

Tim HAUGHTON, Darina MALOVÁ

Open for Business: Slovakia as a New Member State

Summary: Previous explorations into the national preference formation of member states have generated a number of different explanations including size, societal interests, dependency, ideology and unique historical experiences. Although acknowledging that three years of EU membership is an insufficient period of time to arrive at definitive conclusions, in the case of Slovakia we contend that ideology is not such a good indicator, but rather find an explanation based on the country's recent history and its size combined with the structure of party politics and the preferences of key interest groups. We suggest these insights could be used as the basis for an examination of other new member states, especially, smaller new democracies and new states, invited to begin negotiations at the Helsinki European Council, such as Latvia and Lithuania.

What shapes a country's stance on European integration? Previous explorations into the national preference formation of member states have generated a number of different explanations including size, societal interests, dependency, ideology and unique historical experiences¹, many of

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¹ For example, C. Archer, N. Nugent (eds) *Special Issue of Journal of European Integration* Vol. 28, No. 1/2006; M. Aspinwall, "Preferring Europe: Ideology and National Preferences on European Integration", *European Union Politics* Vol. 3, No.1/2002, pp. 81 - 111;

Tim Haughton is Senior Lecturer in the Politics of Central and Eastern Europe at Birmingham University. *Darina Malová* is Professor of Political Science at Comenius University.

which feed into the grand explanatory theories of European integration.² The fifth wave of EU enlargement in 2004/7 has provided political scientists with twelve additional cases to examine national preference formation and behavior in the EU. To what extent, however, do these cases provide ammunition for the adherents or opponents of the different schools of thought?

During the first two years of EU membership Slovakia took an enthusiastic, integrationist stance on broad strategic issues, such as the Constitutional Treaty, the Hague program's aim of strengthening freedom, security and justice, and further EU enlargement, whilst simultaneously being trenchantly opposed to further integration in many areas of socio-economic policy, especially fiscal harmonization.

Three years of EU membership is an insufficient period of time to arrive at definitive conclusions. Furthermore, given that *Intergovernmental Conferences* (IGCs) arguably provide the best indications of countries' preferences³, the lack of an IGC in the 2004 – 2007 period would appear to pose problems. The new member states did participate in the Convention on the Future of Europe, but at the time they were still in the process of accession. Nonetheless, an examination of governments' stated priorities and behavior at summits and voting record in the Council of Ministers, enables preferences, priorities and red lines to be identified and analyzed.

This article shines a spotlight on the case of Slovakia. By assessing the explanatory power of a number of competing explanations in light of the Slovak case, we seek to explain preference formation in the country. Although

we acknowledge that Slovakia is in some sense unrepresentative, given its complicated accession path, we use the country as a case study, both to test theory and to venture findings which contribute to hypothesis generation.

M. Aspinwall, "Government Preferences on European Integration: An Empirical Test of Five Theories", *British Journal of Political Science* Vol. 37, No. 1/ 2007, pp. 89 – 114; A. Stone Sweet and W. Sandholtz, "European Integration and Supranational Governance", *Journal of European Public Policy* Vol. 4, No. 3/1997, pp. 297 – 317.

² For example, A. Moravcsik *The Choice for Europe: Social Purpose & State Power From Messina to Maastricht*. (London: UCL Press, 1999).

³ Aspinwall "Preferring Europe" *op cit*; Aspinwall "Government Preferences on European Integration" *op cit*; D. Dimitrakopoulous and H. Kassim (eds) *Special Issue of Comparative European Politics* Vol. 2, No. 3/2004.

Our previous work⁴, highlighted the importance of Slovakia's complicated accession path, the dynamics of party politics, powerful societal interests, the ideology of the government led by Mikuláš Dzurinda and the opportunities of membership (as opposed to accession). Following the June 2006 parliamentary elections, however, the Dzurinda-led government lost power and was replaced by a more leftist-orientated government under Prime Minister Robert Fico's leadership. Although the new government, especially the inclusion of the xenophobic Slovak National Party in the coalition, provoked howls of discontent in Brussels, even provoking the Party of European Socialists to suspend Fico's party from its group, the most striking aspect of the new government's European policy was not the change, but the continuity with its predecessor. Indeed, Fico's administration has maintained most of the strategic priorities of its predecessor.⁵

