

Economic Integration of the Czech Republic and Slovakia since the Breakup of Czechoslovakia until the Accession to the European Union

1. Breakups in Central and Eastern Europe

1.1. Breakups of socialist federations and reintegration of successors

Czechoslovakia, Yugoslavia and the Soviet Union broke up two decades ago into two (Czech Republic¹ and Slovakia), seven (Slovenia, Croatia, Bosnia and Herzegovina with long internal conflict, Macedonia, Serbia and Montenegro after dissolution of remnant-Yugoslavia and Kosovo separated unilaterally from the latter), and fifteen countries (Russia, Belarus, Ukraine, Moldova, Estonia, Latvia, Lithuania, Georgia, Azerbaijan, Armenia, Turkmenistan, Kazakhstan, Uzbekistan, Kirgizstan, and Tajikistan) respectively. National emancipation in socialist federations could not be suppressed in the period of democratization.

Nevertheless, successor countries realized value of good neighbourhood for their stability and prosperity. The countries thus gradually reintegrated. Free trade areas were established and migration was regulated. Final stage of reintegration could be perceived in their accession to the European Union. It was full in case of Czechoslovakia, it is gradual in case of Yugoslavia (Slovenia acceded, Croatia is just acceding and other countries try to join) and it will be limited in the case of the Soviet Union (Baltic countries). Nevertheless, separate integration of other post-Soviet republics shall be considered. Russia is at the edge of Europe for religious, cultural and political reasons. It forms its own sphere of influence. The Commonwealth of Independent States (Baltic countries are absent, Ukraine participates unofficially, Turkmenistan associated and Georgia withdrawn) and the Eurasian Economic Community (Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan) with customs union and visa-free regime form separate political and economic blocs.

¹ Long name “the Czech Republic” is used frequently in lists where most other countries are listed with their short name. Limited use of name “Czechia” reflects internal linguistic dispute explained in English Wikipedia “Name of the Czech Republic”).

1.2. The smoothest breakup

The breakup of Yugoslavia was more troublesome than dissolution of Czechoslovakia. Most countries were affected with ethnic clashes, refugees, border disputes, collapse of economy and hyperinflation. The breakup of the Soviet Union was also complicated. However, Russia as dominant country assumed legal and political succession and contributed to calming of disputes.

Czech-Slovak relations were not affected by religious and cultural divide which exists for centuries among Catholic Croats, Orthodox Serbs and Muslim Bosnians whose languages are even closer and were considered one in the period of Yugoslavian kingdom and socialist federation. Similarly, the breakup of the Soviet Union was breakup of fifteen nations which differ significantly from linguistic, economic, political, social, religious and cultural points of view. Several countries revived their close ties to other countries which are now more important for them than mutual relations (Baltic countries with Nordic countries, Moldova with Romania or Azerbaijan with Turkey).

1.3. Linguistic and psychological proximity of Czech and Slovaks

Czech and Slovak languages are mutually intelligible. Early Czechoslovakia (1918–1938) was based on doctrine of Czechoslovak nation with two linguistic varieties.² This doctrine shall justify the country vis-à-vis large German and Hungarian minority. Many Czechs identified with the idea throughout entire 20th century. Most Slovaks, however, did not share it and strived for emancipation.³

There was large internal migration in period of Czechoslovakia. It was greater into Czech lands (composed of three traditional regions - former provinces of Austria-Hungary, Bohemia, Moravia and small, but important part of Silesia) thank to higher level of economic and social development. Many educated Czechs, however, migrated to Slovakia and contributed to its modernization.

Many Czechs and Slovaks married during entire 20th century. There are hundred thousands individuals of mixed Czech-Slovak ethnicity with ties to

² See Motyl A. J., *Encyclopedia of Nationalism*, Volume II, Academic Press, 2001, pp. 111.

³ Many Czechs perceive the Czech Republic as direct continuation of Czechoslovakia also from political and psychological points of view. Principal national holiday is 28 October, date of establishment of Czechoslovakia in 1918 rather than 1 January. The Czech Republic retained Czechoslovak flag as national flag. Slovakia accepted this retention contrary to the Constitutional Law on the End of the Czech and Slovak Federal Republic (below).

both countries. Slovaks are more religious (both Catholicism and Protestantism) than mostly irreligious Czechs. Nevertheless, no alienation due to different religiosity can be observed. Extensive cultural exchange survived breakup. Even tabloids and commercial television channels exchange news routinely and organize joint programmes. Media coverage of and attention to the second country is high.

