3,7	3,6
B, C, D, E	20,9	21,6	21,3	21,5	21,4	21,4	21,0	20,4
F	6,2	5,5	5,4	5,3	5,4	5,3	5,2	5,4
G, H, I	20,2	20,3	20,9	21,1	21,7	22,0	22,6	23,1
J	4,7	4,7	4,6	4,4	4,5	4,5	4,6	4,6
K	7,2	6,9	6,6	6,7	6,5	6,3	6,2	6,1
L	10,1	10,3	10,4	10,5	10,3	10,0	9,8	9,7
M, N	8,2	8,3	8,4	8,5	8,4	8,3	8,4	8,4
O, P, Q	15,4	15,5	15,2	15,2	15,1	15,1	15,2	15,5
R, S, T, U	2,9	3,0	3,1	3,2	3,2	3,3	3,3	3,3
<b>Gross value added</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

A Agriculture, forestry and fishing

B Mining and quarrying

C Manufacturing

D Electricity, gas, steam and air conditioning supply

E Water supply; sewerage, waste management and remediation activities

F Construction

G Wholesale and retail trade; repair of motor vehicles and motorcycles

H Transportation and storage

I Accommodation and food service activities

J Information and communication

K Financial and insurance activities

L Real estate activities

M Professional, scientific and technical activities

N Administrative and support service activities

O Public administration and defence; compulsory social security

P Education  
 Q Human health and social work activities  
 R Arts, entertainment and recreation  
 S Other service activities  
 T Activities of households as employers; undifferentiated goods and services producing activities of households for own use  
 U Activities of extraterritorial organisations and bodies  
 Source: CBS.

Domestic demand was the highest contributor to GDP growth in 2002, while foreign demand contributed the highest in 1998 by 4.7 percent. Domestic demand in the observed period mainly contributed to the GDP growth, while foreign demand has been steadily declining since 2001. Since 2015 domestic demand continues to grow by more than 3.5 percent. Net foreign demand decreases.

**Contributions of domestic and net foreign demand to GDP growth (in %)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP	2,0	-7,3	-1,5	-0,3	-2,3	-0,5	-0,1	2,4	3,5	2,9	2,6
Net foreign demand	-1,5	4,1	3,1	-0,1	1,2	0,0	1,3	0,3	-0,1	-0,6	-1,2
Domestic demand	3,6	-11,3	-4,5	-0,2	-3,5	-0,5	-1,4	2,1	3,7	3,5	3,8

Source: CBS.

*Unemployment rate*

Between 1996 and 2018 Croatia had a double-digit unemployment rate measured as registered unemployment; the peak was in 2002 and the rate was 22.3 percent. By 2018, the unemployment rate neared the one-digit unemployment rate. In the same period, the lowest unemployment rate measured in 2008 was 8.5 percent, the highest in 2013 and 2014, up to 17.3 percent. Today it is smaller and smaller because a large number of workers go to other EU countries.

## Unemployment rate

in %

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Registered unemployment rate	13,2	14,9	17,4	17,8	18,9	20,2	19,6	17,0	14,8	12,1	9,9
ILO unemployment rate	8,5	9,2	11,6	13,7	15,9	17,3	17,3	16,2	13,1	11,2	8,4

Note: Since the beginning of 2007 results from the Labour Force Survey have been published in quarterly dynamics. ILO unemployment rate refers to persons aged 15 years and over. Data on ILO unemployment rate for period 2007 – 2014 have been harmonised with the results of the Census of Population, Households and Dwellings in 2011, and are not comparable with data for period 2000 – 2006. Data for 2015 and 2016 have been revised due to availability of new estimates of the total population in Republic of Croatia.

Source: CBS.

Compared to the selected transition countries, Croatia, Slovakia, Poland and Bulgaria have had the highest rates of unemployment since 2007, and since 2008 Hungary has taken Bulgaria's place among the four.

### *Nominal and real wages*

In the observed period 1998 - 2018, salaries in Croatia rose at a real rate of 1.1 percent to 9.6 percent. During the recession of 2009 - 2014, wages dropped down from -1 to -3 percent, except for 2011, when they rose by 1.5 percent. In the last four years (2015-2018), real wages have risen above 3% per annum.

### *Average monthly compensation per employee in economy*

Between 2004 and 2017, the highest average monthly compensation per employee in economy was in Slovenia and amounted to 1.495,20 euros (2004) and reached 2.214,40 euros (2017). The lowest were in Bulgaria 2004, in the amount of EUR 243 and in 2017 in the amount of EUR 719.9. In the same period in Croatia in 2004 they amounted to EUR 1,087, EUR 1,384.10 in 2012 and EUR 1,363.30 in 2018.

<b>Nominal and real net wages</b>		
	<b>Nominal net wage</b>	<b>Real growth rate</b>
		<b>%</b>
1998	2.682	
1999	3.055	9,6
2000	3.324	3,9
2001	3.541	2,8
2002	3.719	3,4
2003	3.939	4,0
2004	4.172	3,8
2005	4.375	1,4
2006	4.602	2,1
2007	4.840	1,9
2008	5.177	1,1
2009	5.236	0,4
2010	5.244	-0,5
2011	5.441	-0,3
2012	5.478	-3,0
2013	5.515	-1,1
2014	5.534	0,6
2015	5.594	1,6
2016	5.685	2,5
2017	5.984	4,2
2018	6.241	2,9

Source: CBS and CNB.

## Average monthly compensation per employee in economy In EUR

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Czech R.	1.215,0	1.140,2	1.233,5	1.303,0	1.296,3	1.251,6	1.211,3	1.259,1	1.320,9	1.443,6	1.594,6
Hungary	1.122,7	992,8	1.025,1	1.045,0	1.026,6	1.018,6	985,9	966,8	1.005,0	1.075,3	1.142,8
Poland	971,7	815,1	962,0	982,2	1.001,6	1.015,3	1.040,6	1.058,3	1.063,2	1.155,4	1.192,2
Slovak R.	1.025,4	1.091,3	1.150,7	1.173,6	1.203,8	1.234,8	1.257,6	1.301,0	1.327,9	1.396,9	1.472,9
Slovenia	1.896,6	1.931,6	2.009,6	2.040,6	2.020,4	2.030,2	2.056,0	2.083,3	2.146,7	2.214,5	2.302,1
Bulgaria	371,2	401,2	441,0	470,9	507,3	551,9	582,8	615,7	651,5	719,9	760,4
Romania	680,0	571,9	623,1	593,8	614,6	645,5	686,2	699,3	796,0	881,2	1.024,0
Croatia	1.363,3	1.338,6	1.372,9	1.394,4	1.384,1	1.360,8	1.280,2	1.288,3	1.319,4	1.317,6	1.363,3

Note: Average monthly compensation per employee in economy is calculated as a ratio of total monthly compensation paid to employees and number of employees.

Data for Croatia and Poland refers to the first three quarters.

Source: Eurostat

### *Inflation measured by Consumer Price Index and Core Inflation*

Inflation measured by CPI in Croatia was the highest in 2008 at 6.1%, or 5.7% in 1998. Core inflation in Croatia was the highest in 2008, up to 5.7 percent, and in 1998 at 5.3 percent. In the observed period from 1996 to 2018, there was a deflation period in Croatia of 0.2 to 1.1 percent (2014 - 2016).

Between 2007 and 2018 in the selected transition countries, EU member states, Croatia is one of the few countries that had a lower inflation rate than the Eurozone average, except for 2012 and 2013.

## **CPI and core inflation**

average year-on-year rate of change, in %

	<b>CPI inflation</b>	<b>Core inflation</b>
2008	6,1	5,7
2009	2,4	2,8
2010	1,0	-0,8
2011	2,3	1,8
2012	3,4	1,9
2013	2,2	1,9
2014	-0,2	-0,4
2015	-0,5	0,2
2016	-1,1	-0,4
2017	1,1	1,4
2018	1,5	0,8
2019	0,5	0,7

Data for 2019 refer to January – March 2019.

Note: CPI inflation (1996-1998 RPI inflation) and core inflation, average year-on-year rate of change.

Source: CBS.

### ***Consolidated general government revenues and expenditures***

In the observed period of 2002 – 2018, Croatia's consolidated general government revenues grew up to 40.6 percent of GDP in 2011 then to 47.0 percent of GDP in 2002, while expenditures were the lowest in 2017 in the amount of 45.3 percent of GDP, and highest were in 2002 to 50.5 percent of GDP.

By comparing the revenue and expenditure of the general government of selected transition countries for 2017, it can be observed that Croatia with 45.8 percent of GDP and Hungary with 44.7 percent of GDP had the highest revenues as well as expenditure: Croatia with 45.3 percent of GDP and Hungary with 46.9 percent of GDP. Romania had 30.7 percent of GDP as the lowest revenue and with 33.6 percent of the GDP had lowest general government expenditure. It is very close to the above mentioned rates in Bulgaria and Slovakia with a rate of about 40 percent of GDP revenues and expenditures.

Between 2002 and 2016, according to Eurostat and the Central Bureau of Statistics, Croatia was a net foreign borrower in the amount of 0.9 percent of GDP in 2016 up to 7.1 percent in 2011.

Croatia has a foreign trade surplus of 0.9 percent of GDP, such as the Czech Republic (1.5 percent), Slovenia (0.1 percent) and Bulgaria (1.1 percent). In the same year, Hungary (2.2%), Poland (1.4%), Slovakia (0.8%) and Romania (2.9%) were in deficit.

### **Consolidated general government revenues and expenditures**

% of GDP

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues	42,5	42,3	41,7	40,6	42,5	42,4	42,9	45,2	46,3	46,1	46,6
Expenditures	45,3	48,3	48,0	48,5	47,8	47,6	48,1	48,3	47,3	45,3	46,4

Note: According to ESA 2010 methodology.

Sources: Eurostat and CBS.

#### *General government debt*

Between 2002 and 2005, Croatia's public debt increased from 36.6 percent to 41.2 percent, and then declined to 39 percent in 2008. In 2009, it rose again to 48.3 percent and reached 84 percent in 2014. In 2018 it amounted to 74.6 percent of GDP.

Including state guarantees issued in Croatia, the general government debt was the highest in 2014. It was 86.5 percent of GDP. In 2018 it was 76.2 percent of GDP.

Compared to the general government debt of the selected transition countries, it can be noted that Croatia had the highest public debt of 74.6 percent of GDP like Slovenia with 74.1 percent or Hungary with 73.3 percent. The lowest public debt had Bulgaria at 25.6 percent of GDP, followed by the Czech Republic 34.7 percent of GDP and Romania with 35.1 percent of GDP.



## General government debt

% of GDP

	2011	2012	2013	2014	2015	2016	2017	2018
General government debt	63,9	69,5	80,4	84,0	83,7	80,5	77,8	74,6
including government guaranteed debt	66,4	72,3	83,1	86,5	86,3	83,6	80,8	76,2

Note: Data are revised since December 2001 due to the further alignment of classification of institutional units to ESA2010 standard. Government guaranteed debt includes other sectors' domestic and external debt guaranteed by central government.

Sources: Eurostat and CNB.

### *Macroeconomic projections for the period 2019 - 2021 Years for Croatia*

According to projections of the Government of the Republic of Croatia in the next three-year period, GDP growth rates are planned in the amount of 2.5 to 2.7 percent. Planned GDP growth is based on a positive contribution of domestic demand, but net foreign demand will have a negative contribution. In the planned period, inflation will be low and stable, the unemployment rate will be reduced, and macroeconomic imbalances will be reduced and convergence will be strengthened within the Eurozone. Continuing work on creating a simpler and more stable tax system is planned; income tax cuts, reduced value added tax on certain food categories, reduced labor costs for employers, IT professionals, doctors, engineers and others. It is planned to increase investment in R&D and infrastructure projects - funded from the EU funds.

Expenditures in the function of social stability and demographic renewal will increase on the side of expenses; child allowance, housing loan subsidies, parental leave support, education reform, digital and financial literacy increase, and pension growth (indexation).

The planned budget deficit in 2019 is 0.4 percent of GDP but in 2020 it will be balanced and in 2021 it will be in surplus of 0.5 percent of GDP. The public debt is projected to be about 60 percent of GDP in 2021. In the same period, employment growth is planned at an average rate of 2 percent as well as a reduction in unemployment rate in 2021 up to 7.3 percent.

Expenditures for the Ministry of Science and Education in 2021 are planned in the amount of 12.74 percent of the State Budget, which is a growth of 1.5 percentage points compared to 2017.

In the year 2020, the Republic of Croatia will chair the Council of the European Union for the first time; therefore, it will have the opportunity to better present own development potential.

### 1.2. Euro as a currency in Croatia or not?

The theory proposes several criteria a country should meet to be able to function successfully in a setting of common monetary policy. Most of the criteria refer to the establishment of the degree of economic integration between a country and a monetary union, in view of the fact that close economic integration implies lower risk of asymmetric shocks. The analysis shows that the Croatian economy is highly integrated with the euro area in terms of trade and finances; its business cycle is synchronized with the business cycles of the major euro area member states, while EU accession raised the degree of political integration between Croatia and other member states. Under these criteria, it may be concluded that Croatia will function efficiently in a setting of common monetary policy. By contrast, Croatia's performance regarding the economic diversification criterion is relatively poor. In addition to favourable results under most criteria of the optimum currency area theory, there are other important arguments in favour of euro adoption in Croatia. More specifically, the adoption of the euro would eliminate the problem of the high euroization of the Croatian economy, as well as a number of other risks and constraints arising from that problem. By adopting the euro, Croatia would therefore make an important step towards maintaining macroeconomic and financial stability in the long run.<sup>1</sup> According to the Governor of the Croatian National Bank, in the next four years, Croatia will not enter the monetary union.

### 1.3. Coordination of macroeconomic policy in future shocks

The great recession as it is now known has started in 2007 on Wall Street and has left deep marks in economies all over the world. Although the crisis has ended in USA in 2010 and in EU in 2014, the effects of recession as still felt even today.<sup>2</sup>

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<sup>1</sup> BRKIĆ, M. – ŠABIĆ, A. (2018): Je li euro optimalna valuta za Hrvatsku: ocjena korištenjem teorije optimalnih valutnih područja. [online]. In: *Privredna kretanja i ekonomska politika*. Vol. 27, No. 1 (142), p. 9-70. DOI: <https://doi.org/10.15179/pkiep.27.1.1>

<sup>2</sup> VIDA KOVIĆ, N. (2018). Koordinacija monetarne i fiskalne politike u sljedećoj krizi. [online]. In: *Zbornik sveučilišta Libertas*. Vol. 3, No. 3), p. 41-54. Available at: <https://hrcak.srce.hr/195841>

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, known as the Fiscal Compact, is an international treaty which is substantially and functionally based on EU law, particularly on the EU legal framework for coordinating the regulation of the fiscal (budgetary) discipline of the Member States. Its main objectives are to foster budgetary discipline, to strengthen the coordination of the economic policies of the contracting parties and to improve the governance of the euro area. Although its compliance with EU law should be indisputable, there are still various uncertainties within this context which lead to the conclusions that the Fiscal Compact (unnecessarily) complicates the already quite complex structure of the European framework for the coordination of economic and fiscal policies, and that instead of the Fiscal Compact the desired objectives could have been achieved by revising and/or amending the existing EU legal framework.<sup>1</sup>

Compared to the previous budget revisions, the last one was specific because it had been induced by the Excessive Deficit Procedure. However, the common cause of each budget revision has been excessive government spending which cumulated fiscal deficits leading to unsustainable dynamics of public debt growth. Considering this fact in the context of a five-year recession and overall economic contraction, the fiscal policy has obviously deepened the macroeconomic crisis determined by domestic structural problems and by the global crisis. For the first time, Croatia as an EU member tackles its own structural problems that have generally been treated partially and unsystematically, without necessary professional expertise and political will to end the unsustainable fiscal practices.<sup>2</sup>

The last financial and fiscal crises have changed taxation trends in a large number of the European Union member states. The member states have been differently affected by the crisis primarily depending on the different degree of macroeconomic imbalances ascendant in the economy. Therefore, policy responses varied among them and were strongly connected with macroeconomic and fiscal conditions. In order to precisely define those differences, the influence of reforms taken in three major tax forms (labour, capital and consumption) was tested, as well as social security contributions using fixed and random effect panel models over the

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<sup>1</sup> GRUBIŠIĆ, L. (2016): Ugovor o stabilnosti, usklađivanju i upravljanju u ekonomskoj i monetarnoj uniji. [online]. In: *Zagrebačka pravna revija*. Vol. 5, No. 3, p. 295-324.

Available at: <https://hrcak.srce.hr/196263>

<sup>2</sup> UJEVIĆ, T. (2014): State Budget Revision for 2014 – An Attempt to Fulfill the “EDP” Criteria. [online]. In: *Privredna kretanja i ekonomska politika*. Vol. 23, No. 1 (134), p. 71-90. Available at: <https://hrcak.srce.hr/125496>

sample period from 2000-2011. Taxes have a significant redistributive impact and this development affects income inequalities and depends on the type of tax implemented. Most EU member states have tried to consolidate their public finances and improve their tax systems in a more growthfriendly way. This paper presents a hypothesis that the implementation of selected fiscal measures influences inequality reduction and demonstrates that the overall social contributions and labour taxes lead to statistically significant improvements in income inequalities among EU member states. We conclude that tax policy, specifically the choice of taxes implemented, reduces income inequalities in the EU in the observed period.<sup>1</sup>

Changes which have occurred in the international environment and had the implications for Croatia's export competitiveness have largely been determined by the effects of the global crisis, the Eurozone crisis, but also the changes in foreign trade flows and terms of exchange after Croatia's accession to full EU membership in mid-2013. Considering that Croatian export has stagnated due to the outbreak of the global economic crisis and the Eurozone crisis (due to weak demand from our main foreign trade partners), Croatia has received a new chance for export expansion after joining the EU, when Croatian exporters have been given additional incentives in the form of opening up a large common market, and that opportunity should not be missed.<sup>2</sup>

In the conditions of the global crisis, there has been a fall in receivables for Croatian export products. Commodity Export of the Republic of Croatia in the period after its origin the global crisis (2007-2015) increased by 39.7% (from EUR 7.6 billion) to 10.7bn. euros). How Croatia became a full member of the EU in the middle 2013, when the effects of the crisis that had a negative impact on the export of goods already weakened, are more significant export growth in Croatia was realized in 2014 and especially in 2015. Despite this, the dynamics the growth of Croatian merchandise exports and its share in GDP is much smaller in comparison to comparable countries. The most important Croatian external partners on the site exports during the observed period were Italy (20.1% of total exports), Slovenia (18.5%), Germany (17%) and Austria (9.8%). Export of the top ten product groups: during the period

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<sup>1</sup> ŠIMURINA, N. – BARBIĆ, D. (2017): Porezne promjene i dohodovne nejednakosti u Europskoj uniji tijekom financijske krize. [online]. In: *Revija za socijalnu politiku*. Vol. 24, No. 2, p. 123-142. DOI: <https://doi.org/10.3935/rsp.v24i2.1405>

<sup>2</sup> KANDŽIJA, V. – GALINAC, D. (2018): The impact of international environment on Croatia's export competitiveness. [online]. In: *Zbornik sveučilišta Libertas*. Vol. 3 No. 3. Available at: <https://hrcak.srce.hr/195841>

2007-2015 the share of the ten largest product groups in the total Croatian exports to EU-28 increased from the initial 71.6% to 83% in 2012, followed by a rapid decline to 60.7% in 2015. This means that after Croatia's accession to the EU, there was an increase in exports of those product groups which until then could not be sufficiently represented in the structure of exports to the EU.<sup>1</sup>

#### 1.4. Conclusion

In Croatia, the standard of living of the population is below the EU average due to inadequate macroeconomic policy during and after the last major economic crisis.

There is a clear trend of reducing the government budget deficit and it may be expected that public debt will soon be less than 60 percent of GDP, before entering the monetary union.

Data for the first quarter of this year show GDP growth of 3.9 percent which is 2.7 percent above the expected. In addition to public investment in infrastructure facilities (Pelješac Bridge, reconstruction and road construction, etc.), private sector investment contributed to GDP growth due to historically low interest rates and the availability of EU funds. The construction sector and the ICT sector achieved significant growth in the first quarter. The GDP growth was also driven by an increase in personal spending of 4.5 percent - due to tax reforms and a lot of money transfers from Croats live abroad. Over the past 3-4 years more than 300,000 workers have emigrated from Croatia to Germany, GB, Ireland, etc. Thus, unemployment decreased, and GDP grew!

In Croatia, a number of public sector reforms are needed, which would refer to legislative and institutional changes. Education reform is now under way, with numerous political disputes. Public administration reforms are needed to remove obstacles to domestic and foreign investors. There is a need for reforming the healthcare system. There is a need to change the electoral system and the judicial system. There are still a large number of state-owned companies that slow down the expected economic changes. This is not the case with companies that run roads, railways, forests, water, etc. It is about hundreds of companies that have partially moved from state to private property during the privatization process in the 1990s.

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<sup>1</sup> KANDŽIJA, V. – GALINAC, D. (2018): The impact of international environment on Croatia's export competitiveness. [online]. In: *Zbornik sveučilišta Libertas*. Vol. 3 No. 3. Available at: <https://hrcak.srce.hr/195841>

After the elections for the European Parliament, Croatia will hold the presidential elections this year as well as parliamentary and local elections next year.

Without increasing GDP growth at least 7 percent a year, Croatia will lag behind the EU average. In order to achieve this, a greater inflow of foreign direct investment into the economy is needed and it is only possible if the investment climate for entrepreneurs becomes attractive to any domestic or foreign investors.

## CHAPTER 2. POLITICS; FOREIGN POLICY

Petar Kurečić<sup>1</sup>, Darijo Čerepinko<sup>2</sup>

### 2.1. Euroscepticism in Croatia

Croatian Accession to the EU was set as an official goal of every Croatian government since the country gained independence in the independence war of 1990's. It was seen as a final breaking point with the 'heritage of Yugoslavia' and was set as a point of national interest. In the last phase of presidential mandate of Franjo Tuđman, following international community concerns regarding state of democracy in the country and foreign policy towards neighbouring Bosnia and Herzegovina, the process of gaining the candidate country status was slowed down, both by the lack of interest on Croatian side as well as by the opposition of some EU countries who've found Croatia unfit for membership or even for the start of negotiations<sup>3</sup>. Eurobarometer persistently showed that the most of Croatian citizen weren't sure about country's future in EU with most of the responders answering they are neither pro nor against country's accession. Some commentators argue that such an outcome of the survey is a result of a belief that their opinion won't in any way influence political decisions made "somewhere else" and that pro-political elite already made their mind on the matter. Jović<sup>4</sup> explained that "sense of the outcome being all but inevitable, regardless of what happens on the ground, is at the root of the relative indifference in Croatia towards EU accession".

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<sup>2</sup> Assist. Professor Darijo Čerepinko, PhD, Head of the Department for Public Relations, University North, Croatia

<sup>3</sup> JOVIC, D. (2011): Turning nationalists into EU supporters: the case of Croatia. [online]. In: In: Rupnik, J. (ed.): *The Western Balkans and the EU: 'the hour of Europe'*. EU Institute for Security Studies Chaillot Paper, 126, 126. Paris: European Union Institute for Security Studies (EUISS), p. 33-45. Available at:

<http://www.iss.europa.eu/publications/detail/article/the-western-balkans-and-the-eu-the-hour-of-europe/>

<sup>4</sup> Ibid.

It is worthy to note that up to the eighth assembly of Croatian parliament (XII 2015) there was not a single representative voicing opposition to EU membership, although there were some MP's warning about negotiation process and questioning the preparedness of the country to join Common market. That means that large percentage of the electorate was not represented during parliamentary discussion about EU accession. Croatia accepted its EU membership in a people's referendum held in January 2012 with majority of 66,3 percent in favour of accession and 33,1 percent against. Referendum, though, had several issues<sup>1 2</sup> that to this day fuel not exceedingly loud but persistent criticism: the date for referendum was set after Croatia signed the accession agreement making it seem as non-binding; abolition of requirements of at least 50 percent voter's turnout and just shortly before the referendum; citizens were ill-informed due to a lack of serious campaign on the government side and due to non-existing strong and publicly present opposition to accession; date of the referendum was set in late January, after many members of Croatian Diaspora, being in Croatia through holiday season, have already left for their working countries etc. In the end, turnout was around 43,5 percent, but that result is partially caused by outdated electoral register and poor referendum legislation.

However, the Eurobarometer survey from October 2018 showed that 44 percent of Croatians saw the EU positively (EU average at 62), 41 percent were neutral and 14 percent were negative towards EU (EU average at 11). The November 2017 survey showed that the EU was seen positively by 31 percent of respondents in Croatia, (the EU average was at 40). 18 percent of respondents saw the EU negatively (EU average is 21), Neutral views were at 50 percent. Part of the reasons for that could be observed in the rise of the political parties that use political arena for blatant attack of the EU and NATO membership such as Živi Zid (/Human Shield), which is at the moment a third most popular party in Croatia. At the end of accession

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<sup>1</sup> GRUBIŠA, D. (2012): Hrvatski referendum za Europsku uniju: anatomija zakašnjelog (ne)uspjeha. [online]. In: *Politička misao*. Vol. 49, No. 2, p. 45-72. Available at: [https://hrcak.srce.hr/index.php?show=clanak&id\\_clanak\\_jezik=126050](https://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=126050)

<sup>2</sup> HENJAK, A. (2016): Odnos prema nacionalnoj politici i odluka o pristupanju eu na referendumu 2012. godine. [online]. In: *Anali Hrvatskog politološkog društva: časopis za politologiju*. Vol. 13, No. 1, p. 55-82. DOI: <https://doi.org/10.20901/an.13.05>



negotiation process Eurobarometer showed quite similar numbers with, 29 percent pro accession, 27 percent against and 41 percent neutral.

In five years since entering the block Croatian citizens did grow a little bit more pro EU oriented but they are still rank below EU average on positive and above EU average on negative scale.

Main complaint towards the EU is that it didn't do enough to tackle mostly economic issues such as unemployment, tax fraud and social security. Eurobarometer<sup>1</sup> report states that “although in nine of the policy areas a majority of Croatians consider the EU action appropriate, most respondents still feel that the EU action is insufficient in the fight against unemployment (62%), in tackling tax fraud (53%) and health and social security (51%). To a lesser extent and despite the improved perception of the EU action in these fields, a relative majority of people share this view when it comes to the fight against terrorism (46%) and agriculture (46%). Opinions are evenly divided on migration issues: 43% think that the EU has done enough and the exact same share believe the opposite.

Some author<sup>2</sup> point out two main political trends that define the present political situation in Croatia. First is “the collapse of the political left, represented by the Social Democratic Party (SDP), and the likely implosion of the bipolar political system that has been in place since shortly after Croatia became independent, in the 1990s. The second trend is the surge in support for populists and Eurosceptics – especially the Human Shield party”, which is now the third largest political force in the country. Human Shield is “an anti-EU party par excellence: its leadership regularly calls for Croatia's exit from both the Union and NATO and agitates against the introduction of the euro in the country. While Human Shield's anti-EU agenda is gaining traction among them, Croatian voters remain

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<sup>1</sup> EUROBAROMETER (2018): Delivering on Europe: Citizens' views on Current and Future EU Action. [online]. In: *Eurobarometer Survey 89.2 of the European Parliament: A Public Opinion Monitoring Study*. May 2018. 140 p. Available at: [http://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2018/delivering\\_on\\_europe\\_citizens\\_views\\_on\\_current\\_and\\_future\\_eu\\_action/report.pdf](http://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2018/delivering_on_europe_citizens_views_on_current_and_future_eu_action/report.pdf)

<sup>2</sup> CAPAR, R.-I. (2019): Wall in: The Eurosceptic challenge in Croatia. [online]. In: *European Council on Foreign Relations*. January 16<sup>th</sup> 2019. Available at: [https://www.ecfr.eu/article/commentary\\_wall\\_in\\_the\\_eurosceptic\\_challenge\\_in\\_croatia](https://www.ecfr.eu/article/commentary_wall_in_the_eurosceptic_challenge_in_croatia)

predominately focused on internal affairs. Indeed, as scandals draw in more and more prominent political leaders with each passing month, Plenković is straining to hold together a fragile parliamentary majority”.

In the 2019 EU Parliament elections Eurosceptics won 2 out of 12 seats allocated for Croatia. Hard right nationalist and sovereignist Ruža Tomašić won one (8,52%; 91,546 votes) and Human shield party won another seat (5,66%; 60,847 votes) with voter turnout of only 29,86%<sup>1</sup>. Position of Mislav Kolakušić, populist former judge who won another seat regarding EU is yet unclear.

In mainstream media accession to the EU is mostly seen through economic parameters and Croatia is often perceived as one of the poorest members but the blame for it is almost unanimously blamed on country's political elite and not seen as a product of EU policies. In some fringe right wing media (e.g. *dnevno.hr* with 10% share according to Reuters<sup>2</sup>) EU project is presented as a conspiracy aimed to extract national wealth out of the country and is seen as a tool to severely diminish Croatian national sovereignty.

## **2.2. Representation of extremist political parties in parliaments and governments**

Croatian parliament<sup>3</sup> is currently in its 9th assembly since the Civil Act amendments in January 1990 that allowed multiple political parties to participate in the election process. Extremist political parties, with one exemption during the one year government led by Tihomir Orešković (2015-2016), were never a part of government, although main center-right party (Croatian democratic union – HDZ) was consider in different periods to be more or less radical on the right political specter. Since the first

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<sup>1</sup> STATE ELECTORAL COMMISSION OF THE REPUBLIC OF CROATIA (2019): Elections of members to the European Parliament from the Republic of Croatia. [online]. Available at: <https://www.izbori.hr/site/en/izbori-referendumi/izbori-clanova-u-europski-parlament-iz-republike-hrvatske/izbori-clanova-u-europski-parlament-iz-republike-hrvatske-2019-1759/1759>

<sup>2</sup> PERUŠKO, Z. (2018): Digital News Report Survey: Croatia. [online]. In: *Digital News Report*. Available at: <http://www.digitalnewsreport.org/survey/2018/croatia-2018/>

<sup>3</sup> CROATIAN PARLIAMENT (2019). Available at: [www.sabor.hr](http://www.sabor.hr)

assembly of Croatian parliament there were three distinct periods regarding extremist parties' representation.

#### Independence, war and postwar period

First period covers time span from 1990 and the first multiparty elections to the end of 1999 and the death of the first Croatian president Franjo Tuđman. This first period is characterized by the Croatian struggle for independence from Yugoslavia, Yugoslav wars that followed and postwar years in which the strong emotions towards recent history were still present and important.

First “free” elections were held on 22nd and 23rd of April (first round) and on 6th and 7th May of 1990 (second round) and at the time there were 33 registered political parties. Majority of seats was won by Croatian Democratic Union (HDZ) led by Franjo Tuđman who became the president and led Croatia through the war years and independence process.

By some, HDZ was, at the time, perceived as a nationalist far right party<sup>1</sup> matched by the similar party with Serbian prefix (Serbian democratic party – SDS). Goal of HDZ was to secure certain level of Croatian independence from Yugoslav political system overtaken by Serbian communist party led by Slobodan Milošević. In that sense, HDZ in their formative years can be seen as a radical, extremist political party. SDS had a goal of securing certain level of autonomy and/or independence for ethnic Serb population living in Socialist Republic of Croatia, still within Yugoslav federation. After Croatia claimed independence from Yugoslavia, SDS was leading political force of insurrection against newly formed State of Croatia. Both parties organized huge rallies with lots of nationalistic messages and symbols and “party hawks” – well known individuals often with quite radical and extremist ideas and proposals for the purpose of stirring fuz and inflammation of ethnic conflicts (as a prelude to Yugoslav wars).

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<sup>1</sup> JOVIĆ, D. (2009): Croatia after Tudjman: the ICTY and issues of transitional justice. [online]. In: *EU Institute for Security Studies Chaillot Paper 116*. June 22<sup>nd</sup> 2009, p. 13-27. Available at:

[http://www.iss.europa.eu/index.php?id=18&no\\_cache=1&tx\\_ttnews\[cat\]=21&tx\\_ttnews\[pS\]=1230764400&tx\\_ttnews\[pL\]=31535999&tx\\_ttnews\[arc\]=1&tx\\_ttnews\[tt\\_news\]=1202&tx\\_ttnews\[backPid\]=143&cHash=a883f13d46](http://www.iss.europa.eu/index.php?id=18&no_cache=1&tx_ttnews[cat]=21&tx_ttnews[pS]=1230764400&tx_ttnews[pL]=31535999&tx_ttnews[arc]=1&tx_ttnews[tt_news]=1202&tx_ttnews[backPid]=143&cHash=a883f13d46)

HDZ won 209 seats (out of 356 seats) while SDS won 5 seats. In those first days HDZ is often described as a national movement, rather than as a party and it took a while for HDZ to be transformed into modern Christian democrat party.

Second assembly of the parliament was constituted in September of 1992 with changed structure of chambers and number of seats. Elections were held while the war for independence against Serb forces was underway. HDZ won 85 (out of 138) seats, SDS didn't participate in the elections. Far right party Croatian Party of Rights (HSP) won 5 seats with 6.91 percent of votes. This is the first time Croatian voters gave confidence to another right wing party.

This time it was HSP, a party with radical stands towards Serbs and fostering its own military component – Croatian Defense Forces (Hrvatske obrambene snage – HOS) – a classical militia that used many of the symbolism of Croatian WW2 Nazi Collaborators' regime (Ustaše) as opposed to Yugoslav people's army (JNA) signage inherited from the antifascist partisan movement led by Josip Broz Tito. After number of accusations against the HOS forces<sup>1</sup>, most of the units are incorporated into the regular army forces, some of the HOS members are put on trail and state took certain measures to diminish the party strengths.

In the third assembly Croatian party of rights (HSP) won 4 seats and 5 percent of the votes, mostly in the war thorn regions of Croatia. Elections were held in October 1995, shortly after exceptionally successful military operations that ended occupation of significant parts of Croatia held by Serb forces and which later led to implementation of peace process both in the parts of Croatia still under occupation, as well as in Bosnia and Herzegovina.

During the third assembly president Tuđman demonstrated many undemocratic practices. While still in a good health, he held different party fractions together and in balance of power. Some of fractions were exceptionally extreme both in their view of democratic values and the international position of Croatia, opting for repudiation of human and

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<sup>1</sup> (2010): Izvješće državne komisije o Pripremi i vođenju obrane Vukovara. [online]. In: *National security and the future*. Vol. 11, No. 2-3, p. 111-153. Available at: [http://www.nsf-journal.hr/online-issues/editorials/id/1200#.XYT2G\\_ZuJPY](http://www.nsf-journal.hr/online-issues/editorials/id/1200#.XYT2G_ZuJPY)

political rights and isolationism. After striking war victory, nation turned to more everyday problems: stalling economy, rise of the unemployment, privatization of public sector and problems of transition etc. This consequently led to HDZ losing the elections for the first time since the establishing new democratic multi-party system, which left them in disarray. After Tuđman's death in November of 1999 inter-party struggle for power began in HDZ which eventually led to win of the pro-European fraction led by Ivo Sanader.

During this period prevalent topics are connected to protection of painfully gained independence, questions of national consensus and unity, especially concerning topics of 'national interest', relations towards Croatia's neighbors and its position in the world, and discussion of what constitute national identity, how is identity affected by almost a century long affiliation to Yugoslavia and should it be, and if so, how should it be protected.

Accession period: Croatia on the path to joining NATO and EU

Second period is marked by first change of governing party in newly established democracy. On January 3, 2000 left leaning coalition won the majority of seats and started a period of after war renovation, both in economy and in political sphere where new government traced Croatian EU integrations path.

In the 4th assembly HSP kept the same number of seats (4) as in previous assembly. Elections held on January 3rd were seen as historical since it was for the first time that HDZ have lost the power and center-left leaning government led by Social democrats (SDP) took the power.

In the fifth assembly HSP won total of 8 seats and is at its peak. HSP campaign preceding the elections was based on euroskepticism and xenophobia, not only against Serbs, but against Brussels bureaucrats as well. This election was characterized by the swift return to power of HDZ, led by Ivo Sanader, modern and European Christian democrat leader.

6th assembly gave only one seat to HSP and they haven't recovered from election loss ever since. During the election campaign HDZ openly campaigned against voting for HSP claiming the vote for HSP would bring left coalition to power and the message was, obviously effective. Division

and constant clashes between HSP leaders also helped the demise of the HSP position.

Although seventh election cycle since the independence was won by the center-left coalition led by Social democrats, new political party entered the parliament. It was center-right regional party Croatian democratic alliance of Slavonia and Baranya (HDSSB) who won 6 seats and was led by accused war criminal Branimir Glavaš. Glavaš was one of the leaders of HDZ who, after conflict with HDZ leadership, left HDZ and formed another party of his own. During his MP mandate his MP's immunity against any form of trial was withdrawn and he was convicted for committing war crimes (later the sentence was abolished by the Supreme Court and the process is renewed). As in earlier cases, it is obvious that radical political options on the right political spectrum are able to enter the parliament only when HDZ allows them to harness some small percentage of votes. That happens either in the times of internal power struggle or in unspoken agreement with the party leadership. In the seventh assembly there is only one member of the HSP party and the party itself had split into few minor parties. The one in question is from HSP 1861.

#### EU member state period

Third period was marked by Croatian accession into EU on 1st of July 2013. It is marked by recurrence of nationalism, conservatism and euroscepticism characteristic for many new member states<sup>1</sup>. It is worth noting that during the accession both the president of the country and its prime minister were members of Social democrats and HDZ led election campaign on premise of returning the country back on patriotic track. HDZ formed so called Patriotic coalition and put more radical candidates onto their electoral ballots, including few independent candidates known for their radical and conservative stance. They won the second biggest percentage of votes and after unusually long negotiations, influenced, among others, by the Catholic church, HDZ formed a government and

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<sup>1</sup> JOVIĆ, D. (2010): Problems of early post-communist transition theory: from transition from to transition to. [online]. In: *Politička misao: časopis za politologiju*. Vol. 47, No. 5, p. 44-68. Available at:

[https://hrcak.srce.hr/index.php?show=clanak&id\\_clanak\\_jezik=102662](https://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=102662)

appointed several radical appointees as members of government, most notably Minister of Culture Zlatko Hasanbegović known for his controversial stance towards Croatian WWII Nazi regime. Apart from them, on the Patriotic coalition ballots were also members of other radical right political parties such as another version of HSP (HSP AS) and HRAST (Croatian progress – but also Oak). The later were connected to anti-LGBT church supported movement called Pro Family who successfully organized referendum petition for abolishing gay rights to marriage. Due to internal problems in the coalition, Patriotic coalition parliamentary majority lasted for 6 months but it was enough for certain MP's to gain national prominence. Hasanbegović and few of his followers, for instance, formed new radical right political party called Independents for Croatia.

Another somewhat radical political party entered the 8th assembly. It is called Human shield (Živi zid) who won one seat, mostly due to successful presidential elections campaign of their candidate Ivan Vilibor Sinčić. The party is formed by social and political activists who were foremost fighting against banks ordered evictions of people failing to pay their mortgages. Being one issue party at start, Sinčić used his MP term quite successfully and promoted various issues such as opposition to EU and NATO membership, suspicion towards financial markets and institutions, especially those owned by foreign, mostly western owners and showed sympathies for countries such as Russia or China.

Still actual, ninth assembly seats allocation showed the increase of popularity of Human shield party, which is seen as populist, euro skeptic party whose leaders are often seen as promoters of conspiracy theories and who are openly distrustful of political elites and institutions. After internal elections in HDZ new party leader and actual Prime Minister Andrej Plenković moved the party position towards political center and HDZ is not seen as radical as it was in previous period, but their coalition still hosted some candidates from minor radical right parties such as HRAST. Radical right coalition led by Mr. Hasanbegović failed to won seats in 9th assembly.

In the first EU parliament elections in 2013 out of six MP's chosen on HDZ list was also Ruža Tomašić, nationalist hardliner who was also member of Croatian Parliament in two terms (2003-2008 and 2011-2014).

She retained her seat in EU parliament also in 2014 elections and was reelected in 2019 when she was running with the coalition list called Croatian sovereignists. Although not an anti-EU in her views she wows for more influence of the national states and much less integration. Apart from her, another radical right list, led by Mr. Hasanbegović was close to win a seat but failed to reach the threshold, as well as the list of MOST whose leaders at some point in the 2019 campaign also opted for more sovereignty.

