



Slovakia<sup>1</sup> is situated in Central Europe, south of Poland. In 1918, the Slovaks joined the closely related Czechs to form Czechoslovakia. Following the chaos of World War II, Czechoslovakia became a Communist nation within the Soviet-ruled Eastern Europe. Soviet influence collapsed in 1989 and Czechoslovakia once more became free. The Slovaks and the Czechs agreed to separate peacefully on January 01, 1993. Slovakia joined both NATO and the EU in the spring of 2004.

### Economy

Slovakia has mastered much of the difficult transition from a centrally planned economy to a modern market economy. The Dzurinda government made excellent progress during 2001-04 in macroeconomic stabilisation and structural reform. Major privatisations are nearly complete, the banking sector is almost completely in foreign hands. The Government has helped facilitate a foreign investment boom with business-friendly policies, such as labour market liberalisation and a 19 percent flat tax.

Slovakia's economic growth exceeded expectations in 2001-04, despite the general European slowdown. Unemployment, at an unacceptable 15 percent in 2003-04, remains the economy's Achilles heel. Slovakia joined the EU on May 01, 2004.

### Competition Evolution and Environment<sup>2</sup>

The Antimonopoly Office of the Slovak Republic as a central state administration body was established in 1991 under the Act on the Protection of Competition. Its role is to intervene against competition restriction by firms, agreements restricting competition, abuse of a dominant position and to take preventive control over the market structures through concentrations. The Office may sanction also the conduct of other state authorities or municipality bodies when such conduct distorts competition conditions.

PROFILE	
Population:	5.4 million***
GDP (Current US\$):	32.5 billion***
Per Capita Income: (Current US\$)	4,940 (Atlas method)*** 12,840 (at PPP)**
Surface Area:	48,845 sq. km
Life Expectancy:	73.6 years**
Literacy (%):	99.7 (of ages 15 and above)**
HDI Rank:	42***
Sources: - World Development Indicators Database, World Bank, 2004 - Human Development Report Statistics, UNDP, 2004 (**) For the year 2002 (***) For the year 2003	

The work of the Office is of expert-analytical nature, followed by the issuing of orders. The Office's interventions should sensitively fine-tune the operation of market mechanisms.

Upon accession to the EU, the European dimension of competition legislation application in the Slovak Republic has been strengthened and the Anti-monopoly Office of the Slovak Republic becomes a part of the network of European competition authorities.

### Competition Legislations and Institutions

The Slovak Parliament adopted an Act on Group Exemptions from the Ban on Agreements Restricting Competition in June 2002. The Act aims to harmonise Slovak national legislation with several sets of Community rules, including various block exemptions on vertical and horizontal restraints. It also includes a minor amendment to the Competition Act introducing a simplified procedure when dealing with certain mergers.

\* Original paper submitted in December 2005. Revised in April 2006

1 <http://cia.gov/cia/publications/factbook/geos/lo.html>

2 <http://www.antimon.gov.sk/eng/>

As regards antitrust, the Slovak Act on the Protection of Competition covers the main principles of Community competition rules as regards restrictive agreements, abuse of dominant position and merger control. Since this Act has been complemented by the new Act on Block Exemptions as of June 2002, the Slovak legislative framework is to a large extent compatible with the *acquis*.

As for administrative capacity, the Anti-monopoly Office functions well, with a good track record and a continued high level of staff training. It is understood that the Office will continue to actively develop its resources, particularly in view of the planned modernisation and decentralisation of the application of EU anti-trust rules.

In order to further strengthen the enforcement record, efforts should continue to give priority to cases concerning the most serious distortions of competition, and more deterrent sanctions should be applied. In general terms, an increased awareness of the anti-trust rules, particularly among the business community should be fostered. Training of the judiciary is also required.

The Parliament has passed a significant amendment to the Competition Act with the aim of fulfilling its obligation to comply with EU competition policy and regulation. The amendment entered into force on May 01, 2004, the date on which Slovakia acceded to the EU.

Competition is one of the key areas with the EU. Effective competition is quite important for the working of common European market, above all for the free flow of products, jobs, services and capital. European Commission (EC) decides on cases identical with the areas of responsibilities of the Antimonopoly Office of SR (concentrations, agreements restricting competition, abuse of a dominant position), however the EC decides only on those cases which have the impact on the trade among the member states. The EC may decide also on the cases, which should be assessed by several competition agencies. The aim of such a procedure is to increase the efficiency of the decision-making process and to assess the impact on the common market on a higher level.

#### ***Antimonopoly Office in Slovak Republic (AOSR)***

The main goal of the Antimonopoly Office is to promote and to protect the economic competition, to create conditions for its further development as well as to prevent the creation and maintenance of monopolistic or dominant position of entrepreneurs, if it precludes or restrict economic competition. Its competencies are defined by the Act, which is a decisive instrument by assurance of the competition protection and creation system.

