U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

Slovakia's economy continued to slow in 2013, primarily due to weak demand from its main export markets of Germany and the Czech Republic and slow economic conditions in the Eurozone in general. The Slovak economy grew 0.9% in real GDP terms in 2013 (est.), with modest growth in exports and slight decreases in the household consumption and investment. Unemployment remains high at 14.2%, the sixth highest in the EU28, and exceeds 20% in some areas of eastern and southern Slovakia. Long term unemployment and youth unemployment remain stubborn problems for the economy despite GDP growth which has generally outpaced the EU28 as a whole since 2009. Slovakia's fiscal deficit as confirmed by EUROSTAT stood at 2.8% of GDP at year-end 2013, bettering the target of 3% established at the start of the year. Public debt has increased from 52.2% to more than 55% of GDP in 2013, but remains relatively modest in comparison with many of its European Union neighbors. Standard and Poors rates Slovakia an "A" with a stable outlook. Slovakia remains committed to meeting EU-mandated fiscal targets as evidenced by its performance in reducing its fiscal deficit to less than 3% of GDP in the past year. In order to increase revenues to meet the 3% mandate, effective January 1, 2013, Slovakia scrapped its flat income tax of 19%, raised the corporate tax rate to 23 percent, and established a progressive tax for individuals, targeting high earners

Slovakia began to outperform its EU neighbors economically after the government adopted comprehensive structural reforms in 2000-2005. These reforms included a 19% flat income tax, which led the World Bank to name the country the world's top reformer in improving its investment climate in its "Doing Business in 2005" report. Slovakia's relatively low-cost yet skilled labor force, low taxes, a liberal labor code and favorable geographic location within the European Union (EU) helped Slovakia become a favorite investment destination.

The election of the center-left Smer party (2006-2010), led by Prime Minister Robert Fico, slowed reform momentum. The government rolled back earlier reforms in labor, pension, and social and health insurance. The Fico government's commitment to adopting the euro in 2009 tempered proposals to overhaul previous reforms. Slovakia joined the European Monetary Union on January 1, 2009. Nonetheless, the Business Alliance of Slovakia has reported a continuous downward trend in the business environment since 2006. The Alliance cites the slow, non-transparent, and ineffective legal system, an increasing bureaucratic burden on companies, and an ineffective political system as the biggest challenges to the business environment.

Elections in June 2010 brought a new four-party, center-right coalition government into power with a razor-thin majority in parliament, but that government lasted only ten months before falling over disagreements on the European Financial Stability Facility. In March 2012, the center-left Smer party, with a strong showing at the ballot box, resumed control of the government with a single-party mandate. The new Smer government is committed to meeting all EU targets and to being a responsible member of the Eurozone. In an effort to meet the EU's deficit and public debt targets, the government adopted the series of new taxes and levies mentioned above, marking the end of the flat tax era. The effort to decrease the deficit to less than 3% of GDP was assisted by the current Slovak government's introduction of a series of one-off measures worth more than EUR 500m according to the recent Fiscal Council report.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

The flow of FDI into Slovakia has declined since 2007 due to changes in the government's investment policies and a less attractive business environment in general. The inward flow of FDI to Slovakia was only 60.3 million USD in 2012 and cumulative FDI inflow stands at about 50 billion USD (National Bank of Slovakia estimates). An informal survey by the U.S. Embassy showed U.S. investments in Slovakia at about 4.5 billion USD for current and future commitments, making the U.S. the third largest source of FDI in Slovakia. Official Government of Slovakia (GOS) statistics differ, as many U.S. investments are credited to third countries based on investors' corporate structures. For example, U.S. Steel Kosice, and the Slovak-based operations of Cisco Systems, Dell, and IBM are registered as a Dutch entities. According to the National Bank of Slovakia, 2012 data, the largest foreign investors in Slovakia in order of size were: the Netherlands, Austria, Germany, Italy, the Czech Republic and Hungary.

Laws/Regulations of FDI

In 2011, the center-right government approved a new Act on Investment Incentives - number 231/2011. The legislation regulates the conditions under which investment incentives are made available to foreign and domestic investors and specifies a preference for tax breaks and tax holidays over direct cash support to investors. The period for potential tax benefits increased from five to 10 years, and investments in specifics regions with high unemployment or in higher value-added industries received priority. While many of these provisions remain in effect, the Smer government amended the investment incentives procedures in 2013 – Act 70-2013. The new law has expanded the number of applicants, which might be eligible for such an incentive by decreasing the value of obligatory investments. The law also focuses on investment support with high added value. On the other hand, it provides stricter rules when it comes to the creation and sustainability of new jobs and education requirements towards employees.