During the first two years of EU membership the country took an enthusiastic, integrationist stance on broad strategic issues, such as the *Constitutional Treaty*, the Hague program's aim of strengthening freedom, security and justice, and further EU enlargement (especially to the Western Balkans), whilst simultaneously being trenchantly opposed to further integration in many areas of socio-economic policy, especially fiscal harmonization. The Fico-led government has supported the process of continued ratification of the Constitutional Treaty and expressed its strong support for further enlargement to the east and south⁶. Moreover, proposals to harmonize the tax base, such as those put forward by French Finance Minister Thierry Breton in February 2007 were rejected by Slovak Finance Minister Ján Počiatek.⁷

Nonetheless, there have been differences. Fico was keen to stress that in the realm of foreign affairs his government was different to its predecessor in

⁴ D. Malová, T. Haughton, "Challenge from the Pace-Setting Periphery: The Causes and Consequences of Slovakia's Stance on Further European Integration", W. Sadurski, J. Ziller, K. Zurek (eds) *Après Enlargement: Taking Stock of the Immediate Legal and Political Responses to the Accession of Central and Eastern European States to the EU*. (Florence: Robert Schuman Center, 2006), pp. 323 – 38; T. Haughton, D. Malová, "Emerging Patterns of EU Membership: Drawing Lessons from Slovakia's First Two Years as a Member State", *Politics* Vol. 27, No. 2/2007 (forthcoming).

⁵ V. Bilčík, "Slovenská republika a Európska únia", M. Kollár, G. Mesežnikov, M. Bútora (eds), *Slovensko 2006: Súhrnná správa o stave spoločnosti*. (Bratislava: Institute for Public Affairs, 2007), pp. 261 – 271.

⁶ Vláda Slovenskej republiky, *Programové vyhlásenie vlády Slovenskej republiky 2006*, p. 54; V. Bilčík, "Slovenská republika a Európska únia", *op cit*.

⁷ Associated Press Worldstream, "EU nations with low corporate tax rates wary of plan for harmonized tax base", February 27, 2007.

two ways. Firstly, the new government placed an emphasis on the 'economic dimension' of Slovak foreign policy, reflected, for example, in the prime minister's trips to Libya and China in early 2007.⁸ The economic dimension was in no small part linked to business interests (to which we will return below). Secondly, Fico was keen to emphasize his administration does not have a 'one-sided relationship with the USA', but rather was based on 'European foreign policy'.⁹ More broadly, following the 2006 election campaign in which the European Union barely figured beyond references to the use of European funds¹⁰, politics in Slovakia has focused more on domestic issues. In the ten priorities promulgated by Fico's party, *Smer-sociálna demokracia* (Smer-SD) at its party congress in December 2006, for instance, just one mentioned a European goal (to join the euro), the rest were focused on domestic, bread-and-butter socio-economic issues.¹¹ *Europe* is still mentioned in political debate, but it is very much used as a reference point and external validator, such as Fico's call for a European labor code.

In this article we argue that the Slovak case illuminates what may shape preference formation in new democracies. We contend that ideology is not such a good indicator, but rather find an explanation based on Slovakia's recent history and its size combined with the structure of party politics and the preferences of key interest groups. We suggest these insights could be used as the basis for an examination of other new member states, especially, smaller new democracies and new states, invited to begin negotiations at the Helsinki European Council, such as Latvia and Lithuania.

Explaining Preference Formation

History and its Legacies

Previous attempts by scholars to explain preference formation of the member states have generated a number of explanations, some of which compete and others which reinforce. Unique historical experiences have been used to help explain the positions of states such as Germany and the UK.¹² Although history clearly matters in these cases, it provides the context

⁸ SITA, "Čína: Fico pozval čínskych podnikateľov, aby investovali v SR", February 9, 2007; Vláda Slovenskej republiky, *Programové vyhlásenie vlády Slovenskej republiky*.

⁹ "Industry shrugs off political shock", *Financial Times Report – Slovakia*, February 20, 2007.

¹⁰ T. Haughton, M. Rybář, "A Change of Direction: The 2006 Parliamentary Elections and Party Politics in Slovakia". (unpublished paper, 2007).

¹¹ Smer-sociálna demokracia "Posolstvo: Slávnostného snemu SMERu-sociálnej demokracie", December 9, 2006.

not the full explanation. Nonetheless, in the case of Slovakia, proximate history, especially the country's sinuous transition path is an important component in explaining the country's stance on further integration. Thanks to a combination of nationalist policies, a series of murky privatization deals and a disregard for the constitutional niceties of democratic politics during the 1994-8 government led by Vladimír Mečiar, Slovakia was not invited to begin accession negotiations at the Luxembourg European Council in 1997. Following the removal of the government led by Vladimír Mečiar in 1998, however, the new ideologically broad-based coalition led by Mikuláš Dzurinda placed a high priority on EU accession. Slovakia was invited to begin accession negotiations at the Helsinki summit in December 1999 and focused during the next couple of years on catching up with countries in the Luxembourg group. Indeed, one of the major glues holding the coalition together was the desire to ensure entry into Western clubs, especially the EU.¹³

