

Slovakia and the euro

Always the same winners

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Few care about crony capitalism when business booms and the euro is coming

ONLY two things in Slovakia matter to outsiders, cynics argue. One is that the country joins the euro smoothly next January—becoming the first country from the former Warsaw Pact to get in. The other is that the ruling left-nationalist coalition does not dismantle its predecessor's free-market reforms.

Life is a bit more complicated than that. Slovakia's finance minister, Jan Pociatek, is a guarantor of economic orthodoxy, but also at the centre of a scandal about the euro. The flamboyant minister is accused of leaking to an investment fund information about a planned revaluation of the national currency, the koruna, against the euro. The alleged leak, which Mr Pociatek denies, came to light after unusually heavy trading in the currency in the run-up to a 15% jump in the exchange rate that was announced on the evening of May 28th. It followed an informal meeting four days earlier between Mr Pociatek and tycoons from J&T, Slovakia's leading investment fund, on a yacht in Monaco.

Mr Pociatek pooh-poohed suggestions that he had discussed the issue with his hosts. A notable playboy by Bratislava standards, he insisted that he was there only to "see chicks" and talk about the Monaco Grand Prix. However, when asked at a press conference who had won the race, he could not remember.

Hobnobbing with market participants before one of the most sensitive moments in the country's 15-year financial history might be seen as unwise behaviour by Mr Pociatek, regardless of what was discussed. The central bank has launched an investigation; the opposition has put forward a no-confidence motion in parliament. The owners of J&T have fought back, accusing the government of treating them like "vermin".

After some hesitation, the country's populist prime minister, Robert Fico, backed Mr Pociatek, criticising him only for his "ostentation". Slovakia's flat tax, investment-friendly regime and sound public finances will survive. Yet the row highlights another feature of the country: the enduring ties between some of today's politicians and the magnates who made their fortunes from dodgy privatisations in the 1990s. Mr Fico insists that he

likes financial groups as "a goat likes a knife". But a former finance minister, Ivan Miklos, notes that "their knife is at his throat".