Slovakia has no formal performance requirements for establishing, maintaining, or expanding foreign investments. However, such requirements may be included as conditions of specific negotiations for property involved in large-scale privatization by direct sale or public auction. (See the "Openness to Foreign Investment" section for details on incentives). Foreign entities have no obstacles in participating in GOS-financed and/or subsidized research and development programs and receive equal treatment to that of domestic entities. There are no domestic ownership requirements for telecommunications and broadcast licenses.

The law on defense offsets came into effect on January 1, 2008. The law outlines the basic principles and responsibilities of the supplier and the relevant state institutions (Ministry of Defense, Ministry of Economy, interdepartmental offset committee) for offset programs in Slovakia, based on similar legislation in other EU and NATO countries. The law requires offsets of 20% direct or 30% for a combination of indirect and direct offsets of the value for defense contracts worth over EUR 6 million ($8.2 million). The offsets can be reduced by a set formula if applied in specific areas such as technology transfer, R&D, education, IT, and direct investments.

Privatization Program

In 2013 the Government announced its intention to sell its 49 percent stake in Slovak Telekom. The sale is expected to be concluded in 2014.

TABLE 1:

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(61 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(57 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(49 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(36 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	USD 17,190	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

The Foreign Exchange Act (312/2004) governs foreign exchange operations and allows for easy conversion or transfer of funds associated with an investment. As a member of the OECD, Slovakia meets all international standards for conversion and transfer policy. In 2003, an amendment to the Foreign Exchange Act liberalized operations with financial derivatives and abolished the limit on the export and import of banknotes and coins (domestic and foreign currency). Since January 2004, an amendment to the Foreign Exchange Act authorized Slovak residents to open accounts abroad and eliminated the obligation to transfer financial assets acquired abroad into Slovakia. Non-residents may hold foreign exchange accounts. No permission is needed to issue foreign securities in Slovakia, and Slovaks are free to trade, buy, and sell foreign securities. There are very few controls on capital transactions, except for rules governing commercial banking and credit institutions, which must abide by existing banking and anti-money laundering laws.

3. Expropriation and Compensation

The constitution of Slovakia and the commercial and civil codes permit expropriation only in cases of public interest, with a requirement to provide compensation. The law also provides for an appeal process. Nevertheless, the current Smer government has openly discussed the possibility of expropriating the two private health insurance companies operating in Slovakia as a part of its plan to move toward a single-payer healthcare system. The process has been delayed according to its original time schedule and no final decision has been approved. In December 2007, the Government of Slovakia approved a new expropriation (or eminent domain) law that allows the state to construct highways on private property without prior consent of the landowner, if the construction parcel is considered "strategic" for Slovak interests. Owners would be compensated by the state after the fact. The legislation was aimed at speeding up highway construction projects to finish the connection between Bratislava and Slovakia's second city, Kosice. It was challenged by several civil society groups and MPs in the Constitutional Court in 2008. On January 26, 2011, the Constitutional Court ruled that the provisions of the Law on Extraordinary One-Off Measures in Preparation of Road and Highway Construction are in contradiction with the Constitution of the Slovak Republic and international agreements.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Slovak judicial system is comprised of general courts, Supreme Court, and the Constitutional Court. General courts decide civil and criminal matters and also review the legality of decisions by administrative bodies. The 54 District courts are the courts of first instance. The eight regional courts hear appeals. The Supreme Court of the Slovak Republic is the court of final review in selected cases. A special court focused on cases involving corruption, organized crime, and crimes committed by senior public officials was created in 2005. It was subsequently abolished by a judgment of the Constitutional Court in 2009, but was soon replaced with a similar court with changed jurisdiction in such a manner that crimes committed by senior public officials were excluded and most serious crimes like premeditated murders were included into the jurisdiction of the court. The Judicial Council nominates General Court Judges. These judges receive lifetime appointments from the President of the Slovak Republic and may only be removed for cause. The Constitutional Court of the Slovak Republic is an independent judicial body that decides on the conformity of legal norms, adjudicates conflicts of authority between government agencies, hears complaints -- including individuals' and legal entities' complaints of constitutional rights violations including human rights violations -- and interprets the Constitution or constitutional statutes. The President appoints Constitutional Court Judges from a list of candidates provided by Parliament. Judges are appointed to 12-year terms.

Bankruptcy

The current law on bankruptcy and restructuring entered into effect on January 1, 2006. Its main aim was to shorten the duration of cases and to increase the volume of revenues recovered. The law allows companies to undergo court-protected restructuring and individuals to discharge their debts through bankruptcy. According to the International Monetary Fund, the act overhauls ineffective bankruptcy procedures by speeding up their processing, improving creditor rights, reducing discretion by bankruptcy judges, and randomizing the allocation of cases to judges to reduce the potential for corruption. As of January 2012, the Amendment on Bankruptcy and Restructuring, and on Amending and Supplementing Certain Acts, came into force. Its objective was to simplify the procedure for lodging creditors' receivables claims, including situations in which a creditor can lodge multiple unsecured receivables claims by means of one application. Under the new law, a creditor is obliged to lodge its claim with the trustee only, and creditors can submit their receivables even after the primary 45-day filing period has lapsed from the moment bankruptcy is declared.