This proximity is reflected in close cooperation. Surely, the dissolution was based on unwillingness of politicians to maintain federal structure. Nevertheless, proximity prevailed. Both countries coordinate their foreign policy in sensitive issues (legitimacy of post-war expulsion of Germans and Hungarians or atomic energy). Reciprocal visits of presidents are priority and enhanced cooperation of cabinet members and ministries routine.

2. Chronology of dissolution and reintegration

2.1. Dissolution of Czechoslovakia in 1992

Czechoslovakia was reorganized into federation in period of socialism as result of “Prague spring”, short period of liberalization in 1968. Slovak politicians pushed for it. Paradoxically, the changes entered into force shortly after Soviet occupation. Federalism was present in practice of communist regime in the next decades. Republican governments were thus prepared for future disintegration.

Democratisation after the Velvet revolution in 1989 revived Slovak nationalism. Increasing political divergence resulted in unsuccessful negotiations on reorganization of federation. Slovak politicians pushed for relaxation. Many Czechs reacted with scepticism towards proposed solutions and preferred dissolution. The country broke up in 1992 after the second democratic parliamentary elections.

Nevertheless, both nations and their politicians swore for peaceful solution. There were no preparations in Czechoslovak army for retention of the federation and little consideration of conflict. An Amendment to federal constitution dissolving Czechoslovakia was adopted by the Federal Assembly.⁴ Republican councils adopted constitutions of future independent states. Slovak constitution was adopted early as a symbol of self-proclaimed sovereignty. Czech one was adopted few weeks before scheduled dissolution.

⁴ *Ústavní zákon č. 542/1992 Sb., o zániku České a Slovenské Federativní Republiky* (Constitutional Law on the End of the Czech and Slovak Federal Republic) adopted on 25 November 1992.

Governing politicians pushed for separation. This politics was regretted by many people who claimed that referenda would reveal willingness of both Czech and Slovak populations to retain single country. Dissolution was finalized on 1 January 1993.

2.2. Bilateral relations in interim period

The Czech Republic and Slovakia retained many features of single economic area with set of bilateral treaties⁵ agreed partly by republican governments already before the breakup for immediate preliminary application.⁶ The Czech Republic and Slovakia negotiated for several years on small territorial disputes which, however, never caused serious tension. Border is stable for centuries as the border between Czech and Hungarian Kingdoms. Consensus related to federal property and property abroad was also achieved. Free trade in goods and services was retained. Successor countries were capable to retain single customs policy towards imports from other countries. Similarly, free movement of workers and freedom of individual and corporate establishment was retained and eased with general recognition of professional qualifications. On the other hand, independent countries perceived introduction of border controls of both goods and persons as confirmation of their independence. Similarly, single currency could not survive breakup.

2.3. Integration with other post-socialist countries

The Central European Free Trade Agreement (CEFTA) was established by both republican governments already before dissolution of Czechoslovakia with Hungary and Poland.⁷ Several other countries joined the area in which trade in goods was gradually liberalized. Both Czech Republic and Slovakia continued in Czechoslovak participation in regional grouping Visegrád Group with same neighbour countries.⁸

⁵ Official publication in the Collection of Laws (*Sbírka zákonů*) and later in the Collection of International Treaties (*Sbírka mezinárodních smluv*) of the Czech Republic in Czech language is cited.

⁶ For example, the Treaty on Establishment of Customs Union (cited below) was agreed on 29 October before adoption of Constitutional Law on the End of the Czech and Slovak Federal Republic when republics were not competent to adopt international treaties.

⁷ Central European Free Trade Agreement concluded by the Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic in Krakow on 21 December 1992.

⁸ Documentation of the grouping since 1991 can be found at <http://www.visegradgroup.eu>.

2.4. Previous socialist economic integration

The Council of Mutual Economic Assistance was established in 1949 by the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria and Albania (which quitted after Sino-Soviet split) and was joined later by Cuba, Mongolia and Vietnam. This organization planned manufacturing and exchange of goods. Unsurprisingly, the Soviet Union dominated. Supranational planning, however, was implemented to different extent according to the degree of independence of national governments. Migration was not liberalized. Collapse of socialism led to disintegration of the organization which enjoyed little public support. Solely elder managers of factories oriented at exportation to socialist countries regretted its collapse. However, no convincing projects of its transformation into modern free trade area were proposed.