Human Shield party won one seat as well but their numbers were not as high as in the months preceding the EU elections when they were above 10%. With only 5,66% of votes (on 29,86% turnout) they ranked fifth, behind both major centre right (HDZ) and centre left (SDP) parties, both winning 4 seats, Croatian sovereignists and independent list of former judge Mislav Kolakušić who won 7,89% (84,765 votes) and who's position on main issues are still unclear. Mr. Kolakušić led a campaign based on main theme of fighting corruption and gave several statements (e.g. that both 2019 EU elections and forthcoming election for the President of Croatia are just steps to winning a majority in Croatian parliament after which he's going to personally unify prime minister position with ones of minister of interior and minister of judiciary) many analysts and media professionals find questionable.

### **2.3. Defense Union or Common Foreign and Security Policy**

The EU leaders agreed to increase spending on defence research from €25 million now to €500 million beginning in 2021, which would make the EU, as integration, the fourth largest investor in Europe in defence industry research after the UK, France and Germany. The investment program needs approval by both the European Parliament and national capitals<sup>1</sup>. If national governments did not pay for procurement and development programmes because defence budgets get short of money, defence companies will produce nothing. International cooperation is possible to joint Russian and

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<sup>1</sup> COOPER, H. (2017): Insecurity is cash cow for Europes defence firms. [online]. In: *Politico*, February 17<sup>th</sup> 2017. Available at: <https://www.politico.eu/article/nato-russia-tensions-mean-big-business-for-eu-defense/>



Chinese defence producers to invest more money into defence research and infrastructure to produce high tech technology products and wreck trade barriers for selling arms inside Eurasian defence market. Here, absolutely economic deficit would be minimised to turn up the dynamic curve to expand it.

More generally speaking, the EU needs to spend more money on defense if it wants to keep up, or it needs to find new ways and means of cooperation, not just with NATO, but with Russia and PR China as well. The EU states spend 27 thousand Euros per soldier on equipment and research, compared to 108 thousand Euros per soldier by the USA. And while Russia spends more than five percent of its annual GDP on defence, the EU member states spend an average of 1.3 percent of GDP<sup>1</sup>. The EU stays behind the US military spending, it seen that the EU leaves from mercy like a big social problem, taking social allowance and some adoptions of NATO fund.

“The EU and China signed a ‘strategic partnership’ in 2003, and adopted 2020 strategic agenda for cooperation in 2013. These agreements resulted from a mutual commitment to cooperation and signal an interest to further advance ties”<sup>2</sup>. Prominent role from EU states those had invested more money into defence sector into foreign business had cemented economic benefit in the PR China defence sector for some EU defence firms, to expand the global market for selling military goods out of the EU market, that became more relevant on global market inside the EU-PR China defence relation.

As for the prospects of establishing a European Defense Union, it has to be noted that the first attempt was more than six and a half decades ago. Namely, after the Pleven Plan, which aimed to create the European Defense Community, the European Union (hereafter: the EU) member states still

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<sup>1</sup> HERSZENHORN, D. M. (2017): James Mattis gives NATO spending ultimatum. [online]. In: *Politico*, February 17<sup>th</sup> 2017. Available at:

<https://www.politico.eu/article/james-mattis-gives-nato-spending-ultimatum/>

<sup>2</sup> DORUSSEN, H. – CHRISTIANSEN, T. – KIRCHNER, E. (2017): Security Cooperation in EU-China Relations. [online]. In: *2017 Conference of the European Union Studies Association*, Miami, May 4-6 2017 (preliminary draft), p. 2. Available at: <https://eustudies.org/conference/papers/download/462>

need to formulate and elaborate a bold vision for the EU's defense integration consistent with current concerns about security environment and austerity. This vision takes into account calls for a recalibration of the EU defense efforts and, consequently, the Union's resilience and reputation as an autonomous security provider in its neighbourhood and beyond<sup>1</sup>. The European Defense Community (hereafter: the EDU) is an old political idea in the western part of Europe, an unfinished project, dating since the era NATO alliance was founded. The debate on the EDU opens many questions how to accelerate the EU's defense integration in the 21st century. The European Council has powers to establish a common defense with the EDU on the basis of permanent structured cooperation and a relevant collective self-defense clause (Article 42 Treaty of the European Union, TEU) and operationalise other relevant articles (Article 41 start-up fund, Article 44 TEU, entrusting of CSDP missions to a group of Member States, Article 222 TFEU the solidarity clause)<sup>2</sup>. The political founding has already been laid down on the fundamental basis by the TEU and the Lisbon treaty, which enable a build-up of self-sustainable defense system in the EU. However, the key problem lays in the lack of political will, and particularly unanimity, to achieve the EU's foreign policy goals and equally address security concerns of all EU member states within the Article 42(7) TEU. This article in the TEU should become the EU's equivalent of NATO's Article 5, in the subject of collective defense. The EU could care about its defense and military matters under the EDU establishment and change the 3C policy (cooperation and coordination in co-optation) from NATO's global policy. This way, the EU would get more autonomy and interdependence. It would also raise interconnectivity among the EU member states to guide defense policy within accepted federal concept of multinational super state.

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<sup>1</sup> SOLANA, J. – BLOCKMANS, S. – FALEG, G. (2015): More Union in European Defence. [online]. In: *Report of a CEPS Task Force on Security and Defence*, Centre for European Policy Studies, Brussels, February 26<sup>th</sup> 2015, p. 6 of 34. Available at: <https://www.ceps.eu/system/files/TFonEuropeanDefence.pdf>

<sup>2</sup> EUROPEAN PEOPLE'S PARTY (2019): Position Paper on a European Defense Union. [online]. In: *EPP Group*. September 18<sup>th</sup> 2019. Available at: <https://www.eppgroup.eu/newsroom/publications/position-paper-on-a-european-defence-union>

The member states agreed to step up the European Union's work in this area and acknowledged that enhanced coordination, increased investment in defence and cooperation in developing defence capabilities are key requirements to achieve it.

This is the main aim of the Permanent Structured Cooperation on security and defence (PeSCo), as outlined in the Treaty of the EU, Articles 42 (6) and 46, as well as in the Protocol 10. PeSCo is both a permanent framework for closer cooperation and a structured process to gradually deepen defence cooperation within the EU framework. Each participating Member State provides a plan for the national contributions and efforts they have agreed to make. These national implementation plans are subject to regular assessment. This is different from the voluntary approach that is currently the rule within the EU's Common Security and Defence Policy. The Lisbon Treaty incorporated all these provisions almost verbatim [Articles 42.6 and 46], albeit putting operational requirements, fiscal targets – although still not quantified – and multinational industrial cooperation roughly in the same basket and only changing the timeline for compliance mentioned in the relevant Protocol [no. 10] to 2010, as the treaty was expected to enter into force in the autumn of 2009<sup>1</sup>.

Fiott et al.<sup>2</sup> call PeSCo “sleeping beauty of EU defence”, hence no one was in a hurry to implement the provisions of the Lisbon Treaty in the matters of defence: “Only after a series of meetings of, and non-papers by, EU foreign and defence ministers in the autumn of 2016 – Germany was particularly proactive, in the wake of the release of its White Book on defence – did the idea of testing PeSCo win the day as one of the vehicles to meet the ambitions set in the EUGS, albeit within the wider framework of the various initiatives”<sup>3</sup>. Nevertheless, PeSCo might be the next step towards the EDU.

The EDU as an effective international and supreme national body could build up gradual integrative cooperation among the EU member

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<sup>1</sup> FIOTT, D. – MISSIROLI, A. – TARDY, T. (2017): Permanent Structured Cooperation: What's in a name? [online]. In: *EU Institute for Security Studies Chaillot Paper 142*. Paris, November 13<sup>th</sup> 2017, p. 18. Available at: [https://www.iss.europa.eu/sites/default/files/EUISSFfiles/CP\\_142\\_ONLINE.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFfiles/CP_142_ONLINE.pdf)

<sup>2</sup> Ibid., p7

<sup>3</sup> Ibid., p.20

states, excluding the discrimination of states that would be based on strategic convergence. Policy integration around better cooperation at national level includes strategic upgrade to redefine back up plan for the EU's level of ambitions in response to changing threats in the globalised world, reform of institutions, procedures, and financing of a common EU defense, namely through regional clusters association by pooling and sharing military capabilities, the creation of a Euro group of Defense Ministers and the permanent EU military headquarters in Brussels that could facilitate quick planning, command, and control; then industrial harmonization process would follow, in order to re-galvanize the European defense technological and industrial base by stimulating investments and innovative research programs<sup>1</sup>. The EU may gain a political break out from deadlock on strategic and institutional level among member states on defense matters and accelerate cooperation amid resources and capabilities in the military field. This cooperation might be bundled under the same association body at international stance through a blueprinted institution, the EDU. The main priority of that body in the EU defense and military would not be to effectively support NATO. On the contrary, it would be capable to work autonomously, without NATO's military support and would not be submitted to any political directives from the U.S.A. or NATO. This is a focal point for the EDU as political response to the security decisions made under NATO's guidance that are destructive for the EU's overall defense. In that case the EDU would be founded only for the EU's purposes.

The EDU would be able to upgrade the EU's defense policy and deepen defense integration in Europe without NATO. Europe needs to reform itself in the field of common defense and find solutions by founding the EDU, serving only for European purpose about common defense and military matters, while the EU would need to start functioning independently in defense matters. If the EU accomplishes defense autonomy, the new European foreign policy strategy could be redrawn by defined common interests those were cemented into blueprinted or updated

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<sup>1</sup> FALEG, G. – BLOCKMANS, S. (2015): Time to Forge a European Defence Union. [online]. In: *The American Interest*. April 17<sup>th</sup>, 2015. Available at: <http://www.the-american-interest.com/2015/04/17/time-to-forge-a-european-defence-union/>

New Grand strategy. Concurrently, the EU strategy that had been issued in 2003 is overdue and not fit to confront with the present security challenges in Europe and its surroundings. The first step in performing institutional changes under the EU auspices dictates improved decision-making process, with high ranking political consensus under and the consent of all EU member states. If all of the EU member states agree with the idea for forming the EDU, then the second step would follow, in which the European Council would constitute a ministerial forum for consultation and decision making, established by the Council of Defense Ministers, which is upgraded with the EP Subcommittee on Security and Defense matter. The third step would include the establishment of the permanent EU military headquarters in Brussels. In the next step, the Subcommittee for Security and Defense in the European Parliament would be upgraded to a fully-fledged Committee. The strengthening of defense cooperation between the European Parliament and national parliaments in defense matters would be pursued<sup>1</sup>. This political vision could recalibrate the EU defense policy towards autonomy. Military planning in would become EU fully integrated. Interoperable armed forces would be equipped by the single European defense market under the EDA auspices, with taking into regard technical modernization. The supreme headquarters in Brussels would ensure quick and effective planning, command, and control to European army, without relying on NATO command assets.

Several EU member states are supporting the stance that they would be able to form a permanent defense union, the EDU, and integrate their defense personnel and equipment into a common European defense force<sup>2</sup>. The EU member states that support strong presence of NATO in Europe have negative attitude to form the EDU while they met with duplication of defense priorities amid EU and NATO. If the EU member states would make decisions to (re)built the military hardware component

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<sup>1</sup> SOLANA, J. – BLOCKMANS, S. – FALEG, G. (2015): More Union in European Defence. [online]. In: *Report of a CEPS Task Force on Security and Defence*. Centre for European Policy Studies, Brussels, February 26<sup>th</sup> 2015, p. 3 of 34. Available at: <https://www.ceps.eu/system/files/TFonEuropeanDefence.pdf>

<sup>2</sup> ANDERSSON, J.J. – BISCOP, S. – GIEGERICH, B. – MÖLLING, C. – TARDY, T. (2016): Envisioning European Defense: Five Futures. [online]. In: *EU Institute for Security Studies Chaillot Paper 137*. Paris, March 2016, p.31 of 56. Available at: [https://www.iss.europa.eu/sites/default/files/EUISSFiles/Chaillot\\_Paper\\_137.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFiles/Chaillot_Paper_137.pdf)

under the EDU guidance and reach consensus on the European defense policy, then the European army project would continue under ongoing transformation process by developing European infantry component, European navy and European air force. The force contingencies approved by national states participation plan would be put under a single chain of command and supported by a common armament programme under the auspices of the European Defence Agency (EDA). Tactical units at battalion size units might increase to upper size to brigade and higher level units incorporated into joint operative formation corps and submitted to higher unit headquarters OHQ. Multinational forces set up under a single banner would be able to operate autonomously, on strategic level across the full spectrum of dominance into theatre of operation at home and abroad as to protect domain territory and would be capable to conduct a full spectrum expeditionary warfare activities abroad Europe for the EU's geopolitical benefit, and fight against versatile threats to the EU security. The EU member states should take concrete steps towards more efficient and effective framework for defense cooperation under the EDU.

The EDU would need to be approved by political consensus from all EU member states. As it has been known, the EU has no constitution and the idea of a defense union had failed to realise itself, since it was rejected by France 60 years ago. The main problem is the US policy in Europe that opposes the build-up of a strong EU super state in the political, economic, defense and military arena, in order to prevent counterweight to the US military might. The US policy over the Atlantic supports a Europe that of nation-states, which plays the main role in counterweighting the European federalism. The best example is probably, which Poland represents the most trusted US ally in Central Europe and a significant buyer of the US-made weapons. Poland and the Baltic States represent a geopolitical wedge between Russia and Germany. The establishment of a sizable US military and economic presence in Poland would supposedly strengthen Poland's position vis-a-vis Brussels, is a product of the ignorance of history. The EU elites' Europeanism is not anti-Atlantics. In its essence, it is complementary. Any effort aimed against the EU must be accompanied by

an effort to liberate Europe from the US hegemony<sup>1</sup>. The problem of a long lasted political disunity of the EU represents the main problem to constitute the EU politically. The US policy, involved into the EU integration process has created, among other factors, a stall mate situation. This is one of the main reasons why the EU has not achieved the CSDP goals, which would make it more complementary, and drive a coherent and cooperative policy towards a reunited Europe.

It is interesting that, a bit contrary to the views of the elites from some European NATO members, which always show reserves towards European defence and emphasize the role of NATO, the citizens of the European Union overwhelmingly (with a 75 percent approval) support a common European security and defence policy (CSDP), and more than half (55 percent) even favour a European army, as reported by EUROBAROMETER in June 2017.

The EDU would be based on legal arrangement among the participating member states, which is separate from the EU and NATO treaties, but compatible with both<sup>2</sup>. The political damage to the European pillar of NATO alliance had been done by the US “bitter friendship”. Therefore, the EU should consider the possibility of finding an alternative solution to the subordination to NATO, and repair the mistakes carried out by NATO’s policy.

The EDU could boost or speed up defense integration process by accepting German and French proposals in the EU, to clear political path toward constituted EU federalization state. The French initiative supports tightening the European defense policy to form the EDU body, but a European army under single command could be build-up by German initiative. In opposite scenario political disintegration forecast by predicting EU future that falls apart on regional mini coalition states like the Nordic, Mediterranean, Alpean, and Central European regional concept of associations etc. NATO strongly opposes the establishment of the EDU.

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<sup>1</sup> KRUPA, M. (2016): Atlanticist roots of the EU. [online]. In: *South Front*, May 20<sup>th</sup> 2016. Available at: <https://southfront.org/atlanticist-roots-of-the-eu/>

<sup>2</sup> ANDERSSON, J.J. – BISCOP, S. – GIEGERICH, B. – MÖLLING, C. – TARDY, T. (2016): Envisioning European Defense: Five Futures. [online]. In: *EU Institute for Security Studies Chaillot Paper 137*. Paris, March 2016, p.32 of 56. Available at: [https://www.iss.europa.eu/sites/default/files/EUISSFiles/Chaillot\\_Paper\\_137.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFiles/Chaillot_Paper_137.pdf)

A weakened EU is needed to US to manage an entire control politically, economically and military ongoing EU development by political consolidation toward constituted super state. A stronger EU after Brexit and migration crises seems like an impossible mission to achieve, because the EU has fallen into political apathy. In reality, the EU defense policy is still ineffective to confront with global security problems.

What the EU member states could achieve by the EDU in army transformation process? First, powerful joint military forces could be building up with less money spending by national investments on long term for common purposes. Important common achievement by army transformation are sizing five joint attributes by attaining expeditionary interdependencies, those attributes are unified battle command, joint military assets, conventional force projection, military capabilities and sustainment into logistic and services. Second, the European army could be equipped with most advanced military capabilities that being capable to conduct full spectrum operations abroad Europe. Double track C4I system functions inseparably of the internal EU – NATO command structure, but the problem is systematically how to separate European army HQ from SHAPE to work autonomously. If the political consensus among the EU member states on defense integration process, which would result in forming of the EDU would not exist, then this multilateral cooperation would be symbolic, functioning through partial armament cooperation programs among the EU member states in the PeSCo initiative. Although military capacities developed within PeSCo would remain in the national hands that can make them available for NATO, OSCE or other mechanisms, Therefore, PeSCo might be the next necessary step for the development of the EDU.

#### **2.4. Migration, asylum laws, Schengen area**

Since the beginning of the “Arab Spring” and especially since 2015, migration to Europe, whether illegal economic or forced (refugees) has become one of the most important political, economic and security issues for Europe and the EU particularly. The issue has divided the EU (the line is geographically positioned in the center of Europe) to its East and West. Together with the legal, intra-EU migration, the issue played one of the key



roles in the outcome of the referendum on Brexit, influencing the decision towards the Leave vote. The ruling elites of some Central European states use the threat of (domestically) non-existent “immigrant waves” to attack the independence of the media and the judiciary, which is opposed to the common values embraced by the EU. The issue of non-EU migration to Europe, particularly since 2015, has become a quintessential issue in the public and political discourse, concurrently clothing the issues of democratic deficits in some post-communist EU members. The existence of two opposed geopolitical and geo-economic blocs in the EU, one composed of the states of the EU Core and the other, mostly pro-USA and firmly anti-immigrant, mainly composed of the Three Seas Initiative states, has become increasingly visible. Therefore, Europe of “two-speeds” seems like a viable scenario that could significantly determine the future of the EU.

The grouping of EU member states that are most firmly opposed to non-EU immigration to their countries and to the EU in general), however, territorial aspect is the most important, hence they are determined to keep countries “free from migrants”, are grouped around the Visegrad Four grouping (Czech Republic, Hungary, Poland, and Slovakia). To this group of countries, due to similar stance towards immigration, Baltic States can also be added, as well as Slovenia and Croatia (although Croatia tries to comply with quotas imposed by Bruxelles, in other foreign policy issues and goals it is oriented towards Visegrad Four and is strongly bandwagoning towards the U.S.A. To this group of countries, when migration issues are considered, Austria can be added. The geopolitical and geo-economic Initiative, which comprises all of the afore-mentioned states, as well as Bulgaria and Romania, is the Three Seas Initiative (Baltic-Adriatic-Black Sea Initiative). The Three Seas Initiative was supposed to connect the Baltic and the Adriatic Sea, and it would be a mainly Catholic club, more conservative than the states of the Western and Northern Europe, especially in the matters of refugee quotas and immigrants in general.

It seems paradoxical that mostly the leaders of the countries which are mostly hit by the outmigration of their own citizens are the most paranoid about immigration. However, this issue is much more than

numbers and economic indicators, which show only the countries that do not lose population, which in the case of European countries also means rapid demographic ageing, can sustain long-term sustainable economic growth. It is a cultural and “civilizational” issue (as such declared), and these are the terms that have diametrically different meaning for the supporters of immigration and its opponents.

In order to decrease the influence and annul the interests of the European core, the states of the Initiative have chosen two mutually enforcing strategies ally and protect their national interests in the domain of politics and economy – taking joint stances on issues such as energy diversification policy, and the opposition to mandatory refugee quotas etc. This kind of alignment is not surprising, considering the mostly common communist past, geographical location of these states.

The issues that also have to be addressed are demographic; hence the 11 post-communist EU/NATO member states plus six Western Balkans states have lost more than 20 million inhabitants since 1990, due to mostly negative natural growth rate and emigration, mainly economic. More than half of the post-communist EU members are facing very serious demographic challenges, and the Western Balkans states are facing similar challenges, with Macedonia and Montenegro as the exceptions. Besides processes that are a product of historical events and had nothing to do with the accession to the EU (1990s wars in the Balkans, and the emigration of new, post-Soviet, post-Yugoslav minorities from certain successor states), gradual or instant opening of the EU labour market (depending on the decisions of the particular EU member states after the EU enlargements of 2004, 2007, and 2013, respectively) has been the most significant factor that influences the demographic characteristics. The experience of Croatia, Bulgaria, Romania, Poland, and the Baltic states shows that the accession to the EU, regardless of the fact that it mostly brought the rise of the GDP, once the Great Recession (with its climax in 2009) was overcome, has been positively correlated with the level of outmigration from these countries.

*Table 1: The population, total population change, and net migration of the post-socialist EU member states*

<b>Post-socialist EU member state</b>	<b>Population, thousands, 2017</b>	<b>Population, thousands (peak year)</b>	<b>Total demographic loss from peak year - end of 2017, thousands (percentage)</b>	<b>Net migration, 1988-end of 2017</b>
<b>Bulgaria</b>	7 075	8 981 (1988)	-1 906 (21.2)	-708 033
<b>Croatia</b>	4 155	4 780 (1990)	-625 (13.1)	-417 559
<b>Czech Republic</b>	10 571	/	/	494 286
<b>Estonia</b>	1 313	1 569 (1990)	-256 (16.3)	-162 145
<b>Hungary</b>	9 785	10 712 (1981)	-927 (8.7)	325 279
<b>Latvia</b>	1 950	2 667 (1989)	-717 (26.9)	-455 484
<b>Lithuania</b>	2 856	3 704 (1991)	-848 (22.9)	-615 477
<b>Poland</b>	37 908	38 660 (1999)	-752 (1.9)	-731 124
<b>Romania</b>	19 586	23 202 (1990)	-3 616 (15.6)	-2 822 853
<b>Slovak Republic</b>	5 431	/	/	9 383
<b>Slovenia</b>	2 066	/	/	60 945

Table 2: The population, total population change, and net migration of the Western Balkans states

Post-socialist EU member state	Population, thousands, 2017	Population, thousands (peak year)	Total demographic loss from peak year - end of 2017, thousands (percentage)	Net migration, 1988-end of 2017
Albania	2 879	3 287 (1990)	-408 (12.4)	-1 150 375
Bosnia and Herzegovina	3 507	4 508 (1988)	-1 001 (22.2)	-1 112 384
Kosovo	1 814	2 086 (1997)	-272 (13.0)	n/a
Macedonia, FYR	2 083	/	/	-140 929
Montenegro	623	/	/	-56 031
Serbia	7 031	7 735 (1994)	-704 (9.1)	-860 269

Source of data: World Bank Country Indicators.

Due to the lowest GDP per capita in the EU and their late accession to the EU, Bulgaria, Romania, and Croatia are particularly faced with the demographic exodus of the most productive groups in their societies. The Annual report for 2016 on non-EU and EU migration published by the *Bundesamt für Migration und Flüchtlinge*, showed that Germany attracts the migrants from the eastern, post-communist members of the EU, whose number has since 2010 tripled. Out of total 634 thousand EU citizens that have immigrated to Germany in 2016, 77 percent originated from post-communist members, with Romania (171 380, 0.87% of the total population in 2016), Poland (123 134, 0.32%), Bulgaria (66 790, 0.94%), Croatia (51 163, 1.23%) and Hungary (42 302, 0.43%) as the main countries of origin. However, if we compare these numbers to the overall population of the afore-mentioned countries, it is visible that Croatia is the EU member state most affected by immigration to Germany, the total

number of emigrants doubling in 2014 compared to 2013 (Croatia has been EU member state since July 1, 2013). Most of the migrants from the mentioned states were between 20 and 39 years of age. And although the remittances sent to the respective EU member states and the Western Balkans states contribute significantly to their GDPs, the demographic, and therefore economic and social loss is more serious, long-term problem for these economies/societies. It is highly probable that a similar scenario as in the post-communist EU member states would occur in each of the Western Balkans states once the restrictions on free movement of labour force would take place. If compensation mechanisms are not devised prior to that prospective future development, the Western Balkans states risk even higher level of demographic loss than post-communist Central and South-East European EU member states. A longer period until possible accession and the proper use of pre-accession funds and programs may help as a mechanism for achieving at least a partial success in the struggle with demographic exodus from the Western Balkans, joined with vigorous insistence on anti-corruption campaigns and measures. Similar applies for Ukraine and Moldova, if these were offered and opt for European perspective; hence they are already severely affected with a sharp decrease in population (Ukraine has lost more than seven million people since 1991). The EU cannot risk accepting one or more states that are in reality unprepared for the challenges of membership, hence this would hurt the particular states and the EU as a whole. It is unlikely that the EU will in the future accept new member states that would be geopolitically subordinated and in geo-economic relations primarily oriented to external actors, even if that external actor is the U.S.A. Hence the EU, with the states of its core as leaders, needs to develop its own energy, foreign, and security policies, it cannot afford these policies to be subordinated to the interests of external actors. In other words, the EU should in the future be extremely careful about accepting any post-communist NATO member states, hence the possibility of an enlargement of the pro US-bloc in the EU would mean that the interests of the external actors would become too expressed, and would therefore speed up and cement the division of the EU into “speeds” or “gears”.

Concerning Schengen, Croatian government express its commitment to joining the Schengen area as soon as Croatia meets all the required criteria and Prime minister Plenković mentioned 2020 as a goal year for Croatian accession stating that all the technical criteria shall be met. Main obstacles in the process are political factors, namely still unsolved border issues with neighboring Slovenia whose prime minister warned about possibility of another Slovenian blockade of Croatian EU integration.

## 2.5. **Strengthening and weakening of European institutions**

The post-communist Central Europe, with the Visegrad Group as its core, once belonged to the Warsaw Treaty. It was an underdeveloped area, which in the past two and a half decades strongly reaffirmed itself, using its membership in the EU and NATO (which was a prerequisite for the accession to the EU for each of the regions' states), as well as its firm geopolitical alliance with the U.S.A. as the main drivers for its development and international affirmation. Bandwagoning towards the U.S.A., as a guarantor of security and stability and the keeper against the (then) still weak renewed Russian influence, accompanied by the integration into the EU (and especially the use of the EU funds) have shown as the winning formula for the states, whose GDP was mostly in the range between 1 500 and 3 000 US\$ in 1990 (current US\$, World Bank). On the other hand, these states opened their markets and economies to the foreign capital well before the accession to the EU (with Germany and Austria at the lead), thereby increasing the interconnectedness of the economies and easing the integration. Nevertheless, in geopolitical and security aspects, they have mostly followed the agendas and initiatives imposed by the U.S.A. The region has a history of post-communist groupings, with the Visegrad Group as the first and most cohesive. The two groupings that confirm the bandwagoning towards the USA the most are Vilnius Group, as well as the more recent, like the Three Seas Initiative<sup>1</sup>.

Post-communist Central Europe is currently reliving certain parts of its past, through the rise of nationalism and isolationism (manifested

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<sup>1</sup> MASSON, F. (2018): The three-seas-initiative: European regionalism of supranational nature. [online]. In: *Nouvelle-Europe*. March 20<sup>th</sup> 2018. Available at: <http://www.nouvelle-europe.eu/en/three-seas-initiative-european-regionalism-supranational-nature>

through Euroscepticism), conservative tendencies, and the establishment of a concept of “illiberal democracy”, already taking place formally in Hungary, and a bit more informal in Poland and Croatia. The Visegrad Four, as a core association of Central European post-communist countries, has seen its de facto enlargement to the Baltic states and Croatia, taking the Baltic-Adriatic corridor of countries a core of the relatively new Three Seas or the Adriatic-Baltic-Black Sea Initiative, with Poland as the biggest and most important country of the Initiative, and Croatia, due to the policy of its Madam President, a diplomatic forerunner of the Initiative, which has clear geopolitical and geo-economic goals and implications.

The presence of NATO in post-communist Central Europe and in the parts of Eastern and South-eastern Europe means that the barrier to Russian influence is firm and lasting. Nevertheless, the problem for NATO, due to its reactions towards Russia in the Georgian and Ukrainian crises lies in the ambivalence of strategic goals and instruments used. Hence Russia has clearly shown where the “red lines” are drawn; NATO is pursuing goals that are strategically valuable, yet in reality unnecessary and hardly attainable, such as the membership of Ukraine and Georgia.

One of the incentives to pursue strategic goals of the USA is the Three Seas Initiative, the newest expression of the US’ and post-communist NATO members’ strategic goals, compatible with the NATO’s further eastern enlargement. However, the pragmatic stance towards Russia of almost half of the states joined in the Three Seas Initiative concurrently means that “the Russia issue” certainly is not and will not be its only *raison d’être*. However, the reluctance or even clear opposition of the Visegrad Four to “Bruxelles”, the fear from Moscow, as well as the idea of Europe of national states, and not a political community (and especially not federation), and finally, a firm reliance on the U.S.A in security matters, as well as desired reliance on the U.S.A. in energy matters, means that the Three Seas Initiative, as the renewal of *Intermarium* as an Inter-War Era geopolitical idea, is bemused as a geopolitical wedge/axis between the European Core and Russia. The group of anti-Russian NATO and EU members is the core of “New Europe” and a geopolitical wedge of the U.S.A., staked between Germany and France, in the west, and Russia, in the east, devised to compensate for the economic influence and

geographical proximity of Germany (primarily) and France in the region, as well as the pragmatic stance of these two core EU states towards Russia.

These kinds of relations evoke memories of the “Jalta” division of Europe, and in that sense, emulate the old European divisions. There are two contemporary types of divisions in Europe that are geopolitically most significant. The first is the division between the EU member states, of which 11 are post-communist states, and the Eastern Partnership states and, in a lesser degree, the Western Balkans states. Stronger binding of the post-socialist EU/NATO member states plus Austria and maybe in the future Bosnia and Herzegovina, as well as Montenegro and possibly Albania, would create an even more powerful geopolitical axis/wedge of primarily NATO member states that bandwagon, although to a largely various degrees towards the USA, and represent a wedge between the core of the EU (Germany, France, Belgium, Luxembourg, and up to a point, the Netherlands) and Russia. The influence of these states would be stronger, if they would cooperate and take unanimous stance towards certain foreign policy and security issues, as well as the internal organization of the EU. The question of the debate about the “Five Scenarios” on the future of the EU, proposed by the current President of the European Commission, Mr Juncker, is one of the most important issues on which the states of the Initiative can cooperate and probably come up with an agreed stance. Poland, considering its size, economic power, voting weight, geopolitical position, and military capabilities, is the most important state and the “natural” leader of the Initiative.

The Hungarian Prime Minister Orban is the main proponent of “illiberal democracy” in the EU. In Poland, President Duda had to put a veto on the laws passed by the ruling majority of conservative PiS Party. The passing of these laws puts into jeopardy Poland’s position in the EU, with the announcement that the EU might, for the first time in history, try to abolish voting Poland’s voting rights in the EU institutions. The aforementioned gap between the “Old” and “New” Europe can be seen in variety of issues. The pragmatic stance towards Russia of almost half of the states joined in the Initiative concurrently means that “the Russia issue” certainly is not and will its only *raison d’être*. The foreign policy goals and areas of cooperation that are available to the states of the Initiative are much wider



– protecting national sovereignty from “Bruxelles”, rather tough stance towards the acceptance of refugee and asylum seeker quotas imposed by the EU, firm support for the defense cooperation between the EU and NATO, thereby accentuating the role of the USA and interests in European security.

However, good relations, political and economic, between some of Initiative’s member states and Russia, as well as joint affection towards the “illiberal democracy” cannot be omitted, especially when it comes to the Russian President Putin and the Hungarian Prime Minister Orbán. That includes, for example similar relation towards independent media and foreign trust funds and higher education institutions.

In the post-Brexit Europe, challenged by Russia’s assertive foreign policy, migrant crisis, terrorist attacks and threats that are hitting its citizens, destroying the (false) sense of security, hurting Europe’s economies and societies, the process of European integration is faced with yet additional challenges, which lead to the inherent re-examining of functionalism (especially the possibilities of functional and fiscal federalism, respectively) as well as intergovernmentalism, as the two most important paradigms, whose proponents are governing the EU from its founding till present day.

The post-Brexit EU has also homogenised these states in a way that they fear the influence of even stronger Germany, hence their economies are significantly dependent on the German economy and foreign (significantly German) capital influences their financial sectors, automotive and other consumer goods industries. In order to decrease the influence and annul the interests of the European Core states, the states of the Three Seas Initiative have chosen two complementary strategies:

- Allying and protecting their national interests in the domain of politics and economy – taking joint stances on issues such as energy diversification policy, opposition towards mandatory refugee quotas etc.
- Relying heavily, in security matters, on NATO, to which they, in reality (except Poland) contribute almost negligibly (Estonia contributes with more than 2 percent of its GDP, however it is a small economy and a country with only 1.3 million inhabitants), except as strategic outposts towards Russia and territories on which NATO bases could be stationed.

The fact that two geopolitical blocs have crystallized, especially after Brexit and Trump becoming President, concurrently with immigrant waves to Europe and illiberal tendencies in Central Europe, with Hungary and Poland as forerunners, means that the EU is faced with the choices that might determine its future for the foreseeable period. On the other side, there is “Juncker Agenda”, with its five (or six) scenarios, and rejuvenated Franco-German, Macron-Merkel alliance as the cornerstone of the EU. These choices and the prospects for a deeper integration with the enlargement of the EMU and a possible common finance minister, as well as harmonization of fiscal policies are clearly challenged by the states that want a “Europe of strong national states”, with the Visegrad Four plus some post-communist states as allies.

In energy supply issues and challenges, a clear geopolitical and geo-economic initiative towards gradual exclusion of Russia and re-orientation towards the U.S.A. exists. While Trump’s visit to the 2017 Warsaw summit of the Three Seas Initiative had a clear geopolitical meaning, it also had geo-economic aspects that were clearly visible in giving significance to diversification of energy suppliers and supply routes to its states, heavily dependent on gas supply from Russia. Besides these countries, Ukraine, due to its heavy industry and energy dependence, needs imported coal, and the U.S.A. has a surplus of coal as well, which can be imported to Ukraine, mainly through the harbour of Odessa. Due to all these US geo-economic and geopolitical interests, terminating the beginning of the construction of the Nord Stream 2 Pipeline remains the US primary objective with its main ally Poland supporting the efforts, parallel with planned (yet stalled) construction of the LNG Terminal on Krk and the building of gas pipeline interconnectors among the countries of the region. One step further in the attempt to end the Russian and German dependence on northern transit countries Belarus and Poland is the law that was passed by the US Congress recently. It targets Russo-German Nord Stream 2 gas pipeline to Europe that would significantly lower i.e. de facto end the dependence of Germany and Russia on unreliable transit countries.

The interests of the geopolitical-geo-economic bloc of the European Core, led by Germany, in the future may include Austria (not a NATO member, has good economic relations with Russia based on pragmatism

and energy security, is economically strongly connected with Germany and Slovenia etc.) and Slovenia, despite the fact that these two states are members of the Three Seas Initiative. The Slovenian-Croatian dispute over sea boundary, in which the German government supported the outcome of the mediation, which Croatia does not recognize, is a sign of a stronger shift of Slovenia towards the EU Core. However, it is yet to be seen how the course of the probable new Austrian government will be set, when it comes to initiatives coming from Germany and Bruxelles. The disagreements in the policy towards the migrants might push Austria even closer to the Visegrad Group, regardless of the energy issues and the fact that Austria is not a NATO member state.

Thus the Visegrad Four emerges as the primary opponent of a more federalized Europe, with Poland as its logical and natural forerunner. The influence and the objective importance in the EU, of the Baltic States, as well as Croatia, are not so significant that these states could act as “game changers” in the afore-mentioned processes. Therefore, these states have connected with the Visegrad Four in the effort to increase their bargaining power, concurrently bandwagoning towards the U.S.A., thereby emulating the Vilnius Group. The renewed Franco-German partnership and the efforts to deepen the EU integration further and the opposition of the ruling political elites of the Three Seas Initiative countries (especially in the Visegrad Four) towards those and other, disputed issues, imposed by “Bruxelles”, give us the right to pose the question: Has the EU, the way it is organized now, come to the end of one phase in its evolution. Is the post-Brexit, possible “two-speed EU”, with the largest and strongest opponent of a tighter integration (besides Poland) de facto already out of the EU (the UK), the next stage in the EU’s development, in which the participation in the European Monetary Union and the devotion to “common values” would be the prerequisite to become a part of the tighter, federalized EU? The abstention from these prerequisites would probably mean that a new grouping, comprised of a reduced Three Seas Initiative (with Slovenia and Austria more likely joining the federalized EU, with an opportunity to keep influencing the common migration and asylum policy) or just the Visegrad Four, or maybe only Poland and Hungary, would in the long-term opt to

stay outside of a federalized EU, effectively making “two-speed Europe” a geopolitical and geo-economic reality.

With the future accession to the EU, the outmigration from all Western Balkans states would increase; hence the opening of the EU labour market has sharply increased the emigration from the post-communist EU members. Geopolitical and geo-economic challenges are comprised in

the renewed influence of Russia and Turkey, as well as the dependence on Russian gas supply and transit routes. In addition, the EU has lost a bit of its “functionalist” founded attraction as the “beacon” of stability and progress as well as liberalism, with internal instabilities, and the inclination towards populism and “illiberalism”, as negative responses to the multi-fold crisis of the EU: economic, institutional, non-EU immigration, and security (terrorism). Due to its internal problems and insecurities, the EU has lost its “power of persuasion”, the ability to transform the Western Balkans more rapidly through the more successful influence on political elites.

Hence five of six Western Balkans states are post-Yugoslavian states, the role of two other post-Yugoslavian states, now EU members, could be very positive, if not indispensable, in the future Western Balkans enlargement, if only the divisions and problems deriving from the recent past would not burden the relations of these states.

One of the main challenges to the spread of European integration processes onto South-Eastern and Eastern Europe also comes from its post-communist members, joined in the Three Seas Initiative. In the present situation, when it is clear that a possibility of “Two-speed” Europe exists, the decision-making processes and the depth of the integration have to be questioned, as well as the purpose of a further enlargement.

#### 2.5.1. CROATIAN DECISIONMAKERS AND THE THREE SEAS INITIATIVE IN THE CONTEXT OF EU COMMON FOREIGN AND SECURITY POLICY

As for the Croatian top decision-makers, there were some dissonant tones in the previous approximately two years regarding the Three Seas Initiative, as the current most important regional initiative of the post-socialist states of Central and South-Eastern Initiative.

Whilst the President of the Republic, as the main proponent and ideological creator of the Initiative that would tie the countries from the Baltic to the Adriatic and Black Sea more closely, with the US security umbrella and new opportunities for US economy (LNG exports to the Three Seas Initiative countries, increased arms sales, coal exports to Ukraine etc.) is of course supporting the Initiative 100 percent (it is her project, she is the main proponent and personalizes the Initiative as such as well), the government in certain periods expressed refrain towards the certain aspects of the Initiative. Hence the President of the Republic is not the key policy-maker in Croatia, albeit it has certain authorities in foreign and security policy, the final decision on foreign policy orientation and initiatives lies with the government.

The reasons for the refrain of the government towards the Initiative's reach and goals can be found in the links between the main party of the government, HDZ with the German CDU/CSU and the Chancellor Merkel, which is not favourable to the Initiative, which she sees as a tool for foreign influence in the EU (she perceives China's One Belt, One Road Initiative as such as well). Germany's economic and political interest is the completion of Nord Stream 2 Pipeline, with France recently joining the effort as well, and therefore effectively approving it. After the Warsaw 2017 Summit, the reaction from Berlin regarding the Initiative and the role of Croatia was anything but favourable<sup>1</sup>.

However, the Prime Minister of Croatia, Mr. Plenkovic, has close ties with "Bruxelles" and Chancellor Merkel as well as EPP and the President of the Commission, Juncker, with the ties with CSU especially strong. His ties are much less developed with the US and the Trilateral Commission, of which the Croatian President is a former member (she formally left the membership when she became President).

In order to make the gas supply through the LNG Terminal on the island of Krk profitable, the government would probably have to establish a special tariff, which would in reality mean that a part of the tariff would

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<sup>1</sup> PAVLIC, V. (2017):The Economist: Germany Angry with Croatia Due to the Three Seas Initiative. [online]. In: *Total Croatia News*, July 20th 2017. Available at: <https://www.total-croatia-news.com/politics/20560-the-economist-germany-angry-with-croatia-due-to-the-three-seas-initiative>

have to be subsidized – in other words, Croatian taxpayers would have to subsidize the tariff in order for Croatia to be better geopolitically and geoeconomically positioned, at least in the eyes of the policy and decision-makers<sup>1</sup>.

Some differences and EU fears regarding the Initiative, as well as the differences the position of the Croatian government and the President were in the meantime significantly lowered and the stances were brought closer.