Investment Disputes

International Arbitration

Slovakia is a contracting state of the International Centre for Settling International Disputes (ICSID), the World Bank's Commercial Arbitration Tribunal (established under the 1966 Washington Convention). Slovakia is also a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitrage Awards.

Slovakia accepts binding international arbitration, and the Slovak Chamber of Commerce and Industry has a court of arbitration for alternative dispute resolution; nearly all cases involve disputes between Slovak and foreign parties. Slovak domestic companies generally do not make use of arbitration clauses in contracts.

In 2008 the Fico government passed a law that banned private health insurance companies from paying dividends to their shareholders, severely limited allowable overhead costs, and required companies to plough their profits from public health insurance back into the healthcare system. In response, Dutch insurer Achmea, owner of Union Zdravotna Poistovna, one of the two private health insurance companies operating in Slovakia, filed for arbitration at the International Arbitration Tribunal. In December 2012, the Tribunal ruled in favor of Achmea and ordered the Government of Slovakia to pay EUR 22 million in damages and EUR 3 million in court costs. During 2013, the Slovak government tried to appeal the extraordinary remedy to the Federal Court of Justice in Germany; however, it received a negative decision. In January 2013, the Slovak government also appealed the decision and is trying to cancel the arbitration at the Upper Arbitration court in Frankfurt, Germany.

In 2012, U.S. Steel Corporation, through its Dutch subsidiary U.S. Steel Global Holdings, sued the Slovak Republic for setting new, higher tariff fees on electricity production which is self-generated for the company's internal use. The arbitration is ongoing.

Increase in electricity grid connection fees of several major private manufacturing companies were questioned in 2011. The Regulatory Network Authority increased the electricity connection grid fees for self-producers of electricity from 30% of the regular fees to 100% of the fees. Private companies which have invested in building their own private power plants within the company compound and solely for the company's own use now must pay 100% of the electricity grid connection fees, a situation which many companies consider grossly unfair.

Though the Ministry of Economy announced a willingness to resolve this issue by offering a compromise solution to the private companies, the issue remains unresolved.

Duration of Dispute Resolution

The legal system generally enforces property and contractual rights, but decisions may take years, thus limiting the utility of the courts for dispute resolution. Slovak courts recognize and enforce foreign judgments, subject to the same delays. Although generally the commercial code appears to be applied consistently, the business community sees lack of legislation protecting creditor rights, corruption and political influence as significant problems in the legal system. U.S. and other companies have reported to Embassy officers instances of multi-million dollar losses that were settled out of court because of doubts about the court system's ability to offer a credible legal remedy.

5. Performance Requirements and Investment Incentives

Not applicable.

6. Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity in Slovakia. In theory, competitive equality is the standard by which private enterprises compete with public entities. In addition, businesses are able to contract directly with foreign entities. Private enterprises are free to establish, acquire, and dispose of business interests, but all Slovak obligations of liquidated companies must be paid before any remaining funds are transferred out of Slovakia. Non-residents from EU and OECD member countries can acquire real estate for business premises. Since January 2004, there are no restrictions for Slovak residents on the purchase, exchange, and sale of real estate abroad.

7. Protection of Property Rights

Real Property

Secured interests in property and contractual rights are recognized and enforced. The mortgage market in Slovakia is growing, and a reliable system of recording such interests exists. However, titles to real property are often unclear and can take significant amounts of time to determine. Legal decisions may take years, thus limiting the utility of the court system for dispute resolution.

Slovak courts recognize and enforce foreign judgments, subject to the aforementioned delays, and the commercial code is applied consistently. Amendments to the bankruptcy law in 2011 by Act No. 348/2011 (entered into force in January 2011), have improved creditors' rights and simplified the procedure for lodging creditors' receivables in bankruptcy cases. Legislation passed in 2009 that provided for easy expropriation of private land for public projects was later overturned by the Constitutional Court. The business community considers corruption a significant factor in the court system and, therefore, sometimes goes to extraordinary lengths to avoid litigation in Slovak courts.