2.5. Joint accession to the European Union

The European Agreement establishing Association signed in 1991 did not entered into force due to breakup. Both countries renegotiated in 1993. Resulting agreements entered into force in 1995. Gradual liberalization of trade in goods (with exception of agricultural products) and approximation of laws with laws of the European Communities related to economy started. Both countries applied for membership and were quickly invited to negotiate on conditions of accession (the Czech Republic in 1998 and Slovakia in 2000). Negotiations divided into thirty chapters culminated in 2000–2002 and resulted in 2003 into the Treaty on Accession and its entry into force on 1 May 2004.

2.6. Different participation on integration in the European Union

Both countries have suppressed passport controls in 2007 (“Schengen”). Slovakia introduced Euro in 2009. The Czech Republic in contemporary debt and currency crisis of Eurozone hesitates to follow. President *Václav Klaus* (2003–2013) symbolizes reluctance of significant part of Czech political scene towards further integration. In addition to it, the Czech Republic followed splendid isolation of the United Kingdom which refused the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. Nobody would expect now that the country whose negotiation on accession was postponed for authoritarian tendencies of *Vladimír Mečiar* (prime minister of Slovakia in 1990–1991 and 1992–1998) would introduce Euro earlier than country perceived thanks worldwide authority of

Czechoslovak and Czech president *Václav Havel* as stabile democratic country. Geopolitical position of particular country is not fatal and reputation can change quickly.

3. Frameworks for liberalization and cooperation

3.1. Extensive trade in goods

Czech-Slovak area was integrated already before foundation of Czechoslovakia in Habsburg monarchy as part of Austria and Hungary respectively. With exception of the Second World War, Czech lands and Slovakia formed single economic area without customs for seventy years (with exception of the Second World War). Single technical norms formulated mostly by Czech experts were applied in both parts of the country.

Czech-Slovak customs union was cornerstone of bilateral economic integration after breakup of Czechoslovakia.⁹ Trade in goods free of customs duties was retained. Both countries were capable to coordinate their customs policy towards the third countries in period of establishment of the World Trade Organization and association with the European Communities. The Council, permanent secretariat and commission for dispute settlement were established.¹⁰ Czech industry emerged in 19th century. Stagnation in the period of socialism was not fatal. Many Czech factories modernized after collapse of socialism. Slovak industry was extended in period of socialism, but many factories suffered after introduction of market economy. Nevertheless, good reforms and low wages contributed to contemporary revival of Slovak industry. Czech-Slovak trade in goods was and is extensive. It significantly exceeds exchange with bigger neighbour Poland even after decade of liberalization in the Central European Free Trade Area and decade in the European Union.

3.2. Trade in services and tourism

The customs union included free trade in services. Theoretically, provisions¹¹ were directly applicable. Obstacles could be easily identified in practice. There

⁹ *Smlouva o vytvoření celní unie* (Treaty on Establishment of the Customs Union) agreed on 25 October 1992 (published in the Czech Republic as document 237/1993 Sb.).

¹⁰ Art. 29–37 of the Treaty on Establishment of the Customs Union.

¹¹ Art. 27–28 of the Treaty on Establishment of the Customs Union.

was no information about impact on different services and modes of their delivery. Nevertheless, statistics revealed extensive trade in various services. Czechs travelled to Slovakian mountains in period of Czechoslovakia in large numbers. Freedom to travel worldwide and increasing purchasing power reduced the number of visitors. Slovak tourist destinations gradually found visitors from various other countries of the World, especially from East Europe. Short term migration was eased with use of identity cards and right of Czech and Slovaks to cross Czech-Slovak borders everywhere, while third-country nationals were required to pass through newly established border crossings.¹² Tourists and other short-term migrants with public health insurance enjoyed after dissolution same treatment according to special bilateral treaty.¹³

3.3. Nationality and citizenship

Federalized Czechoslovakia had dual citizenship. Surprisingly, primary republic-level citizenship was primary. This eased establishment of nationality of successor countries in accordance with new statutes.¹⁴ This approach left many with unsuitable nationality. Both countries thus enable naturalization of individuals residing on their territory. Legislation excluded double nationality. Reluctance to grant Czech nationality to people with criminal records affected many Roma people and was criticized as discrimination non-governmental organizations and of the Council of Europe.