For example, in September 2018, before the Bucharest Summit of the Initiative, Croatian President stated that the Initiative is perceived in Bruxelles as something that is positive for the European unity, and not as “an American Trojan horse in the EU”. Germany’s foreign minister Heiko Maas participated in the work of the Summit, and opened a possibility that Germany might be joining the Initiative in the future as a full member (this can be perceived similar as the former US intentions to join the Shanghai Cooperation Group – according to the principle: If you cannot break or divide them, join them, author’s remark).

Although the Office of the Croatian President insisted that it is not a contra-German initiative, they have admitted that parts of the material and the data used in analytics were developed by the US think-tanks.

The most important projects (three in energy supply field), seven in the field of traffic, and one connected with digitalisation), presented from the Croatian side at the Bucharest Summit were: LNG Terminal on the Croatian island of Krk with an outgoing gas pipeline (230+35 million Euros) and Ionian-Adriatic gas pipeline (600 million Euros), Rijeka Harbour (348.4 million Euros) and the construction of the second track, as well as the reconstruction and modernisation of railway Škrlevo-Rijeka-Jurdani (305 million Euros). In the field of digital communication, Croatian President offered a national program of broadband Internet network development, in the areas in which a sufficient commercial interest for development exists (101.4 million Euros)<sup>2</sup>.

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<sup>1</sup> KRASNEC, T. (2017): A što o Tri mora kaže Vlada? [online]. In: *Večernji List*. July 12th 2017. Available at: <https://www.vecernji.hr/premium/a-sto-o-tri-mora-kaze-vlada-1182079>

<sup>2</sup> HRT (2018): Hrvatska na summit Inicijative tri mora dolazi s 11 projekata. [online]. In: *HRT Vijesti*. September 16th 2018. Available at: <https://vijesti.hrt.hr/461768/hrvatska-na-summit-inicijative-tri-mora-dolazi-s-11-projekata>

Despite the attempts to show it as “the tool for the strongest European unity”, the Initiative definitely can be perceived as the tool of the US foreign policy, which should enable the USA to continuously lower the level of the unity in the EU, as well as to resist and contain the continuous rising influence of PR China in the region. It is definitely important for the CSEE region (as it is for every region) and for the EU who will build railways, pipelines, and who will provide gas.

The arrival of China’s high-ranking delegation in Croatia during April 2019, and the interest for various infrastructural projects (with Chinese firm already building Pelješac Bridge), harbours and possibly shipyards, shows that China is interested in Croatian infrastructure that has a broader, regional, and European context, as well as the fact that Croatia might need China. The EU is limited with many of its own regulations, national interests etc., and there has so far not been a proper, real interest from the EU for the projects such as railway line from Rijeka to Karlovac (European Corridor Vb), LNG Terminal at the island of Krk (nevertheless, the possible investors have not shown sufficient interest in buying capacities anyhow), and Croatian shipyards in the cities of Pula and Rijeka (Uljanik and 3. Maj, respectively), which are practically bankrupt, with numerous collaterals given by the Croatian State in previous periods, waiting to be collected if the shipyards are liquidated.

## **2.6. Public opinion, Eurobarometer**

Croatians are less assured than their EU peers that the membership of the country in the EU is overall a good thing for the country, with percentage of voters who are positive about it never exceeds 50 percent of the votes. Stark declines in March 2017 and April 2018 could be connected to problems with neighboring Slovenia and EU position on arbitrary agreement concerning border dispute, but also with domestic policy issues and struggle for power within ruling party and ruling coalition.

It is interesting to note that, since the accession to the EU, Eurobarometer reports show Croatians believe their voice is heard inside the block and the percentage of responders who agree with the statement is rarely falling below 50 percent and is continuously higher than the EU average.

On other issues, such as whether the country benefited from the EU there is almost no difference ( $\pm 4$  percent) between Croatia and the EU average. Croatians see the biggest contributions in working opportunities and economic growth and see both topics as important EU parliament elections issues. Unlike the rest of the EU (on average), Croatian responders think that immigration is not as important (No. 1 EU average; No. 6 Croatia) and give priority to social protection, consumer rights and food protection and fight against terrorism.

When president of EU Commission presented White Paper on the Future of Europe in March of 2017 several notable politicians and analysts voiced their concerns towards proposed scenarios which would, in their opinion caused further, primarily economic lagging of Croatia in comparison to other EU countries, both the centre states and the former communist's states of Eastern Europe<sup>1</sup>. Possibility that Croatia would be left behind most developed EU countries is seen both as a potentially harmful for the economy and as sign of certain disrespect for Croatian position within the block as 'one of the oldest European nations'. In the sense of the later, Croatian accession to the EU was in the past often seen as a 'coming home' process in which the country is returning to the family of nations it always belonged to and from which it is taken away during the 'Yugoslav experiment' (and moving further away from countries that don't share 'same civilization values' such as Serbia; e.g. moving away from the Balkans and into Central Europe) so it is not only the question of some future position but also the question of a national pride.

## DIFFERENCES BETWEEN EU AND CROATIA

### Membership of the European Union

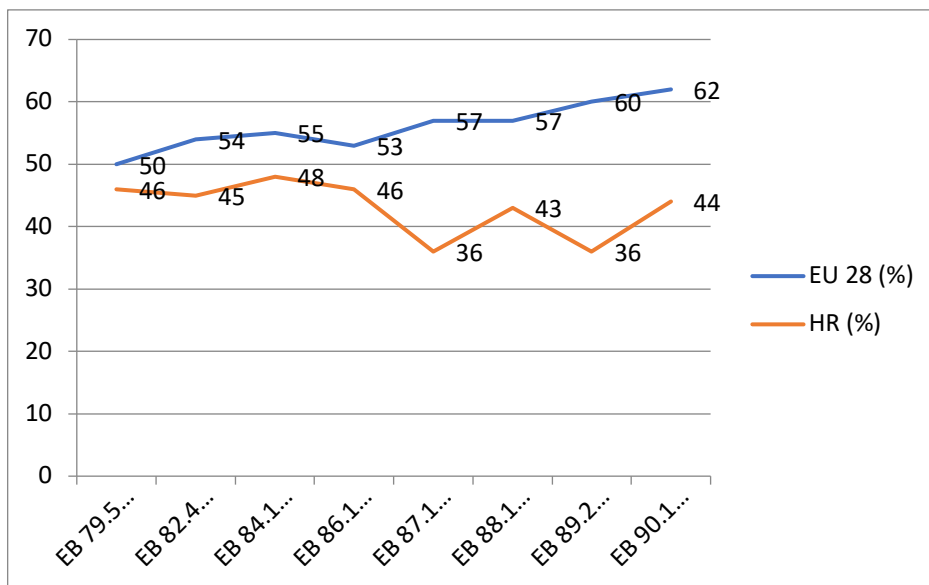
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<sup>1</sup> BIČAK, D. (2017): Hrvatska bi najlošije prošla u Europskoj Uniji s dvije brzine. [online]. In: *Poslovni dnevnik*. March 3rd 2017. Available at: <http://www.poslovni.hr/eu-fondovi/hrvatska-bi-najlosije-prosla-u-europskoj-uniji-s-dvije-brzine-325006>



Generally speaking, do you think that Croatia’s membership of the EU is...?

Answer: Total “a good thing” (%)



Again, the White paper scenarios were in some right wing media interpreted as yet another example of broad conspiracy against the country’s well-being led by figures like Merkel and Macron<sup>1</sup> completely in consistence with the media position on the EU where it is presented as a project of ‘dark forces’ with the aim of ending Croatian independence and robbing the country of its resources and natural wealth.

Finally, turnout to European elections was never high. In the first elections in 2013 only 20,70% of voters voted and the turnout slightly increased in 2014 (25,12%) and 2019 (29,86%) but it’s still quite below the EU average. Croatian citizens are not aware of what the role of the EP is and how the decisions in the EP affect their daily life. Some analysts go as

<sup>1</sup> HOLJEVAC, M. (2017): U Europi s dvije brzine Hrvatska će proći najgore, ali samo ako nastavi s dosadašnjom politikom. [online]. In: *Dnevno*. September 4th 2017. Available at: <https://www.dnevno.hr/vijesti/komentari/u-europi-s-dvije-brzine-hrvatska-ce-proci-najgore-ali-samo-ako-nastavi-s-dosadasnjom-politikom-1058522/>

far to conclude that this is happening due to a lack of international news and especially news on EU in Croatian media<sup>1</sup>.

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<sup>1</sup> N1 HRVATSKA (2019): HDZ-u i SDP-u po četiri mandata, četiri liste osvojile po jedan. [online]. In: *N1*. May 2019. Available at: <http://hr.n1info.com/Vijesti/a405091/Europski-izbori.html>

### CHAPTER 3. CONCLUSIONS

We recognize two main types of center-periphery processes regarding Croatia: external and internal. The external type process is connected with the fact that the country is continuously lagging behind in many economic parameters compared to the majority of the other post-socialist EU members (in the EU, only Bulgaria is behind Croatia in the level of GDP per capita, PPP) and is hit with the outmigration of the most valuable contingents of its workforce, with brain drain being particularly negative, at the same time, no viable immigration policy has been implemented. In this sense, the whole country can be considered as a periphery (of the EU). The second type of center-periphery process is internal, with regards to the rising regional intra-Croatian inequalities – the capital city as well Northern Croatia and most parts of coastal Croatia, with the region of Istria at the forefront and are performing well, economically and even (still) demographically, hence these are still the regions of immigration. All other parts of Croatia, and especially the territories that were once occupied or at the frontline in the Homeland War are losing population, with their economy (what is left of it) slowly, but surely disappearing. In this type of process, Northern Croatia, the capital city as well as most of the narrow coastal parts of Croatia can be considered as the center (and semi-periphery) and all other parts of the country as periphery.

As showed in the economic analysis, many of the parameters are still below EU average, especially when indicators such as average wage, cost of labor, GDP per capita and growth rates are considered (i.e. 1,5% average in past 15 years). One of the main characteristics of the Croatian economy is low productivity which results in low wages and since joining the bloc, significant number of people moved into other, mainly western EU countries, and although unemployment rate is lowest since the war period, as a direct result of emigration, structure of the work force is not favorable for fast development and growth in the future. Employed to retired ratio (1,2:1) is already unsatisfactory and the tendency is further equalization, a trend that already burdens state budget. Croatia's declared goal, within next 5 years, is to join Euro zone and first steps towards fulfilling Maastricht criteria are undertaken many Maastricht targets are still not within reach.

The process of adoption of Euro currency would connote several reforms, among others harmonization of fiscal and social policies. Apart from demographic problems (negative demographic trends consisting of negative natural growth rate for the last two decades, emigration in the 1990s, and the presently increasing emigration after the accession to the EU), low investment in education could further deepen the gap between Croatia and core countries. We see problems with low wages (particularly compared to geographically close German-speaking countries), low competitiveness compared to neighboring EU member states, low productivity, “deindustrialization” without a proper replacement in the R&D sector, overdependence on tourism (almost 20 percent of the GDP is generated by this activity, which is on the rise, creating an overexposure to external economic and security factors), and the emigration of skilled workers, physicians, engineers, researchers (“brain and skills drain”) as a main economic issues that need to be addressed immediately. The accession to the EU served as a catalyst for this negative trend that will certainly continue in the foreseeable future. The cost of public administration (state and local) and servicing of public debt in Croatia is the second highest in the EU (EU average: 13.1%; Croatia average: 19,5%). A country with little more than four million people, and with an economy that had a GDP (current US\$, World Bank data) of about 50 billion US dollars in 2016, has more than 550 administrative divisions – 127 cities, 429 municipalities, and 20 counties. Concurrently, local levels of government can keep less than 20 percent of the taxes collected, making Croatia a very centralized country, albeit with a highly atomized territorial-political structure.

On political level, we consider Croatia to be more a periphery than a core country, although, when it comes to declared policy goals, all the political leaders are agreeing that Croatia fully support the central ideas of EU and don't want to be left out of the new, deeper integrated EU. Currently, Croatia it is not a member of the EMU and not in the Schengen regime, which adds to periphery conclusion, but, formally, all the institutions of government are fully committed to join both EMU and Schengen and to reach all the necessary requirements. Regarding the Common Security and Defense Policy, Croatia is a member of PeSCo and

their forces are members of one EU defense group in small capacity (one company of 150), but there are yet no official statement regarding the future EU army. The biggest Croatian foreign policy initiative within the EU is still the Three Seas Initiative, the Initiative that would tie the countries from the Baltic to the Adriatic and Black Sea more closely under the US political and security umbrella. There are disagreements between the President (pro US Grabar Kitarović) and the Government (led by the pro EU Prime minister Plenković, who was even considered for the position of the President of the EU Commission) on the future of the initiative that is sometimes perceived as a bloc within the bloc and being US sponsored initiative of the periphery EU countries. Concerning stand toward immigration, position of Croatia is more similar to those of V4 countries than to the EU core.

Institutionally, Croatia is still underrepresented in the EU bodies and institutions (apart from the positions granted to every member state) and some newly elected European MP's (independent Kolakušić and Sinčić from the Human Shield) are raising questions of that underrepresentation. Hence five of six Western Balkans states are post-Yugoslavian states, the role of two other post-Yugoslavian states, now EU members (Slovenia and Croatia), could be very positive, if not indispensable, in the future Western Balkans enlargement, if only the divisions and problems deriving from the recent past would not burden the relations of these states (Croatia particularly). As far as Croatia is concerned, the country's position and the level of «being taken seriously» in the EU, besides its opposition in some foreign policy initiatives to the countries of the EU Core, is also limited towards the Western Balkans region, due to historical burdens and the country's internal problems (corruption scandals, crony capitalism cases, heavy outmigration of the most valuable contingents of labour force etc.).

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## **LIST OF ABBREVIATIONS**

CBS - Croatian Bureau of Statistics

CDU/CSU - Christian Democratic Union of Germany/Christian Social Union in Bavaria

CNB - Croatian National Bank

CPI - Consumer Price Index

CSDP - Common Security and Defence Policy

CSEE - Central and Southeastern Europe

EDU - European Defense Union

EP - European Parliament

ESA - European System of Accounts

EU - European Union

EUGS - European Union Global Strategy

EUR - euro

GB - Great Britain

GDP - Gross domestic product

HDSSB - Croatian democratic alliance of Slavonia and Baranya

HDZ - Croatian democratic union

HRAST - Croatian progress

HSP - Croatian party of rights

HSP AS - Croatian party of rights Ante Starčević

ILO - International Labour Organization

IT - Information Technology

JNA - Yugoslav people's army

LNG - Liquefied Natural Gas

MOST - Bridge of independent lists

NATO - North Atlantic Treaty Organisation

OHQ - Operational Headquarters

PeSCo - Permanent Structured Cooperation on security and defence

R&D - Research and development

SDP - Social Democratic Party

SDS - Serbian democratic party

SHAPE - Supreme Headquarters Allied Powers Europe

TEU - Treaty on European Union

TFEU - Treaty on the Functioning of the European Union

U.S.A., USA - United States of America

# **CEE Countries in Europe: Towards Centre or Periphery**

## **COUNTRY REPORT ON LATVIA**

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## CHAPTER 1. ECONOMICS

### 1.1. The Euro and Latvia's fiscal policy

#### 1.1.1. MONETARY POLICY:

##### A SLOW YET STEADY EUROZONE ACCESSION

A full-fledged national discussion on the perspective of introduction of the euro currency arose when Latvia was in the process of joining the European Union (before 2004) and the Economic and Monetary Union respectively (before 2014). The proponents of Eurozone accession argued that it is necessary from the investment, integration and planning perspectives, whereas the opponents claimed that reduced monetary independence will affect Latvia's sovereignty. Also, after Estonia had adopted the euro in 2011, a popular opinion prevailed that large sums of Estonian funds would be channelled towards the bailout of Greece. Estonia, on the other hand, demonstrated that joining the Eurozone gave it a more important seat at the table, and that there would be no additional bailouts.<sup>1</sup> Latvia joined the Eurozone in 2014 as the 18<sup>th</sup> country to do so, consequently, the **monetary policy** of Latvia is now part of the so called Eurosystem, consisting of the European Union member states that have adopted the euro as their currency, making the Governor of the Bank of Latvia (*Latvijas Banka*), country's central bank, a full member of the Governing Council of the European Central Bank.<sup>2</sup> Delegating the rights of sovereign monetary policy to the supranational European Central bank was a not a swift decision. Although the Latvian national currency had been reintroduced only in 1992 after country regained its independence, it had become an important part of the national identity, especially before the economic and financial crisis of 2008-2010.

Latvia undertook the Eurozone accession path after joining the EU and in 2005 it already fixated the national currency to euro, however, the

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<sup>1</sup> LSM.LV (2012): "Igaunijas finanšu ministrs: eiro zonas piekāpšanās Grieķijai ir izslēgta," LSM.LV, June 23, 2012, available at:

<https://www.lsm.lv/raksts/zinas/latvija/igaunijas-finansu-ministrs-eiro-zonas-piekapsanas-griekijai-ir-izslegta.a6380/>

<sup>2</sup> EUROPEAN CENTRAL BANK (2018), "The Governing Council" as of June 2018, available at: <https://www.ecb.europa.eu/ecb/orga/decisions/govc/html/index.en.html>

accession had its challenges – during the first years of the EU membership, Latvia had problems with one of five main EMU accession criteria, namely, the inflation. Due to the rapidly growing and overheated economy from 2004 until 2007, the country failed to meet the inflation criterion. Finally, the inertia of recovery and low inflation rates during the post crisis period from 2011-2013 together with the government fiscal policy allowed the country to fulfil all the Maastricht criteria of introduction of euro by the January of 2013, when the Latvian parliament, the Saeima, adopted the Law on the Procedure for the Introduction of Euro.<sup>1</sup> After a year of intensified public debates, the national currency, the *lat* (LVL) was substituted by the euro with the country economically, politically and institutionally fitting for taking part in the second largest currency in the world.<sup>2</sup>

Since Latvia joined the EU, the Bank of Latvia<sup>3</sup> has been performing two central functions: it represents the Latvian position at the Eurosystem, and “explains the impact the single monetary policy experts on the Latvian economy and the euro area economy in general.”<sup>4</sup> The monetary policy of the ECB has been aimed at keeping inflation rates below, but close to, 2% over the medium term.<sup>5</sup> This stable inflationary policy has been characteristic also to the Latvian central bank when it was still unilaterally in charge of the monetary policy. Namely, the country never devalued or revalued the currency. Meanwhile, during the pre-crisis years the inflation in the country reached 10.1 in 2007 and 15.3 in 2008, which is largely attributable to the fact that the real estate and construction boom and internal consumption was fuelled by foreign banks issuing loans in the euro since 2005.

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<sup>1</sup> LIKUMI (2013): “Euro ieviešanas kārtības likums,” *Likumi.lv*, available at: <https://likumi.lv/doc.php?id=254741>

<sup>2</sup> See, for instance, AUSTER, A.- BUKOVSKIS, K. (2013): “Latvia’s Socio-Economic and Political-Institutional Challenges in the Context of the Eurozone Accession,” *Baltic-German Strategic Engagement: Realignment after the Eurocrisis?*, Riga: Latvian Institute of International Affairs, Friedrich-Ebert-Stiftung, pp. 15-37, available at: [http://liia.lv/site/docs/StrategyTalks2013\\_A5\\_GALA.pdf](http://liia.lv/site/docs/StrategyTalks2013_A5_GALA.pdf)

<sup>3</sup> LIKUMI (2017): “Latvijas Republikas likums Par Latvijas Banku,” *Likumi.lv*, available at: <https://likumi.lv/doc.php?id=65544>

<sup>4</sup> LATVIJAS BANKA: “About us”, available at: <https://www.bank.lv/en/tasks/task-monetary-policy/price-stability>

<sup>5</sup> *Ibid.*

Since Latvia joined the Eurozone, the inflation was low with 0.7, 0.2 and 0.1 % in 2014, 2015 and 2016 respectively.<sup>1</sup> The country has experienced a real GDP growth of 3 % in 2015, 2.1 % in 2016 and estimated 4.6 and 4.8 % growth in 2017 and 2018 respectively.<sup>2</sup> The inflation rate, meanwhile, is calculated to have been 2.9 in 2017 and 2.6 in 2018. This economic growth is widely seen to be related to the active period of absorption of the EU funding into the Latvian economy. As the country's economic cycle and accelerated growth since the membership in the EU strongly co-relates to the EU budget expenditure on cohesion,<sup>3</sup> not only the inflation rate increases during the period, but also the fiscal policy is adjusted accordingly.

	2015	2016	2017	2018	2019
<b>Goods and services – total</b>	100,0	100,0	100,0	100,0	100,0
<b>Goods – total</b>	72,4	71,7	70,9	70,6	70,6
<b>Food, alcoholic beverages and tobacco</b>	31,9	31,9	31,5	31,1	30,4
<b>Non-food goods</b>	40,4	39,8	39,4	39,5	40,2
<b>Services</b>	27,6	28,3	29,1	29,4	29,4

*Consumer price index weights by commodity groups. Central Statistical Bureau of Latvia, available at:*

[https://data1.csb.gov.lv/pxweb/en/ekfin/ekfin\\_PCI\\_ikgad/PCG011.px/table/tableViewLayout1/](https://data1.csb.gov.lv/pxweb/en/ekfin/ekfin_PCI_ikgad/PCG011.px/table/tableViewLayout1/)

#### 1.1.2. NATIONAL FISCAL POLICY: TOWARDS BATTLING INEQUALITY

Since the country regained independence in 1991, Latvia's **fiscal policy** has almost exclusively been with deficit. Only a couple of years, most recently in 2016, the budget saw surplus of 0.1 %. Taking into account that the country is still at the level of 67 % of the average of GDP per capita

<sup>1</sup> EUROSTAT (2018): "HICP - inflation rate", available at:

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00118&plugin=1>

<sup>2</sup> EUROSTAT (2018): "Real GDP growth rate – volume", available at:

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1>

<sup>3</sup> KLEINBERGA, V. – BUKOVSKIS, K. (2018): "The post-2020 budget of the European Union: Latvia's interests and opportunities", The Friedrich Ebert Stiftung Riga, November 2018, available at: <http://library.fes.de/pdf-files/bueros/baltikum/14790.pdf>



of the European Union and is hectically seeking foreign investments and increased economic activity in the country, the constant deficits are aimed at facilitating growth. Besides acting as an economic stimulus, constant deficits are used to cover the increase of social benefits, wages in the public sector, especially to teachers and doctors, as well as to meet the required NATO defence expenditure of 2 % of GDP in the new geopolitical and security environment.<sup>1</sup>

	2015	2016	2017	2018
<b>Budget deficit (-) / Surplus (+), million EUR</b>				
General government	-331.4	16.2	-155.7	-295.4
Central government	-447.4	-15.4	-196.8	-319.6
Local governments	79.4	56.2	-49.4	-214.2
Social security fund	36.4	-24.6	90.5	238.4
<b>General government consolidated gross debt at nominal value at end of year, million EUR</b>	8 953.3	10 091.6	10 806.8	10 608.0
<b>As % of GDP</b>				
General government budget deficit (-)	-1.4	0.1	-0.6	-1.0
General government consolidated gross debt at nominal value at the end of year	36.8	40.3	40.0	35.9

*General Government Budget Deficit or Surplus and Debt. Central Statistical Bureau of Latvia, <https://www.csb.gov.lv/en/statistics/statistics-by-theme/economy/government-finance/search-in-theme/2613-provisional-results-general-government>*

<sup>1</sup> FINANŠU MINISTRIJA: “Valsts budžets 2019”, available at: <http://www.fm.gov.lv/valstsbudzets/>

Latvia's fiscal policy<sup>1</sup> is strongly regulated by domestic<sup>2</sup> laws and principles,<sup>3</sup> as well as the EU legal norms and required structure.<sup>4</sup> The EU level norms include the Treaty on Stability, Coordination and Governance<sup>5</sup> that Latvia is a signatory to and the annual European Semester process,<sup>6</sup> which involves submitting the national budget plans for peer review at the European Commission. After the evaluation, Country Reports<sup>7</sup> are being issued and discussed between the Latvian government and the European Commission to avoid macroeconomic imbalances both domestically and at the Eurozone level. Domestically, Latvia has adopted and seeks to follow the Fiscal Discipline Law<sup>8</sup> adopted in 2013 that presumes that Latvia should be making savings during the economic growth years.

Finally, the 2018 was the first year in Latvia's modern history when fiscal policy and state revenues were adjusted to take into account the income and needs of the poorest part of the population. Namely, progressiveness in taxation was introduced with differentiated tax rates for annual incomes above 20 004 euro and above 62 800 euro. The traditional

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<sup>1</sup> MINISTRY OF FINANCE, REPUBLIC OF LATVIA: "Fiscal Policy", available at: [https://www.fm.gov.lv/en/s/fiscal\\_policy/](https://www.fm.gov.lv/en/s/fiscal_policy/)

<sup>2</sup> LIKUMI: "Likums par budžetu un finanšu vadību", *Likumi.lv*, available at: <https://likumi.lv/doc.php?id=58057>

<sup>3</sup> For detailed budget structure, please see: <https://www.fm.gov.lv/en/s/budget/>

<sup>4</sup> COUNCIL OF THE EU: Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States, *Official Journal of the European Union*, November 23, 2011, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32011L0085&from=LV>

<sup>5</sup> EUROPEAN COUNCIL: *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union*, European Council, March 2012, available at: [https://www.consilium.europa.eu/media/20399/st00tscg26\\_en12.pdf](https://www.consilium.europa.eu/media/20399/st00tscg26_en12.pdf)

<sup>6</sup> EUROPEAN COMMISSION: *The European Semester*, European Commission, available at: [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en)

<sup>7</sup> EUROPEAN COMMISSION: *Country Report Latvia 2019*, Commission Staff Working Document, European Commission, Brussels, February 27, 2019, SWD(2019) 1013 final, available at: [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-latvia\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-latvia_en.pdf)

<sup>8</sup> LIKUMI: *Fiskālās disciplīnas likums*, *Likumi.lv*, available at: <https://likumi.lv/doc.php?id=254896>

flat tax was abolished to meet the growing income inequality and persistent poverty problems in the society. Latvia has a diverse tax base ranging from the personal income tax (diversified with 20, 23 and 31.4 % rate), mandatory social payments of 11 %, as well as additional employers taxes. Latvia also applies non-taxable minimums. Additionally, Latvia uses the value added tax<sup>1</sup> on almost all products and services. The most common rate is 21 %, but reduced rates of 12, 5 and 0 % on specific products.<sup>2</sup> Besides the VAT, other indirect taxes are additional excise taxes on products like tobacco, alcohol, gasoline, coffee, sugar. *[Detailed explanation of common fiscal policy is available in chapter 1.4. of this volume.]*

It can be **concluded** that Latvia's monetary and fiscal policy has gone through some substantial changes since the country regained independence and introduced liberal open market economy. Most substantial changes are related to joining the European Union and the Eurozone that limits the freedom of fiscal policy and communalises the monetary policy. Especially since the economic and financial crisis of 2008-2010, Latvia strongly values fiscal prudence and low budget deficits, as well as a balanced fiscal policy. Latvia also follows the common ECB guidelines and principles in monetary matters.

### 1.1.3. LATVIA AND THE EU COMMON FISCAL POLICY

After the macroeconomic excesses of the early years after the EU accession, i.e. 2004-2008, Latvia entered a severe financial and economic crisis in the period of 2008-2010 that threatened not only the macroeconomic sustainability of the small Baltic country itself,<sup>3</sup> but also

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<sup>1</sup> LIKUMI: *Pievienotās vērtības nodokļa likums*, *Likumi.lv*, available at: <https://likumi.lv/doc.php?id=253451>

<sup>2</sup> VALSTS IENEMUMU DIENESTS (2018): *Pievienotās vērtības nodokļa likmes*, available at: <https://www.vid.gov.lv/lv/pievienotas-vertibas-nodokla-likmes>

<sup>3</sup> AUSTERS, A. (2014): *Latvia's Controversial "Success Story"*, in BUKOVSKIS, K. (ed.)(2014): *The Politics of Economic Sustainability: Baltic and Visegrad Responses to the European Economic Crisis*, Latvian Institute of International Affairs, Riga 2014, available at:

of the neighbouring countries in the Nordic-Baltic region that were heavily exposed to each other. Since 2011, Latvia has joined the European Semester program and its budget gets monitored and peer reviewed by the European Commission. The European Semester process is intended to investigate for possible imbalances and inconsistencies during the process of annual budget preparations and secures that they are in line with the Stability and convergence programs<sup>1</sup> of the EU. During the process, the European Council provides binding guidelines for the economies of the EU member states.

According to the European Commission, “Latvia currently enjoys strong economic growth and it has undertaken a number of reforms in key areas. Latvia's economy is on overall strong footing with solid productivity growth, but rapid wage growth carries some risks”<sup>2</sup> Latvia’s strong economic growth at this point besides being integrated in well-developed external markets, is largely guided by three main aspects: solid and strict approach to fiscal policy and state budget drafting, influx of the foreign public and private investments, and only recently started tendencies on reducing the socio-economic inequality in the country.

After the severe consequences of the fiscal policy of pre-crisis years, Latvia has been very strict on having low budget deficit levels. Since 2012, e.g., the aftermath of the financial and economic crisis, Latvia has not had more budget deficit then 1.5 % of GDP. In 2016, the country reached a

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[http://www.liia.lv/site/docs/Politics\\_Economic\\_Sustainability\\_Baltics\\_Visegrad\\_European\\_Crisis.pdf](http://www.liia.lv/site/docs/Politics_Economic_Sustainability_Baltics_Visegrad_European_Crisis.pdf)

<sup>1</sup> EUROPEAN COMMISSION: *Stability and Convergence Programmes*, available at: [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/stability-and-convergence-programmes\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/stability-and-growth-pact/stability-and-convergence-programmes_en)

<sup>2</sup> EUROPEAN COMMISSION: *Country Report Latvia 2018*, Commission Staff Working Document, European Commission, Brussels, April 18, 2018, SWD(2018) 212final/2, available at: [https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-latvia-en\\_1.pdf](https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-latvia-en_1.pdf), 1.

budget surplus of 0.1 %.<sup>1</sup> The budget for the 2019, delayed due to the long government formation process after the October 2018 national elections, was finally adopted at the beginning of April 2019 and presupposes consolidated state budget expenditure in the amount of 9.4 billion EUR and revenues in the amount of 9.2 billion EUR, namely, with 0.5 % budget deficit and 3 % of real GDP growth this year.<sup>2</sup> The budget is largely a continuation of the 2018 budget with the same principles and expenditure categories that of the budget adopted by the previous government. This clearly demonstrates that not only the overall budgetary understanding is similar on the level of different political parties and the effects of the dramatic crisis that the country experienced only ten years ago, but also the adherence to the external commitments and expenditure restrictions that Latvia has undertaken as a member state of the European Union and the Eurozone.

The second aspect – the influx of foreign investments – has been an important driving force for the small country lacking substantial natural resources and accumulated national or individual capital after the breakup of the Soviet Union. The influx of the FDI since the country joined the EU has been substantial and amounting to approximately a sevenfold increase. Although large part of that needs to be attributed to the presence and financial exposure of the foreign banking sector, the public finances in the form of the European Union budget discharge are an important element. Namely, “The structural economic importance of the EU structural funds and agricultural subsidies as a source of public investment for Latvia is undeniable. It is estimated that EU financing contributed up to 2 percent of Latvia’s GDP growth during the active years of absorption.”<sup>3</sup> Estimated

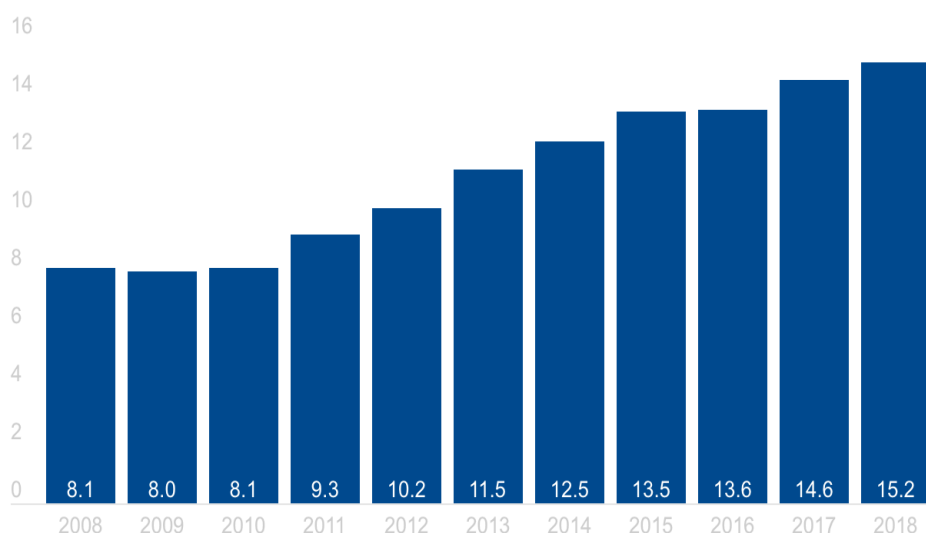
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<sup>1</sup> EUROSTAT: *General government deficit (-) and surplus (+) - annual data*, <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=teina200>

<sup>2</sup> LSM.LV (2019): *Pēc ilgākām debatēm Saeima apstiprina šā gada valsts budžetu*, LSM.LV, <https://www.lsm.lv/raksts/zinas/ekonomika/pec-ilgakam-debatem-saeima-apstiprina-sa-gada-valsts-budzetu.a314794/>

<sup>3</sup> KLEINBERGA, V.- BUKOVSKIS, K. (2018): *The post-2020 budget of the European Union: Latvia’s interests and opportunities*, The Friedrich Ebert Stiftung Riga, November 2018, available at: <http://library.fes.de/pdf-files/bueros/baltikum/14790.pdf>

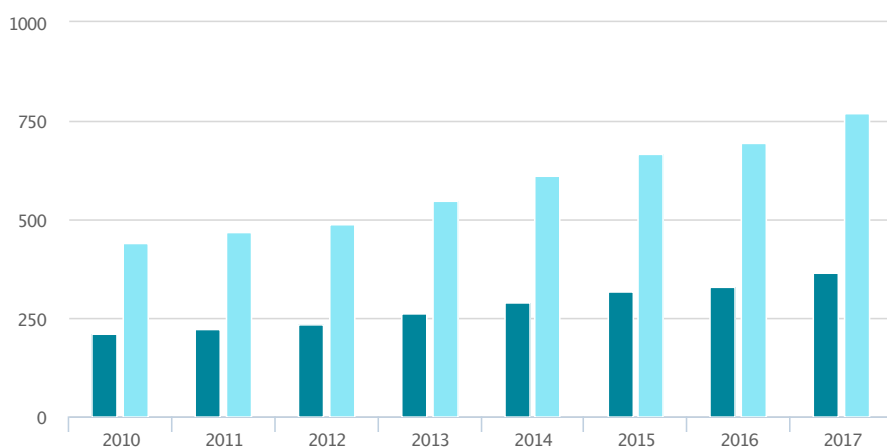
10.5 billion EUR influx over the period of 15 years has been a strong part of the logic to keep the state budget and fiscal policy strict with relatively low public deficits. Meanwhile, one of the central challenges is that the accelerated GDP growth and consequently also changes in the fiscal policy are tied to the period of active absorption of the EU funding and is modest during other years.



*FDI in Latvia (cumulative), 2008–2018, bn EUR. Latvian Investment Development Agency, source: Bank of Latvia, 2019, <http://www.liaa.gov.lv/en/invest-latvia/investor-business-guide/foreign-direct-investment>*

The third aspect – the socio-economic inequality – has been a towering problem that the Latvian fiscal policy has been struggling to address. The ideologically neoliberal approach to the economy with flat personal income tax gradually created visible income inequality that was becoming more and more frustrating in political relations between the decision makers and the general population. Since 2018, Latvia started introducing progressiveness in taxation to address the shortcomings in

social policies. GINI index<sup>1</sup> at 34.2 in 2015 revealed the necessity to adjust the taxation in favour of lower income population. Challenges of Latvia meeting the agenda of the European Social Rights Pillar and social benchmarks has been a source of constant criticism in the Country Specific Reports on Latvia over the years, the problem being that 446 000 people or roughly 23 % of the country's population in 2017 were at the risk of poverty.<sup>2</sup>



*At-risk-of-poverty rate in 2010-2017 (euros monthly). One person household (dark blue), households of two adults with two children under 14 years (light blue). Central Statistics Bureau of Latvia, <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/poverty/search-in-theme/2530-monetary-poverty-and-income-inequality>*

Moreover, the economic logic and the regional development after Latvia regained independence from the USSR has led to the situation that most of the economic activity is concentrated in Riga and its metropolitan

<sup>1</sup> THE WORLD BANK (2015): *GINI index (World Bank estimate)*, available at: <https://data.worldbank.org/indicator/SI.POV.GINI?locations=LV>

<sup>2</sup> CENTRAL STATISTICAL BUREAU OF LATVIA (2018): *23.3 % of Latvia population at risk of poverty*, available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/poverty/search-in-theme/2530-monetary-poverty-and-income-inequality>

area. “Riga metropolitan area accounts for 66% of national GDP and 56% of national employment. Between 2000 and 2016 it generated 69% of the national GDP growth.”<sup>1</sup> Meanwhile, it is only 48 % of the country’s population. Income disparities are even more visible if Riga’s GDP per capita of more than 20 000 euro is compared to poorest regions in the east with slightly more than 6 000 euro.

It can be concluded that Latvia’s fiscal policy is strongly integrated into the European Union and Eurozone fiscal and economic coordination framework that increases its predictability, while European Semester and peer review process increases the quality of used data and budgetary plans. Meanwhile, the fiscal policy has been subjected to not only prudence since Latvia overcame the economic crisis around 2011, but also to the significant volume of public investment money coming from the EU budget. In order to become an EU core country, Latvia must overcome the social discrepancies and income inequality both in budget drafting and fiscal policy in general.

## **1.2. Macroeconomic indicators focusing on unemployment and education**

Employment and education are intricately linked policy areas, capable of creating powerful macroeconomic feedback loops in the short-term and long-term. The Latvian national employment and education strategies fall in line with the European Union (EU) 2020 goals, and several core targets have been set. By 2020, the employment level should be 73 %, <sup>2</sup> mainly through increasing demand for labour force. <sup>3</sup> By next year, the national dropout rate from education should be 10 % for youth aged 18-24, and tertiary education should be completed by 34 % of the population aged

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<sup>1</sup> OECD (2018): *Regions and Cities at a Glance 2018 - LATVIA*, available at: <https://www.oecd.org/cfe/LATVIA-Regions-and-Cities-2018.pdf>

<sup>2</sup> In relation to the EU goal of 75 %.

<sup>3</sup> LIKUMI: *Par Iekļaujošas nodarbinātības pamatnostādņēm 2015.–2020.gadam*. Latvia Cabinet of Ministers Regulation No 244. May 12, 2015, available at: <https://likumi.lv/ta/id/273969-par-iekļaujoso-nodarbinatibas-pamatnostadnem-2015-2020-gadam>.



30-34.<sup>1</sup> Concurrently, the education system should be fortified by increasing specialisation incentives and opportunities in the exact sciences.<sup>2</sup> This chapter outlines Latvia's progress in employment and education concerns from the perspective of macroeconomic indicators.

#### 1.2.1. EMPLOYMENT AND LABOUR SHORTAGE

An aging demographic, emigration, and dependence on external demand are among the main challenges to increasing positive labour statistics. In 2015, when Latvia enumerated its employment strategy pillars, its unemployment rate was 10.2 %. By the start of 2019, Latvia's unemployment rate declined to 6.9 %, <sup>3</sup> decreasing by 1.3 % from the previous year.<sup>4</sup> While the unemployment rate remains slightly above the EU average of 6.6 %, *ceteris paribus*, it will be superseded in the short to mid-term. The EU employment goal of 73 % of the working population has been achieved with a surplus.<sup>5</sup> While the Latvian rate remains higher than its two Baltic neighbours, the proportion of difference is generally decreasing.

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<sup>1</sup> EUROPEAN COMMISSION (2019): Europe 2020 Targets: Statistics and Indicators for Latvia. Available at: [https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/latvia/europe-2020-targets-statistics-and-indicators-latvia\\_en](https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-your-country/latvia/europe-2020-targets-statistics-and-indicators-latvia_en)

<sup>2</sup> LIKUMI: *Par Izglītības attīstības pamatnostādņu 2014.—2020.gadam apstiprināšanu*. Latvia Cabinet of Ministers Regulation. Available at: <https://likumi.lv/ta/id/274936-par-izglitibas-attistibas-pamatnostadnu-2014-2020-gadam-istenosanas-planu-2015-2017-gadam>

<sup>3</sup> This equates to approximately 12,600 persons entering the labour market in 2018.