Intellectual Property Rights

In general, patents, copyrights, trademarks and service marks, trade secrets, and semiconductor chip design appear adequately protected under Slovak law and practice. Protection of intellectual property rights (IPR) falls under the jurisdiction of two agencies. The Industrial Property Office is responsible for most areas, including patents, and the Ministry of Culture is responsible for copyrights (including software). Potential changes in the Copyright Law are currently under the discussion with the relevant stakeholders in the country. Slovakia is a member of the World Trade Organization (WTO), the European Patent Organization, and the World Intellectual Property Organization (WIPO). The WTO TRIPS agreement is legally in force in Slovakia, though no cases have occurred to test actual enforcement. Slovakia also adheres to other major intellectual property agreements including the Bern Convention for Protection of Literary and Artistic Works, the Paris Convention for Protection of Industrial Property, and numerous other international agreements on design classification, registration of goods, appellations of origin, patents, etc. In December 2012, the government announced plans to establish a new unit in the Ministry of Finance to deal with issues of digitalization and related IPR issues. The unit would be only advisory in nature.

In 2006, Slovakia was taken off the Watch List of the U.S. Trade Representative’s annual interagency "Special 301" review, in recognition of the significant progress that the GOS had made in addressing concerns related to the protection of pharmaceutical patents in Slovakia. Slovak authorities adopted legal and administrative measures to ensure that patent-infringing drugs are not given market authorization; some of those measures have since been weakened to accord with current EU norms. The government also built a new secure facility to house confidential pharmaceutical test data.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Robert D. King KingRD@state.gov

Local lawyers list: http://slovakia.usembassy.gov/service/american-citizens-services/living-in-slovakia/lawyers-in-slovakia.html

8. Transparency of the Regulatory System

Investors have expressed frustration with a general lack of transparency and predictability in Slovakia. Many have criticized the process for obtaining residency permits for expatriates to work in Slovakia as difficult and time-consuming, stressing in particular that authorities are not always consistent in their knowledge or application of regulations. These procedures, however, do not differ significantly from those of other EU countries. Over time, the government has eased some restrictions; notably, Slovak authorities no longer require an apostil on FBI criminal background results. An updated law governing the stay of foreigners, effective from January

2012, introduced some improvements while changing other requirements; for instance, applicants must now submit all documents at once, which may prevent applicants who have not prepared in advance from starting the process within a 90-day visit to the Schengen area. Investors have long complained that purchasing land and obtaining building permits are time-consuming and unpredictable processes. However, improvements, including the web portal **www.katasterportal.sk**, which enables interested parties to verify information about land ownership online, have started to ease the process.

The Commercial Code and the 1991 Economic Competition Act govern competition policy in Slovakia. The Anti-Monopoly Office is responsible for preventing noncompetitive situations. The Competition Act was amended at the end of 2013, and will provide more flexible rules for mergers clearance and sets new rules for leniency programs. Another new measure implemented in 2013 is a financial benefit for private individuals who report cartel agreements of up to 1% of the fine imposed upon the cartel. The Law on Public Procurement was changed substantially in 2013. The new Public Procurement law harmonized all provisions with relevant EU directives on the subject and introduced a more centralized approach towards general government purchases which are now governed by the Ministry of Interior. Although government officials believe the new Public Procurement law will result in substantial savings in government purchases, business stakeholders and NGO activists claim that the new law brings less transparency and could facilitate potential bid rigging agreements. An electronic tendering system, operated by the Public Procurement Office and the Ministry of Finance that was adopted in 2007 to support the tendering cycle remains in place. Nevertheless, the transparency and integrity of public tenders remain concerns which have led to the dismissal of government ministers and to inquiries on the part of the European Commission. Lack of transparency in public tenders ranks among the areas of most concern to foreign investors in Slovakia.

Foreign investors and foreign companies doing business in Slovakia have complained about poor law enforcement and a lack of transparency in regulatory processes in several industries. A number of regulatory bodies are considered by the business community as less than fully independent (including the Telecommunication Office and the Authority for Regulation of Network Industries). Political pressure on regulators in several offices has at times resulted in changes of leadership to influence the outcome in specific regulatory adjudications.

In 2011, the Telecommunications Regulatory Authority of the Slovak Republic awarded 10-year license fees to the two major Slovak telecommunication operators – French Orange and German T-Com – that should reach 63 million USD (T-Com) and 53.7 million USD (Orange). The Supreme Court is reviewing this decision, due to allegedly inaccurate calculations on the number of potential customers. The Authority for Regulation of Network Industries, an independent regulatory body within the Ministry of Economy responsible for approving prices of electricity, natural gas, and heat for households, has often come under scrutiny for seemingly politically-biased decisions.

The government has occasionally used emergency legislative procedures in cases affecting businesses. This practice drastically shortened the public comment period for some proposed laws and regulations to practically nothing, a measure that various business groups vigorously protested. One law passed under this shortened legislative procedure was the controversial "strategic companies" law introduced in 2009. The law brought about a major change in bankruptcy and restructuring procedures, allowing the state the right of first refusal in acquiring distressed companies in certain sectors. The law was drafted, introduced, and passed in roughly a week, with no formal period for public comment. The "strategic companies" law expired at the end of 2010 and was not renewed by the current government. Another example, from 2008, changed corporate governance rules for companies in regulated network industries to allow the state to determine utility prices. Again, this highly controversial legislation was brought to a vote in Parliament and signed into law with virtually no public comment period.

