

Slovakia in EU

Session II: Industrial policy

INESS

INSTITUTE OF ECONOMIC AND SOCIAL STUDIES

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What accession means:

1. Ensure functioning market economies
2. Removal of factors endangering functioning of the common market
3. Adoption of harmonizing regulations and norms

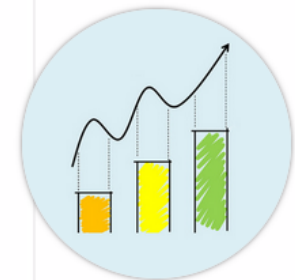
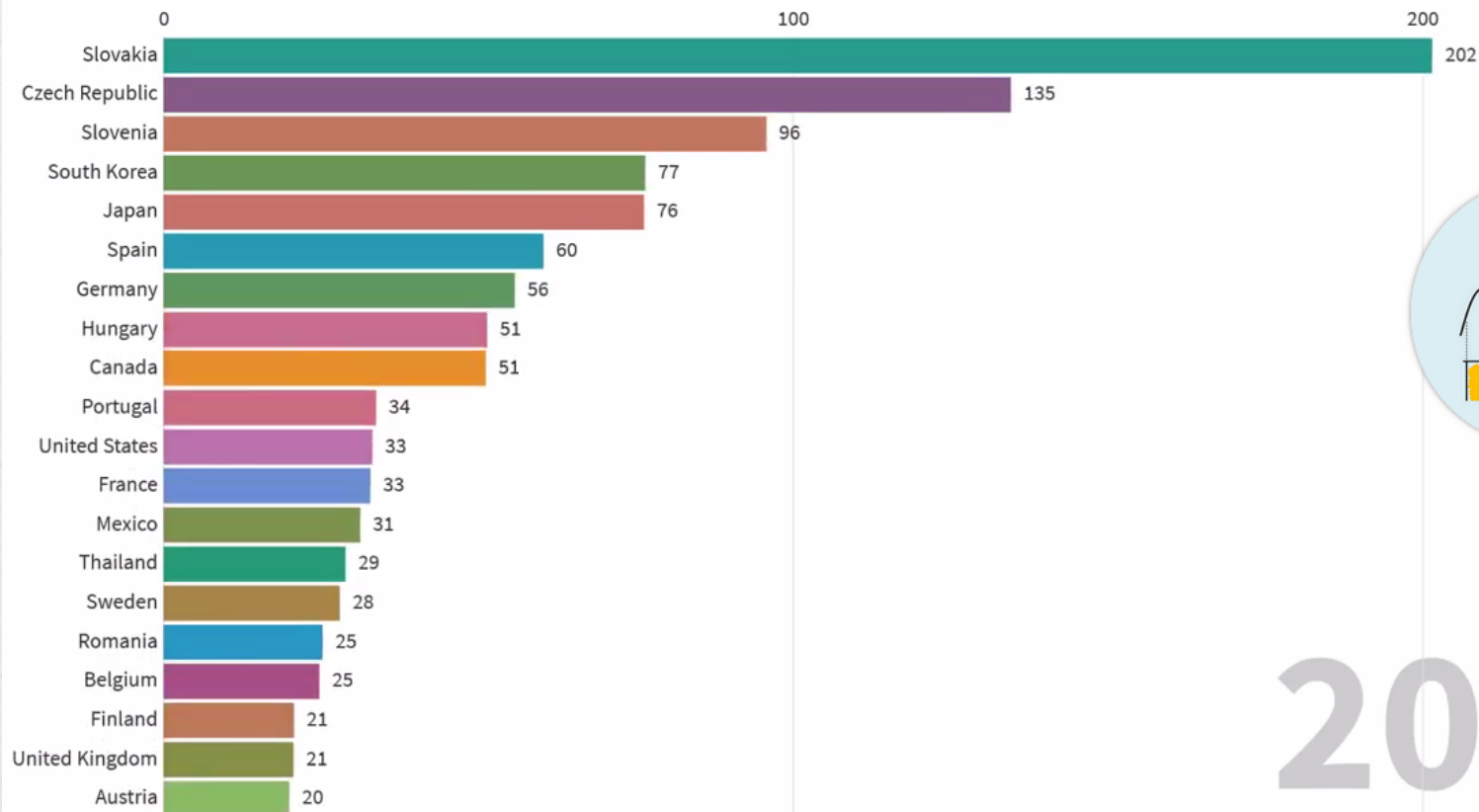
What were the challenges:

1. administering the acquis;
2. deepening and extending the reform and transformation of the economy;
3. reducing the high levels of unemployment and large government, trade, and current account deficits;
4. financing accession in the face of the EU's budgetary constraints and financial provisions; and
5. coping with all of those challenges without jeopardizing the public support for enlargement

