Slovakia in EU

Session I: FDI and trade

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Slovakia before 2000

- Slovakia before 1989 – Heavy industries (weapons, chemicals), large agriculture, almost nonexistent private SMEs
- 1990-1993:„shock transformation“
- 1994-1998: „Black hole in Europe“
- 1998: New government (reelected in 2002)
- 1998-1999: Serious economic conditions (rising unemployment, banking crisis, collapsing industries)

Accession era 2000-2004

1998 – new government (reelected in 2002) embarked on a series of economic reforms

- Recapitalisation and privatisation of banking industry
- Privatisation and re-privatisation
- Simplification of tax laws
- Creation of private pension pillar
- Changes in labour code, fiscal reform...
- Floating exchange rate

Accession era 2000-2004

- Slovakia held back in 1997, back on track in 2000
- Financial chapters (Budget, Agriculture, Regional policy) most difficult
- Intermediate periods in Agriculture, Capital, Energy (among others)
- H1/2000 Chapter SME closed (+5 more)
- H2/2000 Chapter Industrial policy closed (+3 more)
- H1/2001 All chapters relating to internal market closed
- After 17 months, Slovakia in line with other countries
- H2/2001 Chapter Energy closed
- H1/2002 – Competition chapter closed
- Agriculture remained one of the issues until last moments

Accession era 2000-2004

- Negotiations generally smooth, EU economic policies mainly in line with internal policies
- Free movement of workers – intermediate period
- Public discussion mainly about cultural issues (strong Christian influence) and partly governance (subsidiarity of social and tax governance)
- Non governmental (economy related) stakeholders (industrial associations, think tanks) underdeveloped, low analytical capacity, lot of internal changes to cope with as well (reforms)

Post 2004

- Massive inflows of FDI in the first years (starting around 2000)
- Strong GDP growth (5-10%)
- Changing structure of the industries
- Strong financial sector

But...

- High unemployment up till mid 2010'
- Reform instability (post 2006)
- Weak rule of law
- Lacking reforms in public sector (education, healthcare, judiciary, e-government...)

FDI and trade

TABLE 3 Annual FDI Inflows per capita in Slovakia, CEFTA-3 (Czech Republic, Hungary and Poland) and Slovakia's Share in Total FDI Inflows to CEEC-10 (in USD and percent)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Slovakia	37	38	34	52	16	127	72	384	326	789	333
CEFTA-3	73	60	167	123	95	169	229	231	241	235	150
Slovakia CEFTA-3 = 100	51	63	**20**	42	**17**	75	31	166	135	336	222
Share in CEEC-10	4 %	4 %	2 %	3 %	1 %	4 %	2 %	10 %	8 %	17 %	12 %

Source: Economic Commission for Europe (various issues) and *IMF Balance of Payments database*

TABLE 4 Annual Average FDI Inflows per capita in CEEC-10 in 1990–99 and 2000–02 (in USD)

Average 1990–99	Hungary	Czech R.	Estonia	Croatia	Latvia	Poland	Slovenia	Lithuania	**Slovak R.**	Bulgaria	Romania
	187	150	122	86	81	71	69	55	**41**	28	24
Average 2000–02	Czech R.	**Slovak R.**	Slovenia	Croatia	Estonia	Hungary	Poland	Lithuania	Latvia	Bulgaria	Romania
	550	**500**	438	325	271	178	169	141	128	101	50

Source: Economic Commission for Europe (various issues) and *IMF Balance of Payments database*

FDI and trade

TABLE 5 Top Five CEEC-10 Export Performers in EU Markets over 1993–2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Index, 2002, 2000 = 100
Estonia	100	214	320	371	432	450	432	594	598	652	110
Slovak Republic	100	145	186	190	197	254	261	236	275	360	153
Romania	100	136	164	163	177	194	199	205	245	326	159
Czech Republic	100	120	136	137	145	170	178	178	202	255	143
Hungary	100	114	132	145	167	200	218	207	225	249	120
CEEC10	100	118	135	135	143	161	164	164	183	219	133
Memorandum:											
Slovak share in CEEC-10	5.01	6.15	6.86	7.04	6.90	7.90	7.96	7.18	7.51	8.23	115
Slovak share in EU imports	0.25	0.37	0.47	0.49	0.50	0.65	0.67	0.60	0.70	0.92	153
Share of EU in Slovak exports	30	35	37	41	47	56	59	59	76	75	128

Source: based on EU as reporter from UN COMTRADE Statistics and IMF Direction of Trade database

FDI and trade

Prognostické práce, 6, 2014, č. 4

Tabuľka 2.1 Vývoz SR do krajín EÚ 27, podiel na celkovom vývoze SR v % (EÚ v každom roku reprezentuje 27 krajín EÚ (bez Chorvátska))