<sup>4</sup> CENTRAL STATISTICAL BUREAU OF LATVIA (2019): *In 2018, Latvian Unemployment Rate Constituted 7.4 %*. News release. Available at: <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/unemployment/search-in-theme/2583-unemployment-2018>

<sup>5</sup> EUROSTAT (2019): *Employment (as % of the population aged 20 to 64)*. May 2019. Available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Employment\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Employment rate (15-64)</b>	65,9	68,1	68,2	60,3	58,5	60,8	63,0	65,0	66,3	68,1	68,7	70,1	71,8
<b>Unemployment rate (15-74)</b>	7,0	6,1	7,7	17,5	19,5	16,2	15,0	11,9	10,8	9,9	9,6	8,7	7,4
<b>Unemployment rate (15-24)</b>	13,6	10,6	13,6	33,3	36,2	31,0	28,5	23,2	19,6	16,3	17,3	17,0	12,2

*Employment indicators in Latvia (%)*. Central Statistical Bureau of Latvia, [https://data1.csb.gov.lv/pxweb/en/sociala/sociala\\_nodarb\\_aktivitate\\_ikgad/NBG430\\_px/table/tableViewLayout1/](https://data1.csb.gov.lv/pxweb/en/sociala/sociala_nodarb_aktivitate_ikgad/NBG430_px/table/tableViewLayout1/)

The Latvian youth unemployment - another employment priority index - reached below the EU average in 2018, after bouncing higher in mid-2017. In comparison to the EU average of 16.8, Latvia enjoyed a decrease from 17 to 12.2 %. These changes align with the general upsurges in the economy, in particular within the service-based sector.<sup>1</sup>

In the medium and long-term, demand is bound to increase for highly-skilled professions. Relatively low investment in STEM fields, as well as research and innovation, coupled with an ageing demographic, projects a significant shortage of skilled labourers by 2025.<sup>2</sup> The shortage will also be sourced to strong emigration trends to other EU states, motivated by more competitive remuneration schemes.<sup>3</sup> The difference will be very noticeable in the healthcare and social care professionals

<sup>1</sup> EUROPEAN COMMISSION (2018): Employment and Social Developments in Europe. *Quarterly Review*. December 2018. Available at: <https://ec.europa.eu/social/BlobServlet?docId=20508&langId=en>

<sup>2</sup> EURES (2019): Short overview of the labour market. *The European Job Mobility Portal*. May 2019. Available at: <https://ec.europa.eu/eures/main.jsp?catId=2776&acro=lmi&lang=en&countryId=LV>

<sup>3</sup> EUROPEAN COMMISSION: *Country Report Latvia 2019*, Commission Staff Working Document, European Commission, Brussels, February 27, 2019, SWD(2019) 1013 final. Available at: [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-latvia\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-latvia_en.pdf)

population.<sup>1</sup> Further challenges will be posed by the disparity of employment conditions between the capital city of Riga, and the regions, which domicile approximately half of the population, but has at least three times higher unemployment rates.

### 1.2.2. EDUCATION AND LIFETIME LEARNING

The education indicators highlight the aforementioned challenges faced by Latvia. In the past ten years, the total amount of students has decreased by approximately 35 %, <sup>2</sup> in line with emigration trends.<sup>3</sup> However, 2019 saw the first growth in student since 2012, with an increase of 1.9 % in comparison to the previous year.<sup>4</sup> Approximately 40 % of the students are studying social sciences or humanities, though the ratio of exact sciences is slowly increasing.<sup>5</sup> IT and engineering programme engagement grew by 2.6 % last year, for example.<sup>6</sup> The diversification will be made less accommodative due to the stagnating investment by the government into research and development initiatives, which is at only a third of its EU 2020 target.<sup>7</sup>

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<sup>1</sup> Ibid.

<sup>2</sup> It bears noting that the vast majority of the student decrease was felt by the institutions offering programmes in social sciences and humanities.

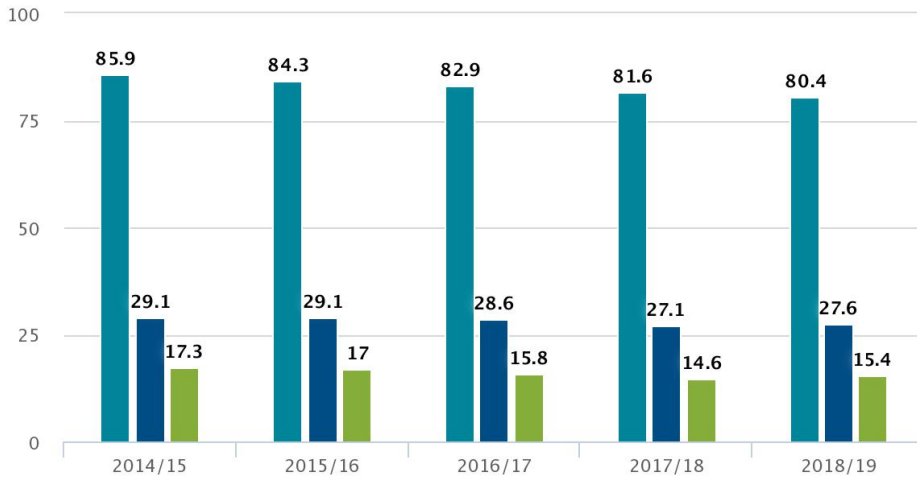
<sup>3</sup> CENTRAL STATISTICAL BUREAU OF LATVIA (2018): *10 gadu laikā student skaits krities par 35 %*. News release. January 23, 2018. Available at: <https://www.csb.gov.lv/lv/statistika/statistikas-temas/socialie-procesi/izglitiba/meklet-tema/2373-aktualais-augstakaja-un-profesionalaja>

<sup>4</sup> CENTRAL STATISTICAL BUREAU OF LATVIA (2019): *Uzņemto studentu skaits palielinājies par 1,9 %*. News release. January 23, 2019. Available at: <https://www.csb.gov.lv/lv/statistika/statistikas-temas/socialie-procesi/izglitiba/meklet-tema/2564-aktualais-augstakaja-un-profesionalaja>

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> EUROPEAN COMMISSION (2018): Latvia, *European Innovation Scoreboard 2018 Report*. July 6, 2018. Available at: <https://ec.europa.eu/docsroom/documents/30689>



*Number of entrants (light blue), enrolments (dark blue) and graduates (green), thousands. Central Statistical Bureau of Latvia., <https://www.csb.gov.lv/en/statistics/statistics-by-theme/social-conditions/education/search-in-theme/2564-topicalities-higher-and-vocational>*

Latvia has reached some of its primary EU 2020 goals, with over 45% of people between the age of 30-34 having attained a tertiary education. The national dropout rate is also only slightly above 8 %.<sup>1</sup> Yet, these issues may continue to challenge Latvia if it does not increase its education spending, which is approximately 6 % of GDP, and is disproportionately focused on primary education in comparison to the rest of the EU.<sup>2</sup> The demographic issues also threaten the teaching workforce of the country, as near half of the secondary education teachers will be nearing retirement age within the next decade – particularly problematic as the number of

<sup>1</sup> EUROPEAN COMMISSION (2018): *Education and Training Monitor 2018 Latvia*. Available at: [https://ec.europa.eu/education/sites/education/files/document-library-docs/et-monitor-report-2018-latvia\\_en.pdf](https://ec.europa.eu/education/sites/education/files/document-library-docs/et-monitor-report-2018-latvia_en.pdf)

<sup>2</sup> EUROSTAT (2019): *Government expenditure on education*. March 2019. Available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php/Government\\_expenditure\\_on\\_education](https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_on_education)

childhood education participants has significantly increased in recent years.<sup>1</sup>

Significant reforms have been introduced to increase adult participation in skill attainment and learning, part of the solution to the expected change in market demand in the future. The number of adults participating in such programmes has been increasing since initializing the programmes in 2017.<sup>2</sup> The success of such programmes will be important in increasing labour productivity, as well as switching the dependence of the economy towards more innovative enterprises not just on the national, but also on the global level. That in turn will contribute to Latvia's goal of becoming an EU core country.

### **1.3. Social policy, harmonization of social systems, minimum wage, population**

This chapter assesses Latvia's social policy, the harmonization of social systems, minimum wage and population. It starts with a brief overview on Latvia's social policy and continues with a specific analysis on Latvia's approach to the European Pillar of Social Rights and progress that has been made so far. Finally, the chapter provides a list of conclusions.

#### 1.3.1. MITIGATING THE RISKS OF A DECLINING POPULATION

According to the Latvian Central Statistical Bureau (CSB), at the beginning of 2018 Latvia's population accounted for 1 million 934 thousand, which is 15.7 thousand people less than a year ago. As a result of international long-term migration, the population fell by 7.8 thousand in 2017. Last year, 9.9 thousand people arrived to Latvia from other countries, while 17.7 thousand left the country.<sup>3</sup>

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<sup>1</sup> OECD (2019): Latvia, In *Education at a Glance 2018: OECD Indicators*, OECD Country Note. Available at: [http://www.oecd.org/education/education-at-a-glance/EAG2019\\_CN\\_LVA.pdf](http://www.oecd.org/education/education-at-a-glance/EAG2019_CN_LVA.pdf)

<sup>2</sup> Supra note 53.

<sup>3</sup> CENTRAL STATISTICAL BUREAU OF LATVIA (2018): *In 2017, usually resident population of Latvia declined by 15.7 thousand*. Press Release. Available at:

	2016	2017	2018	2017, as % compared to 2016	2018, as % compared to 2017	per 1 000 inhabitants	
						2017	2018
Population, at the end of the year	1 950 116	1 934 379	1 919 968	-0.8	-0.7	x	x
Births	21 968	20 828	19 314	-5.2	-7.3	10.7	10.0
Deaths	28 580	28 757	28 820	+0.6	+0.2	14.8	15.0
Immigration	8 345	9 916	10 909	+18.8	+10.0	5.0	5.7
Emigration	20 574	17 724	15 814	-13.9	-10.8	9.1	8.2

*Demography trends in Latvia; 2016–2018. Central Statistical Bureau of Latvia, <https://www.csb.gov.lv/en/statistics/statistics-by-theme/population/number-and-change/search-in-theme/2444-number-population-latvia-2018>*

Minimum wages in Latvia averaged 223.31 EUR per month from 1999 until 2018, reaching an all-time high of 430 EUR in the second quarter of 2018.<sup>1</sup>

#### Minimum monthly wage

<b>01.01.2004</b>	113,83
<b>01.01.2006</b>	128,06
<b>01.01.2007</b>	170,74
<b>01.01.2008</b>	227,66

<https://www.csb.gov.lv/en/statistics/statistics-by-theme/population/number-and-change/search-in-theme/2402-number-population-latvia-2017>

<sup>1</sup> TRADING ECONOMICS (2019): *Latvia's Gross Minimum Monthly Wage*. Available at: <https://tradingeconomics.com/latvia/minimum-wages>

<b>01.01.2009</b>	256,12
<b>01.01.2011</b>	284,57
<b>01.01.2014</b>	320,00
<b>01.01.2015</b>	360,00
<b>01.01.2016</b>	370,00
<b>01.01.2017</b>	380,00
<b>01.01.2018</b>	430,00

*National minimum monthly wage and salaries (euro) growth since accession to the EU.  
Central Statistical Bureau of Latvia,  
[https://data1.csb.gov.lv/pxweb/en/sociala/sociala\\_\\_dsamaksa\\_\\_ikgad/DSG001.px/table/tableViewLayout1/](https://data1.csb.gov.lv/pxweb/en/sociala/sociala__dsamaksa__ikgad/DSG001.px/table/tableViewLayout1/)*

Latvia is currently enjoying strong economic growth and a number of reforms in important areas have been performed. The economy is generally solid with a strong productivity growth, but rapid wage growth brings with it some risks. Latvia has undertaken a major tax reform and is supporting initiatives in other critical areas such as healthcare, education, and public administration. Since the early 1990s, the population of Latvia has been declining due to a negative natural change and significant emigration. But the pace of decline has worsened over the past few years as a result of a further increase in emigration. The declining population puts a strain on public resources for social and health services in addition to weighing on the supply of labour. Also, in education and public utilities, the negative effect of this dynamic is becoming apparent. Additionally, high inequality and poverty are reflecting on social security deficiencies. Poverty and inequality remain high, in particular to the low social protection expenditure. Pensions do not keep their pace within economic growth, leading to increased old - age poverty. In the short term, Latvia

has taken some steps to address pension adequacy, but unfortunately it still remains a challenge in the medium to long term.<sup>1</sup>

Considering that the issues of social nature are a sensitive point for Latvia, Latvia has started to work actively to adapt to the EU social indicators, such as The European Pillar of Social Rights that sets 20 principles and rights to benefit citizens in the EU.

### 1.3.2. LATVIA'S APPROACH TO THE EUROPEAN PILLAR OF SOCIAL RIGHTS

The European Pillar of Social Rights is an initiative proposed in 2015 by Jean-Claude Juncker, the president of the European Commission. It aims to provide common working conditions and to standardise social rights among the countries within the Eurozone, in an effort to converge their economies and living standards. The European Union officially presented the European Pillar of Social Rights in April 2017. Other EU member-states have also been invited to participate in the Pillar, but involvement is compulsory for all Eurozone countries, including Latvia.

Latvia sees the value and importance of following the guidelines set forth by the European Social Pillar. It acknowledges that in order to possess immigration appeal and to attract labor, it must “provide both access to education and fair working conditions for the population as well as provide social protection measures”.<sup>2</sup> Nonetheless, it desires autonomy in how it carries out the directives provided by the Pillar. Since each member state has individual needs and limitations, and the Pillar does not prescribe a specific course of action, it stands to reason that Latvia should carve its own path in fulfilling the demands of the Pillar. Additionally, it is worth

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<sup>1</sup> EUROPEAN COMMISSION (2018): Country report Latvia 2018. *Commission staff working document*. Brussels. March 7, 2018. SWD (2018) 212 final. Available at: <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-latvia-en.pdf>

<sup>2</sup> ČIGANE, L. (2017): Eiropas Savienības Sociālais Pīlārs galvenokārt ir svarīgs pašai Latvijai. *Lvportals.lv*, October 18, 2017. Available at: <https://lvportals.lv/dienaskartiba/290642-lolita-cigane-eiropas-savienibas-socialais-pilarsgalvenokart-ir-svarigs-pasai-latvijai-2017>



noting that countries like Latvia do not have the same quantity of resources available as larger, wealthier nations like Germany. Holding states with such disparate financial situations to the same standard, without allowing for modification according to individual need, is not a sensible nor a realistic policy. Therefore, “the economic convergence of the Member States is a prerequisite for a more successful solution to the social dimension”.<sup>1</sup>

Beyond the economic roadblocks interfering with Latvia’s ability to carry out the Pillar’s goals, the difficulty of determining which ministry should lead the effort persists. While the Ministry of Welfare has heretofore addressed such issues, the European Pillar requires resources and infrastructure beyond what this Ministry can presently offer. The Ministry of Finance is reluctant to spend more money on such efforts, particularly after the financial crisis of 2008. Nonetheless, socioeconomic reform is possible in Latvia, even if it remains difficult. For instance, a tax reform was successfully passed in January 2018.

In addition to the financial concerns associated with adapting to the Pillar, Latvia’s political problems complicate reform. Politics within the country fall along ethnic lines, separating Latvians and Russians, instead of dividing ideologically. While growing support for social-democratic and left-wing parties could bridge this gap, low levels of political party participation limit those possibilities: “there’s a vicious circle at work – people don’t trust the political parties in Latvia because they have too few members, and they don’t join them because they don’t trust them”.<sup>2</sup>

The structure of the National Tripartite Cooperation Council also hinders progress toward the European Social Pillar’s goals within Latvia. The Council consists of the Employer’s Confederation of Latvia, the Free

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<sup>1</sup> KELLĪJA, L. (2018): Latvijai Prioritārie Eiropas Savienības Jautājumi 2018. gadā. Ārlietu Ministrija. February 06, 2018. Available at:

<http://www.mfa.gov.lv/stockholm/the-latvian-community-in-sweden/organisations/2-ministrija/58856-latvijai-prioritarie-eiropas-savienibas-autajumi-2018-gada>

<sup>2</sup> KLUGA, M.(2018): What's up with Latvia's Feeble Civic Engagement? *LSM.LV*. January 03, 2018. Available at: <https://eng.lsm.lv/article/politics/politics/whats-up-with-latviasfeeble-civic-engagement.a262962/>

Trade Union Confederation, and the government. These entities work together to foster social dialogue and develop social welfare. However, their priorities differ from one another, making progress difficult. Because “the FTUC’s prioritisation of social rights often clashes with the ECL’s prioritisation of competitiveness”,<sup>1</sup> dialogues progress slowly. The advancement of social welfare is further impeded by “the rapidly-changing legal environment, which goes hand in hand with economic and political changes”, disrupting “long-term business planning and therefore hamper[ing] the ability of employers and employees to find consensus”.<sup>2</sup>

In addition to the limitations resulting from Latvia’s economic and political structures, resistance to the Pillar itself lingers within the country. While “the dimensions of the pillar are in high demand in the wider population”,<sup>3</sup> an “overall lack of trust and interest in [EU] institutions”<sup>4</sup> persists as well. Latvia’s population views social welfare and its various initiatives as domestic issues, in which supranational organisations should not interfere. This has considerably reduced the Pillar’s popularity, therefore resulting in minimal enthusiasm regarding compliance to its twenty goals.

Systemic changes must take place for Latvia to carry out the European Social Pillar goals, but despite the financial, institutional and trust issues, this remains a possibility. Keeping up its commitments in social policy, bet in the Pillar framework or in a wider sense, is crucial for Latvia’s path towards the core of the EU.

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<sup>1</sup> VIZGUNOVA, E. – BROKA, S. – BUKOVSKIS, K. (2018): *European Pillar of Social Rights and Latvia’s Choices*. Riga: Friedrich Ebert Stiftung, November 2018. Available at: <http://library.fes.de/pdf-files/bueros/baltikum/14789-20190226.pdf>

<sup>2</sup> Latvijas Darba Devēju Konfederācija (2018): *Nozaru Sociālā Dialoga Attīība un tā šķēršļi Latvijā*. July 2018. Available at: <http://www.lddk.lv/wp-content/uploads/2014/07/>

<sup>3</sup> Ibid at supra note 101

<sup>4</sup> Ibid.

## CHAPTER 2. POLITICS AND FOREIGN POLICY

### 2.1. Euroscepticism in Latvia

Euroscepticism should be regarded as a specific form of populism, protagonists of which tend to both use populist methods and be populist in substance with appeal to fundamental changes in domestic or international system. While lacking suggestions to negotiate an improved situation for the country in the EU, Eurosceptic politicians suggest an escape strategy. Euroscepticism can include both a clear appeal for exit from the EU and pretentiously nihilistic attitude towards the EU. Abuse of complexity of the EU and its decision-making process gave a good soil for politicians to go beyond the “Eurorealist” outlook of many small EU countries<sup>1</sup> in their rhetoric.

Populism has been an integral part of the Latvian political landscape since re-establishment of the democratic system. Parties and individual politicians frequently switching positions to appease big and small number of voters has been and will continue to be a norm. Simultaneously, Euroscepticism in the case of Latvia has remained a severely marginalised political position with only a handful of people opposing Latvia’s membership in the European Union. This article intends to look at the aspects specific to Latvia’s political scenery: the party system developments in Latvia that led to embedded populism and the Latvian marginal Euroscepticism.

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<sup>1</sup> LIIA (2016): *Euroscepticism in Small EU Member States*, K. Bukovskis (ed.), Riga: Latvian Institute of International Affairs, 2016. Available at: <http://www.liia.lv/en/publications/euroscepticism-in-small-eu-member-states-546>

### 2.1.1. CATCH-ALL-ISM AND POPULISM IN LATVIA'S POLITICS

Catch-all-ism as well as the increasing populism<sup>1</sup> among the Latvian parties has been a long observed phenomenon.<sup>2</sup> Although a rapid Europeanization of Latvia, including its political system, was happening during the 1990-ies, the party system evidently failed to produce traditional left-right cleavages based on economic approaches with no ideologically strong left parties present.<sup>3</sup> Instead, the Latvian system morphed into left-right division based on geopolitical and ethnical positioning of political parties.<sup>4</sup> Latvian political parties have been unsuccessful or unwilling to embrace the ideological divisions as socialism and communism became strongly stigmatised after the small Baltic country was liberated from the Soviet Union. Liberalism, market economy and anti-USSR orientation became the strongest political arguments for the new generation of politicians. Simultaneously, Russia-sympathisers became increasingly more associated with ethnically Russian political parties. Hence, in a situation when a strong division existed between the pro-Euro Atlantic politicians and the pro-Russian Federation politicians sharing also the ethnical divisions between the so called Latvian parties and Russian parties, the politics of Latvia increasingly became catch-all, populist and personality oriented. All of the elections have demonstrated good results for politicians and parties that have used populist tactics, while economic ideologies have been of little importance for the voters. Party ideologies for the purpose of mass mobilization of voters were unnecessary for the Latvian democratic system that was re-emerging in very late 20<sup>th</sup> century.

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<sup>1</sup> BALCERE, I. (2014): Populism in the manifestos of Latvian Political Parties: Increasingly Used But Ineffective? In *Journal of Baltic Studies*, 45 (2014), 477–497. Available at:

<sup>2</sup> LEWIS, P.G. (2001): *Political Parties in Post-Communist Eastern Europe*, Routledge, 2001.

<sup>3</sup> BUKOVSKIS, K. - BRUGE, I. (2019): The Financial Crisis and the Curse of Latvian Left Parties. *The European Left and the Crisis*, Roder, K.- Holmes, M. (eds.), Manchester: Manchester University Press, 2019, forthcoming

<sup>4</sup> CHESKIN, A. – MARCH, L. (2016): Latvia's 'Russian left': Trapped between ethnic, socialist, and social-democratic identities. *Europe's radical left: From marginality to the mainstream?* L. March, D. Keith (eds.), London: Rowman and Littlefield, 2016.

As a result, this has led to the fact that Latvian political parties have developed a tendency to appeal both to broad masses and to marginal views at the same time – catch-all and everyone. The populism has become embedded in Latvia’s political system. Latvian political parties tend to include social-democratic politicians even if parties call themselves liberal market-oriented. Explanation – denouncing social support and the reduction of gap between the rich and the poor would result in losing electoral support.<sup>1</sup>

### 2.1.2. EUROSCEPTICISM:

#### MARGINAL AGENDA, MAINSTREAM CRITIQUE

Among fundamental national orientation is the Latvian domestic political party consensus that membership in the EU is beneficial and essential for the country. And yet, especially since the migration crisis, more mainstream parties represented in the parliament have been criticising the European Commission lately. Especially the National Alliance has become a vocal opponent to the Commission’s approach to migration problem and to president of the European Commission Jean-Claude Juncker personally. At the same time, the party is supporting the “deepening” of the European integration and along with all the parties represented in the Parliament – do not suggest Latvia’s exit from the EU.

In case of Latvia, as mentioned, Euroscepticism has been a marginal matter due to the geopolitical and political security significance of the European integration project. At the same time, a few Latvian politicians found partners in Eurosceptic parties in other EU member states and repeating their rhetoric or building on the anti-EU or anti-Western rhetoric of the Russian Federation politicians and media, appealed to part of the population. In the case of Latvia, research demonstrates that about 4 % of Latvian speaking population resents the EU membership, while the number among people with Russian language as native is 10 %. The numbers are

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<sup>1</sup> AUERS, D. (2017): Populism in the Baltic States. *The Rise of Populism: Lessons for the European Union and the United States of America*, KUDORS. A. – PABRIKS, A. (Eds.) Riga: Centre for East European Policy Studies, 2017, 151-168.

higher if those who tend to dislike Latvia's EU membership are included, namely, 15 % for Latvians and 38 % for Russians.<sup>1</sup>

The Latvian situation demonstrates somewhat a discrepancy between the popular resentment and lacking Eurosceptic politicians in the Parliament. At the same time, calls for exit from the EU in these groups of people are managed and appeased by more critical stance towards the EU by traditionally pro-European members of the Latvian parliament.

It can be concluded that the low public support for exit from the EU and the security situation in Europe since the war in Ukraine started in 2014 the Latvian politicians did not turn anti-EU during the national elections in October 2018. The Eurosceptic position is illogical from the point of view of Latvian geopolitical, economic and security situation. Still, a debate continues on how to make Latvia's voice stronger in Brussels on the EU policies. Both of these indicators – low Euroscepticism and an ambition for more influence – , as well as the consistent support to European integration initiatives, demonstrate that Latvia is politically equipped to become an EU core country.

## **2.2. Representation of extremist political parties in parliaments and governments**

This chapter discloses the characteristics of Latvian political parties. It starts with the explanation of the division between right and left-wing political parties in Latvia, goes on by revealing the “oligarch” dimension in Latvian governing structures, and breaks down the results of the latest Parliament (Saeima) elections last year.

### **2.2.1. THE SPECIFICS OF THE LATVIAN DIVISION BETWEEN RIGHT AND LEFT**

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<sup>1</sup> AUSTERS, A. – ŅIKIŠINS, J. (2017): The Sociology of Euroscepticism in the Baltic States. *Euroscepticism in the Baltic States: Uncovering Issues, People and Stereotypes*, AUSTERS, A., BUKOVSKIS, K.(eds.), Riga: Latvian Institute of International Affairs, 2017, 161.

In Latvia, the classical division between the right (conservatives) and the left (social democrats) is difficult to apply. Instead, since the 1990s the political parties have grouped themselves along ethnic lines and their affiliation either to the West or the East. Though there are few novel political parties echoing the necessity to establish right or left-wing political parties that follow classical socio-economic paradigms (for example, the Progressives (*Progresīvie*)), the division between the West and the East still dominates the debate and underlies the policy-making process.

Latvian political parties can be broadly defined as “Latvian” and “Russian”. In the last decade the “Latvian” parties have got around 70 to 80 seats in Saeima, while the “Russian” ones – around 20 to 30 seats.<sup>1</sup> It is a coalition of “Latvian” parties that usually forms the government of Latvia. In general, “Latvian” political parties divide along liberal, market-oriented parties (for example, New Unity (*Jaunā vienotība*), Development/For! (*Attīstībai/Par!*)) and conservative, nationalistic ones (for example, National Alliance (*Nacionālā Apvienība*), Union of Greens and Farmers (*Zaļo un Zemnieku savienība*), New Conservative Party (*Jaunā konservatīvā partija*)).<sup>2</sup> They emphasise Latvia’s belonging to the Western space of values, the necessity of economic and social cohesion with the West, and Latvia’s membership in the EU and NATO as guarantees of Latvia’s development and security. The National Alliance - a veteran in Latvian politics – is the most “nationalistic” of the governing parties. It underlines the necessity to preserve the Latvian language and culture, and devotes considerable effort to calling for recognition of Latvian occupation by the Soviet Union.

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<sup>1</sup> Latvia has a one-chamber parliament of 100 seats, elected by open list of proportional representation.

<sup>2</sup> Many of currently-existing “Latvian” parties consist of representatives of previous ruling parties that have experienced dissolutions, mergers, transformations, etc. over the years. For example, “New Unity” is a successor of “Unity”, which was founded as an alliance of the “New Era” party, the “Civic Union”, and the “Society for Political Change”. The “Unity” was the biggest centre-right party in the Parliament after 2010, 2011 and 2014 elections, yet following internal disputes it split into two parties – the “New Unity” and the “For!”, which currently is part of political alliance of “Development/For!”.

The “Russian” parties, represented by the centre-left Social Democratic Party "Harmony" (*Sociāldemokrātiskā Partija “Saskaņa”*)<sup>1</sup> have never been in the government, notwithstanding the fact that they have gotten the highest amount of votes in several elections.<sup>2</sup> Their “leftist” stance includes the protection of the Russian-speaking minority in Latvia, good relationship and close cooperation with Russia, as well as non-recognition of the fact of Latvia’s occupation by the Soviet Union. A more to the extreme political party the “Latvian Russian Union” (before 2014 – “For Human Rights in a United Latvia” (*Par cilvēka tiesībām vienotā Latvijā*)) is the only one, which openly rejects Latvia’s membership in NATO, has recognised the Russian annexation of Crimea and advocates the existence of two-communities society. In 2011, the party collected the signatures to initiate a referendum about the Russian language as the second official language of Latvia. In the referendum of 18 February 2012, a turnout was the highest since the independence referendum in the 1990s (71.3%) and 74.8% of the people voted against it.<sup>3</sup> Yet, a remarkable achievement of this party has been its representation in the European Parliament (EP) – since 2004, it has had one representative (out of eight) each successive term of the EP.

### 2.2.2. “OLIGARCHS” IN THE LATVIAN PARLIAMENT AND GOVERNMENT

The parties in Latvia have grouped themselves not just along ethnic lines but also around business interests. As a result of liberalisation and

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<sup>1</sup> SPDS was established in 2010 as a merger of three left-wing political parties: the “National Harmony Party” (*Tautas Saskaņas partija*), the “New Centre” (*Jaunais centrs*), and the “Social Democratic Party” (*Sociāldemokrātiskā partija*). Later the “Socialist Party of Latvia” (*Latvijas Sociālistu partija*), the successor of the Communist party of Latvia, and the “Daugavpils City Party” (*Daugavpils pilsētas partija*) joined the alliance.

<sup>2</sup> For example, 31 in 2011, 24 in 2014, and 23 in 2018.

<sup>3</sup> CENTRAL ELECTION COMMITTEE OF LATVIA (2012): Referendum for Amendments to the Constitution of Latvia (2012). February 2012. Available at: <https://www.cvk.lv/en/referendums/referendum-for-amendments-to-the-constitution-of-latvia-2012>



privatisation in the 1990s, property and capital were largely accumulated in the hands of a small group of people, who were or later became involved in politics. Three A's - Andris Šķēle (People's Party (*Tautas partija*)), Ainārs Šlesers (Latvia's First Party (*Latvijas Pirmā partija*)) and Aivars Lembergs (Union of Greens and Farmers) – are considered as the most influential Latvian “oligarchs”, accounting for much of corruption and “state capture” scandals in the end of the 1990s and the beginning of the 2000s. The so called “oligarchs” largely dominated the political arena up to 28 May, 2011, when the then President of Latvia Valdis Zatlers called for the dissolution of the 10th Saeima<sup>1</sup>, following parliament's refusal to waive the parliamentary immunity and to extradite Ainars Šlesers for criminal prosecution. In the ensuing referendum, Saeima was dismissed with 94.3% of the people voting “for” (the voters' turnout was 44.73%)<sup>2</sup> and, as a result, the first extraordinary elections in Latvian history were announced on 17 September 2011.

The elections of the 11th Saeima marked a new era of Latvian democracy. Symbolically, the fight against “oligarchs” and corruption was launched. Andris Šķēle disappeared from the political stage, the “oligarch” party of Ainārs Šlesers was not re-elected and the one of Aivars Lembergs got dramatically less seats; at the same time the newly-founded political party of the former President Valdis Zatlers – Zatler's Reform Party (*Zatlera Reformu partija*) – got 22 seats, almost one fourth in Saeima. The left-wing spectrum also profited from the “oligarch” scandals. As a result of the extraordinary elections, the left-wing “Harmony Centre” (*Saskaņas Centrs*) got the highest number of seats – 31 – in Saeima since the regaining of Latvia's independence. They have, nevertheless, discredited themselves since, as Nils Ušakovs, the “Harmony's” Mayor of Riga, and his

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<sup>1</sup> LIKUMI: Latvijas Valsts prezidenta rīkojums Nr.2. *Par Saeimas atlaišanas ierosināšanu*. Likumi.lv (Latvijas vēstnesis). May 28, 2011. Available at: <https://likumi.lv/doc.php?id=230900>

<sup>2</sup> CENTRAL ELECTION COMMITTEE OF LATVIA (2011): Referendum on Dissolution of the 10th Saeima (2011). May 30, 2011. Available at: <https://www.cvk.lv/en/referendums/referendum-on-dissolution-of-the-10th-saeima-2011>

collaborators from the “Harmony Centre” have been involved in serious corruption scandals in Riga Municipality, currently being investigated.

### 2.2.3. PARLIAMENTARY ELECTIONS OF OCTOBER 6, 2018:

#### THE OLD, THE NEW AND THE ANTI-ESTABLISHMENT

The elections of the 13th Saeima, which took place on 6 October 2018, can be considered to be another turning point of the Latvian democracy. Largely following the Western trend<sup>1</sup>, in these elections the Latvian citizens expressed their disappointment about growing inequalities, arrogance and detachment of the ruling elites, as well as corruption, which became a particularly sensitive issue after the so called “oligarch conversations” were published in 2017, indicating “state capture” at the highest level.<sup>2</sup>

These elections show a kind of fatigue of the Latvian citizens with current politics, which manifests itself both in the lowest turnout (54.56%) in national elections since Latvia’s independence and the choices of voters. Only the support to the left-wing “Harmony” remained stable (23 seats in Saeima); yet from the right-wing spectrum three new political parties – political party “KPV LV” (“Who owns the state?” (*Kam pieder valsts?*)), the “New Conservative Party” and “Development/For!” – entered Saeima, getting respectively 16, 16, and 13 seats in the parliament.<sup>3</sup> From the ruling parties, just the “National Alliance” showed comparatively good results (13 seats), while the “New Unity” and the party of the then Prime Minister – the “Union of Greens and Farmers” – were considered to be the biggest

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<sup>1</sup> See more in KLEINBERGA, V. (2019): *Through Restless Winds: Latvia in the European Union in 2018 and 2019*, ed. SPRUDS, A. – VIZGUNOVA, E. – BROKA, S. *Latvian Foreign and Security Policy. Yearbook 2019* 80-83. (Riga: Latvian Institute of International Affairs, 2019). Available at: <http://www.liia.lv/en/publications/latvian-foreign-and-security-policy-yearbook-2019-770>.

<sup>2</sup> See, for example, BALTIC TIMES (2017): *Case materials in "oligarch affair" show that state capture truly exists in Latvia*, LETA/TBT Staff, August 30, 2017. Available at: [https://www.baltictimes.com/case\\_materials\\_in\\_oligarch\\_affair\\_show\\_that\\_state\\_capture\\_truly\\_exists\\_in\\_latvia/](https://www.baltictimes.com/case_materials_in_oligarch_affair_show_that_state_capture_truly_exists_in_latvia/)

<sup>3</sup> CENTRAL ELECTION COMMITTEE OF LATVIA (2018): *13.Saeimas vēlēšanas*. October 2018. Available at: <https://sv2018.cvk.lv/pub/ElectionResults>

losers (11 and 8 seats respectively). Nevertheless, after almost three months long coalition talks, a centre-right government with the Prime Minister Krišjānis Kariņš, nominated by the “New Unity”, was established, which includes the “New Unity”, “KPV LV”, the “New Conservative Party”, “Development/For!” and the “National Alliance”. “Harmony” is traditionally left out as well as the “Union of Greens and Farmers” this time.

In the pre-election campaign and coalition formation talks populism appeared in the rhetoric of all political parties. Yet the most notable populist and anti-establishment party in Latvia that approaches “real people” is “KPV LV” with a former actor Artuss Kaimiņš at its leadership. It got the support of 120 264 voters (or 14.25%)<sup>1</sup>, mainly approaching young and anti-system voters. Yet, notwithstanding the party’s stance against previous elites and bureaucracy, it did not question Latvia’s membership in the EU and NATO.

Though immigration is a topical issue in many national elections of European countries, in Latvia it did not appear in the pre-election campaign. Nevertheless, the current Saeima is more cautious regarding immigration. In the first month of its work, it managed to adopt the declaration against Latvia joining the United Nations’ Global Compact for Safe, Orderly and Regular Migration, which in general does not contradict the Latvian migration and integration policies. This decision puts Latvia in the minority among the EU countries. It can be regarded as a certain “victory” of the “National Alliance”, which managed to get on its side also two newcomers to the parliament –the “New Conservative Party” and “KPV LV”.

## **Conclusion**

The Latvian parliament and government have never been extremist. Instead, all political parties in the parliament and the government have supported the Euro-Atlantic course of Latvia. Nevertheless, the division

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<sup>1</sup> Ibid.

lines between the left and the right-wing political parties have been persistent concerning the co-existence of Latvian and Russian-speaking populations in Latvia, which continue to create tensions as regards integration and inclusion policies, as well as relations with Russia.

The disappointment of people with the ruling political parties has manifested itself mainly in 2011 and 2018 parliamentary elections. Nevertheless, it cannot be observed that as a result of these elections, radical and extremist political parties would have entered Saeima. Instead, the choice of people in these elections can be considered as a protest vote against the ruling parties, which has ensured a rise of new political forces. They may be populist, but are not extremist. In general, Latvia's political processes are moderate, although the low election turnout signals a feeling of being removed from EU decision making among the population. If Latvia is to become a core EU country, it needs to invest in higher population involvement.

### **2.3. Latvia and the Common Security and Defence Policy of the European Union**

This chapter assesses Latvia's role in the Common Security and Defence Policy (hereafter – CSDP) of the European Union (hereafter – EU). It starts with a review of the role of CSDP in the strategic planning documents of Latvia, followed by an insight to the public debate on CSDP and the idea of a European army, as well the engagement of Latvia in CSDP activities.

### 2.3.1 CSDP IN THE LATVIAN DEFENSE POLICY

The main national defence and security framework documents – the State Defence Concept and the National Security Concept, both approved by the Saeima (the Latvian parliament) – devote rather limited attention to the EU as a security and defence actor. EU's role is clearly seen as complementary to that of the North Atlantic Treaty Organization (hereafter – NATO). As a result, the EU's non-military instruments are highlighted, such as those related to anti-terrorism, security of information space, cyberspace, borders and energy. In addition, both documents express commitments to further contribute to the EU battlegroups.<sup>1,2</sup>

The Latvian Ministry of Foreign Affairs on its website notes that “Latvia supports closer and more coordinated security and defence cooperation of the EU because a more united and capable Europe in terms of security and defence is in our [Latvia's] interests”. The ministry underlines various Latvia's interests regarding CSDP – military and civil capabilities, resilience against the so-called hybrid threats, strategic communication, cyber security and cooperation with NATO.<sup>3</sup>

Among Latvian officials, the EU as a security and defence actor is clearly considered secondary compared with NATO. The EU and its CSDP are generally seen in different terms than NATO – the former is more associated with crisis prevention and management issues and distant out-

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<sup>1</sup> LIKUMI: *Par Valsts aizsardzības koncepcijas apstiprināšanu*. Saeima. June 16, 2016. Available at: <https://likumi.lv/ta/id/282964-par-valsts-aizsardzibas-koncepcijas-apstiprinasanu>; *Par Nacionālās drošības koncepcijas apstiprināšanu*. Saeima, November 26, 2015. Available at: <https://likumi.lv/ta/id/278107-par-nacionalas-drosibas-koncepcijas-apstiprinasanu>

<sup>2</sup> This paragraph is based on the following publications of the author: ANDZANS, M.(2016): *Prospects of the Development of the Common Security and Defence Policy of the European Union: Perspectives from Latvia*. SPRUDS, A. POTJOMKINA, D. (eds.) *Coping with Complexity in the Euro-Atlantic Community and Beyond: Rīga Conference Papers 2016*. Latvian Institute of International Affairs, 2016, 42; ANDZANS, M.(2017): *Country Chapter Latvia*. In: Hans-Peter Bartels, Anna Maria Kellner, Uwe Optenhögel, (eds.) *Strategic Autonomy and the Defence of Europe. On the Road to a European Army?* Bonn, Verlag J. H. W. Dietz Nachf, 2017, 255.

<sup>3</sup> ARLIETU MINISTRIJA (2019): *ES Kopējā drošības un aizsardzības politika*. January 2, 2019. Available at : <https://www.mfa.gov.lv/arpolitika/drosibas-politika/es-kopeja-drosibas-un-aizsardzibas-politika>

of-area missions, not with territorial defence (from Russia – Latvia’s primary security concern). With regard to the interaction between NATO and the EU, avoiding a duplication of efforts is seen as the main prerequisite for the further development of the EU as a security and defence actor.<sup>1</sup>

### 2.3.2. PUBLIC DEBATE ON CSDP AND THE IDEA OF A EUROPEAN ARMY

Issues related to CSDP and the related idea of a common European army (a term that has been both attractive and controversial, as the further text shows) have not played a constant and self-sustaining role in the politics of Latvia during the recent years. When Latvian politicians express their views on CSDP-related issues and/or the idea of a European army, they usually reflect on external occurrences. For example, such comments as those of 2015 on the need for a common European army made by the President of the European Commission Jean-Claude Juncker<sup>2</sup> facilitated reactions at the domestic level. Then President of Latvia Andris Bērziņš characterised the idea as “negotiable,” but underlined the transatlantic link as the basis for Europe’s security,<sup>3</sup> the then Minister of Defence (currently the President of Latvia) Raimonds Vējonis was cautious – among other things he underlined the lack of a clear aim of the idea, as well as the risk of duplication and weakening of NATO and reminded of the inability to

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<sup>1</sup> This paragraph is based on the following publications of the author: ANDZANS, M. (2016): *Prospects of the Development of the Common Security and Defence Policy of the European Union: Perspectives from Latvia*. SPRUDS, A. POTJOMKINA, D. (eds.) *Coping with Complexity in the Euro-Atlantic Community and Beyond: Rīga Conference Papers 2016*. Latvian Institute of International Affairs, 2016, 42; Andžāns Māris, “Country Chapter Latvia,” In: Hans-Peter Bartels, Anna Maria Kellner, Uwe Optenhögel, (eds.) *Strategic Autonomy and the Defence of Europe. On the Road to a European Army?* Bonn, Verlag J. H. W. Dietz Nachf, 2017, 255.