Another recent example, from 2013, involves an additional amendment to the Public Procurement Law, when a small amendment to the law was introduced and adopted in just 11 days even though the larger amendment was still under the discussion with relevant stakeholders.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System, Hostile Takeovers

Financial market supervision was integrated under the National Bank of Slovakia in 2006. Under this reform, the Financial Market Authority was dissolved, and all its powers and responsibilities, including coverage of banking, capital markets, insurance, and pension supervision, were transferred to the National Bank of Slovakia. Financial Market Supervision Act No. 747/2004 and the Act on the National Bank of Slovakia No. 566/1992 govern financial market supervision.

Slovakia's financial sector felt the pinch of the Eurozone debt crisis during 2011; however, effects began to ameliorate during the first six months of 2012. No Slovak bank reported any significant, direct, adverse effects on its profitability, capital, or liquidity position as a result of the crisis. The banking sector in Slovakia enjoys robust liquidity. While most banks operating in Slovakia are subsidiaries of foreign-owned institutions, they report minimal dependence on their mother companies for financing. As of 2013, the National Bank of Slovakia estimated banking assets over EUR 60 billion. Credit demand was increasing, especially in the segment of retail banking – increasing by 9.5 percent, which also positively influenced the profitability of banking sector. Another positive trend recorded in the Slovak banking sector was the continuous increase of minimum capital requirements to 17.5 percent. Thanks to the increased lending activity, increased minimum capital requirements, and the ability of banks to generate net interest income, the Slovak banking sector was resistant to the negative external developments in financial markets and the slowdown in the Slovak economy.
The Bratislava Stock Exchange (BSSE) is a joint-stock company whose activities are governed primarily by the Stock Exchange Act No 429/2002. Only Stock Exchange members and the National Bank of Slovakia are authorized to conclude stock exchange transactions directly. The BSSE was admitted as an associate member of the Federation of European Securities Exchanges (FESE) in 2002. BSSE became a full member of FESE on June 1, 2004.

At the end of 2013, BSSE recorded 254 issues of various financial instruments. That includes 25 issues placed on main listed market, 43 issues on the parallel listed market and 186 issues on the regulated free market. 247 of the issues were denominated in euros; seven of them were in Czech crowns. In 2013, BSSE launched 51 new emissions of securities for a total value of EUR 6.87bn and CZK 1.25 bn. All emissions issued in 2013 were bonds.

The Slovak government continued to refinance its debt through 6 issuances of Treasury bonds with a short-term maturity in total value of EUR 2.55bn. BSSE reported EUR 9.42 billion in new capital traded in 2013. In January 2014, Slovak government issued its Treasury bonds with 15 years maturity on the historically lowest level of 3.6 percent yield in total volume of EUR 1.5 bn.

Background documents:
Financial market overview by National Bank of Slovakia:
http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/ASFS_1h2013.pdf
http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/ASFS_1h2012.pdf
http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/ASFS_2011.pdf

Data on the banking sector:
http://www.rokovania.sk/File.aspx/ViewDocumentHtml/Mater-Dokum-148580?prefixFile=m_

Annual Report of the Bratislava Stock Exchange:
http://www.bsse.sk/Portals/2/Resources/statistics/year/Factbook-2013-BSSE-final.pdf

10. Competition from State-Owned Enterprises

In general, state-owned enterprises and private companies compete on a level playing field. There are, however, several instances in which this has not been the case. In 2008, the government imposed strict return guarantee requirements and fee limits on private pension funds. Many industry analysts believe the government instituted these requirements to eliminate competition against the state-run "pay-as-you-go" pension system and to encourage investors to move their savings back into the deficit-plagued state. The SMER government decreased the contribution to the 2nd pillar from original 9 percent to 4 percent during 2012, claiming it as a consolidation measure, necessary due to public finance problems. The Achmea health insurance company arbitration case, mentioned in the Dispute Settlement section above, is also seen as an attempt by the government to push private companies out of the insurance business to consolidate the government's role. In particular, the government's attempt to restrict Achmea's payment of dividends to its policyholders was widely seen as an effort to limit competition with the state-owned insurance company, which has a 70% market share. During 2013, SMER government introduced a plan of single insurer company, which would expropriate both private health insurers Achmea and Dovera. The plan is far behind its original schedule, however SMER government hasn't ruled out this idea.