Partner/obdobie	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nemecko	26,9	27,2	26,1	30,9	28,7	25,8	23,0	20,9	19,5	19,5	19,1	20,0	21,2	20,9
Česko	17,2	16,5	15,1	12,8	13,4	14,2	14,3	13,1	13,6	13,4	13,8	14,5	14,0	13,5
Poľsko	5,9	5,8	5,3	4,8	5,5	6,3	6,2	6,2	6,5	7,1	7,5	7,5	8,3	8,5
Maďarsko	4,9	5,4	5,5	4,9	5,2	5,9	6,2	6,6	7,1	7,2	6,9	7,4	7,2	6,5
Rakúsko	8,4	8,1	7,7	7,5	7,8	7,1	6,0	5,8	5,8	6,0	6,9	7,1	6,6	6,1
Francúzsko	4,7	4,0	4,2	3,5	3,6	3,9	4,3	6,5	6,6	7,7	6,8	6,3	5,3	5,0
Veľká Británia	1,9	2,5	2,4	2,1	2,9	3,1	3,9	4,8	4,6	4,5	3,7	3,6	3,9	4,6
Taliansko	9,2	8,9	10,7	7,5	6,3	6,6	6,4	6,2	5,6	6,0	5,5	4,9	4,6	4,5
Holandsko	2,7	2,8	3,1	2,7	3,1	3,4	4,2	3,5	3,2	3,2	2,9	2,4	2,2	2,3
Rumunsko	0,8	1,0	1,0	1,0	1,2	1,6	1,5	1,8	1,9	1,7	1,8	1,9	1,8	2,0
Španielsko	0,9	1,2	1,6	1,6	1,8	2,0	2,8	3,0	2,3	2,3	2,5	2,1	1,7	1,8
Belgicko	2,1	2,4	2,1	2,0	2,1	2,0	1,8	2,1	1,7	1,6	1,6	1,6	1,5	1,5
ost. krajiny EU 27	4,3	4,8	4,7	4,6	5,1	5,3	6,1	6,3	6,8	5,7	5,5	5,5	5,4	5,2
Export SR do EU 27	89,8	90,6	89,5	85,9	86,7	87,1	86,8	86,7	85,3	85,9	84,3	84,8	83,8	82,6

Tabuľka 2.2 Vývoz SR do krajín mimo EÚ 27, podiel na celkovom vývoze SR v %

Partner/obdobie	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Rusko	0,9	1,0	1,0	1,2	1,2	1,6	1,6	2,2	3,7	3,5	4,0	3,6	4,2	4,0
Čína	0,1	0,1	0,3	0,6	0,3	0,4	0,5	0,8	0,9	1,4	2,0	2,6	2,1	2,5
USA	1,4	1,3	1,4	5,3	4,8	3,2	3,2	2,5	1,7	1,1	1,5	1,6	1,9	1,8
Švajčiarsko	1,7	1,5	1,3	1,1	0,8	0,8	0,7	0,8	0,7	1,0	1,0	1,0	1,3	1,6
Turecko	0,4	0,4	0,6	0,7	0,7	1,0	1,0	1,1	1,3	1,7	1,7	1,3	1,4	1,5
Ukrajina	1,2	1,2	1,1	1,0	1,1	1,3	1,3	1,3	1,4	0,7	0,8	0,8	0,7	0,7
Austrália	0,1	0,1	0,1	0,2	0,1	0,1	0,2	0,2	0,2	0,1	0,2	0,2	0,2	0,3
Nórsko	0,4	0,2	0,3	0,2	0,3	0,2	0,2	0,3	0,2	0,2	0,3	0,2	0,2	0,3
ost.krajiny mimo EU	4,0	3,6	4,5	3,7	4,1	4,4	4,4	4,0	4,5	4,4	4,3	3,9	4,2	4,7
Export SR mimo EU	10,2	9,4	10,5	14,1	13,3	12,8	13,2	13,2	14,6	14,1	15,6	15,2	16,2	17,4

FDI and trade – what happened?

- New approach to privatisation and liberalisation attractive
- „EU factor"
- Competitive advantage unleashed(geography, wages, skilled labor)
- Spillover effect

TABLE 7 Suppliers of Volkswagen Slovakia Located in the Slovak Republic, 1997–2000

	1997	1998	1999	2000
Number of direct suppliers	4	19	21	30
Value of supplied inputs (mn USD)	5.3	311.7	334.7	252.8
Number of indirect suppliers	9	17	23	35
Value of supplied inputs (mn USD)	5.4	9.9	14.8	25.7
Total value of supplied inputs (mn USD)	10.7	321.6	349.6	278.5
1997 = 100	100	3,017	3,280	2,613

Source: Skoda Auto Slovensko, s.r.o.

FDI and trade today

- FDI slowdown
- Export concentration (automotive, ICT)
- High share of capital on GDP (but wage share growing)
- Decline and recovery of services exports
- Gradual rise of final products exports (smaller exports of industrial inputs)
- Rising share of non-EU trade partners

Country	Exports of goods and services (% of GDP) (export ratio)[2]	Imports of goods and services (% of GDP) (import ratio)[3]	Imports and Exports (% of GDP) (trade-to-GDP ratio)	Year
Luxembourg	230.0 %	194.0 %	424.0 %	2017
Hong Kong	188.0 %	187.1 %	375.1 %	2017
Singapore	173.3 %	149.1 %	322.4 %	2017
Malta	136.1 %	125.4 %	261.5 %	2016
Ireland	120.0 %	87.9 %	207.9 %	2017
Vietnam	101.6 %	98.8 %	200.4 %	2017
Slovakia	96.3 %	92.9 %	189.2 %	2017
Seychelles	83.1 %	98.2 %	181.3 %	2014
United Arab Emirates	100.4 %	72.4 %	172.8 %	2017
Hungary	90.1 %	82.3 %	172.4 %	2017

Time for questions!

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