<sup>2</sup> DIE WELT (2015): *Halten Sie sich an Frau Merkel. Ich mache das!* March 8, 2015. Available at: <https://www.welt.de/politik/ausland/article138178098/Halten-Sie-sich-an-Frau-Merkel-Ich-mache-das.html>

<sup>3</sup> LETA (2015): *Prezidents: Aicinājums izveidot kopīgu Eiropas armiju ir apspriežams*. March 12, 2015. Available at: <http://www.leta.lv/archive/search/?patern=eiropas%20armija&item=0168BE78-00EF-46E2-851D-B5A1D9CD9809&date=0,1468530000&mode=stem>

agree on the use of the EU Battlegroups;<sup>1</sup> the Minister of Foreign Affairs Edgars Rinkēvičs characterised the idea of a common European army as “absolutely superfluous,” underlining the risk of duplication of efforts of the EU and NATO and suggesting instead to focus on providing more resources to the needs of defence and security, closer cooperation and more attention to border and coast guard.<sup>2, 3</sup>

CSDP received more attention and in a more positive light with the establishment of the EU Permanent Structured Cooperation (PESCO) in 2017. For example, the Ministry of Defence characterised it as “a significant step in strengthening the military capabilities of the EU member states. It will complement NATO capabilities and will facilitate the EU-NATO practical cooperation.”<sup>4</sup> In his annual speech in the Latvian Parliament in 2018 the Minister of Foreign Affairs Rinkēvičs noted that “launch of PESCO is a significant step in strengthening the Common Security and Defence Policy of the European Union.”<sup>5</sup>

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<sup>1</sup> LETA (2015): *Aizsardzības ministrs: Lai veidotu kopīgu Eiropas armiju, vispirms ir precīzi jādefinē mērķis*. March 10, 2015. Available at:

<http://www.leta.lv/archive/search/?patern=eiropas%20armija&item=77AF6B71-D528-4882-ACE4-EFB20314481D&date=0,1468530000&mode=stem>

<sup>2</sup> LETA (2016) : *Ministrs: Ideja par Eiropas armiju šobrīd ir absolūti lieka*. May 20, 2016. Available at:

<http://www.leta.lv/archive/search/?patern=eiropas%20armija&item=A703FEC1-53F7-4623-BAA3-5B97C03E533D&date=0,1468530000&mode=stem>

<sup>3</sup> This paragraph is based on the following publications of the author: ANDZANS, M.(2016): *Prospects of the Development of the Common Security and Defence Policy of the European Union: Perspectives from Latvia*. SPRUDS, A. POTJOMKINA, D. (eds.) *Coping with Complexity in the Euro-Atlantic Community and Beyond: Rīga Conference Papers 2016*. Latvian Institute of International Affairs, 2016, 42; Andžāns Māris, “Country Chapter Latvia,” In: Hans-Peter Bartels, Anna Maria Kellner, Uwe Optenhögel, (eds.) *Strategic Autonomy and the Defence of Europe. On the Road to a European Army?* Bonn, Verlag J. H. W. Dietz Nachf, 2017, 255.

<sup>4</sup> Aizsardzības ministrija (2017): *Latvija pievienojas ES Pastāvīgam strukturētās sadarbības (PESCO) ietvaram drošībā un aizsardzībā*. November 13, 2017. Available at: <https://www.mod.gov.lv/lv/zinas/latvija-pievienojas-es-pastavigam-strukturetas-sadarbibas-pesco-ietvaram-drosiba-un>

<sup>5</sup> Ārlietu ministrija (2018): *Ārlietu ministra Edgara Rinkēviča uzruna Saeimas ārpolitikas debatēs 2018. gada 25. Janvārī*. January 25, 2018. Available at: <https://www.mfa.gov.lv/aktualitates/zinas/runas-raksti-intervijas-prese/58955-arlietu-ministra-edgara-rinkevica-uzruna-saeimas-arpolitikas-debates-2018-gada-25-janvari>

### 2.3.2. LATVIA'S ENGAGEMENT IN CSDP ACTIVITIES

Latvia announced joining the EU Battlegroup concept back in November 2004. For the first time it made its troops available for the EU Battlegroup in the first semester of 2010 (Battlegroup then was led by Poland). In the following years, Latvia has provided troops to other subsequent rotations of EU Battlegroups – in the second semester of 2013 (led by the United Kingdom), in 2015 (led by Sweden), as well as in the second semester of 2016 (led by the United Kingdom).<sup>1</sup>

Latvia is one of the initial signatories and members of PESCO which was launched in December 2017.<sup>2</sup> Latvia has expressed an interest to participate in at least three PESCO projects – “Integrated Unmanned Ground System (UGS)” which is led by Estonia, “Maritime (semi-) Autonomous Systems for Mine Countermeasures (MAS MCM)” led by Belgium, and “Military Mobility” under the leadership of the Netherlands.<sup>3</sup>

Currently, Latvia participates in several EU missions and operations. It has sent five experts to Georgia (EUMM Georgia) and three experts to Ukraine (EUAM Ukraine). Three Latvian soldiers take part in the EU mission in Mali (EUTM Mali), one soldier in the EU mission off the coast of Somalia (EU NAVFOR Atalanta), and another one in an EU operation in the Mediterranean (EUNAVFOR Med Sophia).<sup>4</sup>

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<sup>1</sup> Aizsardzības ministrija: *Eiropas Savienības Kaujas grupa (EUBG)*. Available at: <https://www.mil.lv/lv/-dienests/daliba-nato-un-es-spekos/eiropas-savienibas-kaujas-grupa-eubg>

<sup>2</sup> European External Action Service (2018): *Permanent Structured Cooperation – PESCO. Deepening Defence Cooperation among EU Member States*, European External Action Service, November 2018. Available at: [https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/wM5OZfoVgVbC4zSzD-u--4o8E9TqYoThT3aNfAC6TQA/mtime:1542983709/sites/eeas/files/pesco\\_factsheet\\_november\\_2018\\_en\\_0.pdf](https://cdn5-eeas.fpfis.tech.ec.europa.eu/cdn/farfuture/wM5OZfoVgVbC4zSzD-u--4o8E9TqYoThT3aNfAC6TQA/mtime:1542983709/sites/eeas/files/pesco_factsheet_november_2018_en_0.pdf), 1.

<sup>3</sup> COUNCIL OF THE EU (2018): *Permanent Structured Cooperation (PESCO) updated list of PESCO projects - Overview - 19 November 2018*, Council of the European Union. Available at: <https://www.consilium.europa.eu/media/37028/table-pesco-projects.pdf>, 4, 5, 12.

<sup>4</sup> Ārlietu ministrija (2018): *Starptautiskās operācijas un misijas*. August 24, 2018. Available at: <https://www.mfa.gov.lv/arpolitika/drosibas-politika/starptautiskas-operacijas-un-misijas>



## **Conclusion**

Latvia is a fully-fledged member of the CSDP having no formal or informal exemptions of the policy. It constantly and persistently participates in the decision-making process of CSDP, it sends its troops and civilian experts to EU military and civilian missions and operations, it participates in PESCO, the work of the European Defence Agency and other CSDP related activities.

Latvia, though, has not been among the most active EU countries to engage in CSDP activities. Its relatively passive role in the CSDP has nothing to do with EU-scepticism, rather with pragmatic arguments – the collective defence system of NATO and the military presence of the United States in Latvia and Europe remains the backbone of the Latvian national defence. If the capabilities and resolve of NATO and the United States regarding the defence of Latvia (from Russia) would be questioned, it is likely that Latvia would strengthen its role in CSDP.

## 2.4. Migration, asylum laws, Schengen area

This chapter assesses Latvia's migration, asylum law policies and outlines the role of the Schengen area. It starts with a brief overview on history, the development of policies' implementation, then continues with a reflection on the current debate. At the end, brief conclusions are provided.

### 2.4.1. INSIGHT INTO HISTORY

Altogether, it has been argued that Latvia's immigration and asylum policy over the years has been restrictive and rigid.<sup>1</sup> Due to its geopolitical location, Latvia has never been a homogenous country. After its establishment in 1918, approximately ¼ of country's inhabitants were Russians, Germans, Poles, Belarusians and Jews.<sup>2</sup> The interwar minority policy was liberal and inclusive at the outset yet became more restrictive during the authoritarian regime in the 1930s. The ethnic composition of Latvia changed dramatically during the Soviet era, when mass immigration was purposefully forced from all over the USSR, but essentially from Russia and Belarus. Numerical prevalence of immigration is explained by the active Russification Policy of the USSR, as well as by the economic development strategy of the USSR, therefore in the late 50s of the 20th century the proportion of non-Latvians exceeded 50 %.<sup>3</sup> Massive migratory flows from other republics of the USSR in the last decades of the Soviet rule created a situation where the community in Latvia was formed by two

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<sup>1</sup> Labklājības ministrija (2018): *Informatīvais ziņojums, par pilotprojekta mājokļa nodrošināšanai ģimenēm, kurām piešķirts bēgļa vai alternatīvais statuss, turpināšanu*. Available at: <http://tap.mk.gov.lv/mk/tap/?pid=40447648>

<sup>2</sup> BLEIERE, D. et al. (2005) *Latvijas vēsture: 20.gadsimts*, 2nd edition, Rīga: Jumava, 2005, 186.

<sup>3</sup> CENTRAL STATISTICAL BUREAU OF LATVIA: *Latvijas iedzīvotāju nacionālais sastāvs*, Central Statistical Bureau of Latvia. Available at: [https://www.csb.gov.lv/sites/default/files/data/Skoleniem/iedzivotaju\\_etniskais\\_sastavs.pdf](https://www.csb.gov.lv/sites/default/files/data/Skoleniem/iedzivotaju_etniskais_sastavs.pdf)

numerically similar – Latvian and Russian speaking – communities.<sup>1</sup> Migration policy in Latvia began to develop in the late 1980s. The growing dissatisfaction with the influx of immigrants from the territories of the USSR among the Latvian inhabitants was a prerequisite for the adoption of migration restrictive laws.<sup>2</sup>

#### 2.4.2. POLICIES AND CURRENT DEBATE

Several institutions are involved in the development of the migration and asylum policy, whose competence and tasks are defined in the national legislation. Different legislative acts in the field of migration and asylum are mainly initiated by the leading state administration institution in the field of migration and asylum – the Ministry of the Interior and its subordinate, the Office of Citizenship and Migration Affairs, and the State Border Guard. The Ministry of Foreign Affairs coordinates the diaspora policy, but the Ministry of Culture is the responsible one for the integration policy. The Immigration Law and its subordinate regulations of the Cabinet of Ministers stipulate the procedure for entry, stay, transit, departure, and detention of foreigners, as well as the procedures for keeping foreigners in custody in the Republic of Latvia and expelling them in order to ensure the implementation of the migration policy in conformity with international legal norms and the interests of the State of Latvia. The Asylum Law and its subordinate regulations of the Cabinet of Ministers ensure the right of persons to receive asylum in the Republic of Latvia, to obtain refugee or alternative status or temporary protection.<sup>3</sup>

In response to the rapid influx of migrants in certain countries and the implementation of Latvia's decision to take joint liability for solving the migration crisis, an Action Plan for relocation and admission of persons in need of international protection in Latvia was developed at the end of 2015.

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<sup>1</sup> EUROPEAN MIGRATION NETWORK: *Migrācijas un Patvēruma Politikas struktūra Latvijā*. Eiropas migrācijas tīkla Latvijā kontaktpunkta pārskats, October 2016, 16. Available at: [http://www.emn.lv/wp-content/uploads/Organisation-of-Asylum-and-Migration-Policy\\_FINAL\\_LV-19.12.2016.pdf](http://www.emn.lv/wp-content/uploads/Organisation-of-Asylum-and-Migration-Policy_FINAL_LV-19.12.2016.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

The plan has three directions of action, First, the Ministry of Interior Affairs and its subordinate institutions are involved in the selection and/or transfer of persons. The second action line identifies measures related to the reception and accommodation of asylum seekers, and third Action Plan describes socio-economic inclusion measures. Latvian language trainings, training courses on Latvian culture, job opportunities in Latvia, and help of social mentors to integrate into the society and the labour market are provided.<sup>1</sup>

Latvian asylum policy was almost non-existent before the refugee crisis of 2015 and in general is very strict, granting the asylum just in exceptional circumstances.<sup>2</sup> Altogether **2513** asylum seekers have requested international protection in Latvia from 1998 until 2017.<sup>3</sup> The refugee status has been granted to 157 persons, but the alternative status – to 514 persons. The number of applicants for asylum has increased rapidly starting from 2011, reaching its peak in 2017 when 395 individuals asked for international protection. In 2017, they were mainly coming from Russia, Kazakhstan, Syria, Vietnam, and Eritrea. Even so, the complete number of asylum seekers in Latvia is small and the majority of migrants placed in Latvia under the EU resettlement program have already left the county taking advantage of the opportunities for free travel within the Schengen area.<sup>4</sup>

The number of citizens of other countries in Latvia – both the EU and third countries – reached 95 152 at the beginning of 2019, representing 4.9 % of Latvia's inhabitants. Lithuania, Russia, Belarus, Ukraine, and

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<sup>1</sup> Ibid. 13-14

<sup>2</sup> GOLUBEVA, M. – RIKŠA, M. (2015): *Patvēruma meklētāji Latvijā*. Centre for Public Policy “Providus”, November 2015. Available at: [http://providus.lv/article\\_files/3177/original/Patveruma\\_mekletaji\\_Latvija\\_PROVIDUS.pdf?1459941547](http://providus.lv/article_files/3177/original/Patveruma_mekletaji_Latvija_PROVIDUS.pdf?1459941547).

<sup>3</sup> Iekšlietu ministrija (2018): *Patvēruma meklētāji*. Pilsonības un migrācijas lietu pārvalde, 2018. Available at: <https://www.pmlp.gov.lv/lv/sakums/statistika/patveruma-mekletaji.html>.

<sup>4</sup> Labklājības ministrija (2018): *Informatīvais ziņojums par pilotprojekta mājokļa nodrošināšanai ģimenēm, kurām piešķirts bēgļa vai alternatīvais statuss, turpināšanu*. Available at <http://tap.mk.gov.lv/lv/mk/tap/?pid=40447648&mode=mk&date=2018-02-20>

Germany are the main countries of origin of migrants.<sup>1</sup> The migration saldo has been constantly negative. Nearly 40 000 people emigrated from Latvia during the global financial crisis in 2010, but only 4 000 immigrated.<sup>2</sup> During the refugee crisis of 2015, the number of immigrants actually increased to 9,479, however, the number of emigrants still exceeded the number of immigrants and reached 20,119.<sup>3</sup>

At the political level, the discourse is framed by the right-wing nationally conservative “National Alliance” (opposes immigration, both the residence permit selling system and the EU refugee quotas and voluntary acceptance of refugees), the left-wing, pro-Russian “Harmony” (stands for the rights of the Russian-speaking population in Latvia) and more liberal centrist parties (emphasise the shortages of labour, solidarity of the EU member-states, etc.). As regards the policy making, in recent years there have been substantial steps taken to facilitate remigration. Yet it has been argued that Latvia still lacks a strategic and well-targeted immigration policy that would support and facilitate admission of certain groups of immigrants necessary for Latvian economy.<sup>4</sup> Instead, the emphasis has been put on the so called “investor visas” with the aim to attract more financial means to the Latvian budget in the exchange of the resident status.<sup>5</sup>

## Conclusions

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<sup>1</sup> As of 31 December 2018, 53,048 permanent residence permits and 42,104 temporary ones have been issued. See <https://www.pmlp.gov.lv/lv/assets/documents/2015/S%20PUA%20izversts%20uz%2031.12.2018%20DN%2053048.pdf> and <https://www.pmlp.gov.lv/lv/assets/documents/2015/S%20TUA%20izversts%20uz%2031.12.18%2042104.pdf>

<sup>2</sup> CENTRAL STATISTICAL BUREAU OF LATVIA: *Statistical Yearbook of Latvia 2018*. Central Statistical Bureau of Latvia, Rīga, 2019, 66.

<sup>3</sup> Ibid.

<sup>4</sup> Labklājības ministrija (2018): *Informatīvais ziņojums par pilotprojekta mājokļa nodrošināšanai ģimenēm, kurām piešķirts bēgļa vai alternatīvais statuss, turpināšanu*. Available at: [tap.mk.gov.lv/doc/2018\\_02/LMZin\\_SIF\\_31\\_01\\_2018.226.doc](http://tap.mk.gov.lv/doc/2018_02/LMZin_SIF_31_01_2018.226.doc)

<sup>5</sup> Ibid.

Despite some Latvian civil society's criticism, recent developments show that the immigration policy may not become more open to migrants. The Parliament of Latvia refused to join the United Nations' Global Compact for Safe, Orderly and Regular Migration, which in general does not contradict the Latvian migration and integration policies. Yet, in terms of the image it positions Latvia among the states that have been openly anti-immigrant in the EU discussions, which leaves a question on Latvia's future immigration policy open and worth researching.

## **2.5. Strengthening and weakening of European institutions**

This chapter describes Latvia's stance on deeper integration of the European Union (EU). It starts with a general overview of Latvia's position regarding transfer of national competences to European level, and proceeds with a more specific look at Latvia's position regarding strengthening or weakening of EU institutions.

### **2.5.1. CORE VS. PERIPHERY DEBATE:**

#### **INTEGRATION VS. NATIONAL COMPETENCES**

Since Latvia's accession to the EU there has been a debate on how much competences Latvia would be ready to transfer to the transnational level, and where the so called "red lines" lie. Actually, the issue arose even before the accession, taking into account the necessity to acknowledge that after joining the EU the Parliament of Latvia (Saeima) would not be the only source of legislation. As a result, in 2003, amendments to the Constitution of Latvia (Satversme) were made, which provided Saeima and citizens with the responsibility to approve or reject any changes to Latvian sovereignty by European integration processes. The amended Article 68 of Satversme states that upon "entering into international agreements, Latvia, with the purpose of strengthening democracy, may delegate a part of its State institution competencies to international institutions"; that "membership of Latvia in the European Union shall be decided by a national referendum, which is proposed by the Saeima"; and that "substantial changes in the terms regarding the membership of Latvia in

the European Union shall be decided by a national referendum if such referendum is requested by at least one-half of the members of the Saeima”.<sup>1</sup>

In Latvia, the issue of giving away national competences is a sensitive one taking into account Latvia’s recent history, namely, its violent incorporation in the Soviet Union in 1940 and fifty years of occupation. Therefore, since joining the EU Latvia has emphasised the importance of national interests and the necessity to follow the principle of subsidiarity. However, it is not to say that Latvia has been against integration. Just the opposite. Latvia has always been a firm advocate of a strong and united Europe, as the EU is seen not just a guarantee of its welfare but also of security (together with NATO). As a result, one of Latvia’s foreign policy goals envisages to ensure Latvia’s external security and welfare of its citizens by “building the European Union as a strong union of national states, with Latvia being in the core of EU cooperation”.<sup>2</sup> It is revealed that Latvia can achieve being in the core “through its support for defence cooperation, EU internal security, the strengthening of the energy and transport sectors, the euro area and the cohesion policy”.<sup>3</sup>

Here one can see that, on one hand, Latvia acknowledges the necessity to be at the core of EU integration, yet, on other hand, strong national states are seen as a basic source of legitimacy of EU further integration. As a result, in Latvia integration is supported just in the areas which do not contradict the national interests and provide the value added; at the same time, resistance continues as regards integration towards issues that are considered “national competences” (for example, fiscal policy, social sphere).

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<sup>1</sup> LIKUMI: *Latvijas Republikas Satversme, Likumi.lv* (Latvijas vēstnesis). February 15, 1922. Available at: <https://likumi.lv/doc.php?id=57980>.

<sup>2</sup> Ministry of Foreign Affairs of Latvia (2018): *Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union*. Available at : [https://www.mfa.gov.lv/images/ministrija/Annual\\_Report\\_of\\_the\\_Minister\\_of\\_Foreign\\_Affairs\\_2018\\_en.pdf](https://www.mfa.gov.lv/images/ministrija/Annual_Report_of_the_Minister_of_Foreign_Affairs_2018_en.pdf), 1.

<sup>3</sup> Ibid, 4.

## 2.5.2. EU INSTITUTIONAL FRAMEWORK

### AND LATVIA'S PRINCIPLE OF SUBSIDIARITY<sup>1</sup>

As an advocate of “a united and strong European Union”<sup>2</sup> Latvia has supported strengthening of EU institutions, especially as regards “one voice” of the EU in the world. During the negotiations on the Constitution of Europe, renamed as Reform Treaty and adopted as Lisbon Treaty in 2007, Latvia supported merging of the then posts of the Commissioner for External Affairs and the High Representative (the then Secretary-General of the Council) into one EU High Representative for Foreign Affairs and Security Policy (HR), who would simultaneously be the Vice-President of the European Commission (EC). Furthermore, to improve the EU's performance in the world – and thus strengthen also Latvia's chances – Latvia supported the establishment of the European External Action Service. Latvia did not object to the appointment of a permanent President of the European Council, though asked for clarification of his functions in order that they would focus on internal coordination of the work of the Council and would not clash with the functions of the President of the EC and the HR.<sup>3</sup>

Latvia also supported the widening of the competences of the European Parliament (EP) in order to reduce the “democracy deficit” in the EU and to make it more accountable and legitimate in the eyes of people. Latvia was also a keen supporter of greater involvement of citizens in the EU decision-making process through establishment of the Citizens'

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<sup>1</sup> This chapter is largely based on the author's experience, working at the Ministry of Foreign Affairs of Latvia during the preparation and adoption of the Lisbon Treaty.

<sup>2</sup> Ministry of Foreign Affairs of Latvia (2016): Speech by Latvian Foreign Minister Edgars Rinkēvičs at annual Foreign Policy Debate in the Latvian Parliament (Saeima) on 26 January 2016. Ministry of Foreign Affairs of Latvia. Available at: <https://www.mfa.gov.lv/en/news/latest-news/speeches-and-interviews/49504-speech-by-latvian-foreign-minister-edgars-rinkevics-at-annual-foreign-policy-debate-in-the-latvian-parliament-saeima-on-26-january-2015>.

<sup>3</sup> Ministry of Foreign Affairs of Latvia (2014): *Latvijas pozīcija Starpvaldību konferencē*. Ministry of Foreign Affairs of Latvia, updated 02.12.2014. Available at: <https://www.mfa.gov.lv/arpolitika/eiropas-savieniba-arpolitika/tiesibu-akti-un-dokumenti/lisabonas-ligums/latvijas-pozicija-starpvaldibu-konference>.



initiative. In order to enhance the efficiency of decision making-process Latvia agreed with removing unanimity vote in certain areas, for example, justice and home affairs. Furthermore, Latvia was an advocate of the reform of the qualified majority vote, which simplified the voting mechanism in order each Member State had one voice in voting, independently of its size.<sup>1</sup>

However, simultaneously with support to strengthening the EU institutions Latvia has underlined that interests and representation of small EU Member States should not be sacrificed on behalf of greater efficiency of EU institutions. On the way to the Lisbon Treaty, Latvia insisted that each EU member-state should have one Commissioner in the EC. Furthermore, Latvia objected to potential reduction in the number of the Members of the EP, emphasising that small states, notwithstanding their size, should have not less than five seats in the EP.<sup>2</sup> Last but not least, Latvia was supportive regarding a greater role for the national parliaments in the EU decision-making process in order to improve the legitimacy of the EU and to defend Latvia's interests in the EU more directly.

In general, Latvia has always been a keen supporter of the principle of subsidiarity. Latvia is still cautious as regards new institutional mechanisms in areas of shared competences or competences where the EU has just a supportive and complementary role. For example, Latvia is careful concerning the introduction of a qualified majority vote in certain areas of external relations (human rights, sanctions), creation of the European army, or invention of the Eurozone minister for financial affairs.

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<sup>1</sup> Ibid.

<sup>2</sup> Ibid.

## 2.6. Public opinion of Latvian population on the European Union

This chapter reveals the opinion of the Latvian population on the European Union (EU). It starts with the Eurobarometer results regarding the Latvian support to the EU and its institutions, moves forward to the views of the Latvian population on benefits, political priorities, and concerns at the European level, and finishes with the review regarding the European Parliament (EP) elections.

### 2.6.1. SUPPORT TO THE EU AND ITS INSTITUTIONS

In 2004 Latvia joined the EU, with 66.97 % of the population voting for Latvia's accession to the EU on September 20, 2003 referendum, while 32.26 % voted against it.<sup>1</sup> The majority of the people voted for the EU both for economic and security reasons. In general, Latvians are among the ones who trust the EU more than the national institutions. While trust to the government and the Parliament (Saeima) has slightly increased since general elections on October 6, 2018, only 31 % of the Latvian population trusts the government and 21 % – the Saeima; yet 49 % of the Latvian respondents trust the EU (while 32 % distrust it).<sup>2</sup> The Euro-optimism in Latvia is much higher than in the EU on average – namely, in EU-28 only 42 % of the people trust the EU, while 48 % tend not to trust it.<sup>3</sup>

With regard to certain institutions, almost half of the Latvian population – 47 % – trusts the EP, 36 % – the Council of the EU, 41 % – the European Commission, 42 % – the European Central Bank.<sup>4</sup> In general,

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<sup>1</sup> CENTRAL ELECTION COMMISSION (2003): *Results of National Referendum on Latvia's Membership in the EU*. September 2003. Available at: <https://www.cvk.lv/cgi-bin/wdbcgiw/base/sae8dev.aktiv03era.vis>.

<sup>2</sup> Eiropas Komisija (2018): *Standarta Eiroparometrs 90. Nacionālais ziņojums*. Eiropas Komisija, 2018.g. rudens, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2215>, 6.

<sup>3</sup> EUROPEAN COMMISSION (2018): *Standard Eurobarometer 90. First results*. Autumn 2018. Available at:

<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2215>, 6.

<sup>4</sup> EUROBAROMETER: *Standarta Eiroparometrs 90. Nacionālais ziņojums*?, 8.

Latvian people are able to identify the EU institutions and 46 % consider themselves well informed about the EU, which is more than in the EU on average – 42 %.<sup>1</sup> Yet as regards the possibility to participate in the EU-decision making and to influence it, only 26 % of Latvians consider that their voice counts in the EU, while 63 % disagree with that; it differs from the respective 49 % and 47 % in the EU on average.<sup>2</sup>

In general, Latvians support their country's membership in the EU and more than half of the citizens – 62 % – disagree with the statement that Latvia's future would be better without being a member-state of the EU.<sup>3</sup> The Latvian population – 57% – also tends to support the necessity to make more decisions at the European level<sup>4</sup>, which correlates with the low trust to the national institutions.

## 2.6.2. BENEFITS, PRIORITIES

### AND CONCERNS AT THE EUROPEAN LEVEL

Latvian inhabitants positively evaluate benefits and opportunities provided by the EU. Free movement of persons, goods and services is considered to be the most positive contribution of the EU to the people (67 % of respondents are supportive of it), peace among the member-states is in the second place (49 %), and student exchange programs (for example, Erasmus) rank third (34 %).<sup>5</sup> If asked about the associations regarding the EU, free travelling, studying and working in the EU ranks among the most visible ones – 67 % of the Latvian people mention them in the first place. Other issues the Latvian people associate with the EU are the euro (33 %), the cultural diversity (33 %), peace (26 %), and bureaucracy (24 %).<sup>6</sup>

Regarding the political priorities of the EU, Latvians again support “the free movement of the EU citizens”, allowing them “to live, work, study and do business anywhere in the EU” – with 96 % of the Latvian

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<sup>1</sup> Ibid.

<sup>2</sup> Ibid at 11

<sup>3</sup> Ibid at 9

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

population agreeing to that priority Latvia is at the top of the EU-28 (on average 83 % support free movement of workers in the EU-28).<sup>1</sup> Latvians are also among keen supporters of the EU common currency – the euro. 81 % of Latvian population supports euro as a political priority of the EU in comparison to 62 % in the EU on average.<sup>2</sup> Two other high-ranking political priorities of the EU in the Latvian view would be the common security and defence policy among the EU member-states (86 %) and the EU's common trade policy (81 %).<sup>3</sup> In both cases, the Latvian support to these priorities is 10 % higher than in the EU on average.

As for the concerns at the European level, Latvians mention immigration (47 %), terrorism (26 %), and the state of member -state's public finances (16 %).<sup>4</sup> All three concerns mirror the general top three of the EU-27. Yet immigration and terrorism in Latvia are seen as a European level concern much more than in the EU-28 on average (40 % and 20 % respectively), while the state of the member-state's public finances ranks a bit below the EU-average of 19 %.

### 2.6.3. EUROPEAN PARLIAMENT ELECTIONS

The EP has the most positive image of EU institutions in Latvia (see data above) and almost half of the population (49 %) would like to see an enhanced role of the EP in future.<sup>5</sup> At the same time, Latvians are not the most eager supporters of the EP elections. In 2014 elections, the voters' turnout was just 30.24 % in comparison to 42.61 % in the EU on average.<sup>6</sup> The turnout was higher in previous EP elections – 41.34 % in 2004, the

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<sup>1</sup> Ibid at 30.

<sup>2</sup> Ibid at 32.

<sup>3</sup> Ibid. at 12.

<sup>4</sup> Ibid. at 15.

<sup>5</sup> EUROPEAN PARLIAMENT (2018): *Democracy on the Move. European Elections – One Year To Go*. Eurobarometer Survey 89.2, European Parliament, May 2018. Available at: <http://www.europarl.europa.eu/at-your-service/files/heard/eurobarometer/2018/eurobarometer-2018-democracy-on-the-move/report/en-one-year-before-2019-eurobarometer-report.pdf>

<sup>6</sup> EUROPEAN PARLIAMENT (2014): *Results of the 2014 European elections*. European Parliament, 2014. Available at: <http://www.europarl.europa.eu/elections2014-results/en/turnout.html>.

first time the Latvians voted for the EP, and 53.7 % in 2009.<sup>1</sup> The relatively high turnout of 2009 is attributed to the fact that the EP elections took place together with the elections of the local governments.

Low participation is due both to the sceptical attitude of the Latvian people about their abilities to influence the EU decision-making process (see data above) and a relatively small number of the Latvian Members of the EP (MEP) – it is just 8 seats the Latvian representatives are eligible for in the EP. Nevertheless, one cannot argue that the debate in the public space is non-existent. Though the issue of remuneration of the MEPs is to most topical one, their achievements are discussed as well, and now, shortly before the EP elections on 23-26 May 2019, a modest discussion of the candidates is evolving.

In terms of the political affiliation, as a result of 2014 elections four Latvian MEP's joined the European People's Party (EPP), one – Socialists and Democrats (S&D), one – European Conservatives and Reformists (ECR), one – Alliance of Liberals and Democrats for Europe (ALDE), one – the Greens/European Free Alliance (EFA).<sup>2</sup> It is projected that as a result of May elections the Latvian proportion in the EP could change – the EPP may get none of the Latvian MEPs, S&D could get two MEPs, one MEP would stay for ECR, ALDE and EFA, while 3 MEPs are projected as “others”.<sup>3</sup> The relatively high number of “others” can be related to the fact that as a result of national elections on 6 October 2018 three new political parties entered the Saeima, achieving a relatively high majority. Yet their political affiliation to the EP political groups is just going to be seen.

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<sup>1</sup> Ibid.

<sup>2</sup> EUROPEAN PARLIAMENT (2019): *European Elections 2019: Report on the Developments in the Political Landscape*. European Parliament, 28.02.2019. Available at: <http://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2019/political-landscape-developments/en-ee19-national-report-1-march-2019.pdf>, 8.

<sup>3</sup> Ibid.

## CONCLUSION

From the socio-economic perspective, Latvia is below the EU-28 average, but has experienced significant growth in fiscal responsibility, FDI and social equality since it joined the EU in 2004. From the political perspective, Latvia is a fully integrated EU member actively involved in European integration initiatives such as Eurozone, Schengen zone, and even PESCO cooperation. Latvia's support to closer EU integration is a signal that Latvia views itself as a country striving for the core of the EU, if ever such a division is to occur. Latvian governments have been consistently keeping the EU-oriented political direction and none of the political parties represented in the Saeima (Parliament) have a Eurosceptic stance. "Latvia being in the core of EU cooperation" is one of the pillars of Latvian foreign policy, according to the "Annual Report of the Minister of Foreign Affairs on the accomplishments and further work with respect to national foreign policy and the European Union". Such aspirations are backed by public opinion, as the Latvian population is generally more positive about the EU than the EU on average, appreciates the benefits of the EU and considers more decisions in future should be made at the EU level. Mirroring the concerns of 2004, also nowadays people consider economic matters (free movement of persons, euro, international trade) and security issues (common defence and security policy) to be the most important political priorities of the EU. Yet the positive image of the EU is counterbalanced by the citizens' perception of their possibilities to influence the EU decision making process. Even though the turnout at the 2019 EP elections experienced a 3,29 % increase in comparison with 2014, still, it was at only 33,53 % in 2019, falling behind the EU-28 average by 17,09 %, proving that citizens do not see themselves as too influential in the EU. Even though Latvia is underrepresented on the highest political levels of the EU, Latvia's EU Council Presidency with its strong emphasis on "Digital Europe" during the first half of 2015 was widely perceived as a chance for agency and resulted in the adoption of the long-contested

“Digital Single Market”<sup>1</sup>, leading to the elimination of roaming charges across the EU and demonstrating Latvia’s capacity to be a proactive and involved EU member state.

Latvia actively participates in the integration and decision-making process of the EU, thus demonstrating its determination to be in the “core” of the EU. Latvia acknowledges the necessity to be at the core of EU integration, yet, on the other hand, strong national states are seen as a basic source of legitimacy of EU further integration. As a result, in Latvia integration is supported just in the areas which do not contradict the national interests and provide the value added.

At the same time, Latvia is cautious regarding its “national competences” – taxes, social policy, army, in a way also immigration. Therefore, being at the “core” is simultaneously balanced with the need to protect national interests, thus Latvia can still be considered as a follower of an intergovernmental approach rather than the federalist one. It leaves an impact on Latvia’s position regarding the EU institutions. On one hand, Latvia wishes to have strong and efficient EU institutions, on the other hand, Latvia is not ready to sacrifice its representation in any of them in order to enhance their efficiency. In general, Latvia has always been a keen supporter of the principle of subsidiarity. Although Latvia has contributed to the strengthening the EU institutions and establishment of new ones, such as the European External Action Service, Latvia has underlined that interests and representation of small EU Member States should not be sacrificed on behalf of greater efficiency of EU institutions.

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<sup>1</sup> ANDZANS, M. (2015): *Practical Aspects of the EU Presidencies: The Latvian Presidency and Its Digital Priority*. Latvian Institute of International Affairs, 2015.

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# **CEE Countries in Europe: Towards Center or Periphery**

## **REPORT ON SLOVAKIA**

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## 1 ECONOMICS

The model of a two- or multispeed Europe has recently come to the forefront more than politicians, economists, scientists or other stakeholders like to acknowledge. It has been clear that not only the economies but also the interests of individual EU countries differ from each other which can be as much uniting as divisive.<sup>1</sup> The discussions with respect to the ‚core‘ or ‚periphery‘ of the European Union have been intensified after the publication of the White Book on the Future of Europe.

Between 2008-2010 there was a shift in the European nations' perception of the EU. Many have become more critical which was mainly the result of the European Commission's application of a number of neoliberal measures while promoting the maintenance of the well-known "free and unhindered economic competition". In 2009 and 2010, the Euro-crisis followed suit accompanied by the deep impact of a full-blown economic crisis.<sup>2</sup>

Following the gradual containment of the effects of the financial and economic crisis, Europe and especially its particular member states have been affected by the migration crisis. The solutions offered by the representatives of EU institutions and member states' politicians often differed significantly.

### 1.1 Economic integration

Economic integration, or rather convergence of the member states' economies, has been the most widely researched and analyzed area in various member states. The fiscal policy of individual member states and the adherence to the Maastricht criteria (for the Eurozone countries), *i.e.* the limits of public finance deficit and the total amount of public debt, has been of a particular research interest. The sole membership of a country in the EMU, however, does not necessarily automatically mean its higher

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<sup>1</sup> Briganti, F. (2017): Jadro je samo osebe príliš úzky formát  
<https://euractiv.sk/section/buducnost-eu/interview/taliansky-politolog-jadro-je-samo-osebe-prilis-uzky-format/>

<sup>2</sup> Toussaint, E.(2011) : Core vs.periphery in the EU <http://www.cadtm.org/Core-vs-Periphery-in-the-EU>

preferences towards the core of the EU (the example of Greece on the one hand and the Czech Republic on the other).

A separate analysis is required with respect to the causes of the crisis, the behaviour of banks and investors in the countries most severely affected by the crisis. As stated by Toussaint (2011), a significant role can also be attributed to the bank sector of the core, disproportions between the inflow and outflow of investment in CEE. The global financial crisis has divided the EU into the core and periphery, leaving the new member states at the periphery. The EU has paid a high price for neglecting the problems of the South and may still be required to pay a high price for neglecting the problems of the East.<sup>1</sup>

The European Central Bank (ECB) has certainly played a positive role in maintaining the Eurozone, however, creating a new divide between the core and the periphery due to the financial assistance not being directed into domestic production sectors (of the periphery), but to into the economic core. The existence of a different dynamic of Eurozone's core and periphery and one single monetary policy does not seem to be appropriate for different regional development issues. The ECB should apply innovative ways in providing assistance for these regions as quantitative easing has not proved to be effective.<sup>2</sup>

On the other hand, it needs to be openly stated that many countries do not meet the requirements to enter the monetary union. It appears to be a burden and it would be much easier for them to remain outside the EMU.<sup>3</sup>

## **1.2 Monetary and fiscal policy issues**

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<sup>1</sup> Ágh, A. (2016): The core-periphery divide in the EU transformation crisis:challenges to the Visegrád Four [http://www.iesw.lublin.pl/rocznik/articles/RIESW\\_1732-1395\\_14-2-271.pdf](http://www.iesw.lublin.pl/rocznik/articles/RIESW_1732-1395_14-2-271.pdf)

<sup>2</sup> Botta, A, Tippet, B., Onaran , O.(2018): Core-Periphery Divergence And Secular Stagnation In The Eurozone [https://www.feps-europe.eu/Assets/Publications/PostFiles/624\\_1.pdf](https://www.feps-europe.eu/Assets/Publications/PostFiles/624_1.pdf)

<sup>3</sup> Staněk P., Ivanová P.(2016): Bratislava: Wolters Kluwer Európska únia na križovatke - Postrehy a inšpirujúce riešenia, p.125

Slovakia joined the EU in 2004. Together with joining the EU, the country also pledged to enter the eurozone. According to Bajnoková<sup>1</sup>, joining the eurozone and adopting the euro as a common currency, benefited Slovakia due to various direct and indirect advantages. Among the direct advantages, Bajnoková<sup>2</sup> lists lower transaction costs and creation of jobs. She considers lower transaction costs to be the major advantage because of 1. No extra costs paid for currency exchange, and 2. Easier and more accessible international trade within the eurozone. Another important advantage is job creation. Before joining the EU, the unemployment in Slovakia reached 17.7% in 2003<sup>3</sup>, while after joining the EU, the rate decreased to 12.1% in 2009<sup>4</sup>. Bajnoková<sup>5</sup> notes, that indirect advantages of the conversion to euro even overcome the direct advantages. She considers mostly the enhanced quality of life and greater variety of accessible goods for more reasonable prices. On the other hand, Polláková<sup>6</sup> argues that there are also disadvantages to the introduction of euro. Even though Slovakia fulfilled the Maastricht convergence criteria for joining the eurozone as the first country of the Visegrad group and joined the eurozone in 2009, one of the biggest disadvantages for Slovakia is the loss of monetary sovereignty. Polláková<sup>7</sup> also notes the negative effect of the Greek debt crisis on the Slovak economy and state budget.