3.4. Labour and qualifications

Free movement of workers and freedom of establishment for individual entrepreneurs established with bilateral treaty¹⁵ in interim period and with law of the European Union after the accession was and continues to be widely used. Traditionally, Slovaks migrated to Czech lands for higher wages and, since collapse of socialism, due to higher unemployment in Slovakia and

¹² *Doboda mezi vládou České republiky a vládou Slovenské republiky o zrušení vízové povinnosti* (Agreement on Abolition of Visa Requirement) agreed on 29 October 1992 (149/1993 Sb.)

¹³ *Smlouva mezi Českou republikou a Slovenskou republikou o poskytování a úhradě zdravotní péče* (Treaty on Delivery and Reimbursement of Healthcare, 48/2011 Sb.m.s.) agreed on 23 May 2000.

¹⁴ *Zákon č. 40/1993 Sb., o státním občánství České republiky* (Statute on State Citizenship of the Czech Republic) and *Zákon Národnej Rady Slovenskej Republiky 40/1993 Z.z. o štátnom občánstve Slovenskej republiky* (Statute of the National Council of Slovak Republic on State Citizenship of the Slovak Republic).

¹⁵ *Smlouva mezi Českou republikou a Slovenskou republikou o vzájemném zaměstnávání občanů* (Treaty on Reciprocal Employment of Nationals, 227/1993 Sb.) agreed on 29 October 1992.

better opportunities in the Czech Republic. The gap diminishes thank higher economic growth in Slovakia than in the last decade.

Use of the respective second language is widely accepted by employers and clients. Few jobs in which perfect writing is necessary attract individuals with proficiency in both languages. Automatic recognition of professional qualifications and school diplomas expected in another bilateral treaty¹⁶ was based on similar systems of education.

3.5. Troubles with dismantlement of pension system

Czechoslovak pension system was dismantled also with consensus.¹⁷ Individuals were distributed to systems of successor countries according to seat of their employers or residence on 31 December 1992. Numerous Czechs with lower Slovak pensions complained. Compensations mitigated this disadvantage in many cases. The policy was tricky and changed from time to time. The Constitutional Court of the Czech Republic finally in 2003 ordered compensation of Czech nationals with lower Slovak pensions. Paradoxically, the above-mentioned criterion was at the same time incorporated in law of the European Union as exception from its rules for coordination of social security.

However, order to compensate nationals with lower Slovak pensions does not comply with the principle of equality of nationals of the member states of the European Union. Therefore, the Supreme Administrative Court and the Ministry of Labour and Social Affairs objected case-law of the Constitutional Court. This disagreement and continuous influx of new petitioners resulted into numerous appeals. Finally, the Court of Justice of the European Union has repudiated the policy required by the Constitutional Court in *Landtová*.¹⁸ The Constitutional Court responded with unprecedented revolt,¹⁹ emulating the doctrine of *ultra-vires* control of the European Union contemplated by German *Bundesverfassungsgericht*.

¹⁶ *Doboda o vzájemném uznávání rovnocennosti dokladů o vzdělání vydaných v ČR a SR* (Agreement on Reciprocal Recognition of Certificates of Education Issued in the Czech Republic and in the Slovak Republic) agreed firstly in (148/1993 Sb.) an renegotiated decade later (33/2001 Sb.m.s.).

¹⁷ *Smlouva mezi Českou republikou a Slovenskou republikou o sociálním zabezpečení* (Treaty on Social Security) agreed on 29 October 1992 (228/1993 Sb.).

¹⁸ Case C-399/09 *Landtová v. Česká správa sociálního zabezpečení* [2011] ECR I-05573.

¹⁹ Judgment of plenary session Pl. ÚS 5/12 of 31 January 2012 *Holubec*. Crucial parts are translated in English, see <http://www.concourt.cz/view/pl-05-12>.