The nature of Slovakia's accession path had important consequences. For most of the period until May 2004 debates surrounding the EU were much more concerned with who had been responsible for Slovakia's rejection in 1997 and whether the EU wanted the Slovaks to join than what type of a European Union the country wanted to belong to.¹⁴ Indeed, the debate was largely about valence i.e. who is best place to achieve the goal and strike the best deal for Slovakia, encapsulated in Smer's 2002 election poster with a line of naked posteriors accompanied by the slogan, 'yes to the EU, but not with bare bottoms'. It was only the impending Rome

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¹² S. Bulmer, W. Paterson *The Federal Republic of Germany and the European Community*. (London: Allen and Unwin, 1987); S. George *An Awkward Partner: Britain in the European Community*. (Oxford: Oxford University Press, 1998).

¹³ D. Malová, E. Láštík, M. Rybář *Slovensko ako nový členský štát Európskej únie: Výzva z periferie?* (Bratislava: Friedrich Ebert Stiftung, 2005). T. Haughton, "We'll Finish What We've Started: The 2002 Slovak Parliamentary Elections", *Journal of Communist Studies and Transition Politics* Vol. 19, No. 4/2003, pp. 65 – 90.

¹⁴ K. Henderson, "EU Accession and the New Slovak Consensus", *West European Politics* Vol. 27 No. 4/2004, pp. 652 – 670.

summit in December 2003 that forced the government to define its priorities. In a similar vein to the other 2004 entrants from the Helsinki group such as Lithuania¹⁵, the desire to ensure entry hindered the emergence of any significant debate about what kind of EU the country wanted to join. Such an emphasis on achieving membership per se, allowed the government in power (and any powerful backers) to shape significantly the country's stance on EU integration, particularly in the first few years of membership. Indeed its complicated transition path had meant national priorities (beyond membership of Western clubs) were not clearly defined, an argument which led us to suggest that membership has been a 'stimulus for completing the process of nation state building'.¹⁶

Secondly, with the goal of EU accession virtually secured following the 2002 elections, the role of the EU in party competition changed. The issue of joining the European Union was not the only political issue prior to the 2002 election, but it shaped the contours of party competition, helping to bolster positions and proving to be useful ammunition in warfare between the parties. Following the accession period dominated by conditionality and accession, parties in new member states are accorded room for maneuver. It is not surprising that after being released from the accession straightjacket, parties may wish to oppose further integration in some areas, especially as a way of demonstrating to a domestic audience that they are standing up to Brussels. With accession achieved, parties such as Prime Minister Dzurinda's *Slovak Democratic and Christian Union* (SDKÚ), for instance, which had placed EU entry at the centre of its campaign, shifted its focus to more ideological concerns. At the heart of SDKÚ-nominated ministers' agenda, particularly those of the Finance Minister, Ivan Mikloš, were neo-liberal policies partly inspired and encouraged by international financial bodies such as the World Bank, although a domestic epistemic community provided much of the drive and ideological zeal.¹⁷ Nevertheless, despite the Dzurinda government's opposition to further harmonization in many areas of socio-economic policy, its trumpeting of the Lisbon agenda and portrayal of its economic policy as the means of achieving those stated goals could be evidence of an implicit compensation of a new member state, keen to demonstrate its attitude to further socio-economic integration was not just one of knee-jerk hostility.

¹⁵ K. Duvold, M. Jurkynas, "Europeanization without Party Involvement: The Case of Lithuania", P. Lewis, Z. Mansfeldová (eds) *The European Union and Party Politics in Central and Eastern Europe*. (Basingstoke: Palgrave MacMillan, 2006), p. 114.

¹⁶ D. Malová, T. Haughton, "Challenge from the Pace-Setting Periphery", *op cit*, p. 325

¹⁷ S. Fisher, J. Gould, T. Haughton, "Slovakia's Neo-liberal Turn", *Europe-Asia Studies* (2007, forthcoming).