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<sup>1</sup> Bajnoková, L. (2018). The adoption of the euro, a good decision for the Slovak Republic. Available online: <http://duelamical.eu/en/articles/slovakia-eurozone>

<sup>2</sup> Ibid.

<sup>3</sup> Eurostat, 2019

<sup>4</sup> Ibid.

<sup>5</sup> Ibid. at 6

<sup>6</sup> Polláková, L. (2018). The euro will push Slovakia into a financial crisis. Available online: <http://duelamical.eu/en/articles/slovakia-eurozone>

<sup>7</sup> Ibid.

### 1.3 Slovak economy developments

According to the European Commission<sup>1</sup>, Slovakia is enjoying very good economic times. After expanding by 3.2% in 2017, economic growth (real GDP) picked up to 4.1 % in 2018 (Table 1). Continued and substantial improvements in the labor market led to higher private consumption which supported the economic expansion. The economic expansion is likely to ease slightly in 2019 when exports are forecast to boost the economy due to slow down in the growth of household disposable income (caused by higher inflation and slower employment growth) and deceleration in foreign demand. European Commission<sup>2</sup> notes, that in spite of the swift economic expansion, convergence has yet to re-ignite. Real GDP per person based on purchasing power standards has stood at around 77% of the EU average since 2014, and gross national income per person also remained broadly stable since 2013 at around 76% of the EU average. By contrast, real GDP per person growth between 2014 and 2017 outpaced EU average growth by more than 5 p. p. cumulatively, relative price level developments offset these gains. Potential growth is projected to sustain a solid pace exceeding 3% over the next few years. Annual consumer price inflation settled at 2.5% in 2018 and is set to remain elevated. The general government deficit has been declining since 2015 mainly due to the favourable economic climate. The deficit reached 0.8% of GDP in 2017 and is expected to have declined to 0.6% in 2018.

Economic development of Slovak economy since 2004 was quite impressive and according to European Commission<sup>3</sup>, this development laid the foundations for stronger future growth. On one hand, efforts to strengthen the public finances helped to create stability and to modernize and innovate Slovakia. On the other hand, however, certain persistent weaknesses limit the productive potential especially in areas of labour

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<sup>1</sup> European Commission (2019): Human Resources Key Figures. [online]. In: European Commission. Apr 16, 2019. [Accessed June 10, 2019]. Available at: [https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures\\_2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures_2019_en.pdf)

<sup>2</sup> Ibid. at p.6

<sup>3</sup> Ibid. at p.3

market, education, infrastructure, public administration and corruption. According to European Commission<sup>1</sup>, a combination of well-designed reform policies and strategic investment could alleviate these barriers to growth, shield the economy from a potential slowdown and allow the Slovak economy to move up the value chain. Economic growth accelerated over the last years due to synergy of supporting factors: growth in household spending, labour market recovery, increase in the investment in the private sector, external demand. Based on this positive development (economic growth expected to remain well above the EU average), the European Commission expects income per capita likely to begin to catch up again with the EU average. Regarding financial sector, it is financially sound but rising private indebtedness poses vulnerabilities. Regulatory measures to tame debt accumulation by households have helped to slow loan growth, but demand and supply conditions for mortgage credit make further debt growth likely in the medium term. Although house prices continue to rise appreciably and affordability is stretched, there are no signs of a significant overvaluation yet.<sup>2</sup>

Table 1 presents the development of basic macroeconomic indicators for 2010-2018. All the data were obtained through Eurostat (2019). Regarding the real GDP growth rate, the figures present percentage change on previous year. Despite a slowdown in the real GDP growth rate in 2012 and 2013, the rate gained momentum since 2014 with high growth rates (comparing to the EU averages) above 3% in the past four years. Comparing to the average growth rates in the EU and Euro area, we note that the average annual growth rates for EU and Euro area did not exceed 2.5% in the past four years. Another striking difference is the development in 2012 and 2013. In both years, Slovakia recorded the increase in the real growth rate (1.7% and 1.5% respectively), while the EU and Euro area recorded a decline in 2012 (-0.4% and -0.9% respectively). Besides, Euro area recorded a decline also in 2013 at -0.2%. Despite the ambiguous

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<sup>1</sup> Ibid.

<sup>2</sup> Ibid. at p.5



development in the real GDP growth, figures for GDP p.c. (current prices in EUR) show continuous increase since 2010 from EUR 12,400 to 16,600 EUR in 2018 (an increase of 34%). Comparing to average figures for the EU and Euro area, Slovak GDP p.c. lags behind the average of 30,900 EUR for the EU and 33,900 EUR for Euro area (Slovak GDP p.c. is at 54% of the EU average and 49% of Euro area average). On the other hand, we may see a convergence in the GDP p.c. As mentioned, there was an increase in the Slovak GDP p.c. by 34% between 2010 and 2018, but only 19% increase in average GDP p.c. for the Euro area and 21.2% for the EU caused by higher annual growth rates in Slovakia than in other member countries. Quite remarkable is the development of total unemployment rate (unemployed persons as a percentage of the labour force). While in 2010, unemployment rate reached almost 15%, less than a decade later, it decreased to only 6.5% in 2018 with further decreasing in 2019 to 5.1%. Compared to the EU and Euro area, in 2010 the unemployment rate in Slovakia was much higher than the averages in the EU (9.6%) and Euro area (10.2%). However, in 2018 the development changed, and Slovakia got under the average unemployment rates in both, the EU and Euro area. Harmonized index of consumer prices (HICP) increased in 2017 and 2018 due to the increase in the food prices in Slovakia and reached 2.5% in 2018. There was a positive development in previous years when the HICP was lower compared to the EU and Euro area averages. However, this was offset by the rising prices in 2017 and 2018 when the rate was higher in Slovakia than in the EU or Euro area. Another positive development may be seen in general government deficit and gross debt. Table 1 shows both indicators as a percentage of GDP. Slovak government was obliged to reduce both of the indicators after joining the European monetary union in 2009. Regarding the GG deficit, table 1 shows a remarkable decrease in the GG deficit which reached to 7.5% of GDP in 2010. Since 2013, Slovakia fulfils the criterion for the GG deficit to be lower than 3% of GDP with continual decrease up to 2018 when the deficit stood at only 0.7% of GDP with forecasted balanced state budget in 2019. With this development, Slovakia converged to average values of the EU and Euro area in 2018. The

average EU deficit was 0.6% and average Euro area deficit was 0.5%. As for the gross debt, even though there was an increase in 2012 and 2013 to 54.7% of GDP, still this value was smaller than 60% criterion. On the other hand, there was an improvement in gross debt percentage to GDP in the last five years when the gross debt decreased to 48.9% of GDP in 2018. Slovakia is significantly better at this indicator compared to the average EU and Euro area numbers (due to some of the countries, members of the Euro area, where the debt is much higher than 60% - Greece, Italy, Portugal, Cyprus, Belgium). In 2018, the average gross debt in the EU reached 80% of GDP and in the Euro area 85.1%. Slovakia is a small and open economy which can be seen in the exports and imports of goods and services as a percentage of GDP. The openness of the economy is significantly higher than 50% for both indicators reaching almost 100% of their share on GDP in 2018 (97.3% for exports and 95.1% for imports) up from 76.3% for exports and 77.8% for imports in 2010. Comparing to the EU and Euro area, these are much less opened on average, not reaching more than 50% since 2010, even though there was an increase in both from 37.9% and 39.6% in 2010 to 46.2% and 47.9% in 2018.

**Table 1: Basic economic indicators – Slovakia**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real GDP growth rate	5.0	2.8	1.7	1.5	2.8	4.2	3.1	3.2	4.1
Gross domestic product p.c.	12,400	13,100	13,400	13,700	14,000	14,600	15,000	15,600	16,600
Unemployment	14.5	13.7	14.0	14.2	13.2	11.5	9.7	8.1	6.5
HICP	0.7	4.1	3.7	1.5	-0.1	-0.3	-0.5	1.4	2.5
GG deficit	-7.5	-4.3	-4.3	-2.7	-2.7	-2.6	-2.2	-0.8	-0.7

GG gross debt	41.2	43.7	52.2	54.7	53.5	52.2	51.8	50.9	48.9
Exports	76.3	85.0	91.4	93.8	91.9	92.3	93.5	96.9	97.3
Imports	77.8	86.0	87.8	89.6	88.4	90.8	90.5	93.8	95.1

*Source: Eurostat (2019).*

#### **1.4 Convergence of the Slovak economy: addressing the country-specific recommendations<sup>1</sup>**

Since the start of the European Semester in 2011, 63% of all country-specific recommendations addressed to Slovakia have recorded at least ‘some progress’. By contrast, 37% have recorded ‘limited’ or ‘no progress’. Some progress has been achieved in the area of taxation and tax compliance, in reforming the pension system, increasing labour market participation and in reducing poverty. Slovakia has seen a gradual improvement in its fiscal position, but long-term challenges persist. Labour market policies have helped to underpin a significant improvement in the jobs market, with a focus on disadvantaged groups. The previously high unemployment rate has witnessed a remarkable decline from 2014 onwards and has now reached historic lows of close to 5%. Education and childcare reforms have been undertaken but they may take further time and effort to produce better outcomes. Progress has been made towards increasing the capacity of and access to early childhood education and care, particularly for the over threes, but the lack of childcare supply continues to be an issue. Reforming public services and the public administration has proven to be a slow process, but with notable progress in some areas. The Slovak government has committed itself to greater efficiency and effectiveness in public spending and administration, an ambition underpinning the strategic spending reviews under the Value for Money initiative. Slovakia has made some progress in addressing the 2018 country-specific recommendations.

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<sup>1</sup> Data in this part from European Commission, 2019.

Some progress has been made with respect to the fiscal-structural part of the first country-specific recommendation, where relevant advances in improving the cost-effectiveness of the healthcare system are to be noted. Some progress is also visible in the second country-specific recommendation, as various activation and job-matching measures and programs have been introduced.

Ministry of Finance<sup>1</sup> states, that macroeconomic and fiscal stability is understood by the Slovak Government as the basic condition for healthy development of economy and growth of the quality of life. The National Reform Program (NRP) is based on the new Manifesto of the Government of the SR in which the Slovak Government set out to strengthen social and political stability, respond in a flexible way to opportunities and negative external environment, steadily continue to support the economic, social and environmental development, deepen economic, social and territorial cohesion of Slovakia, strengthen the role of the state and the protection of the public interest. At the international level, this material presents measures to meet the targets contained in the Europe 2020 strategy defined in the 2018 Annual Growth Survey and Integrated Guidelines for the Europe 2020 Strategy, as well as to meet the country-specific recommendations of the EU Council for the Slovak Republic. The NRP also reacts to the assessment of the implementation of the specific recommendations from 2017 made by the European Commission and published in March 2018.<sup>2</sup>

According to the Ministry of Finance<sup>3</sup>, the NRP describes the structural measures planned by the Slovak government to be taken in the next two years. The new complex approach to the priorities identification taking into account GDP, as well as other life quality aspects, identified the

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<sup>1</sup> Ministry of Finance. (2018). National Reform Programme of the Slovak Republic 2018. P. 19. Available online: [https://ec.europa.eu/info/sites/info/files/2018-european\\_-semester-national-reform-programme-slovakia-en.pdf](https://ec.europa.eu/info/sites/info/files/2018-european_-semester-national-reform-programme-slovakia-en.pdf).

<sup>2</sup> Ibid. at p. 59

<sup>3</sup> Ibid. at p. 4

labour market, the healthcare system and primary education as the biggest challenges of the Slovak economy.

The Value for Money project is a governmental instrument to improve efficiency of public expenditure. The government intends to increase the value of public services and contribute to a balanced budget. Fight against tax evasion and the positive trend of VAT collection continue. To fight tax evasion and improve tax collection, the Financial Administration will implement an internal tax entity reliability assessment procedure. To increase the efficiency of collection of the arrears of taxes, a tax debtor risk assessment system will be implemented. The analytical capacities of the Financial Administration will be reinforced by the development of a central analytical unit. Electronic invoicing system and electronic cash registers interconnected on-line with the Financial Administration's systems are implemented. Legislation for the annual clearance of social security contributions will be prepared.

The European Council recommendation in July 2017 specified the following: "Pursue fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which translates into a substantial fiscal effort for 2018. When taking policy action, consideration should be given to achieving a fiscal stance that contributes to both strengthening the ongoing recovery and ensuring the sustainability of Slovakia's public finances. Improve the cost effectiveness of the healthcare system, including by implementing the value for money project".<sup>1</sup>

Based on the recommendation, the results and objectives of budgetary policy are detailed in the Stability Program of the Slovak Republic for 2018-2021. The general government deficit in 2017 exceeded the budgetary target and reached 1.04% of GDP which was historically lowest general government deficit. Structural consolidation efforts have significantly exceeded the required amount. The estimate of the deficit for 2018 was set at 0.80% of GDP, approximately at the level of the budgetary target. The consolidation efforts in 2018 were in line with the European

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<sup>1</sup> Ibid. at p. 8

requirements reflecting the 2017 development. The gross debt of general government has also exceeded budgetary expectations. According to spring notification, it reached 50.9% of GDP in 2017 and declined for the fourth consecutive year.

In line with the government's program statement, the fiscal framework is projected to achieve a balanced budget in 2020 and its sustainability in 2021. Since 2019, Slovak public finances will be at the level of its medium-term budgetary objective (MTO) and should reach it to the fullest in 2020. This means that public finance should reach structural recovery by more than 6 p. p. over a decade since the financial crisis peak in 2009. Compliance with the budgetary targets will lower general government debt at the end of the forecast below 45% of GDP, which is significantly below the lowest sanctioning band of the Constitutional Fiscal Responsibility Act. Since its culmination in 2013, the gross debt to GDP ratio will drop by more than 11 p. p.

Regarding tax and customs collection, according to Ministry of Finance<sup>1</sup>, The Financial Administration continued in 2017 in the activities related to the creation of the central analytical unit and strengthening of analytical capacity. A new Analyses and Prognoses department was set up within the Section of Fight against Fraud and Risk Analysis. The linking of individual information systems constituted the ongoing building of a single customs analytics with the purpose to interconnect it with the tax analytics. New functionalities of the VAT control report analysis system were added - this system constitutes the basic analytical system operated by the department of Fight against Fraud.

Effective as of January 2018, a summary report has been introduced. This report is compiled from multiple tax audits carried out concurrently at multiple tax entities. This report will provide a complex view and it will ensure overall assessment of conduct of all audited tax entities and improve the quality of tax audits.

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<sup>1</sup> Ibid. at pp.14-15

The integrated information system of Financial Administration currently covers the processes of tax offices, e.g. the registration of tax entities, processing of all types of tax returns, accounting of state revenues, connection to the State Treasury, debt collection, tax audits, and various service processes such as administration of fees or generation of correspondence. 74.4% of tax documents out of the total number of the tax documents filed and processed were filed and processed in 2017. 94.1% of tax returns and supplementary tax returns were filed and processed in 2017 for excise taxes. 99.7% of customs declarations were filed electronically by the end of 2017.

The Ministry of Finance implemented a tax allowance reducing tax liability for young for mortgage loans in 2018. This form of tax bonus replaced the actual direct interest rate subsidy by way of a housing benefit for young. The tax relief will benefit the supported bank clients under the same conditions and interest rates as other clients of banks. The measure made the housing support more direct and increased its value, while keeping the expenses of the state at the same level.

Regarding the efficiency of tax collection, Ministry of Finance<sup>1</sup> reported Fight against tax evasion and the positive trend of VAT collection continue. This is also supported by the decrease in the VAT gap which fell from 41% to 28.3% from 2012 to 2016.

### **1.5 Demographic development in the EU**

Demographic development in the EU has also become a factor in the discussion about the EU core and periphery. It has been established that Europe is „ageing“. The European Commission informed in its Communication on the demographic future of Europe that by 2050, there will be a decrease in the number of inhabitants in the age range of 15 – 24 year olds by 24,3 %, whereas between 2010 – 2030 the number of

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<sup>1</sup> Ibid. at p.24

inhabitants in this age category shall decrease by 12 %.<sup>1</sup> In the future, this fact may lead to the decrease of working age population that will naturally affect the ration the working age population and socially dependent groups of population – especially the group of retirees.

Overall, the proportion of Europeans in the total population is declining while in 1900 they accounted for 25% of the world's population, in 2060 it will be less than 5%.<sup>2</sup> One way to change the unfavourable demographic trend, taking into account the age group of the working population, is to immigrate from other parts of the world. However, this option raises a number of controversial facts that may justify the inefficiency of such a solution to demographic challenges in Europe. Europe is aging fast and life expectancy reaches unprecedented levels. With a median age of 45, Europe will be the "oldest" region in the world by 2030.<sup>3</sup>

**Table 2: Population (in mil. inhabitants)**

	1960	2018	2031	2035	2080
<b>EU</b>		518.9	525	526.5	518.9
<b>SR</b>	4.0	5.4	5,5	5,4	4,7

Source: Eurostat, 2019: *Population: Development*

<https://ec.europa.eu/eurostat/web/population-demography-migration-projections/visualisations>

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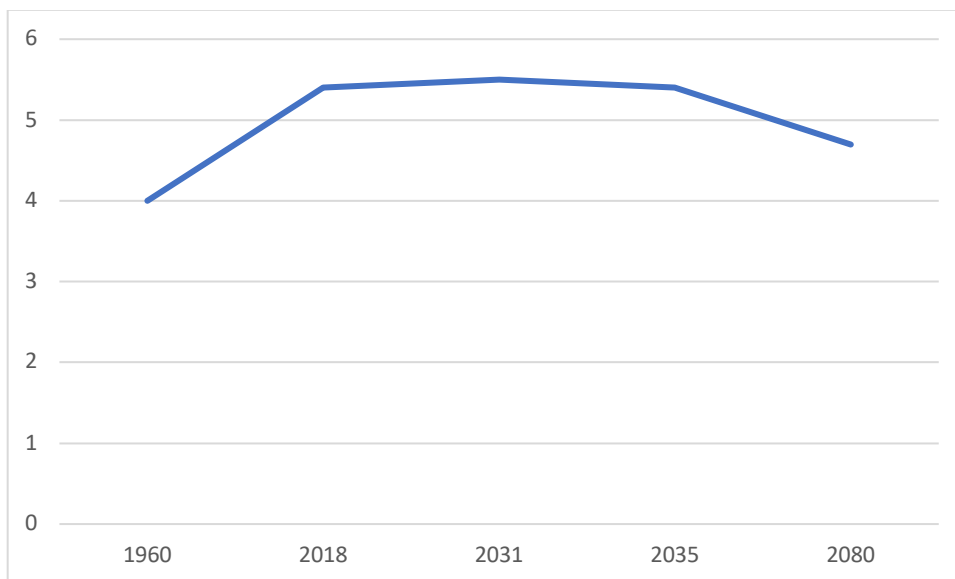
<sup>1</sup> Európska komisia (2006): Demografická budúcnosť Európy – pretvorme výzvu na príležitosť. <https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:52006DC0571&from=SK>

<sup>2</sup> European Commission (2017): White Paper on the Future of Europe: Reflections and Scenarios for the EU 27 by 2025. p. 8. COM(2017)2025 of 1 March 2017. Available at [https://ec.europa.eu/commission/sites/beta-political/files/white\\_paper\\_on\\_the\\_future\\_of\\_europe\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf)

<sup>3</sup> Ibid. at 9



**Graph 1: Population in Slovakia**



Source: Eurostat, 2019: Population: Development

<https://ec.europa.eu/eurostat/web/population-demography-migration-projections/visualisations>

**Table 3: Population according to age groups (in %)**

	0-14	15-24	25-49	50-64	65-79	Nad 80
<b>EU 28</b>	15.6	10.9	33.8	20.2	14.0	5,5
<b>Eurozone</b>	15.2	10.7	33.3	20.7	14.2	5,9
<b>SK</b>	15.5	11.2	38.1	20.2	11,8	3,2

Source: Eurostat, 2019: Population: Development

<https://ec.europa.eu/eurostat/web/population-demography-migration-projections/visualisations>

Slovakia is not a target country for immigration flows, although the 2017 balance sheet was positive for Slovakia, 7,188 people immigrated to

Slovakia in 2017 and 3,466 people emigrated from Slovakia.<sup>1</sup> The data do not specify immigrants by country of origin.

In September 2018, 65 000 foreigners were working in Slovakia, an increase of 40% compared to 2017. Since May 2018, Slovakia has simplified the employment of migrants from third countries by introducing a simplified procedure for filling jobs identified as scarce in districts where the unemployment rate is below 5%.<sup>2</sup>

## 1.6 Social Policy

Social policy is yet another area of research that is complicated due to its diversity of evaluations. The approaches to social policy of a member state may diverge according to the citizens' expectations of the state's social services. These expatiations may vary in the context of political developments in the CEE countries, in which citizens are used to a higher degree of "giving" by the state. Solidarity is not only an ideological concept but also a practical and economic concept, according to which if one needs social assistance, he will receive it from the others. However, if the tide turns and assistance will be needed by the others, then you will pay for them.<sup>3</sup> However, social security systems will need to be significantly modernized in order to keep their funding sustainable and to keep up with the new demographic situation.<sup>4</sup>

As has been stated further above, a significant aspect is not only the number of **retired** inhabitants within the researched countries, but also the age limit for retirement. In the Slovak Republic, the age limit for retirement has been increasing progressively since ...., however, on 29 March 2019, the Slovak Parliament has passed a constitutional law on „capping“ the

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<sup>1</sup> Eurostat 2019, available at <https://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy/main-tables>

<sup>2</sup> European Commission. (2019). Country Report Slovakia 2019. Available online: [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-slovakia\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-slovakia_en_0.pdf)

<sup>3</sup> Briganti, F. (2017): Jadro je samo osebe príliš úzky formát <https://euractiv.sk/section/buducnost-eu/interview/taliansky-politolog-jadro-je-samo-osebe-prilis-uzky-format/>

<sup>4</sup> Ibid at supra note 26, p.10

retirement age at 64 years of age, whereby this age limit may be lower for women based on the number of children reared. In Slovakia, retirement currently is age 62 and 6 months.

In the EU Member States, the most general retirement age is 65 years. Spain, Germany and France are about to raise their retirement age from 65 to 67 years, while the goal is 68 years in Britain and Ireland. Increasingly, the retirement age is being linked to life expectancy. In addition to Finland this mechanism is available in Cyprus, Denmark, Estonia, Greece, Italy, the Netherlands, Portugal and Slovakia. Also in Britain, after mechanical increases, the retirement age will rise taking life expectancy into account. For the main part, the changes in retirement ages are scheduled to take place between 2020 and 2030. In some countries, the retirement ages are different for men and women. In that case, women have a lower retirement age. As a rule, as the retirement ages rise, women's retirement ages will be the same as those of men.

The two-speed character of contemporary Europe can be documented by the salary gap between the Eastern and Western Europe.<sup>1</sup> Similar evaluation can be made with the amount of social security payments and other like measures. The question whether there is a corresponding gap in productivity and effectivity of labour in the countries of the Eastern part of Europe remains to be resolved. The answer is much more complicated – it relates to the overall structure of our economies, the ownership structures and also the headquarters/seats of individual firms.<sup>2</sup> The states that only specialize in assembling and finalization of production may not be considered to be states with high average salaries, which is automatically disqualifying them from EU's core. A closely connected topic is the education system of these member states, investment into R&D and the overall innovation potential.

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<sup>1</sup> Keller, J. (2017): *Evropské rozpory ve světle migrace*. Praha: Sociologické nakladatelství, 2017. ISBN 978-80-7419-249-4

<sup>2</sup> Fassmann, J. (2016): *Mýty, fakta, souvislosti kolem nemzdových nákladů práce Odbory a Průmysl 4.0*. In: *Pohledy 1/2016* <https://docplayer.cz/26433739-Myty-fakta-souvislosti-kolem-nemzdovych-nakladu-prace-odbory-a-prumysl-4-0.html>

## 1.7 Education

In the Slovak Republic, there is a growing number of third-level (university) graduates, while in 2006 14.4% of university graduates were in the 30-34 age group, 34.3% in 2017. The number of young people (age group of 15 – 24) who are neither in the education system nor working is decreasing. In 2006 such young people were 27.1%, but in 2017 it was only 12.1%, even in the second quarter of 2018 the number of these young people decreased to 11%. Conversely, the number of early school leavers has increased from 6.6% in 2006 to 9.3% in 2017, with large regional disparities in this area.<sup>1</sup>

Education outcomes are inadequate and further deteriorate, while pointing to significant regional and socio-economic disparities. According to the PISA (Programme for International Student Assessment), the proportion of under-achievers is higher than the EU average in all tested areas - reading, mathematics and science.<sup>2</sup> The results of pupils from disadvantaged groups were by half less than their peers.<sup>3</sup>

Adult education is below the EU average (3.4%), in 2017 only 3.4% of adults participated in formal or non-formal education or training.<sup>4</sup>

Education expenditure remains low and projects into low teacher wages, lack of teaching equipment, including digital skills. Education expenditure fell from 4.1% of GDP in 2014 to 3.8% in 2016, (European Commission, 2019a) , while spending remained at the same level in 2017, with an EU average of 4.6% of GDP in 2017.<sup>5</sup> According to OECD, e.g. secondary school teachers earn on average only 64% of the salary of a university employee working in another sector.

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<sup>1</sup> Ibid. supra note at 29

<sup>2</sup> OECD 2016

<sup>3</sup> NUCEM: Národný ústav certifikovaných meraní vzdelávania, 2017

<sup>4</sup> Ibid. supra note at 29

<sup>5</sup> Eurostat 2019

**Table 4: Education in Slovakia – number of population (in %)**

	2006	2017
Third-level education	14.4 %	34.3 %
Preliminary termination of schooling	6.6 %	9.3 %
NEET*	27.1 %	12.1 %

Source: Eurostat, 2019, [https://ec.europa.eu/eurostat/data/database?node\\_code=proj](https://ec.europa.eu/eurostat/data/database?node_code=proj)

\*neither employment nor in education and training

## 1.8 Job Vacancies

The number of job vacancies in the EU has been increasing. Job vacancy is defined as a paid position which is either newly created or vacant or will become vacant, whereby the employer is taking active steps to fill it. The job vacancy rate (JVR – job vacancy rate) is the ratio of the total number of vacant job positions to the sum of the number of occupied job positions and the number of vacant job positions.

**Table 5: Job vacancy in Slovakia - rate in %**

	2013	2014	2015	2016	2017	2018
<b>EU – 28</b>	1,4	1,6	1,7	1,8	2	2,3
<b>EA</b>	1,4	1,5	1,6	1,7	2	2,3
<b>SK</b>	0,8	0,8	1,0	1,0	1,2	1,3

Source: Eurostat, 2019

[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=jvs\\_a\\_nacel&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=jvs_a_nacel&lang=en)

Many of the jobs did not exist ten years ago, many will only come in the next decade. It is likely that most of these jobs will be occupied by current primary school pupils. Currently, these new types of jobs do not exist. Because of that extensive investment in skills, major changes in education and lifelong learning systems will be needed.

The mismatch between the skills offered and the skills required is one of the barriers to entry into the labor market. In 2016, up to 60% of high

school and university graduates settled with jobs that were not fully in line with their field of study.<sup>1</sup>

The dual education and training program introduced in 2015 was intended to bring the needs of society closer to the education system and, in particular, to increase pupils' interest in vocational education and training. Although the program attracted a great deal of interest from employers, there was little interest from pupils. The number of enrolled pupils in the dual education system has increased by amending the law and harmonizing curricula.<sup>2</sup>

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<sup>1</sup> Uplatnenie absolventov stredných a vysokých škôl podľa vykonávaného zamestnania v roku 2016. Trexima 2017. Available online <https://www.trexima.sk/uplatnenie-absolventov-strednych-vysokych-skol-podla-vykonavaneho-zamestnania-v-roku-2016/>

<sup>2</sup> Ibid. supra note 29

## 1.9 Unemployment

Another aspect is the **unemployment rate** in EU member states. The poorer regions of the EU have higher rates as well as specific forms of unemployment – both long-term unemployment and unemployment of marginalized and otherwise threatened or vulnerable population groups is high.<sup>1</sup>

**Table 6: Unemployment rate - % active population**

	2007	2009	2011	2013	2017
<b>EU 28</b>	7.2	9.0	9.7	10.9	7.0
<b>Euroarea</b>	7.5	9.6	10.2	12.0	7.0
<b>SK</b>	11.2	12.1	13.7	14.2	6.6

Source: Eurostat, 2019c

[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_rt\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en)

**Table 7: Long-term unemployment – in the age bracket between 15 – 74 y.o., unemployed longer than 12 months**

	2007	2009	2011	2013	2017
<b>EU 28</b>	3.0	2.9	4.1	5.1	3.4
<b>Euroarea</b>	3.2	3.3	4.6	4.6	4.4
<b>SK</b>	8.3	6.5	9.2	9.2	5.1

Source: Eurostat, 2019c

[http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une\\_educ\\_a&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_educ_a&lang=en)

As shown in the table, long-term unemployment remains a serious problem. The share of long-term unemployed within all unemployed persons is 60%. In 2017, 23.1% of low-skilled were unemployed for over a year, of which 60% are less than 29 years old and reflecting the increasing school drop-out rates.

Despite the reduction in the unemployment rate in Slovakia, significant differences between regions, between men and women, remain in terms of employment levels and job vacancies.<sup>2</sup> It is also estimated that

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<sup>1</sup> Eurostat 2019

<sup>2</sup> Ibid supra note 29

33% of jobs are automated and a further 31% are at risk of a substantial change in the way they are carried out.<sup>1</sup> It means that these jobs are at risk. At present, only 33% of Slovaks have higher than digital skills.

The idea of creating a so-called social union faces another great problem, which is the large divide between the level of minimum wages, average wages, level of pensions and other social payments in general, in individual member states, especially between the Eastern and Western member states. The unrealistic possibility of creating a common social policy has recently been shown in the Austrian policy of adjusting child support payments for citizens of other EU member states who work in Austria but their children reside in other EU member states.

EU member states are divided into three groups based on the level of their national monthly gross minimum wages as expressed in euros. The second group, in which the minimum wage was between 500 and 1000 EUR per month in January 2019 comprised these states: Croatia, the Czech Republic, Slovakia, Poland, Estonia, Lithuania, Greece, Portugal, Malta and Slovenia. Their national minimum wage spanned 506 EUR in Croatia to 887 EUR in Slovenia. In Slovakia, the minimum wage rose between 2009-2019 from 296 EUR to 520 EUR. There are also huge disproportions between average wages within the EU. Average hourly labour cost was EUR 27.4 in the EU and EUR 30.6 in the euro area, in Slovakia 11.6 EUR.<sup>2</sup> Annual net earnings in € (EUR) in 2014 in current prices and (PPS) in Slovakia was 11.386 EUR, in euro area 24.751 EUR, maximum in Luxemburg 38.254 EUR.<sup>3</sup>

According to Eurostat, in January 2019, gross monthly minimum wages ranged from € 286 (Bulgaria) to € 2,071 (Luxembourg). In particular, the latest figure supports the fact that it is unrealistic to create common wage standards within the EU.

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<sup>1</sup> OECD 2018

<sup>2</sup> Eurostat 2019

<sup>3</sup> European Parliament (2015). Wage developments in the euro area increasingly unequal? Briefing. July 2015. Available at

[http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/565884/EPRS\\_BRI%282015%29565884\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2015/565884/EPRS_BRI%282015%29565884_EN.pdf)



The European pillar of social rights is intended to serve as a compass for renewed convergence, leading to better working and living conditions in the EU. In the 20 observed principles, the Slovak Republic achieves an average respectively better than average results. The critical issue in Slovakia remains the net income of a full-time employee who earns an average wage and, in principle, engaging children under the age of 3 in the formal care and education system.<sup>1</sup>

In the realm of social policy, deeper integration will not solve the basic problems, which are the relations between employers and employees, i.e. between large multinational and transnational financial corporations and financial groups, and their employees. According to Keller, the reason for this is that only governments of member states play a role in this realm, and they themselves increase the divergence in the sphere of wages and salaries. Only a greater degree of integration could transfer power from the government and parliaments of the EU member states in this realm.<sup>2</sup>

#### **1.10 Research and Innovation**

A specific aspect is the global position of the EU, the influence of its internal heterogeneity, and the divergence of member states in individual spheres. Currently, a major issue is the great technological gap between the EU and the USA. Even though the EU is reacting through the implementation of strategic programs within its member states, it is precisely the high divergence of goal attainment which represents an obstacle to catching up to the rest of the world. What are the real prospects of certain member states in reaching the level of 3 % of GDP for allocation for science and research, as defined in the Europe 2020 strategy?<sup>3</sup> The introduction of the common European patent in 2012 could be a step in the right direction.

Slovakia is heavily dependent on EU funding for R&D, as private sector investments are insufficient. Up to 89% of state investment is made up of EU-funded investments. Total R&D investment has increased from

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<sup>1</sup> Ibid. supra note 29

<sup>2</sup> Ibid supra note 32

<sup>3</sup> Eurostat 2019

0.45% of GDP in 2007 to 1.2% of GDP in 2015 and then down to 0.88% in 2017. The share of public finances is increasing from 0.27% of GDP (2007) to 0.4% of GDP (2017), but R&D investment is one of the lowest in the EU at 0.48% of GDP.<sup>1</sup>

The annual European Innovation Scoreboard (EIS) presents a comparison of research and innovation in the EU member states as well as selected third countries. EU member states are grouped into one of four performance groups based on their average performance score, which is calculated using a complex indicator – the Summary Innovation Index. Cyprus, Czech Republic, Estonia, Greece, Croatia, Lithuania, Latvia, Hungary, Malta, Poland, Portugal, Slovakia, Spain and Italy have a subaverage innovation performance compared to the EU average. These countries fall into the group of moderate innovators.

The framework of EIS measurements distinguishes between four main types of indicators and ten innovation dimensions. All in all, 27 different indicators are followed. The framework conditions record the main external moving forces of innovation performance affecting a company and they relate to three dimensions of innovation: human resources, attractive research systems and innovation-friendly environment. Investment contains public and private investment in research and innovation and relates to two dimensions: external finance and support and own company investment. Innovative activities represent the innovative efforts on a company level whereby these activities are grouped into three innovation dimensions: innovators, linkages and intellectual property. Within the scope of influence are the following effects of innovative activities of companies in two innovation dimensions: employment impact sales effects.

### **1.11 Europe 2020**

It remains to be seen whether all the goals of the Europe 2020 strategy have been attained. What we do know now, however, is that the goals of the previous EU strategic document (the Lisbon Strategy) were not

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<sup>1</sup> Ibid. supra note 29

fulfilled, especially the goal of full employment and faster economic growth. From the point of view of the EU core-periphery divide, the evaluations in the Lisbon Review are interesting. It contains the order of the EU member states in fulfilling the Lisbon strategy goals. Interestingly, several new EU member states had a better performance than some older member states, such as Italy.<sup>1</sup>

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<sup>1</sup> TIRUNEH, W.M. (2011): Determinaty ekonomického rastu a konkurencieschopnosti: Výzvy a príležitosti. Bratislava: Ekonomický ústav SAV. ISBN 978-80-7144-187-8

## **2 POLITICS AND FOREIGN POLICY**

### **2.1 Euroscepticism in Slovakia**

In the context of war in Ukraine at the borders of the EU, and large-scale crime against humanity in Syria, Europe is experiencing a strong anti-EU political shift. The Brexit and the election of Donald Trump in the US seem to reinforce national populist parties. EU faces a huge challenge, how to convince European citizens, and especially those in the “newer member states”, that the European project is promising. Since 2010, in Visegrad countries (V4: Slovakia, Hungary, Poland and the Czech Republic) the Euroscepticism/Europhobic political parties are among the strongest in the EU. We want to understand why and how these members which were the most pro-European became the most(?) anti-EU promoters. A proper analysis of V4 countries may help to understand actual and future political trends in the rest of the Europe and, maybe, to give us an answer whether Slovakia follows the trends and getting closer to the periphery rather than the core of the European Union.

We assume that in certain circumstances the political offer matters more than political demand in order to understand the political radicalization. In simple terms we assume that extreme political supply creates its own demand. In other words, the nature of political campaigns and the manipulation of feelings (fear, nationalism, threats...) tend to create a context in which extremist political movements are easily winning votes especially when counter powers are weak and there is no political alternative. As they create instability and threats, extremist parties create enabling conditions. This is the reason why most of the extremist movement in Europe first move is to limit counter power such as Supreme Court, newspapers, NGO's, etc.

The attitude of Slovak citizens towards the European Union is to some extent a paradox: despite a positive perception of the EU and recognition of its merits, there is generally little interest and low level of participation in European affairs. The recent internal crises in the EU and geopolitical developments, however, have shown that this permissive attitude changes when identity or well-being of citizens are challenged.

How have the scepticism and criticism towards the EU taken root in Slovak society?

Celebrations of 10 years of Slovakia in the EU in 2014 were marked with positive and EU-optimistic evaluations. Slovak membership in the EU was portrayed as a ‘success story’ with no alternative enabling the country to fully develop its potential. The reality confirms the EU’s contributions: the European structural and investment funds cover 80% of public investment in Slovakia, and have allowed for improvement of living standards through improved health care, education, social services, and transport infrastructure. Slovakia’s place at the heart of European integration has been consensually highlighted among all political parties and supported by the favorable popular attitude.

However, the initial positivism of EU-optimism and harmonization of Slovakia’s position, along with EU policies have taken a more autonomous trajectory since 2011 due to challenges faced by the EU, but also due to domestic developments. These factors have triggered critical debates on Slovakia’s role as a fully-fledged and reliable partner for the EU, as well as on its degree of integration and limits of supranational cooperation.

Firstly, it was the Greek debt crisis in October 2011 that brought the end of the “permissive consensus” on EU policies, provoking unprecedented lively discussion over proposals to contribute to the Greek bailout. Its rejection resulted in early parliamentary elections. Fortified by the negative consequences of the financial crisis, domestic political instability has had a significant effect on public opinion: positive perception of the EU has declined from 46% in late 2010 to 24% at the end of 2012, while negative and neutral positions towards the EU have been rising.

The following parliamentary elections in 2012 marked an important shift in the debate about the EU. The Slovak National Party portrayed the EU largely as a threat to Christian values, rejecting multiculturalism, Islamization and liberal migration policy, while the liberal party, Freedom and Solidarity, targeted the EU’s bureaucracy, centralization and excessive

regulations. It also criticized the EU's economic policy for promoting 'a road to socialism' by 'denying market principles and common sense'. The party has remained the most vocal EU-critical actor on the Slovak political scene, recently calling for a euro-realist reform of the EU. The following crises, however, have incited a more critical stance to the EU across the political spectrum, as well as the emergence of new actors who openly reject the EU.

### **2.1.1 Slovakia tended to trust more the European Union in the past**

In 2016 Slovaks believed more in the European Union compared to the previous year, improving the most in the EU.

As many as 54 percent of Slovaks, up by 6 percentage points year-on-year, believed that the country's EU membership was beneficial for them, a Eurobarometer survey published on November 18 had shown. The yearly boost of positive views of the EU in Slovakia represented the highest increase among all EU member countries. Slovaks praised the EU mainly for new job opportunities.

The European Parliament was viewed positively by 28 percent of Slovaks. The European legislative body's image in Slovakia showed also the highest boost compared to 2015. Less than half of Slovaks (45 percent) viewed the European Parliament in neutral terms. Also, 47 percent of Slovaks thought that the EP should have played a more important role in the EU than it was then. The EU average was 46 percent.

The common European currency, the euro, appeared to be the key element of the European identity in Slovaks' view, with 57 percent stating so.

At the same time, 51 percent of people in Slovakia believed that the things in the EU were going in a wrong direction, while the EU average in this regard was 54 percent. As many as 58 percent of Europeans polled thought that things were going for the worse in their own country; in Slovakia, 57 percent thought so. However, Slovaks also thought that the

situation was getting worse in their own country more than in the Union as a whole.

Europeans have the impression that the importance of their vote is declining: only 53 percent of those polled in the EU were convinced that their vote matters in their own country, while 54 percent of Slovaks thought so.

In the EU, 60 percent thought that their country profited from the membership in the EU; in Slovakia, 79 percent of respondents thought so in November 2016. According to the 2016 Eurobarometer Report more things connected us than divided us, agreed 71 percent of Europeans and 78 percent of Slovaks.

In comparison with 2016 less than half of Slovakia's citizens see the current situation their country as positive, showed the recent Eurobarometer conducted in autumn 2018. Still, the number has risen steeply to 47 percent since the spring of 2018, when only 28 percent of the respondents said that they viewed the situation positively.