11. Corporate Social Responsibility

Under a government program, corporations can direct 2% of their corporate income tax to non-governmental organizations (NGOs). Many corporations take advantage of this opportunity, making this program a key funding sources for NGOs. Some in the government have proposed limiting or eliminating this donation to increase revenue collection efforts. Most major foreign investors operating in Slovakia have Corporate Social Responsibility (CSR) programs, ranging from employment and education programs for underprivileged minorities to fundraising for charities and NGOs. For example, Whirlpool has a Habitat for Humanity program; U.S. Steel Kosice has a Roma employment program; and Johnson Controls has a community volunteer program. U.S. companies have been recognized by government and civil society for the excellence of their community service efforts.

12. Political Violence

There have been no reports of politically motivated damage to property, and civil disturbances are extremely rare. There has been no violence directed toward foreign-owned companies.

13. Corruption

In the past year, Slovakia received poor ratings in several international measures of transparency.

Several of the indices cite problems with the judiciary as the biggest single issue. The Transparency International Index, for example, calls the judiciary "one of the weakest institutions in the country." Slovak law provides for an independent judiciary; however, in practice, problems with corruption, intimidation of judges, inefficiency, and a lack of integrity and accountability have continued to undermine judicial independence. In the World Economic Forum's latest Competitiveness Index, Slovakia achieved its worst ranking since 1997. On dimensions related specifically to corruption, such as diversion of public funds, public trust in politicians, wastefulness of government spending, and efficiency of the country's legal framework, Slovakia ranked 112th or worse. In the World Bank "Doing Business 2013" report, Slovakia actually received much worse ratings than most of its European counterparts on key factors like protecting investors (where Slovakia ranked 117th) or enforcing contracts. Similarly, in Forbes' 2012 "Best Countries for Business" List, Slovakia received particularly poor ratings for investor protection (99th out of 100), red tape, and corruption. The latest iteration of the European Quality of Life Survey, published in December 2012, shows that the Slovak public's overall trust in public institutions is sixth worst among the EU27 countries.

Slovakia is a party to international treaties on corruption, among them the OECD Convention on Combating Bribery of Foreign Public Officials, UN Anti-Organized Crime Convention, UN Anti-Corruption Convention, and Criminal Law Convention on Corruption and Civil Law Convention on Corruption. Slovakia is a member of the Group of States against Corruption (GRECO).

The press has taken an active role in reporting on corruption, and public awareness of the issue has steadily increased over the past several years. The Slovak chapter of Transparency International (TI) is active and, along with other civil society groups, monitors public tenders. As Slovakia is a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials, to give or accept bribes is a criminal act. Despite having legislation in place, however, Slovakia is ranked very low in the quality of its implementation of the Convention, according to a TI report. Slovakia ranked 62nd on TI's 2012 Corruption Perception Index (CPI), down (i.e. more corrupt) from 59th in 2010 and 57th in 2009.

After it came to power in June 2010, the center-right government led by Prime Minister Iveta Radicova began publishing all government contracts on the web from January 2011 onward in order to increase transparency. These procedures continue today under the Smer government. The Justice Ministry introduced compulsory disclosure of contracts by public administration and state-owned companies in the Central Registry of Contracts in 2011. The registry contains now about 110,000 documents, and local municipalities have published additional contracts as well. The only exceptions are some state-owned companies, which were established as joint stock companies and, according to the law, represent private business. These large enterprises, which have a significant stake in government contracts, criticized the disclosure law, as they fear they will be disadvantaged in comparison to private companies who do not have to disclose their contracts. Analysts and journalists agree that contract disclosure has helped reduce corruption. However, non-governmental organizations have continued to make corruption allegations, including several allegedly involving senior members of the Slovak government. Shortly before the end of 2011, an anonymous leak of alleged secret-service tapings was published on the internet, disclosing potentially corrupt activities of current and previous high-level politicians – across political parties – and Slovak oligarchs during privatizations in the years 2005-2006.

The European Commission has sought explanations or investigated corruption complaints in connection with several tenders and regulatory decisions involving EU funds. The most notable cases involved the Ministry of Environment; the Ministry of Construction and Regional Development; the Ministry of Labor, Social Affairs, and Family; and the Ministry of Transportation.