Thirdly, the process of accession helped to strengthen some institutions at the expense of others. Both the nature of the negotiations and the 2001 amendment to the Constitution helped to strengthen the power of the executive and weaken the parliament.¹⁸ Moreover, even though the cabinet is obliged by law to have its position in EU-related matters approved by the parliament, or its EU committee, it has proved to be very weak, only changing a few draft positions and limited by the absence of an *ex post* evaluation mechanism.¹⁹ We suggest that this concentration of power has important consequences for domestic politics, because it is structurally easier for a state to pursue a radical agenda if there are no strong domestic institutional brakes. By extension this feeds through into a country's European policy. Whereas the domestic arena has acted as a 'facilitator', the European level provides a potential veto point, acting as a possible 'impeder' to the pursuit of a radical domestic political economy agenda.²⁰

Size and Dependency

A large slice of recent scholarship has devoted attention to size and its role in shaping a country's stance on further integration.²¹ Although the size of a state can be measured in many different ways, it is probably most helpful to analyse it in terms of a country's self-perception of its size and importance. Simply put, in contrast to the other 2004 entrants, Poland perceives itself to be big and important, and acts accordingly. At the Brussels summit in December 2005, for instance, Poland pushed harder than the other new entrants for a larger slice of the financial perspective pie. Size, however, has been seen not to just to be influential in the setting of strategy, but also in the formation of preferences. In a system which includes states of varying sizes we might assume that a small state would have a stronger preference for more powerful common institutions and the consequent ceding of a degree of sovereignty partly to better defend its interests 'against the dominance, perceived or real, of large member states'.²²

¹⁸ Malová et al, *Slovensko ako nový členský štát Európskej únie*, *op cit*.

¹⁹ E. Láštík, "Get the Balance Right: Institutional Change in Slovakia during EU Accession and Membership", *Sociológia* Vol. 36, No. 6/2006, pp. 533 – 545.

²⁰ Haughton, 'Facilitator and Impeder', *op cit*.

²¹ E. Antola, "The Future of Small States in the EU", M. Farrell, S. Fella, M. Newman (eds), *European Integration in the 21st Century: Unity in Diversity?* (London, Thousand Oaks and New Dehli: SAGE, 2002), pp. 69 – 85; Archer and Nugent, *Special Issue of Journal of European Integration*, *op cit*.

²² Antola, 'The Future of Small States', p.75.

The size of the state also feeds into another factor stressed by scholars: dependency on the EU. Dependency can be seen in one of two ways. Firstly, trade dependency. Transactionalists believe that forms of interaction such as trade may affect views about the merits of European integration.²³ Simply put, the dependency argument contends that the higher the levels of trade the higher the support for integration. To this can be added the Katzensteinian argument that small states tend to favor integration because their economies are more open.²⁴ It is easy to see the logic of the argument here, but to what extent does trade dependence shape a country's integration strategy? As we will return to below, high levels of trade dependency may actually strengthen arguments against further harmonization to ensure visibility and the maintenance of comparative advantage.

Secondly, dependency can be measured in terms of EU-funds. As Aspinwall argues countries that receive high levels of disbursements from the EU have every incentive to keep the money flowing, and risk interruptions if they obstruct the agreement of common policies or institutional change.²⁵ Moreover, his statistical analysis suggests EU payments have a strong influence on government support for measures in the Council. A brief survey of the voting habits post May 1, 2004 (recognizing all the limitations of such an analysis), indicates that by and large it is indeed the richer net-contributor states such as Sweden and the Netherlands which have voted no or abstained more often. Poorer states more dependent on hand-outs from Brussels may not only be keener on further integration because they will benefit financially from the flow of funds, but recognize that it may be wise for them not to (be seen to) rock the boat.

As indicated above, the literature on size suggests that small states would have a stronger preference for more powerful common institutions and the consequent ceding of a degree of sovereignty. Both of these may help to explain Slovakia's stance. The former provides an explanation for further integration on the broad strategic issues and the latter on enthusiasm for the euro. However, Slovakia's openness and trade dependence played a role in the country's opposition to further integration in other socio-economic fields, especially tax harmonization. Part of the explanation for that lies in ideological concerns and the power of the business lobby to which we return below.

²³ For example, Stone Sweet, Sandholtz, "European Integration and Supranational Governance", *op cit*.

²⁴ P. Katzenstein, *Small States in World Markets: Industrial Policy in Europe*. (Ithaca: Cornell University Press, 1985).

²⁵ Aspinwall, 'Government Preferences on European Integration', *op cit*.

Ideology

Aspinwall has been at the forefront of arguing that ideology matters in preference formation in the EU. He opines that much of the scholarly literature 'presumes that governments represent some conception of the national interest in an environment free of ideological competition'²⁶, but parties see European integration through an ideological prism, and respond to it on that basis. This argument highlights an important complication when assessing a country's stance: not only is the relationship between member states and the EU dynamic, but the EU itself is in flux. The balance of power in the EU between the liberalizing, expanding and deepening tendencies has changed significantly since 1957 and has affected parties' attitudes to further integration.