People in Slovakia do not differ too much from the EU average when it comes to trust in EU institutions, with 43 percent of respondents saying they do trust them. Their trust in their own national institutions is significantly lower: 29 percent of respondents said that they trust parliament and 32 percent trusts the government. These numbers slightly increase in comparison with the spring 2018 data, where 21 percent of the respondents trusted parliament and also the government.

### **2.1.2 The rising of Euroscepticism in the EU**

The crisis and the subsequent war in Ukraine have been one of the sources of critical debates about the EU. Highly polarized political and public debates about the nature of the 'crisis', its causes and solutions and in particular the sanctions against Russia have not bypassed the role of the EU in the crisis. While for some, the EU symbolized an anchor of liberal-democratic order, freedom, and support for Ukrainian people and sovereignty, for others, it was considered an intruder, meddling in internal affairs of Ukraine and supporting extremists, while antagonizing Russia.

Since the Ukrainian crisis, the activities of pro-Russian organizations and media in Slovakia have strengthened, leaving the Slovak population vulnerable to subversive foreign influence and undermining the pro-Western orientation of Slovakia.

The polarized picture of the EU has become more divided since the refugee crisis, especially in reaction to the proposal of the European Commission to introduce a quota distribution system. Slovakia resisted providing help to larger numbers of asylum-seekers, despite the fact that so far, it has not been affected by negative consequences of migration. During the height of asylum applications in other European countries, Slovakia received 330 asylum applications in 2015 from which it approved only eight applicants. However, the political discourse, heated up by the upcoming parliamentary elections, was infused with emotions and fear, while the notion of ‘dictate from Brussels’ resurfaced as a threat to the protection of national sovereignty and security.

### **2.1.3 Passive attitude in Slovakia towards the EU**

The bolder positioning of the political party’s vis-à-vis the EU has also prompted a shift in public perception of the EU, supporting an increased alienation of Slovak citizens

from the EU. In general, the citizens understand European integration mainly through the prism of prosperity and tangible socio-economic benefits. The EU is valued as a tap for public investment in the form of European funds rather than a space for active participation and a community based on common values. Along with the freedom to study, travel, and work in the EU, economic prosperity has been considered the most important achievement of the first five years of EU membership (2004-2009).

However, this has decreased since 2010 at the expense of a positive perception of the Euro and has brought with it negative associations connected to the EU such as the complicated bureaucracy, unemployment, or wasting money. The predominant identification is being part of the EU, at the expense of being the EU, which reinforces the division between ‘us’



and ‘them’ (in Brussels), but also increases disinterest in European affairs and encourages a passive attitude. This is demonstrated by the fact that Slovakia has one of the lowest voting turnouts in European Parliamentary elections, but also by the low salience of European issues in the programs of political parties and the lack of communication from the Slovak members of the European Parliament.

As a result, European issues remain rather distant for Slovaks, unless they have a visible and immediate effect on their lives. Situations such as the debt or migration crisis, requiring active demonstration of solidarity, are therefore an easy trigger for resentment against the EU.

#### **2.1.4 Slovakia’s future in the EU**

The recent tensions around Brexit, the US presidential election, terrorist attacks across Europe, and growing instability in the wider European neighborhood have contributed to yet louder criticism of the EU and democracy. The two are often perceived as going hand in hand in Slovakia – the transition to democracy alongside with the EU accession were two processes inherently connected to the EU’s promises of prosperity, social and economic well-being, and the rise of living standards. The failure of one, therefore, seems to be integrally linked to the other.

Recent trends prove there is a growing dissatisfaction with democracy in Slovakia. People are critical mainly about politicians who work for their own interest, instead of public one, but also about the ineffective use of public money, and the inefficient law enforcement system.

The perception of democracy in Slovakia is closely linked to social and economic rights (provision of health care, adequate living standards, job opportunities, social and personal security), while political rights (political participation, minority protection) are considered less important. Despite positive economic development in the country, 12% of the Slovak population is still threatened by poverty and the level of unemployment is as high as 25% in some regions. Annually, approximately 30,000 young people leave the country in search of better education or employment.

Rather than a priori rejection of the normative ideal of the democracy, popular frustration is a litmus test of how it is put into practice by domestic politicians. Corruption scandals in which no one is made accountable, inaccessible and unequal law enforcement, and the inability of domestic politicians to improve core public sectors have had a substantial influence on support levels for the democratic regime and, in broader terms, for the liberal-democratic order that the EU represents.

According to its political leaders Slovakia's future is with core EU, not eurosceptic eastern nations. Slovakia should be part of a deeply integrated 'core' European Union driven by Germany and France. Analysts say sticking to the EU core makes sense for Slovakia's small economy, which is driven by exports of cars and electronics to other EU member states, especially Germany. The Visegrad grouping had become associated with the nationalist thinking of Hungary's Prime Minister Viktor Orban and the leader of Poland's governing party, Jaroslaw Kaczynski, adding: "(this) carries only limited value in advancing Slovakia's own interests".

Multi-speed integration, EU core, two-speed Europe, etc. All of these terms refer to one of the most debated ideas of European integration to date, entailing different levels of integration for EU member states depending on economic, social and political conditions, as well as the weighted focus on 'deepening' or 'widening' the European Union in terms of policy integration or accepting more countries to join.

Since 1991, 16 countries have joined the European Union, with the greatest enlargement taking place in 2004 when most of the former Eastern bloc became EU member states, crowning these countries' "return to the West" policy. Fifteen years later, the EU remains deeply divided between proponents and opponents to deeper integration, and Visegrad Group countries stand at the forefront of this debate.

Multi-speed integration is seldom a welcomed idea in Central European countries, who often see it as being downgraded to second-class EU member states due to their opposition to deeper integration. Which begs the question: which of the Visegrad members is more likely to secure a

place at the core of European integration, and which ones would theoretically stay behind?

As the Eurozone remains one of the most integrated platforms within the EU, this debate is, of course, closely linked to the question of Euro adoption in Central Europe. The tug-of-war between an intergovernmental and a supranational European Union reveals a glimpse of how these countries picture their future role in the EU, keeping in mind their path will be closely linked to public perception on the issue.

Apart from Slovakia, the only Eurozone member in Central Europe, the other Visegrad Group countries (Poland, Czech Republic, and Hungary) are among the most reluctant countries in Europe towards adopting the Euro. The Czech Republic reported the strongest opposition to the adoption of the EU's common currency, followed by Poland, whose current leaders have made no secret of their reservations on the issue. In both countries, openly advocating Euro entry nearly amounts to political suicide.

### **2.1.5 The Visegrad Group (V4) and the United States of Europe**

One of the biggest and most recurrent disputes relating to European integration has been whether to establish a supranational or an intergovernmental Europe: “The United States of Europe” has been one of the many names inspired by the concept of a federalist, completely integrated Europe.

Critics of a supranational European Union argue that national governments will become powerless and will lose their sovereignty, and Visegrad Group leaders count among their most outspoken representatives. Viktor Orban, for instance, called for further regional integration within Central Europe instead of pursuing a “United States of Europe”.

Poland has the ambition to put forward such a plan, and Hungary supports that, but the Czechs and the Slovaks are barely in the room.

The V 4's support for increased powers for member states could ultimately undermine, in the eyes of some Western countries like France

and Germany, the ability of the EU to act and jeopardize the integration process.

Slovakia, the only Eurozone member in Central Europe to date, also appears as one of the most pro-EU Visegrad members. In a statement titled ‘Strengthening the position of Slovakia in the European Union’, the Slovak government stressed that the key interests of Slovakia are pursued through advancing within the EU. However, Slovakia’s public perception of the EU remains surprisingly low, as 50% of Slovaks participating in the 2018 Eurobarometer claimed to simply have a ‘neutral’ image of the European Union.

At the moment, Slovakia has the best chance of reaching the ‘core’ of European integration, mostly due to its membership to the Eurozone and to a relatively high support for further integration among government members and decision-makers.

The Czech Republic could follow second to Slovakia towards the core of the EU. While public perception towards the European Union and Euro membership remain extremely negative, a decrease in Euroscepticism in addition to a push away from the radical and clashing views of Poland and Hungary could hint to more progress for Czech Republic towards further integration. However, some analysts consider the Czech Republic is following, albeit slowly, the path set by leaders in Budapest and Warsaw.

And while support for the EU remains high in Poland and Hungary, the path set by both countries’ current leaders appear to strongly jeopardize their place in the core of a multi-speed Europe.

Visegrad Group countries therefore remain significantly divided on the issue of European integration, which might also threaten, in a foreseeable future, the reality and relevance of the Central European grouping.

### **2.1.6 Does Slovakia belong to the EU “core” or EU “periphery”?**

The unexpected decision of British citizens to leave the European Union in 2016 (besides the 2008 financial and economic crisis, Greece's

debt crisis in 2010, the 2015 refugee crisis) meant a great awakening for the whole EU and its members. It is clear that the EU cannot continue in this form if it wants to continue to exist in the future. One solution is the division of states into a multi-speed Europe. It is a concept whereby member states will proceed to integrate flexibly or at different rates and also integrate at other levels. In this case, the states will be divided into a core with closer and stronger integration and into the periphery with a lower form of integration. On May 4, 2017, the former Slovak Prime Minister, Róbert Fico, has expressed his opinion that Slovakia must remain a first category state of the EU, which means it should belong to the core. He said that the EU is an essential project for Slovakia, and Slovakia has no other option.

At present, one aspect of the small EU core is the euro area. Not all EU states have implemented the common currency, the Euro. In order for the Euro-zone to function, states need to work together and harmonize their policies more closely in areas such as tax and social policy. Thanks to these measures, the core could prevent further euro-crises, as states would place great emphasis on fiscal discipline. That is why it is a priority for Slovakia to belong to such a narrower core of states. One of the benefits can be tax harmonization. This would involve a smooth movement of goods and services, lower administrative costs for companies or an increased number of companies that will have the incentive to operate cross-border. Harmonization will ensure simpler and more efficient business in the common market. Slovakia will remain attractive for foreign investors thanks to its membership in the core, which could bring more jobs. In the sphere of social policy there are discussions about a uniform European minimum wage, which could only help Slovakia to move closer to the social standards of bigger and richer countries such as Germany or France. Last but not least, the division of states into a core and a periphery would simplify EU decision-making and guarantee Slovakia an influence on the EU's future direction. This would accelerate integration, which would result in a faster reduction of the gap between states that are interested in closer integration.

The Slovak participation in the EU's core is a key factor in its direction. Due to our past experience with the communist regime, Slovakia is still dependent on others, especially on EU's Funds. EU membership has brought several benefits and the standard of Slovak citizen's living has increased. Therefore, it is a logical and natural step that Slovakia should strive to get into the EU's core if it wants to continue increasing the living standards. Slovakia has no choice but to move forward if it wants to prosper in future. That is why the EU's core and Western affiliation are the only options and should be the highest priorities for Slovakia.

## **2.2 Representation of Extremist Political Parties**

### **2.2.1 The position of Eurosceptic parties in Slovakia**

The country went through an interesting development in this area. In crucial national election 1998 the topic of EU membership gained a role of a moral symbol and hence effectively limited any prospects of development of Euroscepticism in Slovak party system for nearly one decade. During the most recent years the situation has changed and the country witnessed rise of several parties with prevailing or fully negative attitude towards the EU. This text identifies four such formations whose ideological positions range from libertarian to extreme right. Although they do not belong to the strongest parties in the system, their public support is not marginal. As the election to European parliament in 2014 showed the political environment in Slovakia may be becoming friendlier and more open to Eurosceptic parties. On the other hand these parties are still far from being a relevant challenge to mainstream political parties which yield a positive stance to EU and are successfully integrated into European party structures.

Meanwhile, in Slovakia, Euroscepticism has been more marginalized. An openly anti-EU Slovak National Party won seats in the Slovak Parliament in 2002, 2012 and 2016. Interestingly, the main political discourse of the party was moved from criticizing Hungarian minority to criticizing the EU. Other anti-EU political parties in Slovakia are the Freedom and Solidarity (SaS) party and the New Majority (NOVA), which

oppose the EU, because, according to them, it reduces national sovereignty. In the last parliamentary elections in March 2016, then Prime Minister Robert Fico's SMER-SD party gained the most seats in the parliament. However, its anti-EU and anti-immigrant rhetoric made it possible that the extremist party People's Party – Our Slovakia of Marian Kotleba entered the parliament for the first time. The party called NATO a terrorist organization and keeps attacking the EU and the euro. After the UK vote to withdraw from the EU, Our Slovakia announced that it would begin to collect signatures to organize the same referendum at home.

Furthermore, it seems that the electorate is rather EU-apatetic as in European parliamentary elections in 2004, 2009 and 2014 Slovakia recorded the lowest turnout in the history of European elections (17%, 19,6% and 13% of eligible voters).

Nearly half of the population (49.3%) tends to believe that Slovakia is not treated fairly by EU institutions, compared to 44.4% that incline towards the “fair treatment” answer. The results are well in line with Eurobarometer findings from May 2017, which show 52% of the population believing that Slovak interests are not taken into account by the EU in comparison to 38% saying that they are. The same poll also confirmed a slightly larger share of Slovaks tending to distrust EU institutions, which might further indicate scepticism towards Slovakia receiving fair treatment.

Dissatisfaction with the current establishment, democracy and the EU has been used by the extreme right-wing party Kotleba – People's Party Our Slovakia, which succeeded in gaining 8% of popular vote in the parliamentary elections in March 2016. Their program is distinctly critical of ‘being dictated to and bullied by the elitist EU’, which is threatening Slovak sovereignty and interests. As it was mentioned, the party initiated a petition to launch a referendum on leaving the EU.

“Slovexit” for them means a return to everything that was ‘lost’ in the process of European integration, from sovereignty and Christian values to food security. It addresses the gap created by the resentment towards liberal elites and globalization, which is associated with Slovakia's

accession to the EU. As an example, the decrease in animal and farming production has been criticized as a result of Slovakia's integration into the EU's agricultural policy and spurred negative perceptions mainly in rural areas, where agriculture has been the most important source of income for low-qualified people.

The European funds themselves have become a source of corruption that fill the citizens with indignation not only towards domestic politicians but also towards the idleness of Brussels. Parts of the population are concerned about the disruption of their conservative attitudes, especially those concerning the rights of sexual minorities but also increasing diversity, migration, and new security threats. Anti-EU attitudes are reflected in the agenda of extremist organizations, such as the Slovak Revival Movement, the Slovak Conscripts or the Action Group Resistance Kysuce, which profit from organizational or military cooperation with Russia.

The radical rhetoric of these movements alongside the insufficient communication of the benefits of EU membership from the political elite contributes to confusion amongst citizens regarding country's geopolitical orientation, which leads to doubts about the benefits of EU membership. According to polls from 2016, 35% of citizens supported Slovakia's exit from the EU.

In conclusion, appeals for solidarity and responsibility-sharing, but also geopolitical and security challenges have considerably transformed traditional EU-optimism on both popular and political levels. These concerns have acted as a catalyst for a more vocal defense of national interests in Slovakia's relation to the EU.

Popular feelings about the EU are significantly shaped by domestic politicians' framing and by the effectiveness of national governance, reflected in the social and economic well-being of the population. The political Euroscepticism has affected more actors, including the ruling political parties and it has been broadened in its forms: from objections to specific EU policies to clear rejection of the European project.



These developments indicate the need for the meaningful and constructive debate about the Slovakia's vision on the future of the EU as well as for effective communication with citizens.

### **2.3 Common Foreign and Security Policy of the EU**

Apart from the economic aspects of integration, there are also other aspects of what the EU core is expected to comprise, namely within the political sphere of integration. The ideal is for the EU to be not only an economic superpower with a common market, but also to speak with one voice in the area of foreign policy and defense. Both of these aspects fall under the Common Foreign and Security Policy (CFSP) of the EU. As the former Foreign Minister of Belgium Mark Eyskens said in 1991, the EU is an economic giant, a political dwarf and a military worm.<sup>1</sup> Despite the evolution of the CFSP since it was officially started in the Treaty on European Union two years later, this statement is still accurate.

The CFSP is an intergovernmental policy, so the EU institutions have no power to override the decisions of the member states (hereafter shortened to MS), which keep their sovereignty in the domains of diplomacy and defense. The MS can thus refuse participation in the CFSP, which leads to weak mandates behind decisions, low support or the adoption of watered-down decisions to ensure broader support. Calls for strengthening the CSFP predate discussions on the EU core, but so far there has not been the political will. It remains to be seen if the absence of the UK will mean the removal of a decisive obstacle to proceed with integration in these domains. If not, a more feasible alternative could be the creation of a multi-track or multi-speed EU in foreign and defense policy. This would entail the definition of a core of MS willing to undergo deeper integration in the defined domains. Membership in a EU core should give

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<sup>1</sup> WHITNEY, C. R. (1991): War in the Gulf; Europe; Gulf Fighting Shatters Europeans' Fragile Unity. [online]. In: *New York Times*. Jan 25<sup>th</sup> 1991. Available at: <https://www.nytimes.com/1991/01/25/world/war-in-the-gulf-europe-gulf-fighting-shatters-europeans-fragile-unity.html?pagewanted=1>

the MS more influence over the creation and direction of EU policies such as the CFSP.

This discussion of defining a core versus periphery raises the question of how to determine whether a MS is more or less predisposed to integrate more fully in these domains. Two indicators will serve to identify a MS (in this case Slovakia) as desiring to be in a EU defense core. The first is the degree of integration of the country into the PESCO policy. Membership in PESCO, as well as the number of projects that Slovakia participates in, are quantifiable data. However, since 25 of 28 MS of the EU are members of PESCO, this indicator is too broad and therefore insufficient in separating a potential core from a periphery. For this reason, another indicator was included. The second indicator is the attitude of the national political and military elites as well as popular opinion toward a “common European army” as proposed by French president Emmanuel Macron in 2016. As this is a much more divisive issue than PESCO, this makes it easier to discern which MS are enthusiastic to integrate in the realm of defense, which ones are sceptical and which ones are outright hostile to this idea. For the research to fulfill its maximum explanatory value, it would be necessary to compare the results of Slovakia with the rest of the EU MS, which is however beyond the scope of this paper.

### **2.3.1 Permanent Structured Cooperation (PESCO)**

While the creation of a European army is currently overly ambitious, not to mention deliberately ambiguous, deeper military cooperation has in fact been developing under Permanent Structured Cooperation in Defense (PESCO) within the Common Security and Defense policy (CSDP), which is a branch of the CFSP. PESCO was founded in 2017 to identify and fill in the gaps in the defense capabilities of the individual MS, as well as to cooperate, harmonize and pool resources in research, funding, acquisition and utilization of these military capabilities, while eliminating unnecessary and wasteful duplication. Membership is voluntary, and as of June 2019, 25 of the 28 MS have joined, the exceptions being the UK, Denmark and Malta. The existence of PESCO is therefore a prime example of the creation

of a multitrack (or potentially multispeed) EU, along with similar initiatives of enhanced cooperation such as the Eurozone or the Schengen area. PESCO comprises 34 projects so far. These projects were initiated in two waves, the first in March 2018, and the second in November 2018.

PESCO is a relatively uncontroversial policy not only in the EU, but specifically in Slovakia as well. It enjoys broad support among the political parties in Slovakia across the political spectrum from center left to right. Slovakia participates in six PESCO projects, of which in one as an observer, in five as a full participant and in one (Euroartillery) as a lead participant. The goal of the Euroartillery project is to create a long-range mobile artillery platform for indirect fire support. The motivation behind Slovakia's proposal of this project was the possibility to utilize of its heavy armaments industry.<sup>1</sup> So far, it is among the smaller PESCO projects, with only one other member, Italy, joining in, and six observers, and another seven expressing interest. Even so Slovakia has placed itself among the more active members of the initiative, as it was initially one of only 8 members to lead a project. Its proposed Euroartillery project was one of the first 17 selected out of 49 project suggestions.<sup>2</sup> In this aspect, it has outdone its partners from the Visegrád Four (V4) platform, none of which was a project leader in first wave projects. It can be seen that Slovakia's claim to become part of EU core in defense is therefore being borne out. In the second wave, Slovakia plans to participate in three other projects, in two as an observer and in one as a full participant.<sup>3</sup>

### 2.3.2 Towards a “European army”?

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<sup>1</sup> MO SR (2018): PESCO. [online]. In: *Ministerstvo obrany Slovenskej republiky*. 2018. Available at: <https://www.mod.gov.sk/pesco/>

<sup>2</sup> YAR, L. (2018): Ministri obrany schválili prvé záväzné predpisy a projekty pre PESCO. [online]. In: *Euractiv.sk*. Mar 6<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/obrana-a-zahranicie/news/ministri-obrany-schvalili-prve-zavazne-predpisy-a-projekty-pre-pesco/>

<sup>3</sup> YAR, L. (2018): Eurodróny, eurokoptéry a eurolostrelectvo: Európska obranná spolupráca sa rozrástla o ďalších 17 projektov. [online]. In: *Euractiv.sk*. Dec 10<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/obrana-a-zahranicie/news/eurodrony-europtery-a-eurolostrelectvo-europska-obranna-spolupraca-sa-rozrastla-o-dalsich-17-projektov/>

The concept of a common “European army” reappears every few years in EU political discourse, but this time it has acquired more staying power and has been floating around for the past three years or so. The current relevance of this idea is due to factors such as Brexit, which would remove UK opposition as a major obstacle to the project, the crisis in Eastern Ukraine and the annexation of Crimea by Russia, or the election of Donald Trump as President of the USA. Trump has stirred the waters with claims that NATO is obsolete, or that nations relying on US military protection should start paying the USA. The leaders of France and Germany, President Emmanuel Macron and Chancellor Angela Merkel respectively, are working to keep this initiative permanently in the public spotlight. The problem is, the initiative is deliberately ambiguous, with no concrete definition or plan on what a European army means or what it would entail. Indeed, this ambiguity is intentional, to ensure the broadest possible support where everyone can interpret the initiative in a way they agree with.<sup>1</sup> This means however that the idea is more of a rhetorical device than a realistic project. It is thus more relevant as a feeler to determine the level of enthusiasm for deeper integration in the military domain in general.

While Slovakia expressed a firm desire to be part of a EU “defense core”, it has had a lukewarm reaction to the idea of an EU army. Political elites claim that it is not yet possible to talk about a common army. This is an opinion shared by all the governing parties – the dominant center-left *Smer– sociálna demokracia* (Direction – Social Democracy), the center-right liberal-conservative *Most-Híd* (Bridge), and the nationalist-conservative *Slovenská národná strana* (Slovak National Party). Smer, as a big-tent catch-all party encompassing the ideologies of social democracy as well as left-wing nationalism, has the most ambiguous position of these parties. Then Prime Minister and current chairman of Smer, Robert Fico, was non-committal toward an common army, diplomatically noting that the

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<sup>1</sup> FRANKE, U. E. (2018): The “European army”, a tale of wilful misunderstanding. [online]. In: *European Council on Foreign Relations*. Dec 3<sup>rd</sup> 2018. Available at: [https://www.ecfr.eu/article/commentary\\_the\\_european\\_army\\_a\\_tale\\_of\\_wilful\\_misunderstanding](https://www.ecfr.eu/article/commentary_the_european_army_a_tale_of_wilful_misunderstanding)

EU treaties did not allow for its creation.<sup>1</sup> But there is also a left-liberal wing that supports the idea. Its proponents argue that a common army would help the EU succeed as a center of power in a world where the unipolarity of the USA is giving way to multipolarity. Such a common army would also help the EU be more effective in resolving conflicts on its Eastern and Southern periphery, as well as lend credibility to the CFSP. And last but not least, it would lead to a more efficient allocation of resources.<sup>2</sup> The other two parties of the current governing coalition are more homogenous in their scepticism towards a common European army. Government officials of both the Slovak National Party<sup>3</sup> and the Most-Híd party<sup>4</sup> emphasized the role of NATO in guaranteeing the defense of Slovakia and other European MS, and the duplication and additional expenses a common European army would entail. Since Most-Híd is a strongly Atlanticist party, its officials also emphasize the negative aspects of weakening NATO in favor of a European army in the face of a resurgent Russia.

On the contrary, the main parliamentary opposition party, the classical-liberal to libertarian *Sloboda a Solidarita* (Freedom and Solidarity) has expressed support for a common European army through its vice-president Ľubomír Galko,<sup>5</sup> which is somewhat surprising due to its

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<sup>1</sup> ÚV SR (2017): Predseda vlády SR Robert Fico na rokovaní ER v Bruseli. [online]. In: *Úrad vlády Slovenskej republiky*. Jun 23<sup>rd</sup> 2017. Available at:

<https://www.vlada.gov.sk//predseda-vlady-sr-robert-fico-na-rokovani-er-v-bruseli/>

<sup>2</sup> ZALA, B. (2016): Európska únia potrebuje spoločnú armádu. [online]. In: *Denník N*. Oct 17<sup>th</sup> 2016. [Accessed June 10, 2019]. Available

at: <https://dennikn.sk/585584/europska-unia-potrebuje-spolocnu-armadu/>

<sup>3</sup> TA3 (2016): Téma dňa: Vznikne európska armáda? / Clintonová vs. Trump / Život vo vesmíre. [online]. In: *TA3*. Sep 27<sup>th</sup> 2016. 1:01:20. Available at:

<https://www.ta3.com/clanok/1091614/vznikne-europska-armada-clintonova-vs-trump-zivot-vo-vesmire.html>

<sup>4</sup> ONDREJCSÁK, R. (2015): Európska armáda? Drahá zbytočnosť, ktorej sa Rusko nezľakne. [online]. In: *Denník N*. Apr 15<sup>th</sup> 2015. Available at:

<https://dennikn.sk/101914/europska-armada-draha-zbytocnost/>

<sup>5</sup> GALKO, Ľ. (2016): Ľubomír Galko: EÚ by mohla mať spoločnú zahraničnú politiku i armádu. [online]. In: *Európske noviny*. Sep 12<sup>th</sup> 2016. Available at:

<https://europskenoviny.sk/2016/09/12/lubomir-galko-eu-by-mohla-mat-spolocnu-zahranicnu-politiku-i-armadu/>

criticism of the EU's bloated bureaucracy and ever-expanding areas of integration, as well as the party's membership in the eurosceptic ECR (European Conservatives and Reformists) grouping in the EP. Even so, the party does not want a homogeneous "moloch", but would rather prefer the integration of select units, such as rapid reaction forces.<sup>1</sup>

The generally sceptical opinions and arguments of the political elites were echoed by the military establishment.<sup>2</sup> The broad consensus among political and military is that Slovakia's defense needs are met by NATO, and the creation of EU armed forces would be an unnecessary duplication.<sup>3</sup> Surprisingly, this consensus of scepticism towards a common army at the level of elites is in contrast to public opinion, according to a poll by Eurobarometer from 2017, which shows that 60 % of respondents in Slovakia would support the formation of a common EU army.<sup>4</sup> Another poll by the Slovak polling agency Focus from January 2018 showed that 80 % of Slovaks expressed a wish for the EU to create common defense forces against external threats.<sup>5</sup> This would suggest that support for a common EU army in Slovakia grew by 20 % in the course of a few months. Of course, this conclusion cannot be accepted for certain without knowing the methodology behind both polls. In any case, both polls present an

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<sup>1</sup> SITA (2015): Sme pripravení diskutovať o spoločnej armáde, vyhlásil Galko. [online]. In: *Hospodárske noviny*. Mar 9<sup>th</sup> 2015. Available at: <https://slovensko.hnonline.sk/561828-sme-pripraveni-diskutovat-o-spolocnej-armade-vyhlasil-galko>

<sup>2</sup> YAR, L. (2018): Generál Macko: Nadnárodnú európsku armádu zatiaľ nepotrebujeme. [online]. In: *Euractiv.sk*. Apr 9<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/obrana-a-zahranicie/interview/general-macko-nadnarodnu-europsku-armadu-zatial-nepotrebujeme/>

<sup>3</sup> EURACTIV/TASR (2015): Armáda EÚ nenašla podporu v členských krajinách. [online]. In: *Euractiv.sk*. Mar 11<sup>th</sup> 2015. Available at: <https://euractiv.sk/section/vonkajsie-vztahy/news/armada-eu-nenasla-podporu-v-clenskych-krajinach-023510/>

<sup>4</sup> McCarthy, N. (2019): Where Support Is Highest For An EU Army. [online]. In: *Statista*. Jan 24<sup>th</sup> 2019. Available at: <https://www.statista.com/chart/16756/percentage-of-respondents-who-support-the-creation-of-an-eu-army/>

<sup>5</sup> TASR (2019): Väčšina Slovákov by chcela, aby Únia robila viac v oblasti obrany. [online]. In: *Euractiv.sk*. Feb 18<sup>th</sup> 2019. Available at: <https://euractiv.sk/section/buducnost-eu/news/vacsina-slovakov-by-chcela-aby-unia-robila-viac-v-oblasti-obrany/>

interesting finding, given the widespread criticism of the EU that it is encroaching on the sovereignty of the MS in ever more policy areas. The question must be asked whether the public understands what the creation of a common army would entail. For example, one of the hallmarks of an integrated defense policy would be more voting by Qualified Majority vote (QMV) as opposed to unanimous voting in the Council of the EU,<sup>1</sup> which Slovak politicians and diplomats view with unease.<sup>2</sup> In any case, this is not such an important issue for voters that it would influence their voting patterns.

#### **2.4 Migration, Asylum Laws, Schengen Area**

Historically, the territory of Slovakia has been known for emigration rather than immigration. According to some estimates, in the three largest emigration waves in the past 150 years (1899-1930, 1948-50, 1968-70), almost 1 million people left the country as a consequence of political persecution or simply in search of a better life.<sup>3</sup> Based on a collection of statistical data published by the Office of Slovaks Living Abroad, the current number of people of Slovak origin living abroad exceeds 1 million. Apart from Slovak minorities living in the Czech Republic (148,000), Hungary (29,650), Serbia (52,750), Romania (17,199), the largest number of Slovaks has been accounted for in the United States (560,000), Canada (50,800) and Western European countries (157,500).<sup>4</sup>

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<sup>1</sup> DE LA BAUME, M. – HERSZENHORN, D. (2018): Merkel joins Macron in calling for EU army to complement NATO. [online]. In: *Politico*. Nov 14<sup>th</sup> 2018. Available at: <https://www.politico.eu/article/angela-merkel-emmanuel-macron-eu-army-to-complement-nato/>

<sup>2</sup> GABRIŽOVÁ, Z. (2018): Hlasovanie kvalifikovanou väčšinou? Na Slovensku sme na to citliví. [online]. In: *Euractiv.sk*. Sep 17<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/buducnost-eu/news/hlasovanie-kvalifikovanou-vacsinou-na-slovensku-sme-na-to-citlivi/>

<sup>3</sup> BAHNA, M. (2011): *Migrácia zo Slovenska po vstupe do Európskej únie*, VEDA 2011, ISBN 9788022411967

<sup>4</sup> ÚSZZ (2011): Figures and estimates of Slovaks living abroad. [online]. In: *Úrad pre Slovákov žijúcich v zahraničí / The Office of Slovaks Living Abroad*. Available at: <https://www.uszz.sk/sk/pocty-a-odhady>

Since the establishment of the Slovak Republic in 1993, the out-migration was mainly driven by economic motives with majority of people leaving the country to work or study abroad.

With respect to immigration, the Slovak Republic has never been considered a traditional destination country, but rather a transit territory. Thus, Slovakia remained a culturally homogeneous country with Slovaks representing 80.7% of the population, with several minorities (Hungarian 8.5%, Romani 2%, Czech 0.6%, Ruthenian, Ukrainian, Russian, German, Polish and other together 8.2%).<sup>1</sup>

According to the IOM, there were altogether 121,264 foreigners legally residing in the Slovak Republic in 2018 (2.2 % of the total population).<sup>2</sup>

The Slovak Republic became a member of the European Union in May 2004. Slovakia also signed the Schengen Agreement on 16 April 2003, which came into force on 21 December 2007. As of 21 December 2007, the Slovak Republic lifted controls at its borders with the neighboring Visegrad Four (V4) countries and Austria. The following period brought a decrease in the numbers of illegal migrants and asylum seekers coming to Slovakia, and a sixfold increase in regular migration. According to recent data, 46.1% of all foreigners currently living in Slovakia are EU citizens.<sup>3</sup>

The main causes for regular (legal) migration to Slovakia were economic reasons, such as work, entrepreneurship or studies, in some cases also social reasons such as family reunification or marriage of a migrant with a Slovak citizen.<sup>4</sup>

In 2011, the Slovak Government acknowledged the need for a systemic approach and a qualified administration of migration by explicitly

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<sup>1</sup> INFOSTAT (s. a.): Demographic data from population and housing censuses in Slovakia [online]. Bratislava : INFOSTAT, available at: [http://sodb.infostat.sk/sodb/eng/1848-2001/tab.III.2-2B\\_en.htm](http://sodb.infostat.sk/sodb/eng/1848-2001/tab.III.2-2B_en.htm)

<sup>2</sup> IOM (2019): Migration in the Slovak Republic. [online]. In: *International Organisation for Migration: Slovak Republic*. Apr 5<sup>th</sup>, 2019. Available at: <https://www.iom.sk/sk/migracia/migracia-na-slovensku.html>

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.



stating in its strategic document *Migration Policy of the Slovak Republic with an Outlook Until 2020* that due to the negative demographic trend in the Slovak Republic the Slovak labor market and the social system are substantially dependent on the influx of human capital from abroad and thus there is a need for an active migration policy aimed at attracting talent from abroad.<sup>1</sup>

In 2018, 69,116 foreigners living in Slovakia (57%) were employed, out of which 32,851 people originated from a third (non-EU) country. Most foreigners employed were from Serbia (13,561), Ukraine (11,842), Romania (11,072), Czech Republic (6,062) and Hungary (5,933).<sup>2</sup>

The government is further contemplating action on amending legislation that would further facilitate the employment of foreign nationals especially in professions with an acute shortage of qualified workforce.

With respect to illegal migration, there were 2,819 foreigners that either illegally entered or were illegally residing in the territory of the Slovak Republic in 2018.<sup>3</sup>

The legal environment for asylum has been standardized so as to correspond to international legal obligations of the Slovak Republic. In 2018, there were 178 applications for asylum filed in the Slovak Republic, with asylum seekers originating mostly from Afghanistan, Iraq, Iran, Yemen, Azerbaijan. In 2018, 5 asylums were granted in the Slovak Republic. Out of the total 58,811 asylum applications filed in Slovakia in the period 1993-2018, only 854 asylum seekers were granted asylum and

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<sup>1</sup> MINISTRY OF LABOUR, SOCIAL AFFAIRS AND THE FAMILY OF THE SLOVAK REPUBLIC (s.a.): *Migration Policy of the Slovak Republic with Outlook Until 2020*. [online]. 10 p. Available at:

[https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/dokumenty/migracna\\_politika.pdf](https://www.employment.gov.sk/files/slovensky/ministerstvo/integracia-cudzincov/dokumenty/migracna_politika.pdf)

<sup>2</sup> CENTRAL OFFICE OF LABOUR, SOCIAL AFFAIRS AND FAMILY (2018): *Employment of Foreigners in the Slovak Republic as of December 2018*. [online]. Available at:

[https://www.upsvr.gov.sk/buxus/docs/statistic/cudzinci/2018/cudzinci\\_1812.xlsx](https://www.upsvr.gov.sk/buxus/docs/statistic/cudzinci/2018/cudzinci_1812.xlsx)

<sup>3</sup> BUREAU OF BORDER AND FOREIGN POLICE OF THE PRESIDUM OF POLICE FORCE (2018): Štatistický prehľad legálnej a nelegálnej migrácie v Slovenskej republike (2000 – 2018). [online]. In: *Ministry of the Interior of the Slovak Republic*.

Available at: <http://www.minv.sk/?rocniky>

additional 746 persons were granted subsidiary protection as another form of international protection.<sup>1</sup>

Since 2004 (11,395), the number of asylum seekers in Slovakia has been falling dramatically, with a steady number of several hundred asylum applications being filed annually in recent years.<sup>2</sup>

There are several projects effected through Slovak NGOs (Slovak Humanitarian Council, Human Rights League, Marginal) financed through European Commission's AMIF (Asylum, Migration and Integration Fund) for the period of 2014-2020, predominantly aimed at helping migrants integrate into the society through providing language courses, legal, psychological, social counseling, workforce integration etc.

On a societal level, the issue of migration has been a very divisive one and increasingly abused by the entire spectrum of political parties for gaining momentum in a number of elections held in recent years. The most recent example would be the Presidential elections held in Slovakia in March 2019, where a record number of candidates used unsubstantiated claims of thousands of refugees coming to and settling in Slovakia with an alleged expected consequence of increased criminality and attack on our cultural values.

The main problem is the low level of public awareness of the distinctions between legal and illegal migration and the specifics of both of these phenomena.

In September 2015, the Slovak Republic (along with Hungary, Czech Republic and Romania) voted against the Council of the EU's decision to reallocate 120,000 migrants from Greece and Italy based on national quotas. The quota allocated for Slovakia was 782.

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<sup>1</sup> MIGRATION OFFICE OF THE MINISTRY OF THE INTERIOR OF THE SLOVAK REPUBLIC (2019): Statistical Overview – Asylum Seekers and Decisions of 1st instance in the period of 1993 – December 2018. [online]. In: *Ministry of the Interior of the Slovak Republic*. Available at: <https://www.minv.sk/?statistiky-20&subor=320655>

<sup>2</sup> MIGRATION OFFICE OF THE MINISTRY OF THE INTERIOR OF THE SLOVAK REPUBLIC (2019): Statistics of the Migration Office of the Ministry of Interior of the Slovak Republic. [online]. In: *Ministry of the Interior of the Slovak Republic*. Available at: <http://www.minv.sk/?statistiky-20>

The Slovak government was the first to file a lawsuit against the migrant quotas in December 2015 (with the Hungarian government following suit) arguing that the Council of the EU's decision was rather political, as it was not achieved unanimously, but only by a qualified majority. The Slovak delegation labelled this decision "inadequate and inefficient". Both the Slovak and Hungarian delegations pointed to the fact that the target that the EU followed by asserting that national quotas failed to address the core of the refugee crisis and that other measures should have been preferred, for example by better protecting the EU's external border or with a more efficient return policy in case of migrants who fail to meet the criteria for being granted asylum. The Slovak Republic later lost the case before the Court of Justice of the EU. However, in December 2018, Germany dropped its long-held EU migrant quota demand, in order to resolve a deadlock on the reform of the "Dublin Regulation", which is supposed to set a new scheme of governing the distribution of asylum seekers around Europe. However, Germany is also seeking to ensure its contributions to the next EU budget (2021-2027) are matched by "burden-sharing" measures on migration.

The issue of migration proved to be politically very sensitive also when the Slovak coalition parties clashed over support for the United Nations' Global Compact for Safe, Orderly and Regular Migration, which finally was rejected by the Slovak Republic despite the personal engagement of the Slovak foreign minister Miroslav Lajcak in its preparation during his stint as the President of the 72<sup>nd</sup> UN General Assembly (2017-2018).

During the recent elections to the European Parliament, even the most progressive and liberal political parties (the coalition *Progresívne Slovensko* and *Spolu*) on the Slovak political arena, which won these elections with 20.11%, specifically pointed out the fight against illegal migration as one of their top priorities.

Thus, with respect to the migration regime in general, the Slovak migration policy can be characterized as restrictive. With respect to legal migration, considering the recent demographic trend and the shortage of

qualified workforce in certain areas, the government is taking action to introduce legislative changes facilitating the influx of qualified workers from abroad aimed at easing the current tension in the labor market.

With respect to irregular migration, according to the recent assessment report by the Slovak Ministry of Foreign and European Affairs, the Slovak Republic is committed to working with other European partners in order to achieve the most efficient way of tackling the potential future waves of refugees while adhering to its international legal commitments. Among the concrete measures taken by the Slovak Republic in 2018 and envisaged to be continued in 2019, is tackling the causes of migration in the migrants' countries of origin by supporting the European Asylum Support Office (EASO) as well as European Border and Coast Guard Agency (Frontex) through providing national experts and contributing (along with other V4 countries) with the amount of EUR 8.75 million to the Integrated Border Management for Libya.

## **2.5 European Institutions**

An idea of Slovakia's position towards deeper EU integration may be gleaned from Slovakia's representation and activities in the EU institutions, mainly the three most powerful institutions that form the institutional triangle, i.e. the Council of the European Union (CEU), the European Commission (EC) and the European Parliament (EP). Attention is focused on the relative representation of Slovak citizens in the key administrative posts of these institutions. Since the focus is on Slovakia as a country, the most relevant institution is the CEU, which is seen in the space allocated to it in this chapter, since it represents the interests of the MS. Conversely, since the EC tries to isolate itself from the influence of MS, focus on states is less relevant and therefore less space is allocated to the EC.