The Anti-monopoly Office enjoys powers handed down by special regulations including European Council Regulation 1/2003 and EC Regulation 139/2004.

The Anti-monopoly Office is required to focus on the following aspects to buttress support and protection of a competitive environment:

- evolution of the market;
- market structure and market share of present competitors;
- substitution possibilities;
- economic power of customers and suppliers; and
- market access.

#### **Anticompetitive Business Practices**

Decisions which may be taken by the competition authority of Slovakia, namely the Antimonopoly Office, with respect to anticompetitive business practices are as follows:

- if the Office considers an agreement to be a competition restricting agreement, it can make the decision to prevent the implementation of such an agreement;
- if the Office discovers that an organisation or enterprise is attempting to abuse its dominant position, it can issue a decision insisting that the organisation abstain from such behaviour;
- the Office takes decision regarding concentration;
- the Office can demand corrective action if state administrative bodies and municipalities restrict economic competition;
- the Office supports economic competition in the privatisation process from the view of appropriate deconcentration;
- the Office participates on identification and elimination of market entry barriers;
- the Office ensures the propagation of principles of economic competition protection; and
- the Office represents the SR both in international discussions as well as in all agreements in the field of economic competition.

#### **State Aid**

It is necessary to examine the laws pertaining to state aid, since state aid may, by favouring particular firms or products, vitiate fair and free competition in the market and yet in certain contexts it is simply essential to grant state aid to protect, for instance, small and medium enterprises.

A revised Act on State Aid entered into force in November 2001, which broadly brings Slovak legislation in this field in line with Community *acquis*<sup>3</sup>. In particular, the Act updates Slovakia's rules on regional aid and on aid to the sensitive sectors, and also incorporates the key provisions of the recent Community block exemptions on aid to SMEs,

3 The French term *acquis* is used in EU law to refer to the total body of EU law accumulated so far.

on training aid and on *de minimis*<sup>4</sup> aid. An Act on Investment Incentives, which entered into force in January 2002, brought the conditions for granting certain investment incentives broadly into line with the *acquis*.

Besides, in June 2002, the Slovak Parliament adopted an Act amending the existing fiscal aid schemes under Articles 35 and 35a of the Income Tax Law. This will enter into force on September 01, 2002. As a result, all new aid granted in accordance with these provisions from the fiscal year 2002 must comply with the relevant state aid rules.

Both the Act on Investment Incentives and the revised Act on Income Tax provide for individual *ex ante* monitoring of all aid projects by the Slovak State Aid Office (SAO). In addition, during the reporting period, a new regional aid map was proposed by Slovakia with maximum aid intensities of 20 percent net for the Bratislava region and 50 percent net for the rest of the country, thereby taking into account the latest regional GDP figures. In January 2002, Slovakia presented to the Commission a state aid inventory covering cases approved in 2000 and 2001.

As regards state aid, the State Aid Act encompasses the main principles of state aid control, although Slovakia will have to continue to update its legislation in line with recent developments in the *acquis*, such as the Community Rescue and Restructuring Guidelines, and the Guidelines on environmental aid. On the question of steel, state aid granted in Slovakia is not compatible with Protocol 2 of the Europe Agreement. This issue needs to be addressed as a matter of urgency.

As regards transparency, state aid reports have been submitted for the years up until 2000. They now follow closely the methodology and presentation of the EC's survey on state aid in the EC and are of satisfactory quality. The State Aid Office has improved its functioning markedly, although further training efforts are necessary. It is now building up a track record of enforcement. Efforts should continue to further increase awareness of state aid rules among market participants, as well as aid grantors and the judiciary.

## Sectoral Regulation

### Power Sector

Slovakia has made good progress with *strengthening the oil stock body*, including increasing its staff in 2002 as set out in the Action Plan and with preparatory works for the *internal market* (electricity and gas directives), including the establishment of a transmission system operator. However, there is a need to further strengthen the internal energy market's administrative capacity. As foreseen in the Action Plan, Governmental Regulations on Energy Labelling of Household Appliances entered into force in May 2002, but overall progress in the field of *energy*

*efficiency and use of renewable energy sources* is slow. Overall, the Accession Partnership priorities in the energy sector have been partially met. Implementation of the Action Plan is on track.

### Telecommunications Sector

Slovakia has not yet completed its alignment with the EU *acquis*. Whereas further progress was achieved in the postal sector with the adoption of the Act on Postal Services, alignment in the telecommunication sector did not advance, as the Slovak Parliament rejected the adoption of further necessary amendments in the reporting period. The separation of regulatory and ownership functions, as also set out in the Action Plan, has not yet been completed, as the relevant Ministry continues to exercise the state's property rights. Thus, this Accession Partnership priority has been met only to a limited extent. Implementation of measures under the Action Plan is partially on track.