In our previous analyses of Slovakia during Dzurinda's premiership, we placed some emphasis on the ideological dimension of politics.²⁷ Following the 2002 elections the newly-created government began to implement a radical package of socio-economic reform, which included not just the much vaunted flat tax, but also cuts in welfare benefits and radical pension and health reforms grounded in a belief in the superiority of market-based solutions. Whilst domestic conditions, particularly elite-driven parties with poorly developed mechanisms of accountability and weak mechanisms of control and oversight in the Slovak parliament²⁸, had facilitated the pursuit of such policies domestically, the EU represented a threat. The desire to ensure that this agenda was not endangered at the European level was a vital constituent factor shaping Slovakia's opposition to further integration in the socio-economic sphere, such as tax harmonization. The Slovak case, therefore, appeared to bolster the argument that ideology matters in preference formation.

The formation of the Fico-led government in 2006, however, suggests that ideology is less influential a factor than appeared to be the case during the Dzurinda-led government. Although the Slovak National Party (SNS) is an unambiguously right-wing nationalist party, the other two coalition partners are not easy to define ideologically. The Movement for a Democratic

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²⁶ Aspinwall, "Preferring Europe", *op cit* p.105

²⁷ Haughton and Malová, "Emerging Patterns of EU Membership" *op cit*.

²⁸ Malová et al, *Slovensko ako nový členský štát Európskej únie*, *op cit*.

Slovakia (HZDS) has proved to be difficult to categorize since its formation in 1991²⁹, although developments since the beginning of the decade such as adding *People's Party* to the name and indicating a desire to join centre-right transnational party groupings, indicate where it wishes to locate itself. Moreover, Fico's party has undergone a long ideological journey since it was founded at the end of 1999, represented by several name changes.³⁰ Nonetheless, both the party's pitch to the voters in the 2006 election³¹ and the introduction of measures such as the millionaires' tax, the abolition of payments to doctors and the proposed new labor law, all indicate an ideological shift of the new government from its predecessor. The ideological shift, however, has not been replicated at the European level. We would suggest that this is due to dependency, strategic calculations and powerful societal groups. Before turning to these, we first examine public opinion.

Public Opinion

Public opinion can play a significant role in constraining a government's European policy. Euro entry provides an illustrative example. Reluctance to join the single currency amongst ordinary citizens manifested in the 2003 referendum in Sweden and Blair's long-standing fear of the British electorate's overwhelming skepticism of the benefits of joining the euro zone, have clearly played a part in ensuring non-adoption of the single currency in both countries.

In the case of Slovakia, however, public opinion has played more of a facilitating role. In a similar vein to the elite level, in the 1990s public debate about EU integration was overshadowed by debates about the quality/nature of democracy in Slovakia. Where the European dimension mattered during this period was in providing external validation (or lack of) for the government's/opposition's policies. All parties declared their support for European integration, indeed this period could be described as 'consensus without discussion'.³² As stressed above the debate up to the 2002 elections

²⁹ T. Haughton, "HZDS: The Ideology, Organization and Support Base of Slovakia's Most Successful Party", *Europe-Asia Studies* Vol. 53, No. 5/2001, pp. 745 – 69.

³⁰ T. Haughton, "Slovakia's Robert Fico: A Man to be Trusted or Feared?", *Radio Free Europe/Radio Liberty East European Perspectives*, Vol. 4 No. 11, May 29, 2002 posted at <http://www.rferl.org/reports/eeepreport/2002/05/11-290502.asp>; A. Orogváni, "Strana Smer – pokus o novú definíciu slovenskej ľavice" in G. Mesežnikov, O. Gyárfášová, M. Kollár (eds), *Slovenské voľby 2006: Výsledky, príčiny, súvislosti* (Bratislava: Institute for Public Affairs, 2006), pp. 95 – 109.

³¹ Haughton and Rybář, "A Change of Direction", *op cit.*

³² O. Gyárfášová, "Assessing the Impact of the EU on Slovakia During the First Two Years of Membership: Public Opinion", unpublished paper presented at University College London, April 27 – 28, 2006.

was not about the end (EU entry), but was rather a valence issue i.e. who was best placed to lead the process. The lack of any major criticism of the EU was reflected in the 2003 accession referendum where the challenge lay not in achieving a 'yes' vote, but rather in ensuring sufficient voter participation given the 50% turnout quorum.