Information was obtained from research by Allison Mandra of the Bruegel think-tank based in Brussels, which specializes in economic policy of the EU. Their research looked at the influence of the MS in the EP and

EC.<sup>1</sup> Specifically, the research takes a look at the number of citizens of each MS who held the position of head of cabinet of a Commissioner, director-general and deputy director general of EC directorates-general, as well as directors-general of EP directorates-general and secretaries-general of EP Committees. The same indicators are used in this paper. Even though in theory these senior officials are expected to represent the interests of the EU as a whole instead of their countries of origin, in practice they are often seen as a backdoor conduit for information and influence for their native country.

The weakness of these indicators is that they do not cover all the reasons behind the representation of a MS. The main thing that has to be taken into account is the population size of the MS, with more populous MS naturally having a greater representation. Apart from that, however, a higher proportion of nationals in EU administrative positions, especially senior ones, implies a positive attitude towards further integration in the relevant domains, and a higher degree of unofficial influence. It also implies a greater identification of the MS and its citizens with the EU. Without this identification, there would be less motivation for these citizens to seek these positions. All of these characteristics would imply a willingness to further integrate into a potential core.

The indicators can also show the self-perception of the MS of being a member of such a core. For example, even though, as stated just above, the relative population of a MS should in theory account for its representation in the examined senior administration positions, in practice it is not always the case. It is precisely these discrepancies that suggest whether a MS is punching above or below its weight in these institutions, and therefore whether it has the influence and active interest in the inner workings of the EU associated with being a core EU member.

After the EP elections in 2014, Slovakia's share in the examined positions dropped from three persons (i.e. one head of cabinet, one deputy

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<sup>1</sup> MANDRA, A. (2015): Measuring Political Muscle in European Union Institutions. [online]. In: *Bruegel*. Apr 12<sup>th</sup> 2019. Available at: <http://bruegel.org/2015/04/measuring-political-muscle-in-european-union-institutions/>

director-general and one chairperson of an EP committee after the 2009 EP elections) down to one head of cabinet in 2015. Five other countries also had only one citizen in a senior position – Estonia, Latvia, Ireland, Croatia and Luxembourg. All other MS had two or more citizens in a senior administrative position. This result shows a decrease in representation of Slovakia in this period. Since representation at these levels of administration is seen as providing MS with informal channels of information and negotiation, it can be surmised that the decrease in representation of Slovakia resulted in a decrease in influence as well. The fact that all five countries which have only one citizen in the examined senior ranks of the EU civil service are less populous than Slovakia, as are another four which have two or three citizens “representing” them, can be seen as a relative defeat of Slovakia, which was not able to secure representation befitting its relative population.<sup>1</sup>

As for the aggregated percentage of posts held by nationals of each MS, Slovakia’s share slipped from under 3 % to under 1 % between 2009 and 2015. This was the largest relative drop of any MS, matched only by Greece. This could signify a drop in the influence of Slovakia in this period.<sup>2</sup> It remains to be seen whether this will improve after the 2019 EP election.

### **2.5.1 The Council of the EU**

As a small MS, Slovakia’s voting power under the rules of QMV system is quite weak. Slovakia currently represents 1.06 % of all the votes in the Council. That puts Slovakia in 19<sup>th</sup> place of all 28 MS. This number is based on the proportion of the population of each MS to the population of the EU as a whole.<sup>3</sup> Linking voting power to population size is a consequence of the voting reform in the Council that came into effect on

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<sup>1</sup> Ibid.

<sup>2</sup> Ibid.

<sup>3</sup> DI FRANCO, E. (2018): Unanimity and QMV: How Does the Council of the EU Actually Vote?. [online]. In: *My Country Europe*. Apr 21<sup>st</sup> 2018. [Accessed June 10, 2019]. Available at: <https://mycountryeurope.com/politics/european-union/unanimity-qvm-council-vote/>

November 1<sup>st</sup> 2014. The reform corrected the imbalance in favor of small states in the Council. This means that Slovakia was one of the losers in this reform, as prior to the reform its voting power represented 2 % of all the votes, i.e. 7 votes in the council.<sup>1</sup> It could be expected that this reform would not be welcomed by public opinion in Slovakia and it would worsen feelings toward the EU and come across as putting the small countries of the EU at the mercy of the larger ones. However, this issue did not become an important topic in the country, due to a lack of information on the work and importance of the Council, and a consequent indifference on the part of the Slovak citizenry. When discussion about the EU core began after the positive result of the Brexit referendum in 2016, this issue did not serve to dampen aspirations of belonging to the potential core.

This weakness in the number of votes means that Slovakia is reliant on coalition building in the Council. It comes as no surprise that Slovakia's closest partners are its V4 countries.<sup>2</sup> The "EU Coalition Explorer" report published by the ECFR in 2018 confirms the close ties of the V4 as a "mini-core" of the Eastern wing or bloc in the EU, as well as Slovakia's close ties with all the other V4 countries.<sup>3</sup> However, the V4 seems to be drifting apart. A 2018 survey by the European Council on Foreign Relations (ECFR) states that *"Poland has formed a robust partnership with Hungary, as has the Czech Republic with Slovakia. There is an extremely high level of consensus within each pair, but the survey indicates that there is no comparable consensus between them. This suggests that the Visegrád group is a 2+2 relationship that includes some inbuilt rivalry and*

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<sup>1</sup> EPRS ADMIN (2014): Changed rules for qualified majority voting in the Council of the EU. [online]. In: *European Parliamentary Research Service Blog*. Dec 9<sup>th</sup> 2014. Available at: <https://epthinktank.eu/2014/12/09/changed-rules-for-qualified-majority-voting-in-the-council-of-the-eu/>

<sup>2</sup> GABRIŽOVÁ, Z. (2019): Československo žije v EÚ naďalej. Slovensko hrá v koalíciách na istotu. [online]. In: *Euractiv.sk*. Feb 20<sup>th</sup> 2019. Available at: <https://euractiv.sk/section/buducnost-eu/news/ceskoslovensko-zije-v-eu-nadalej-slovensko-hra-v-koaliciach-na-istotu/>

<sup>3</sup> ECFR (2018): EU Coalition Explorer. [online]. In: *European Council on Foreign Relations*. 2018. Available at: [https://www.ecfr.eu/page/ECFR269\\_EU\\_COALITION\\_EXPLORER\\_2018\\_V1.10.pdf](https://www.ecfr.eu/page/ECFR269_EU_COALITION_EXPLORER_2018_V1.10.pdf)

*disagreement – which could significantly constrain its members’ collective impact.”<sup>1</sup>*

Beyond the V4, however, Slovakia coalition building potential is not very strongly developed, not even with the other countries of CEE. Slovakia is situated firmly within the “Eastern wing” of the “new” CEE member states, which together represent a pole in a theoretically posited multipolar structure of the EU.<sup>2</sup> The opposite pole is represented by the “Southern wing” of MS. These two poles represent the poorer EU MS, and are rivals for structural and cohesion funds as well as for policy priorities of the EU (e.g. Eastern Partnership for the Eastern wing versus the Mediterranean Union for the Southern wing in the case of EU external policy and the CFSP). Apart from these two poles, there is also a “Northern” wing representing the wealthy net contributor countries to the EU budget and therefore to the structural and cohesion funds. These are mostly Scandinavian Countries and Benelux countries, along with the UK and Ireland. Germany, as the economically most powerful EU MS is situated squarely in the center of these three poles, and is the quintessential core country. Currently, the EU core is shifted more towards the Southern MS. These states are in generally in favor of closer integration, especially in issues like migration, social policy and structural and cohesion funds. They are also all Eurozone and Schengen area members. In contrast the Northern MS tend to be sceptical of closer integration, such as the UK or the Scandinavian countries, because of a perception that they already contribute too much to the EU budget. They are also worried that closer integration might infringe on their economic growth and successful social models. Members of these groups tend to have opt-outs from the Eurozone

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<sup>1</sup> JANNING, J. (2018): The roots of coalitions: Like-mindedness among EU member states. [online]. In: *European Council on Foreign Relations*. Aug 7<sup>th</sup> 2018. Available at: [https://www.ecfr.eu/article/commentary\\_eu28survey\\_coalitions\\_like\\_mindedness\\_among\\_eu\\_member\\_states](https://www.ecfr.eu/article/commentary_eu28survey_coalitions_like_mindedness_among_eu_member_states)

<sup>2</sup> NAURIN, D. (2007): Network Capital and Cooperation Patterns in the Working Groups of the Council of the EU. [online]. In: *European University Institute Working Papers*. RSCAS 2007/14. 2007, p. 16. ISSN 1028-3625. Available at: [http://cadmus.eui.eu/bitstream/handle/1814/6762/RSCAS\\_2007\\_14.pdf?sequence=3](http://cadmus.eui.eu/bitstream/handle/1814/6762/RSCAS_2007_14.pdf?sequence=3)  
p. 6



(UK, Denmark, de facto also Sweden), the CSFP (Denmark) or the Schengen area (UK and Ireland), which limits their potential for being core MS. Lastly the Eastern wing is a mixed group, with its members being more enthusiastic in certain aspects of integration (e.g. cohesion policy) and less so in others (e.g. migration policy). Eurozone membership is patchy, with Slovakia, Slovenia and the three Baltic states being the only members in the Eurozone, while others, notable the other three Visegrád countries being sceptical of the benefits of membership. The most recent EU MS (Romania and Bulgaria since 2007 and Croatia since 2013) are also not yet members of the Schengen Area. Slovakia is thus unique among the V4 group of states in being the most integrated, as a member of the Eurozone, the Schengen area and expressing willingness for further integration.

Voting patterns in the CEU can also be a helpful indicator of a country's position in the EU core or periphery. The expectation is that a core member would be more aligned in its voting with the majority of its fellow MS and more constructive in its voting preferences. Therefore the more a country identifies itself as a member of a potential EU core, the more it is expected to vote in favor of proposed measures in the CEU, and against them (or abstain) relatively less often. As seen on the webpage of the Council, of the 998 votes which the country has cast in the Council since December 2009, Slovakia has voted in favor of the proposed measure 980 times and 6 times against, with 9 abstentions and 3 instances of not being present for the vote. It is beyond the scope of this paper to analyze the voting pattern of each individual MS to ascertain the relative position of Slovakia within the 28-member bloc. A comparison with a smaller sample, i.e. Slovakia's partners in the V4, shows that its voting pattern makes Slovakia the most "constructive" member of the V4.<sup>1</sup>

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<sup>1</sup> COUNCIL OF THE EU (2019): Search for Voting Results. In: *Council of the European Union*. 2019. Available at: <https://www.consilium.europa.eu/en/general-secretariat/corporate-policies/transparency/open-data/voting-results/>

## 2.5.2 The European Commission

As noted above, the representation of Slovak citizens in the senior administrative positions of the Commission fell from one head of cabinet and one deputy director general in 2009 to no representation at these senior levels in 2015. Slovakia went from being the best to the worst represented among the V4. However, if we look at the total proportion of Slovak citizens employed by the EC in all positions as part of the EU civil service in 2019 and not just the senior positions, we can see that there are 433 Slovak citizens working for the EC out of 32 339, which represents 1.3 % of all the EC employees.<sup>1</sup> For 2018, this figure was 396 or 1.2 %, <sup>2</sup> in 2017 it was 395 and also 1.2 %, <sup>3</sup> and in 2016 it was 400 citizens at 1.2 %.<sup>4</sup> What is significant about this is that it is a bit more than the proportion of the population of Slovakia to the EU population, which stands at 1.06 %.<sup>5</sup> Another count has Slovakia providing 204 administrators (AD grades) and 128 assistants (AST grades) in 2016, which is still an overrepresentation of Slovak citizens in the EC apparatus.<sup>6</sup> Slovakia therefore has slightly above

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<sup>1</sup> EUROPEAN COMMISSION (2019): Human Resources Key Figures. [online]. In: *European Commission*. Apr 16<sup>th</sup> 2019. Available at:

[https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures\\_2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures_2019_en.pdf)

<sup>2</sup> EUROPEAN COMMISSION (2018): Human Resources Key Figures. [online]. In: *European Commission*. Apr 6, 2018. Available at:

[https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures\\_2018\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures_2018_en.pdf)

<sup>3</sup> EUROPEAN COMMISSION (2017): Human Resources Key Figures. [online]. In: *European Commission*. Mar 8<sup>th</sup> 2017. Available at:

[https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures\\_2017\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures_2017_en.pdf)

<sup>4</sup> EUROPEAN COMMISSION (2016): Human Resources Key Figures. [online]. In: *European Commission*. Dec 22<sup>nd</sup> 2016. Available at:

[https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures\\_2016\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-commission-hr-key-figures_2016_en.pdf)

<sup>5</sup> DI FRANCO, E. (2018): Unanimity and QMV: How Does the Council of the EU Actually Vote?. [online]. In: *My Country Europe*. Apr 21<sup>st</sup> 2018. Available at:

<https://mycountryeurope.com/politics/european-union/unanimity-qvm-council-vote/>

<sup>6</sup> MEMBERS' RESEARCH SERVICE (2016): European Commission: Facts and Figures. [online]. In: *European Parliamentary Research Service Blog*. Jan 14<sup>th</sup> 2016. Available at:

<https://epthinktank.eu/2016/01/14/european-commission-facts-and-figures/>

average success in filling EU civil service positions proportionally to its population, just not at the senior levels.

### 2.5.3 The European Parliament

While Slovakia “punches above its weight” in the EC and CEU, the situation is not as good in the case of the European Parliament. Slovakia has 13 seats in the EP (which will increase to 14 if Brexit occurs). The NGO VoteWatch, which releases a table ranking the top three most influential MEPs of each MS, shows that Slovakia’s MEPs were less influential than the EU average in the past years.<sup>1</sup> This influence is measured in relation to the number of MEPs it has and to the proportion of its population in the EU. The most influential MEPs are generally those at the head of the EP, the chairpersons of political groups (with larger groups bestowing more influence to its officeholders) and rapporteurs of legislative acts. Slovakia’s subaverage results show a lack of success in obtaining these positions within the EP and thus making their mark on its work. It is natural that the senior positions in the EP and political groups go to the MEPs from the larger EU MS, due to the larger number of their compatriot MEPs that support them as well as the size of their domestic party delegations in the political groups in the EP. But the same excuse cannot be made in the case of rapporteurs. Slovak MEPs therefore have trouble dealing with the competition in the EP. The top three most influential MEPS from Slovakia over the last three years were Eduard Kukan (EPP), Vladimír Maňka (S&D) and Anna Záborská (EPP) – in this order in 2017, and in reverse order in 2016. Though with 22 points, Kukan falls far short of the 67.5 points of the most influential MEP, its chairman, Antonio Tajani.<sup>2</sup>

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<sup>1</sup> GABRIŽOVÁ, Z. (2017): Najvplyvnejším slovenským europoslancom je Kukan, hodnotí mimovládka. [online]. In: *Euractiv.sk*. Sep 17<sup>th</sup> 2017. Available at: <https://euractiv.sk/section/rozsirovanie/news/najvplyvnejшим-slovenským-europoslancom-je-kukan-hodnoti-mimovladka/>

<sup>2</sup> GABRIŽOVÁ, Z. (2016): VoteWatch: Najvplyvnejšou slovenskou europoslankyňou je Záborská. [online]. In: *Euractiv.sk*. Oct 14<sup>th</sup> 2016. Available at: <https://euractiv.sk/section/slovensko-v-ep/news/vplyv-slovenskych-europoslancov-najvplyvnejšou-slovenskou-europoslankynou-je-zaborska/>

However, neither Kukan nor Záborská were reelected in 2019. Slovakia's influence is therefore set to wane further in the next EP. A less relevant Slovakia might have a harder time making it into the EU core and shaping its integration priorities to suit its interests.

The most important issue for Slovakia concerning its influence in the EP and therefore its membership in a potential EU core, whether real or self-perceived, is voter turnout in the EP elections. In all four EP elections in which Slovakia took part, the country had the lowest turnout of all the EU MS. In 2004, turnout in Slovakia was 16.97 % (compared to 45.47 % for the EU as a whole), in 2009 it was 19.64 % (compared to 42.97 in the EU), in 2014 it was only 13.05 % (compared to 42.61 % in the EU).<sup>1</sup> For 2019, the voter turnout was 22.74 %, which is at least a reversal of the declining turnout Slovakia had since joining the EU. In spite of the best efforts of politicians to increase turnout and reverse the trend of finishing last among EU MS, these efforts did not bear fruit. In a somewhat ironic twist, Slovaks claim to trust the EP more than their own parliament (even though turnout for national parliamentary elections is considerably higher).<sup>2</sup>

As for Slovakia's representation among the senior administrative staff, as noted above, Slovakia had one EP committee chair in 2009, which dropped to no representation by 2015. The loss of the only senior post in the EP might possibly be ascribed to Slovakia's worsening voter turnout in EP elections signifying a weaker position in the EP overall. The 2015 research by Mandra for Bruegel compares the percentages of coordinator and executive positions held by MEPs of individual MS relative to the strength of their national delegations to the EP. Slovakia was the only country whose MEPs did not hold any of these key positions. Indeed, there

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<sup>1</sup> EUROPEAN PARLIAMENT (2014): European election results - 2014 - European Union. [online]. In: *European Parliament: About Parliament*. 2014. Available at: <http://www.europarl.europa.eu/about-parliament/en/in-the-past/previous-elections>

<sup>2</sup> TASR (2018): Slováci dôverujú viac europarlamentu ako Národnej rade a vláde. [online]. In: *Euractiv.sk*. Feb 25<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/buducnost-eu/news/slovacia-doveruju-viac-europarlamentu-ako-narodnej-rade-a-vlade/>

were nine countries whose delegations were smaller but whose MEPs did hold at least one such post.<sup>1</sup>

#### **2.5.4 Other EU Institutions**

It is also necessary to mention of the Court of Justice of the EU, specifically the General Court. Slovakia is struggling to fill a vacancy in the Court since September 2016, but so far, four of its nominees have been rejected.<sup>2</sup> No other country has seen more than two nominations to the General Court rejected. This is seen as a source of embarrassment for Slovakia and suggests a lack of skilled and willing legal professionals to fill the position. That in its turn implies a certain lack of preparedness to take on the future challenges and needs of being a more deeply integrated core EU member, especially as more competences will be delegated from the level of the national courts to the level of the Court of Justice.

The European Central Bank is an institution of special importance to Slovakia as a member of the Eurozone, the sole member of the V4 countries to use the Euro. Slovakia is thus not only a member of the European System of Central Banks, but also of the Eurogroup. The issues concerning Slovakia's membership in the Eurozone are more deeply developed in the economic section of this paper. This is also seen in the high favorability numbers among Slovaks concerning Slovakia's membership in the Eurozone shown in polling by Eurobarometer. Specifically, 79 % of Slovaks see the euro as beneficial to the EU, although only 69 % say that it is also good for Slovakia. This is above the Eurozone average, where 74 % admit the euro is good for the EU and 64 % claim it is good for their own country.<sup>3</sup> The distribution of ECB employees by nationality is not known;

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<sup>1</sup> MANDRA, A. (2015): Measuring Political Muscle in European Union Institutions. [online]. In: *Bruegel*. Apr 12<sup>th</sup> 2019. Available at: <http://bruegel.org/2015/04/measuring-political-muscle-in-european-union-institutions/>

<sup>2</sup> WEBNOVINY/SITA (2018): Súdna rada nominovala už štvrtého kandidáta na post sudcu v Luxemburgu, je ním Michal Kučera. [online]. In: *Webnoviny.sk*. Nov 26<sup>th</sup> 2018. Available at: <https://www.webnoviny.sk/sudna-rada-nominovala-uz-stvrteho-kandidata-na-post-sudcu-v-luxemburgu-je-nim-michal-kucera/>

<sup>3</sup> TASR (2018): Podpora občanov eurozóny pre euro sa druhý rok po sebe drží na rekordnej úrovni. [online]. In: *Euractiv.sk*. Nov 21<sup>st</sup> 2018. Available at:

an access to documents request from November 2018 directed at the ECB to publish statistics on the national representation of its employees was turned down on January 24<sup>th</sup> 2019 with the explanation that the data has not been made public. The ECB has however stated that it is working to release such statistics in the future.<sup>1</sup>

## **2.6 Public opinion**

With the European Union facing the pressure of growing populism, countries in Central Europe have been experiencing dynamic political developments strongly affected by these trends. Slovakia, however, has so far managed to act as one of the most pro-European countries in the region. This position might be difficult to sustain in the future given that its neighbors, both to the North and South, have been adopting more critical and populist approaches towards the EU. Especially as regional cooperation, mostly in the format of the Visegrad Group, is often regarded as one of the few mechanisms for making its voice heard in Brussels.

An opinion poll conducted in November 2017 showed that Slovak citizens generally copy the pro-European rhetoric and recognize and appreciate the benefits of EU membership. Almost 70% of Slovaks believe that the membership has helped Slovakia grow and become a magnet to attract businesses, and around 60% say that it has strengthened Slovakia's economic welfare, security and political weight.

On the other hand, Slovak society seems to draw a line between EU and national politics. More than 75% agree that the EU is used as a scapegoat to detract from the government's own shortcomings, while the same proportion also recognizes the wide gap between the so-called "political elite" and "ordinary citizens", which can easily create a fertile ground for populists.

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<https://euractiv.sk/section/ekonomika-a-euro/news/podpora-obcanov-eurozony-pre-euro-sa-druhy-rok-po-sebe-drzi-na-rekordnej-urovni/>

<sup>1</sup> ASK THE EU (2019): ECB employees by nationality. [online]. In: *AskTheEU*. Jan 24<sup>th</sup> 2019. Available at: [https://www.asktheeu.org/en/request/ecb\\_employees\\_by\\_nationality](https://www.asktheeu.org/en/request/ecb_employees_by_nationality)

Slovakia and both its representatives and citizens have often taken a pragmatic stance towards the country's democratic and economic development. From a "black hole in the heart of Europe," as Slovakia was called in the 1990's, the country has turned into one of the most pro-European countries in the region and had an opportunity to demonstrate its pro-EU credentials and ambition during its Presidency of the Council of the European Union (EU) in the second half of 2016. The government and its then Prime Minister, Robert Fico, managed to put a more positive spin on EU related public discourse. As such, Slovakia has been slowly differentiating itself from its Visegrad Group (V4) neighbors, where EU bashing over restrictions of sovereignty and the migration crisis remains quite strong and still gets put on the political front-burner, whenever necessary. The tendency to buck the V4 trend was reconfirmed in a joint statement made in October 2017 by Slovakia's three highest officials, the President, Prime Minister and Speaker of the National Council, stipulating that the country's membership in the EU represents a "basic framework for security, stability and prosperity of our country". This research suggests the shifts in the rhetoric to have possibly had an impact on the public, which followed a similar pattern.

From a regional perspective, Slovakia finds itself in a complicated situation. As its southern and northern neighbors (Czech Republic, Hungary and Poland) adopt more critical and populist approaches towards the EU, the country's political leaders have tried to be more pro-Europeans. Indeed, Slovakia's positive European outlook might even be difficult to sustain given that regional cooperation - whether in the format of the Visegrad Group or similar groupings - is widely regarded as the only mechanism for making its voice heard in Brussels.

Nowadays, the support for EU membership is relatively high among Slovak society; there is a strong sense of awareness about the EU's positive role in terms of cooperation, democracy and fundamental rights. Similarly, the majority of the population recognizes quite well the advantages EU membership has brought to their country not only in economic terms, but also in terms of its political weight and security. A considerable proportion

of respondents, almost 60%, regard EU membership as beneficial for the country's political weight. This can be regarded as a positive sign, given the strong words of "EU-dictate" or "EU restricting our sovereignty" spoken by many Slovak political representatives. However, while many ordinary Slovaks and politicians are critical of the EU, most do not want to leave the organization. Accordingly, criticisms levelled at some EU policies – most notably migration - should not be conflated with Euroscepticism.

In addition to the optimistic perception of the EU, people also evaluate Slovakia's role at the EU level in very positive terms. More than a half of the population say that Slovakia plays a rather or very positive role in the EU in enhancing solidarity, protecting both democracy and fundamental rights, in enhancing the country's security and dealing with asylum and refugee policy. On the other hand, besides the positive evaluation of both the EU and Slovakia's performance at the European level, Slovak society seems to be drawing a line between EU and national politics. More than 75% of Slovaks agree that the EU is used as a scapegoat to detract from the government's own shortcomings, while the same proportion also recognize the wide gap between the so-called "political elite" and "ordinary citizens".

According to GLOBSEC's data from July 2018, a substantial majority of Slovaks, almost 70%, agree that the country should remain a member of the EU, while 21.50% believe the country should leave and 9.4% are undecided.

Moreover, almost one half of respondents also believe the EU to be now depicted too positively in political discourse. Naturally, the question arises whether the results are a consequence of public awareness about the government's shifts in rhetoric towards a more openly pro-European stance, with which they do not agree, or it is caused by the recognition of these shifts combined with a more systemic criticism of the government on the ground. Predominantly pro-European answers to other questions suggest the latter.



### 2.6.1 Eurobarometer: Attitudes of Slovaks toward the EU

The most basic question to determine is whether the population of Slovakia is positively predisposed to the EU, its policies and Slovakia's membership and participation therein. That could help determine whether the population would support membership in a potential EU core and therefore further integration in the relevant policy areas in pursuit of this goal. In this respect, the Eurobarometer survey from 2017 shows that a little over 50 % of Slovaks support membership of the country in the EU, up from 46 % last year.<sup>1</sup> Support for the EU in Slovakia is still markedly below the EU, average, however, as 57 % of citizens of EU MS supported their country's membership in the union. The number of respondents claiming EU membership was bad for Slovakia was only 8 %. Nevertheless, the percentage of Slovaks that see a benefit from the EU is much higher – 79 % in 2016, 74 % in 2017, and 77 % according to Eurobarometer.<sup>2</sup> This is compared to the EU average of 64 % in 2017, which decreased to 62 % in 2018. Among Slovak respondents, 73 %, declared that they consider themselves to be EU citizens in 2017, with a slight increase to 75 % in 2018, compared to 68 % for the EU as a whole in 2017, a rising trend for both Slovakia and the EU. Surprisingly, among the V4 group of states, this survey question got the highest level of positive answers in Poland, 80 % of whose citizens reported to consider themselves as EU citizens.<sup>3</sup> However, only 39 % of polled Slovaks expressed an interest in the activity of the EU, with 60 % saying that had no interest in

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<sup>1</sup> EURÓPSKY PARLAMENT: KANCELÁRIA NA SLOVENSKU (2017): Eurobarometer 2017. In: *European Parliament*. Oct 20<sup>th</sup> 2017. Available at: [http://www.europarl.europa.eu/slovakia/sk/informacie\\_o\\_eu/prieskumy\\_eurobarometra/eurobarometer.html](http://www.europarl.europa.eu/slovakia/sk/informacie_o_eu/prieskumy_eurobarometra/eurobarometer.html)

<sup>2</sup> EURÓPSKY PARLAMENT: KANCELÁRIA NA SLOVENSKU (2018): Eurobarometer 2018. In: *European Parliament*. 2018. Available at: [http://www.europarl.europa.eu/slovakia/sk/spravodajstvo\\_a\\_aktivity/spravy/oktober\\_2018/eurobarometer-2018.html](http://www.europarl.europa.eu/slovakia/sk/spravodajstvo_a_aktivity/spravy/oktober_2018/eurobarometer-2018.html)

<sup>3</sup> EURACTIV/TASR (2017): Tri štvrtiny Slovákov sa cítia byť občanmi EÚ. [online]. In: *Euractiv.sk*. Aug 3<sup>rd</sup> 2018. Available at: <https://euractiv.sk/section/buducnost-eu/news/tri-stvrtiny-slovakov-sa-citia-byt-obcanmi-eu/>

what the EU does.<sup>1</sup> A for the question of what the EU means to Slovaks, the top two answers in the case for positive perceptions were the single currency and open borders, whereas in the case of negative perceptions the top two answers were bureaucracy and wastefulness.<sup>2</sup>

When it comes to the most important external challenges facing the EU, Slovaks are in accord with their fellow V4 citizens and with citizens of 26 EU MS in listing terrorism as the main external challenge, at 48 % in Slovakia and 58 % in the EU. Migration came in second place in Slovakia (at 45 %), but only fourth in the EU (at 35 %). We can therefore see that the perception of external threats in Slovakia is aligned with the EU, albeit not perfectly. For internal challenges, Slovaks list rising prices in first place (at 30 %), whereas in the EU, first place goes to unemployment (at 43 %), which is only in fourth place in Slovakia (at 26 %).<sup>3</sup> The perception on internal challenges among Slovaks is therefore not as well aligned with the EU. This may prove to be important because alignment of perceptions indicates what each individual country considers as policy priorities for the EU going forward, and creation of an EU core would require of its member states to align their priorities.

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<sup>1</sup> KOREŇ, M. (2017): Podpora EÚ na Slovensku stúpla. Členstvo oceňuje každý druhý Slováč. [online]. In: *Euractiv.sk*. Dec 20<sup>th</sup> 2017. Available at: <https://euractiv.sk/section/buducnost-eu/news/podpora-eu-na-slovensku-stupla-clenstvo-ocenuje-kazdy-druhy-slovak/>

<sup>2</sup> TASR (2018): Slováci dôverujú viac europarlamentu ako Národnej rade a vláde. [online]. In: *Euractiv.sk*. Feb 25<sup>th</sup> 2018. Available at: <https://euractiv.sk/section/buducnost-eu/news/slovacia-doveruju-viac-europarlamentu-ako-narodnej-rade-a-vlade/>

<sup>3</sup> EURÓPSKY PARLAMENT: KANCELÁRIA NA SLOVENSKU (2017): Eurobarometer 2017. In: *European Parliament*. Oct 20<sup>th</sup> 2017. Available at: [http://www.europarl.europa.eu/slovakia/sk/informacie\\_o\\_eu/prieskumy\\_eurobarometra/eurobarometer.html](http://www.europarl.europa.eu/slovakia/sk/informacie_o_eu/prieskumy_eurobarometra/eurobarometer.html)<http://www.eur>

### 3 CONCLUSION

When analyzing socio - economic indicators at present, we can assume that the Slovak Republic belongs rather to the center than the periphery of the European Union (except the national minimum wages and average labor cost). Slovakia's remarkable economic growth above the EU average places it at the heart of Europe. All macroeconomic indicators are at the same level as the EU average. In particular, deficit and debt are below the Maastricht targets and below the average of developed EU economies, which identifies Slovakia as part of the EU core. However, there are some threats that may deflect Slovakia's current position in certain indicators towards the EU's periphery. The demographic development in Slovakia copies the situation in Europe with a certain delay, which is an advantage for the future (Table 2). It is expected that the average age of the Slovak population will only reach the EU average in 15 years, which can be seen as a certain advantage for the Slovak Republic. The retirement age has also increased, but has not equaled the EU average. These factors may influence the amount of public expenditure in the future and direct Slovakia to the periphery. The below-average public expenditure on education, science and innovation, the insufficient share of the population in lifelong learning and the unpreparedness of educational institutions for labor market needs can negatively affect the level of unemployment in the future and divert these parameters to the periphery. At present, unemployment in Slovakia is at the level of the central economies of Europe. Another important factor which places Slovakia in the center rather than EU periphery is its participation in the Eurozone. In order for the Eurozone to function effectively, states need to work together and harmonize their policies more closely in areas such as tax and social policy. Thanks to these measures, the core could prevent further euro-crises, as states would place great emphasis on fiscal discipline. That is why it is a priority for Slovakia to belong to such a narrower core of states. One of the benefits can be tax harmonization. This would involve a smooth movement of goods and services, lower administrative costs for companies or an increased number of companies that will have the incentive to operate cross-border. Harmonization will

ensure simpler and more efficient business in the common market. Slovakia will remain attractive for foreign investors thanks to its membership in the core, which could bring more jobs. In the sphere of social policy, there are discussions about a uniform European minimum wage, which could only help Slovakia to move closer to the social standards of bigger and richer countries such as Germany or France.

From the political perspective, Slovakia belongs rather to the EU core than EU periphery. There are two main factors which confirm this fact. Apart from being part of the euro area, the country has expressed its willingness and desire to support and follow EU's policy on multiple occasions (although the country's attitude towards the EU migration policy may bring disagreements with the other core countries of the EU). Besides, most of the political representatives of the country agree that the Slovak participation in the EU's core is a priority and key factor in its future direction. Another area which could define a future EU core is the Common Security and Defense Policy. The Slovak government has declared its ambition to be a member of such an "EU defense core", without it being specified what this would entail. Currently, the avenue for closer cooperation in defense is represented by PESCO, in which Slovakia is the most active participant among the V4 countries, in accordance with its ambitions. A second potential avenue of closer defense integration could be the eventual formation of an European army. On this issue, Slovakia is much more reserved, not being fully committed to proposed levels of integration, especially due to overlap with its NATO membership.

On an institutional level, Slovakia is punching slightly above its weight when it comes to representation of its citizens in the administrative positions of the Council of the EU and the European Commission. However, in the last electoral term it has not been successful in filling slots in the senior administrative levels of the Commission, as well as the European Parliament. Furthermore, it has not developed its coalition-building potential in the Council beyond the V4 Group, and even that is drifting apart due to the Euroscepticism of its other members. Since representation at these levels of administration is seen as providing member

states with informal channels of information and negotiation, it can be surmised that the lack of representation of Slovakia resulted in a decrease in influence as well. The result of punching above or below its weight in these institutions demonstrates whether Slovakia has the influence and active interest in the inner workings of the EU associated with being a core EU member. Slovakia is, however, a very consensual voter in the Council, with the least number of votes against or abstaining from Council proposals among the V4. This shows the pro-European orientation of Slovakia as well as its willingness to compromise and toe the line in order to be a member of the core current of integration.

Due to Slovakia's past experience with the communist regime, the country is still dependent on others, especially on EU's funds. EU membership has brought several benefits and the standard of Slovak citizen's living has increased. Therefore, it is a logical and natural step that Slovakia should strive to get and remain in the EU's core if it wants to continue increasing its living standard. Slovakia has no choice but to move forward if it wants to prosper in future. That is why the EU's core and Western affiliation are the only options and should be the highest priorities for Slovakia.

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## Conclusion

The issue of EU member states belonging to the EU core or periphery has been resonating across the bloc since the publication of the White Paper on the Future of Europe in 2017. The aim of this report has been the analysis of the current position and potential direction of selected CEE countries – Croatia, Latvia and Slovakia – towards EU’s core or rather the periphery. Selected parameters have been analyzed for both economic and political sphere as well as for the area of foreign policy of each selected country.

Below is a table showing the status of each of the three selected countries with regard to the most relevant and most easily quantifiable and determined indicators. In the table, green color and the letter “C” stands for “core”, while red color and the letter “P” stands for periphery. In some indicators, there is a trend from one to the other, represented by an arrow showing the direction of the trend. Light orange in this case represents a movement from the periphery to the core, while dark orange represents the opposite trend.

Indicator \ Country	Croatia	Latvia	Slovakia
Eurozone membership	P→C	C	C
Real GDP growth	P	C	C
Unemployment	P	C	C
Minimum wage	P	P	P
Gross government deficit	C	P→C	C
Gross government debt	P	C	C
Schengen area membership	P→C	C	C
EU migrant relocation plan	C	C	P
Eurosceptic parties in parliaments	C→P	C	C→P
PESCO membership	C	C	C
Support for common EU army	P	P	P
Public opinion on the EU	P	C	C

From the table, we can see that in the sphere of economics, Latvia and Slovakia fulfill the Maastricht and other selected criteria well enough to be considered part of an EU core when it comes to economic

performance. Croatia is still catching up, but the situation of the other two countries was similar just after accession, and there are reasons to believe that there will be convergence on the part of Croatia as well. In this regard, Croatia's lagging behind should be understood more as a result of being a latecomer to the EU and having a delayed start, rather than as a conscious decision to oppose any core EU policy. In general, the economic aspect of membership in the EU core is less controversial than the political one, since it is linked to good economic performance and prosperity. Of course, there are issues on which countries can purposefully decline to follow the criteria for core membership, such as adopting the Euro in the case of several MS not only from CEE, but also Northern Europe. Another such area is the question of government deficits and debts, where some countries, may prefer to relax fulfillment of these criteria in favor of stimulating economic growth. But this does not seem to be the issue for the three countries selected in this study. Therefore, due to attempts at stricter fiscal responsibility, Latvia and Slovakia are approaching, or are already within the core EU requirements on economic performance, while Croatia still have some catching up to do.

On the issue of Schengen and migration, the selected countries fulfill a "de iure" condition of being a Schengen area member (except Croatia, which plans to join), but are much more reluctant in adhering to the Dublin Regulation and the decision of the Council on relocating migrants according to quotas for MS. We have seen that all three studied countries were opposed in principle to the migrant relocation scheme according to quotas based the Dublin Regulation, even though the European Court of Justice ruled that the regulation applied even to crisis-level situations. The three countries were thus placed in opposition to Germany and other Western European MS. While all three studied countries expressed opposition to these quotas in principle, Croatia and Latvia accepted their quota in the end, even exceeding their quota. Slovakia, on the other hand, refused to accept their allocated quota, and even turned to the ECJ, questioning the legality of the mandatory relocation by quotas. It did accept, however, a number of migrants outside of the migrant relocation

scheme. In this respect, it could be said that Latvia is within the core EU consensus when it comes to migration, Croatia would be if it was part of the Schengen area (which it is not, once again, not because of any principled opposition but merely because it had a delayed start), and Slovakia the country which is most outside the core on migration.

Concerning public opinion, support for the EU is consistently high in Latvia and Slovakia according to Eurobarometer polls. In Latvia, this is due to the need in the public consciousness to firmly place the country within the West and distance it from its Soviet past and current perceived Russian revisionist tendencies. Latvia can therefore be clearly seen as a core country in this respect. In Slovakia, high public support belies the growing trend of euroscepticism in the political arena. This seems to suggest that the EU issue is not one of such importance that Slovaks would expect their political representatives to faithfully replicate their views. As for specific polls, while Slovaks tend to fall below the EU average in their support of the EU, they are above the EU average in ascertaining that membership brings more benefits than problems. Also their support of Slovakia EU membership is still over 50 %. For that reason Slovakia was placed at the EU core. In Croatia, attitudes towards the EU are more mixed, with supporters and opponents hovering at between 40-50 %. This places them among the periphery countries in this study.

As for the Common Foreign and Security Policy (CFSP), we focused on the Security and defense aspects, as these were the aspects where closer integration was being discussed. Within these aspects, under the Common Security and Defense policy of the CSFP, all three studied countries are members of PESCO, which, like the Schengen area, is uncontroversial, and so far rather like a necessary but not sufficient condition for belonging to the EU core. Since all three countries were favorable, they were identified as core countries in this area. On the issue of a common EU army, all three countries again shared the same opinion – while they professed interest in the closest possible cooperation in defense, they were sceptical of the feasibility and desirability of a common army. All three preferred to look to NATO for their defense needs, and were worried that EU intrusion into

this sphere might weaken NATO in this area. Since all three preferred NATO cooperation to a common EU army, they were placed in the periphery on this question.

We can see that the selected countries strive for membership in initiatives and other institutions that define the core, but it seems to be more a matter “de iure” participation, for the purposes of prestige and to prove the pro-EU and pro-Western credentials of the parties in power. When it comes to the policies themselves, or what we might call “de facto” participation, the elites and populations of these three countries are more ambivalent. So while issues like belonging to an “EU defense core”, the Schengen area or solidarity with countries suffering from an influx of migrants tend to be uncontroversial, the enthusiasm to fulfill actual policy suggestions regarding integration of armed forces, accepting migrants and keeping borders open in the face of immigration is much more patchy.

It must be mentioned that as one of three wings or blocks of the EU the CEE member states comprising the Eastern wing are again, rather patchy in their adherence to EU core indicators. This is in contrast to the Southern wing of the EU, comprising Italy, Spain, Portugal, Malta, Greece and Cyprus, but also France. All of them are members of the eurozone, and while in some macroeconomic indicators and criteria they have fallen behind the Eastern wing CEECs, their level of economic development is generally higher. These countries are also more in line with the Dublin Regulation and migrant relocations, due to them bearing the brunt of the influx of immigrants. The Southern periphery is therefore closer to the EU core than the Eastern periphery. The countries of the Southern wing are also rivals for EU funding with the Eastern wing. The reluctance of the CEECs in striving to be closer to the EU may therefore result in their losing out in the contest for EU structural and cohesion funds in these following years, when money is expected to be tighter due to Brexit and rising euroscepticism in the Northern wing. This Northern wing comprises states that contribute the most to the EU budget. Issues of political values aside, it is therefore also in the economic interest of the CEE member states to strive towards the EU core.