3.6. Exchange of students

Dissolution of Czechoslovakia stopped access of non-resident nationals of the second successor country to universities. Century-long tradition of Slovak students in Czech universities was curtailed. Reciprocal access was agreed in 2001.²⁰ Openness towards use of the second language was fixed here. Nevertheless, resulting influx of Slovaks to Czech universities was ten times higher than opposite movement thanks to perceived better quality of Czech universities and attractiveness of Czech labour market. Omnipresence of Slovaks at Czech universities is controversial. Czech taxpayers and general public could be unsatisfied with missing taxes of non-resident student and their parents for financing and with diluting expenditures per student and increasing students-teacher ratio. Nevertheless, several Czech universities overtly attract Slovak students including the most talented ones. There were no attempts of Czech authorities to reduce the influx. Repudiation of Slovaks would be sensitive even before the accession to the European Union whose case-law requires equal treatment of non-resident students, albeit influx of students to several countries is huge. Nevertheless, attempts to introduce fees were unofficially justified as tool for decrease number of Slovak students.

3.7. Simplified administrative and judicial cooperation

Mutual intelligibility allows direct administrative cooperation of agencies and courts. Exchange of certificates was expected by bilateral treaties without any assistance of consulates or other central authorities and translation.²¹

Documents and oral testimonies in Slovak are expressly admitted before Czech administrative authorities without translation. Similarly, courts widely accept it, because rules adopted in period of Czechoslovakia fails to address language issues and is interpreted friendly towards use of Slovak language. Official translation and interpretation is rare and would surely attract attention.

²⁰ *Protokol mezi Ministerstvem školství, mládeže a tělovýchovy České republiky a Ministerstvem školství Slovenské republiky o spolupráci v oblasti vzdělávání, mládeže, tělovýchovy a sportu na roky 2002-2006* (Protocol agreed by the Ministry of Education, Youth and Sport of the Czech Republic and the Ministry of Education of the Slovak Republic on Cooperation in Education, Youth and Sport for Years 2002-2006) agreed on 21 September 2001 (142/2001 Sb.m.s.).

²¹ *Smlouva mezi Českou republikou a Slovenskou republikou o právní pomoci poskytované justičními orgány a o úpravě některých právních vztahů v občanských a trestních věcech* (Treaty on Legal Assistance Provided by Judicial Institutions and on Improvement of Some Legal Relations in Civil and Criminal Cases) agreed on 29 October 1992.

3.8. Mutual consular assistance

The Czech Republic and Slovakia established separated networks of embassies after the breakup as expression of their independence. Nevertheless, consulate network is expensive for less-populated countries. Linguistic and political proximity made feasible treaty-based²² reciprocal assistance of Czech and Slovak consular officers to Slovak and Czech nationals.

3.9. Currency separation and freedom of payments

Arrangements accompanying the dissolution expected establishment of currency union. Nevertheless, Czech government decided to withdraw within few weeks. Two currencies (CZK – Czech krona and SKK – Slovak krona) were introduced in February 1993. Separation was smooth because Czechoslovak currency was not convertible and intense border controls could be introduced to curtail movement of cash.

Currency *koruna* (crown) in both countries symbolizes continuity with Czechoslovak currency. Slovak one depreciated after its introduction. Nevertheless, both countries pursued responsible monetary policy which can be also perceived as shared heritage. Extensive trade in goods and services and free movement of persons resulted in easy exchange of both currencies and even their partial acceptance in shops. Cross-border payments were enabled with treaty-based clearing²³ before both currencies were made convertible in 1995.

3.10. Investment and investment disputes

Privatization of factories and service providers started already before the breakup of Czechoslovakia. Most enterprises transformed into companies operated exclusively in one successor country. Nevertheless, close cooperation of many Czech and Slovak enterprises and huge trade in goods and services resulted in takeovers. Many holdings operate in both countries,

²² *Ujednání mezi Ministerstvem zahraničních věcí České republiky a Ministerstvem zahraničních věcí Slovenské republiky o spolupráci v oblasti konzulárních služeb* (Understanding of the Ministry of Foreign Affairs of the Czech Republic and the Ministry of Foreign Affairs on Cooperation in Consular Services) was agreed on and applied since 4 February 1993 (republished in *120/2001 Sb. m. s.*).

²³ *Platební smlouva mezi Českou republikou a Slovenskou republikou* (Payment Treaty) agreed on 4 February 1993 (*64/1993 Sb.*).

among them important banks and manufacturers. Both Czech Republic and Slovakia allowed foreign investment and activities of foreign companies on their own territories. They accepted numerous bilateral investment treaties as guarantee for foreign investors. Various incentives attracted them. Foreign investors often regard Czech Republic and Slovakia as twin countries where similar laws apply, consumers have similar preferences and languages are closely related. Many subsidiaries and branches are thus established for both countries.