14. Bilateral Investment Agreements

Slovakia has bilateral investment treaties with the following countries: Austria, Belgium, Bulgaria, Belarus, Bosnia and Herzegovina, Canada, China, Croatia, Cuba, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Indonesia, Ireland, Israel, Italy, Lithuania, Luxembourg, Malta, Montenegro, the Netherlands, North Korea, Norway, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovenia, South Korea, Spain, Sweden, Switzerland, Syrian Arabic Republic, Tajikistan, Turkey, Turkmenistan, Ukraine, the United Kingdom, the United States, the Socialist Republic of Vietnam, and Uzbekistan. Like other newer EU members, Slovakia had to negotiate an amendment to its bilateral investment treaty with the United States, because it was considered inconsistent with EU legislation. The amended treaty entered into force on May 14, 2004. In November 2007, Slovakia signed a bilateral Science and Technology Agreement with the United States.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) offers U.S. investors in Slovakia insurance against political risk, expropriation of assets, damages due to political violence, and currency inconvertibility. OPIC can provide specialized insurance coverage for certain contracting, exporting, licensing, and leasing transactions undertaken by U.S. investors in Slovakia. Slovakia is a Member of the Multilateral Investment Guarantee Agency (MIGA).

The U.S. Embassy purchases local currency at a rate generated by the Department of State; the current rate (May 6, 2014) is EUR 0.718 / $1.00. The Embassy expects to convert roughly $10.8 million during fiscal year 2013.

16. Labor

A new amended Labor Code came into force in Slovakia on January 1, 2013. It reverses some of the employer flexibility that existed under the Labor Code revised by the previous center-right coalition government in September 2011. The 2011 changes had moved Slovakia to among the top 10 OECD countries in terms of the least strict rules regarding employment protection, but the latest changes will move the country to a position in the middle of the pack with regard to labor flexibility. Slovakia has a standard workweek of 40 hours, and the new Labor Code fixes the maximum overtime work to no more than 400 hours annually. As of January 2014, the minimum wage is 352 euros per month. The minimum living standard is established at 198.09 euros per month. Wages have risen steadily since 2004, following the country's accession to the EU and because of increasing demand for labor brought on by growing levels of FDI. A new law on the minimum wage, which took effect at the beginning of 2009, introduced indexing of the minimum wage to overall wage growth in the economy. Slovak social insurance is compulsory and includes a health allowance, unemployment insurance, and pension insurance. Legislation passed in 2007 increased the ceiling on social insurance payments, affecting both employers and employees.

A new Amendment of the Act on Collective Agreement came into force as of January 1st, 2014. Its implementation was widely criticized. The President of Slovakia refused to sign the new amendment and the opposition filed a motion in the Constitutional Court claiming that this amendment is unconstitutional. The Government of Slovakia has launched a new round of negotiations with its social partners to potentially come up with a new proposal on the law. The January 2010 version of the Act had guaranteed that a collective agreement negotiated between a company and the government was automatically extended to all other companies in the same sector. Based on the December 2010 amendment to paragraph 7 of the same Act, the Ministry of Labor must approach each company in the negotiations about extending collective agreements.

Slovakia's workforce of more than two and half million has a strong tradition in engineering and mechanical production. Foreign companies frequently praise the motivation and abilities of younger workers, who also often have good foreign language and computer skills. Slovakia also belongs to countries with the highest level of labor productivity per hour in the CEE region, according to Eurostat data. Nominally, education levels match or exceed neighboring countries, with nearly 85% of Slovaks aged 25-64 having at least a high school education.

Total nominal hourly labor costs in Slovakia increased slightly in 2013 (+1.9%), reflecting recent changes in the Labor Code amendment effective since January 1st, 2013 and higher compulsory compensation payments associated with high unemployment. The unemployment rate, which hovered around 20% as recently as six years ago, and which had declined to as low as 8% in 2008 due to strong economic growth, entry to the EU, and stricter policies on qualifying for unemployment benefits, finished 2013 at 14.2%. There are significant regional variations in unemployment rates across the country, with a pre-recession rate of less than 6% in Bratislava but up to 31% in some parts of eastern and southern Slovakia (Rimavska Sobota).

Union membership has been on the decline in recent years. The latest statistics available regarding the number of workers in the labor unions is from 2010, when 365,541 workers (or approximately 17% of the total Slovak workforce) belonged to trade unions. Not wishing to highlight their declining membership, the organizations that have maintained the statistics has ceased to publish the numbers. In 2007 the government re-instituted the so-called "tripartite arrangement," a discussion platform consisting of state representatives, labor unions, and the employers' association. The unions generally have been tolerant of the costs imposed on labor by economic transformation, but union leadership has remained politically engaged and is active among its membership. Slovakia is a member of the International Labor Organization and adheres to its Convention Protecting Worker Rights.