Slovak citizens are satisfied with being members, (the latest Eurobarometer suggests 61% consider membership a 'good thing', well above the 53% average)³³, but they are indifferent to this issue, in part reflected in the derisory 17% turnout at the 2004 European Parliamentary elections. Nonetheless, the most recent major survey indicates 85% of Slovaks support membership.³⁴ Four factors help to explain the high level of support for the EU. Firstly, the doomsday scenarios forecasting that entry would bring dramatic price increases did not come to fruition. Secondly, the conviction that Slovakia and its citizens have obtained a ticket into a solid and prestigious club. Thirdly, healthy macroeconomic developments, including high growth rates, have fuelled general optimism.³⁵ Fourthly, Slovak citizens point to key advantages such as the opportunities to work abroad, visa/passport free travel and better chances for young people. In addition, more recent polls show a sharp rise in the number of respondents suggesting the importance of being able to draw financial aid from EU funds.³⁶

Around two-thirds of the Slovak electorate is in favor of further EU enlargement.³⁷ Nonetheless, like their fellow EU citizens, Slovaks distinguish between countries the Union should accept. Croatian accession is supported by 84% of the population, whereas in 2006 only 18% of respondents considered Turkish accession a 'good thing'.³⁸ Public opinion supports euro entry, further integration in defense and security policy, but opposes harmonization in the fiscal sphere.³⁹ Both governments' positions on a range of European issues, therefore, have been in line with public opinion. Although this has facilitated the pursuit of such policies, we find the reasons why these policies were adopted elsewhere.

³³ European Commission, *Eurobarometer 66: Public Opinion in the European Union First Results*, posted at http://ec.europa.eu/public_opinion/archives/eb/eb66/eb66_highlights_en.pdf.

³⁴ Z. Bútorová, O. Gyárfášová, "Verejná mienka", M. Kollár, G. Mesežnikov, M. Bútorová (eds) *Slovensko 2006: Suhrnná správa o stave spoločnosti*, (Bratislava: Institute for Public Affairs, 2007), p. 272.

³⁵ Gyárfášová, "Assessing the Impact of the EU on Slovakia", *op cit.*

³⁶ Bútorová and Gyárfášová, "Verejná mienka", *op cit.* p. 272.

³⁷ European Commission, *Eurobarometer 66*, *op cit.* p. 29.

³⁸ Bútorová and Gyárfášová, "Verejná mienka", *op cit.* p. 252.

³⁹ European Commission, *Eurobarometer 66*, *op cit.*

Powerful Societal Groups, Dependency and Party Politics

Given the continuities of policy despite governments of different ideological hues holding the reins of power suggests we may have to look

Table 1: *Net Recipients and Net Contributors.*

	Estimated net budgetary balances (after UK correction) based on unchanged Own Resource Decision of 2000 Member States Annual Average as % of GNI 2008-2013 (%)	Net contributors to/ Net recipients from the EU's budget in Billion euros (NB: + indicates a net recipient)
Luxembourg	5.80	+0.9
Lithuania	4.41	+0.4
Latvia	4.40	+0.2
Poland	3.76	+1.4
Estonia	3.76	+0.1
Slovakia	3.27	+0.2
Czech Republic	3.17	+0.3
Hungary	3.06	+0.2
Greece	2.16	+4.1
Portugal	1.50	+3.1
Slovenia	1.31	+0.1
Belgium	1.21	+1.1
Malta	1.06	0
Ireland	0.47	+1.6
Spain	0.23	+7.9
Finland	- 0.25	-0.1
UK	- 0.25	-4.6
Denmark	- 0.31	-0.3
Cyprus	- 0.37	+0.1
France	- 0.37	-3.1
Austria	- 0.38	-0.4
Italy	- 0.41	-3.4
Sweden	- 0.50	-1.2
Germany	- 0.54	-8.5
The Netherlands	- 0.56	-3.2

Source: European Commission, *Financing the European Union: Commission report on the operation of the own resources system COM (2004) 505*, Luxembourg: Office for Official Publications of the European Communities; BBC News online, 'Who pays what?' http://news.bbc.co.uk/1/shared/spl/hi/europe/04/money/html/who_pays_what.stm.