Market economy was introduced quickly in the Czech Republic and Slovakia. Privatization was turbulent. Appropriate laws were missing. Courts failed to settle disputes related to market economy. Claims were unenforceable. Indebted manufacturers suffering from new competition, widespread fraud, corruption and irresponsible credits caused serious bank crisis in the first decade. Complicated situation in banks operating in both parts of Czechoslovakia caused the most important investment dispute affecting Czech-Slovak bilateral relations. Unclear legal framework for cross-border investment revealed in *Československá obchodní banka versus the Slovak Republic* before the Tribunal of the International Centre for the Settlement of Investment Disputes.²⁴ It was necessary to analyse whether bilateral investment treaty between both countries agreed in process of dissolution of Czechoslovakia entered into force.

4. Groupings of neighbour countries and the European Union

4.1. Enhanced Czech-Slovak relations and law of the European Union

Plethora of bilateral treaties together with linguistic, political, geographic, economic, social, cultural and legal proximity integrated successor countries to which can be compared with integration in the European Union, albeit no supranational law existed and few joint institutions operated. There is no recognition of enhanced cooperation and smoother recognition established with bilateral treaties in the European Union which have not been expressly abolished by contracting parties. Paradoxically, the sole provision of bilateral treaties expressly recognized by the European Union confirming dissolution of Czechoslovak pension system²⁵ contributed to unprecedented clash between Czech and European courts.

²⁴ See case No. ARB/97/4 - decision on objections to jurisdiction adopted on 24 May 1999.

²⁵ Annex III para. 44 to the Regulation (EEC) No 1408/71 of the Council on the application of social security schemes to employed persons and their families moving within the

It is easy to conclude that bilateral frameworks are surpassed with supranational law of the European Union if the latter provides for higher level of integration.²⁶ Czech commentators usually conclude that supranational law replaced all bilateral treaties addressing same issues. Nevertheless, the European Union never generally condemned bilateral arrangements. Both approaches are thus partly justified. On the one hand, abandonment of superior bilateral frameworks would unnecessarily reduce level of integration. On the other hand, nationals, goods and services originating in other member states could perceive privileged relations as discrimination. In addition to it, bilateral treaties undermine homogeneity of integration and transparency of related rules. Czech-Slovak bilateral arrangement is suitable for continuous application after accession to the European Union is the treaty expecting automatic recognition of certificates of education which goes beyond²⁷ supranational law expecting recognition of qualifications.²⁸

4.2. Groupings of neighbour countries in Europe

There are many groupings of neighbour countries in Europe. The Nordic Council (Denmark, Finland, Iceland, Norway, Sweden plus autonomous regions), already mentioned Visegrád Group, the Council of the Baltic Sea States, Baltic Assembly (Estonia, Latvia and Lithuania), the Alpine Convention (Austria, Germany, France, Italy, Liechtenstein, Monaco, Slovenia and Switzerland, plus the European Union), the British-Irish Council (including crown dependencies and devolved governments of the United Kingdom) are the most important. Central European Initiative (eighteen countries) and the Union for Mediterranean (forty three countries) are examples of larger groupings with adjacent non-European countries.

Community as amended with Act on Conditions of Accession lists Art. 20 of the Czech-Slovak Treaty on Social Security and Annex II para. Czech Republic – Slovakia to the Regulation of the European Parliament and the Council 883/2004 on coordination of social security as amended with Regulation No 988/2009 added Art. 12 and 33 of the Treaty.

²⁶ We can consider replacement of bilateral understanding on mutual consular assistance with consular assistance of embassies and consulates of any member state according to Art. 23 of the Treaty on Functioning of the European Union and the Decision 95/553/EC of the Representatives of the Governments of the Member States meeting within the Council of 19 December 1995 regarding protection for citizens of the European Union by diplomatic and consular representations.

²⁷ It shall be admitted that recognition of professional qualification does overlap fully with recognition of university diplomas and other certificates of education. Nevertheless, recognition of diplomas cases also employment and establishment of immigrant professionals.