17. Foreign Trade Zones/Free Ports

Foreign trade zones and free ports were eliminated in Slovakia in 2006.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Slovakia imports more than 90% of its oil and gas from Russia, and its export markets are primarily OECD and EU countries, although both Russia and China are growing in importance. More than 80% of Slovakia’s trade is with EU members. Germany is Slovakia's largest trading partner, purchasing 21% of Slovakia's exports in 2013. Other major markets include the Czech Republic (13.6%), Poland (8.3%), Hungary (6.2%), Austria (6.1%), France (5.0%), and Great Britain (4.6%). Russia is the 9th largest trading partner (4.5%), followed by China with 4%. Slovakia’s primary import partners are Germany (15.5%), Czech Republic (10.4%), Russia (10.2%), China (7.2%), Poland (4.7%), Hungary (4.4%), and Italy (3.1.%). Slovakia's exports to the United States made up 1.8% of its overall exports in 2013 ($1.2 billion), while imports from the U.S. accounted for 0.9% of its total purchases abroad ($531 million), according to the Ministry of Economy (September 2013 data).

There are over 130 U.S. companies in Slovakia. In 2013, AT&T Slovakia and IBM Slovakia expanded their existing business in Slovakia via opening regional centers in Kosice City. IBM Slovakia created 150 new jobs and the Government of Slovakia approved EUR 1.58m of investment stimuli. In December 2011, the U.S. company Honeywell announced a 50.2 million USD investment in Slovakia, creating 446 new jobs in Eastern Slovakia. The Government of Slovakia approved 25 million USD in state aid for the new Honeywell investment, including 15.2 million USD in direct financial subsidies, 600,000 USD in tax breaks and 9.2 million USD in contributions for jobs created. In 2011, Amazon and Google opened offices in Slovakia. In 2000, U.S. Steel Kosice (USSK) acquired East Slovakian Steelworks to become the largest U.S. investor in Slovakia, with an investment of 1.2 billion USD and over 11,000 employees directly. Johnson Controls has over 6,000 employees in Slovakia; IBM has roughly 4,600 employees in

Bratislava, followed by HP with approximately 2000 employees. Whirlpool has over 900 employees and produces two million washing machines annually, making its local unit the largest appliance producer in Europe. Several other American companies have substantial investments in Slovakia, including Emerson Electric, Tower Automotive, Crown Bevcan, Citibank, TRW, Visteon, AT&T, HP, Microsoft, CISCO, Johnson Controls, and Dell. Other major foreign corporations in Slovakia include Volkswagen, Hyundai Motors, Peugeot-Citroen, Samsung, Getrag Ford, Deutsche Telecom, EON Ruhrgas, Intesa BCI, UniCredito, Raiffeisen Group, Enel and Siemens. Other significant foreign investments included 171.6 million USD expansion plans of German-Slovak Continental Matador Rubber, and a 27.7 million USD investment of German Secop (former Danfoss Compressors).

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source* Source: Statistical Office of the Slovak Republic		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	EUR 71 096	2012	USD 91 347	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	Not available	2012	Not available	(BEA) click selections to reach. Bureau of Economic Analysis Balance of Payments and Direct Investment Position Data U.S. Direct Investment Position Abroad on a Historical-Cost Basis By Country only (all countries) (Millions of Dollars)

Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	Not available	2012	USD 16	(BEA) click selections to reach Balance of Payments and Direct Investment Position Data Foreign Direct Investment Position in the United States on a Historical-Cost Basis By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP	2012	59 %	2011	58%	National Bank of Slovakia Inward FDI Position http://www.nbs.sk/sk/statisticke-udaje/statistika-platobnej-bilancie/priame-zahranicne-investicie

* Provide sources of host country statistical data used.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	51,292	100%	Total Outward	4,210	100%
Netherlands	12,155	24%	Czech Republic	2,247	53%
Austria	7,690	15%	Cyprus	400	10%
Germany	6,299	12%	Austria	255	6%
Italy	4,231	8%	Luxembourg	199	5%
Czech Republic	3,081	6%	Poland	164	4%
"0" reflects amounts rounded to +/- USD 500,000.					

An informal survey by the U.S. Embassy showed U.S. investments in Slovakia at about 4.5 billion USD for current and future commitments, making the U.S. the third largest source of FDI in Slovakia. Official Government of Slovakia (GOS) statistics differ, because most U.S. investments are credited to third countries, depending on their corporate structure. For example, U.S. Steel Kosice, and the Slovak-based operations of Cisco Systems, Dell, and IBM are registered as a Dutch entities. According to the National Bank of Slovakia, 2012 data, the largest foreign investors in Slovakia in order of size were: the Netherlands, Austria, Germany, Italy, the Czech Republic and Hungary.

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	27,262	100%	World	2,073	100%	World	25,189	100%
Spain	3,668	13%	United States	497	24%	Spain	3,666	15%
France	2,726	10%	Germany	317	15%	France	2,543	10%
Ireland	2,525	9%	Ireland	288	14%	Ireland	2,237	9%
Italy	2,123	8%	Luxembourg	268	13%	Italy	2,121	8%
Netherlands	1,871	7%	Austria	190	9%	Netherlands	1,868	7%

19. Contact Point at Post for Public Inquiries

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