Table 2: *Proportion of Each Member State's Exports with rest of EU-25 (data from 2005).*

Member State	Share of country's total exports to rest of EU-25
Slovakia	0.85
Czech Republic	0.84
Luxembourg	0.84
Estonia	0.78
Poland	0.77
Belgium	0.76
Hungary	0.75
Portugal	0.75
Netherlands	0.75
Latvia	0.74
Spain	0.71
Austria	0.70
Slovenia	0.66
France	0.65
Denmark	0.65
Lithuania	0.64
Germany	0.63
Ireland	0.63
Italy	0.59
Sweden	0.58
Cyprus	0.58
United Kingdom	0.57
Finland	0.56
Greece	0.53
Malta	0.51

Source: UN Comtrade Database (<http://comtrade.un.org/db/>).

deeper for the source of Slovakia's stance. Slovakia is dependent on the European Union. As Table 1 indicates Slovakia is a significant net recipient, both in nominal, but especially in relative terms. Moreover, table 2 highlights the extent to which Slovakia is dependent on the EU for its export markets. Both of these statistical measures when linked to the dependency arguments of Stone-Sweet and Sandholtz and Katzenstein mentioned above, suggest that

Slovakia would be very much in favor of further integration in the economic sphere. Indeed, joining the eurozone, for example, is of particular importance to countries with high levels of trade dependence given the impact on risk premiums of joining the single currency.

In one of the most significant contributions to the literature on European integration Andrew Moravcsik (1999) saw domestic economic lobbying organizations as central to the process of national preference formation. The power of these groups, he argues, can be seen in member states' positions during treaty negotiations such as the deliberations leading to the Single European Act and Maastricht Treaty.⁴⁰ Indeed, as we argue below, the case of Slovakia appears to provide grist for Moravcsik's mill. Although many societal groups such as trade unions have displayed their weakness in Slovakia, others most notably big business have appeared to be much more powerful.⁴¹ Slovakia's neo-liberal economic agenda under the second Dzurinda-led government may have been driven initially by a small, epistemic community associated with Mikloš and think tanks such as MESA10⁴², but it became increasingly fuelled by powerful business lobbies, especially the fast-growing automotive industry. This pressure from business has continued since June 2006. A desire to entice more foreign investment led the government in December 2006, for example, to agree a 2.5 bn SKK (\$100million) package of incentives for KIA and other multinational companies.⁴³ The drive has not just been for the automotive industry, but also high-tech companies such as Sony, Samsung and Dell.

It would be incorrect, however, to see a simple continuation. Indeed, we can identify a number of differences not least because the business lobby is not a homogenous grouping. Investment firms with close links to the Dzurinda government, such as J&T and Penta, for example, have lost influence, mostly notably in the decision to scrap plans to privatize the capital's airport. In contrast, a grouping of domestic Slovak businesses, Klub 500, with a greater emphasis on production rather than pure profit maximization, has become more influential since the 2006 elections.⁴⁴ Nonetheless, both groups close to

⁴⁰ Moravcsik, *The Choice for Europe*, *op cit.*

⁴¹ D. Malová, M. Rybář, "Organized Interests", G. Mesežnikov, M. Kollár (eds) *Slovakia 2004: A Global Report on the State of Society*. (Bratislava: Institute for Public Affairs, 2005), pp. 231 – 249.

⁴² Fisher et al., "Slovakia's Neoliberal Turn", *op cit.*

⁴³ Vláda Slovenskej republiky, "Uznesenie vlády Slovenskej republiky, number 1060 and 1069", posted at [http://www.rokovania.sk/appl/material.nsf/0/34D67622EE4AA0AC1257245004CA2D9/\\$FILE/Zdroj.html](http://www.rokovania.sk/appl/material.nsf/0/34D67622EE4AA0AC1257245004CA2D9/$FILE/Zdroj.html). Last accessed February 28, 2007.

⁴⁴ We are grateful to Peter Janoška for bringing a number of articles to our attention highlighting the role and activities of Klub 500.

the Dzurinda and Fico governments have pushed for easier access to European markets (i.e. liberalization), but have opposed harmonization, especially in the fiscal sphere. Indeed, given Slovakia's small, open and export orientated economy, business has been pushing hard for the fast adoption of the euro, but simultaneously arguing for the continuation of the national veto on taxation to help maintain their comparative advantage over other firms in the European single market. Moreover, low corporate taxation has helped the country's visibility and contributed to enticing foreign investment into Slovakia.

The close linkage between particular sections of the business sector and both Fico's government and its predecessor is in no small part related to party funding. Not only did Fico criticize Dzurinda for links to particular businessmen and raised questions about the source of the SDKÚ's funding in the 2006 election, but critics of Smer-SD argued that behind Fico and the social democratic façade is a group of businessmen with links to the former Mečiar-era governments with little adherence to social democratic values, but who have backed the prime minister and expect to be rewarded.⁴⁵ Klub 500, for example, had been fighting against Slovak energy privatization for some time and appears to have been rewarded by a favourable energy bill setting up an energy committee for price regulation.