²⁸ Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications cannot require automatic recognition if requirements for education, training and examinations are not unified.

Benelux (Belgium, the Netherlands and Luxemburg) is the only grouping of member states recognized with the law of the European Union.²⁹ The grouping was founded in 1944, developed later into Benelux Economic Union and revived in 2008 as the Benelux Union.³⁰ Benelux belongs to the eldest regional groupings in Europe. Its three members are founding members of the European Communities. It goes until now beyond integration in the European Union. Several uniform laws were adopted and joint institutions are operated.

4.3. Acceptation of superior integration

Exclusive recognition of Benelux enables conclusion that enhanced integration going beyond is not permitted in other groupings. Exceptions recognized in secondary law are hard to find. Nevertheless, eventual integration in these groupings going beyond integration within the European Union is not systematically suppressed. Probably, formalized integration is limited and adverse effects on other member states and their citizens and products are missing. Easier trade in goods and services, migration, and international presence of enterprises among neighbour countries is easier thanks shared language (Germany and Austria) or language proximity (Nordic countries, Iberian Peninsula). Similar laws and culture ease further such exchange. Finally, expenditures for transportation among neighbour countries are generally lower than for transportation across entire continent. Furthermore, the European Union is not homogenous. Several policies have not been accepted by all countries and exceptions were allowed. Great Britain, Denmark and Sweden retain their own currencies. Great Britain and Ireland did not lift passport controls (“Schengen”). Long-lasting blockage of several projects by few member states (European patents) can be surpassed with enhanced cooperation. The European Union has even general framework for it.³¹ Other type of flexibility is integration of countries which do not want to accede, the European Economic Area joining Norway, Iceland and Lichtenstein and tailor-made integration of Switzerland. So-called Euroregions for cross-border cooperation of border regions of European countries also increase integration of neighbour countries. Many activities of these regions are co-financed by the European Union. Under such conditions, it would be unconvincing to suppress enhanced integration fiercely in the name of homogeneity and supranational authority.

²⁹ Art. 350 of the Treaty on Functioning of the European Union.

³⁰ See Internet presentation of <http://www.benelux.int/> for founding treaties and detailed analyses.

³¹ See Art. 326–334 of the Treaty on Functioning of the European Union.

4.4. Recommendations for post-Yugoslavian countries

Post-Yugoslavian countries did not establish specific grouping after breakup of Yugoslavia. Their relations remained troublesome for years. International community pushed for stabilization with multilateral treaties addressing many adverse effects caused with the breakup of Yugoslavia.³² Gradual economic integration followed with extension of the Central European Free Trade Agreement to Balkan after its reform.³³ Gradual accession to the European Union reveals persistent tensions among post-Yugoslavian countries. Slovenia and Croatia need to settle their disputes related to sea borders or claims of Croatian creditors to bankrupt *Ljubljanska banka* as part of negotiation on accession of the latter. Futile dismantlement of Czechoslovak pension system causes until now serious troubles in the European Union. Social security for migrants in former Yugoslavia deserves thus special attention.³⁴

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³² Agreement on Succession Issues signed in Vienna on 29 June 2001 applicable for Bosnia and Herzegovina, Croatia, Macedonia, Slovenia and (then) the Federal Republic of Yugoslavia (now Serbia and Montenegro).

³³ Agreement on Amendment and Accession to the Central European Free Trade Agreement done at Bucharest on 19 December 2006 by Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia and Kosovo represented by the United Nations Interim Administration Mission.

³⁴ Republics of the Socialist Federal Republic of Yugoslavia had their own pension schemes. The federation paid pensions to own employees (Army), coordinated pensions for internal migrants and fixed minimum standards. Principles of dismantlement were agreed in Annex E – Pensions to the Agreement on Succession Issues (above). Successor Countries shall pay pension to everybody entitled to its former republican pension. Federal pensioners shall be paid according to their citizenship. Succession countries are invited to clarify details with bilateral treaties. Insight in some of them agreed by Croatia (see <http://www.mirovinsko.hr>) reveals little attention to the problem. It is unclear whether richer countries grant compensations or special social benefits to their citizens depending on lower pensions from poorer countries which have returned due to ethnic hatred or for economic and social reasons. There is no specific provision on coordination of social security in the Treaty of accession of Croatia for Croatian-Slovenian relations, but can be addressed with secondary law.

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