Industry

- Rise of Central European automotive cluster

Number of vehicles produced per 1000 inhabitants



2019

Industry

- Decline of steel, chemicals, textile
- Rise of ICT industries

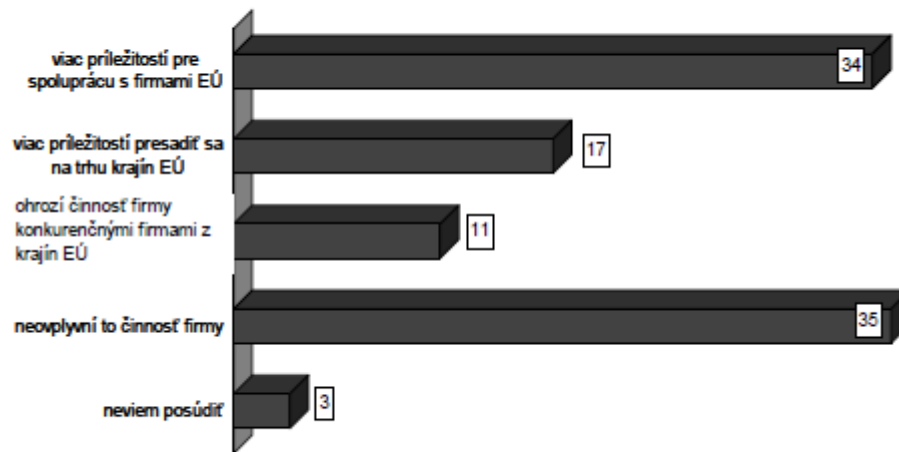
Industry

- Industry restructuring more connected to the 1989 transformation, than accession
- Firmly connected to the global value chain, especially via German capital
- Specialized = concentrated in one main sector
- Bunch of ineffective state-owned companies remains (railway, post, partly energy) with little progress, price (energy) and access (post, railway) liberalisation stalled

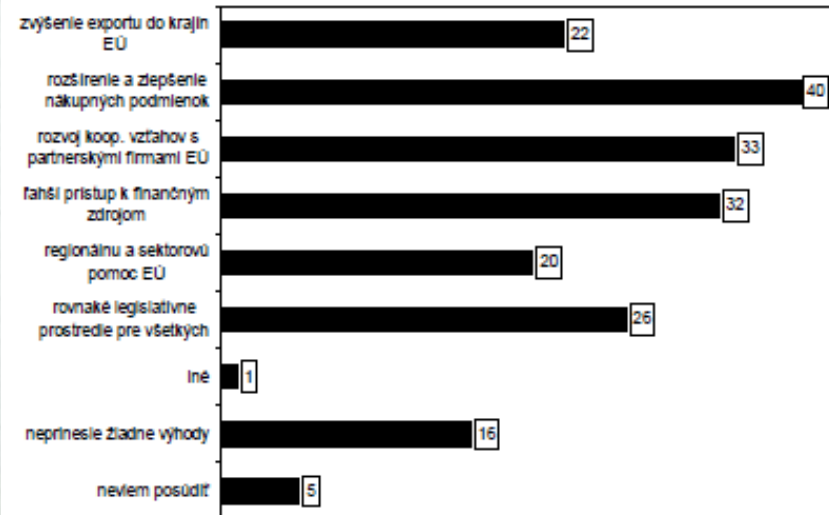
SME

- One of the first closed chapters
- Important role in the economy
- More fragile

Čo prinesie vstup SR do EÚ pre malé a stredné firmy
(údaje v %)



Graf č. 2 Očakávané výhody pre firmu vyplývajúce zo vstupu SR do EÚ / *
(údaje v %)



SME

- Problems to compete in the open market – real, but stimulating
- Challenges to attract investors and scale up
- Rising burden of EU bureaucracy (GDPR, VAT, ...)

Agriculture, F&B

- Pre-1989 agriculture sector overblown
- Failure to reform extremely fragmented land ownership
- Huge farms (ex-coops) with bad governance
- Quota had negative effects (sugar industry)
- Phase-in period for direct payments
- Demotivational effects of direct payments
- Low interest of investors, low adoption of innovations, very low added value per hectare
- F&B unprepared for the requirements of big retailers (unless became part of international network)
- Marketing and business model failures

Agriculture, F&B

- Not a complete loser, but not able to collect full benefits
- Common Agricultural Policy in EU generally ineffective

Regional policies

- Huge economic differences between regions
- Difficult geography (low urbanisation, hills)
- Convergence policies largely ineffective
- FDI focused on several county-clusters
- Subsidies have low effect and are source of corruption
- State aid has low effect

Success and challenges

- Economic convergence ongoing, both in terms of GDP and living standards
- Most parts of Slovak economy have been able to connect to global value chains
- Country remains decently attractive for FDI (JaguarLR)

Success and challenges

- Most success attributable to the bold 2000-2006 reforms
- New reforms stuck (education, health care, judiciary...)
- Regional differences remain high
- Some sectors (agriculture) remain seriously underdeveloped
- Search for new „added value“ (is it an unicorn?)

Success and challenges

Competitiveness ranking



However..EU 2004 is not EU 2021

- Ongoing centralization
- Accumulation of expensive policies on EU-level
- Questionous Recovery and Resilience Facility
- Mounting fiscal problems
- Dangerous monetary policy of Euro area
- Reversal (?) of trade opening outside EU

Time for questions!

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