Although we see a clear influence of domestic business interests in pushing the government's agenda, under the Fico government's watch we have witnessed a revival in the power of trade unions, even leading a deputy chairman of one of Fico's coalition partners to suggest the unions constitute a fourth member of the government. Partly as a product of Fico's own ideological leaning, but also thanks to a deal struck between Smer-SD and the main trade union body, KOZ, and the latter's support of the former during the 2006 elections, parliament approved a new tripartite law in February 2007 establishing a Social Partnership Council of government, unions and employers. Moreover, the Fico-led government has pushed for the implementation of a new labor code. Although the latter is the subject of much discussion and political bargaining at the time of writing, at the very least it does indicate the limits of domestic industrial power.

⁴⁵ For example *Týždeň* No. 43, October 24, 2005.

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The influence of financial/business interest groups has been facilitated in part by domestic party politics. The party political scene has been fluid over the past decade and a half, with many examples of new parties being formed. Many of these new parties were elite creations, including Fico's Smer and Dzurinda's SDKÚ.⁴⁶ Not only do elite-created parties tend to be closely associated with their founders and leaders, but also they often lack strongly developed mechanisms of accountability, can be dependent on and beholden to the generosity of initial financial backers, and they can be largely personality-based. In such parties power resides in the leadership, especially in the hands of the founding leader. Fico's position in his party and Smer-SD's entry into government as the largest party, have been accompanied by an increased prime ministerial form of government. In contrast, the Dzurinda government was notable for the way in which different ministries were largely the fiefdom of their respective ministers. Although different, both governments demonstrated the autonomy within their respective parties of a select number of individuals who shaped policy.

Conclusions and Prospects

In this article we have sought to use the Slovak case as a means of illuminating what shapes preference formation in new member states. We contend that ideology is not such a good indicator as previously thought. Rather, we find an explanation based on the country's recent history and size, but linked to the nature of party politics and the power of particular interest groups, the last of which is particularly important in the socio-economic domain. In contrast in older democracies where party competition is more developed and party politics is more stable, parties enjoy a greater degree of autonomy vis-à-vis interest groups.

We would suggest that these insights can be used to test preference formation in other new member states not least because many of the 2004/7 entrants are small, new democracies. Moreover, four other states from Central and Eastern Europe were Luxembourg rejects but Helsinki invitees, where given the perceived overriding objective of membership there was not much debate prior to entry about what type of European Union the countries wanted to belong to. Furthermore, party politics, especially in the Baltic States, have been very fluid in the past decade with new parties emerging

⁴⁶ M. Rybář, "Old Parties and New: Changing Patterns of Party Politics in Slovakia", S. Jungerstam-Mulders (ed) *Post-Communist EU Member States: Parties and Party Systems* (Aldershot: Ashgate, 2006), pp. 147 – 176.

as if from nowhere, with appeals often based largely on valence rather than rooted in ideology. Our analysis of Slovakia might suggest that such parties are likely to be more susceptible to the influence of the business lobby in the shaping of economic policy preferences.

Attempting to assess preference formation of new member states is made more complicated by the fact that our dependent variable is a moving target. Although two of our independent variables are largely fixed (size and history), two others are subject to change. Indeed, there are some indications that party politics is becoming less fluid in Slovakia. The 2006 elections, for example, was the first election since independence when no new parties entered the legislature.⁴⁷ Secondly, domestic interest groups, such as trade unions, clearly have the potential to become much better developed, more organized and in consequence more influential in shaping policy by influencing party politics. We would not, therefore, suggest that the business lobby will always retain its current powerful position, merely argue that the current level of influence is the product of the dependency of political parties on business groups.

More broadly, it is worth stressing that the overarching bases of political contestation in Slovakia until the early part of this decade such as the character of the political regime, illiberal democracy, nationalism and entry into Euro-Atlantic clubs have largely gone. Indeed, the contemporary party political scene has become focused primarily on domestic issues of distribution, allocation and socio-economic organization. These developments have a number of important consequences which are worthy of mentioning in light of EU integration. Firstly, given the pots of EU gold in the form of structural and cohesion funds, who is best placed and how best to milk the EU cash cow to ensure the flow of funds to Slovakia, will be a central theme of political debate in Slovakia. Secondly, with the battles of the past now won, politicians, voters and interest groups will focus on striking the best economic deal for Slovakia. The need to maintain visibility and competitiveness, whilst ensuring continued access to markets is likely to remain at the heart of policy. It seems unlikely that any major political party in Slovakia in the foreseeable future would countenance tax harmonization, as the ability to set tax rates remains one of the key weapons in the armory of government.

The contemporary party political scene has become focused primarily on domestic issues of distribution, allocation and socio-economic organization.

⁴⁷ Haughton, Rybář, "A Change of Direction", *op cit.*

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