### Consumer Protection

Some progress has been made in developing a functioning market surveillance mechanism. In April 2002, a new Act on State Supervision of the Internal Market in Consumer Protection Issues entered into force, which strengthened the responsibilities and the coordinating role of the Slovak Trade Inspectorate. As the main body in charge of market surveillance in the non-food area, the Inspectorate will assume the responsibilities in this area of the regional and district state administration authorities, and cooperation with those authorities dealing with veterinary and foodstuffs issues, health protection and customs will be improved.

The Inspectorate's capacity is being reinforced through the recruitment of additional staff, mainly consisting of personnel responsible for the performance of direct inspection activities. During 2001, trade inspectors from the Slovak Trade Inspectorate carried out 22,047 inspections to check conformity of consumer products with regulations covering safety specifications, quality, and labelling and information provided for the consumer. In 13,678 cases (62 percent) administrative measures in the form of fines and/or suspension from the market were taken. In 13,149 cases there was a ban or restriction on the sale of the products concerned, which related to 90,906 products with a total value of some SKK 447 million (about •10.3mn). In addition to these actions, the Inspectorate received 2,941 consumer complaints to investigate.

In 2002, the Ministry of the Economy increased the level of financial support to non-governmental consumer organisations from SKK 1 million (around •23,000) to SKK 2.8 million (around •65,000). In the course of 2001/02 various consumer education activities were promoted, for example a conference on 'Educating Today Tomorrow's Consumers' by the Association of Slovak Consumers

4 *De Minimus*, in a legal sense, means something so minimal as to be unworthy of the law's attention.

(ZSS); education and training of mainly young consumers through the ongoing national and international youth competition 'Consumption for Life' (A3S); and publication of various consumer magazines.

A functioning consumer protection system exists in Slovakia, which includes several elements of the Community *acquis* in this area, including legislation on misleading advertising, consumer credit, package travel, and liability for defective products. A decree aimed at transposing the *acquis* on the indication of prices has yet to enter into force. Some shortcomings both in the safety and non-safety areas still have to be addressed, however. Further, alignment is needed for example as regards general product safety, timeshare, injunctions for the protection of consumer interests, unfair terms in consumer contracts and certain aspects of the sale of consumer goods and associated guarantees.

In the area of market surveillance, the Slovak Trade Inspectorate's role has been strengthened through recent legislative changes. It is too early to comment, however, on the impact of these developments on the efficacy of the surveillance system, particularly in terms of the need for improved co-ordination referred to in last year's Regular Report and the importance of involving business and consumer organisations in market surveillance activities to complement the actions of the public market surveillance administration.

The Slovak Trade Inspectorate has participated in the TRAPEX system since May 1999 (Transitional Rapid Exchange of Information System), connecting the market surveillance authorities of the Central and Eastern European applicant countries with those of the EU Member States. By July 2002, 226 TRAPEX notifications had been received in Slovakia; three of the notified products were also found on the Slovak market and their sale subsequently prohibited. Slovakia put 43 notifications into the TRAPEX

system. Dangerous products detected in Slovakia are in particular textiles and electrical appliances.

The consumer movement in Slovakia includes two main umbrella non-governmental consumer organisations, the Association of Slovak Consumers ('ZSS', active since 1990) and the Association of Consumer Entities of Slovakia ('A3S' which began operating in 2000). Separate consumer organisations operate at sub-national level or are specialised in specific areas of consumer protection. Good cooperation is in place between the government and consumer NGOs.

Consumers' awareness about their rights and businesses' awareness about their responsibilities is developing progressively, although general consumer awareness of consumer law and its application could still be improved. The number of consumer complaints registered with the Slovak Trade Inspectorate seems to be relatively small, possibly reflecting a somewhat low level of awareness regarding their rights or perhaps also a low expectation that cases can be solved satisfactorily due to cost-benefit/economic considerations or burdensome and lengthy administrative procedures. There is currently no system for out-of-court dispute settlement in Slovakia.

#### **Concluding Observations and Future Scenario**

Slovakia has made steady progress in adopting competition legislation, developing the Anti-Monopoly Office's administrative capacity and establishing an enforcement record. More recently, good progress has also been made in adopting state aid legislation and increasing transparency of the system, as well as in developing administrative capacity in the State Aid Office. An enforcement record is also emerging, although further strengthening will be necessary in this respect. Overall, on legislative alignment, administrative capacities and enforcement record, Slovakia is reasonably advanced.

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