

44 YEARS IN BANKING

A KALEIDOSCOPE OF EVENTS, PERSONALITIES AND CROSSROADS

PART 4

doc. Dr. Ing. Vladimír Valach

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Banking is a special area of the economy and life of society. Although it is about money, people remain the most important. The basis is system, exactness and consistence, but they cannot lead to self-serving and all-powerful bureaucracy, which suppresses fantasy, spirit and intelligence.

Profit is a measure of success, but an acceptable level of risk and constant strengthening of the favourable image of the bank cannot be forgotten.

Competition is the motor of effectiveness, but it cannot go beyond the essential framework of correctness or temporary victory in battle will mean defeat in the war.

The basic characteristic of the banker is the ability to gain the trust of the client, but in contrast to the fraudster, he must be able to permanently keep it, because banks work with money, especially with other people's money. In the most modern conception, the banker is a globetrotter, but he cannot under-estimate the specifics of the

given environment or country. The banker must be an expert, a professional, but if enthusiasm is added, it can do no harm. The banker must have healthy self-confidence, but he must also have some humility and empathy in communication with the client, because without understanding of the problems and values of others he will write his professional death certificate.

From the point of view of the values, destinies and priorities of people, communities, companies and regions, banks are literally the modern cathedrals, but they cannot become museums. This means that they must react to every significant change in the economy, society or life of an important client, and if possible they must not only react to events, but foresee them and anticipate their development.

This constant adaptation to crossroads in development is another essential characteristic of banks.

Opening to the World also through Banks

M.R. Štefánik: „The nation must trust itself and the future, then it will also find more noble friends and assistance.“

The torrent of the transformation process washed away the preceding approaches, customs and mechanism in several streams. There was a strong current directed towards a civil and democratic society, a current of economic reform and a current of adaptation to trends in the world. In the conditions of Slovakia, the effort to open up to the world, while also asserting its own identity often struck against lack of understanding, so that a series of misunderstandings arose.

It was precisely V. Klaus on the Czech side, who understood that the economies of the Czech Republic and Slovakia were beginning to develop in different directions as a result of the economic reforms, especial-

ly after the devaluation of the Czechoslovak crown in 1990. The devaluation of the crown enabled exporters, mostly in the Czech Republic, to achieve extraordinary profits, while importing companies, mostly in Slovakia, suffered extraordinary losses.

As a result the Civil Democratic Party and Movement for Democratic Slovakia concluded a political agreement on dissolution of the Federation on 23rd July 1992. In the field of currency this meant that we were not faced with strengthening the powers of the Slovak headquarters of the State Bank of Czecho-Slovakia (ŠBČS), but with the creation of our own sovereign central bank for the Slovak Republic. The Czech side had a significant advantage, because it already began to prepare for division of the Federation in 1991. At the beginning of 1992, the management of the headquarters of the ŠBČS for Slovakia included 84 employees, while the federal headquarters of the ŠBČS and the headquarters for the Czech Republic had 1,200 em-



ployees. On 1st January 1993, it was practically sufficient for the Czech side to merely change its name signs, since contacts with the world, intensive training visits and professional training of the Prague staff had already begun after 1st January 1990.

This makes it more necessary to admire and appreciate the huge and extraordinary work done in Slovakia in the second half of 1992 and in 1993 to create the NBS with its fully functioning sections, to carry out the separation of currencies and the creation of the new national currency of the Slovak Republic. The number of employees grew from the original 84 to 895 in 1993 and 1147 in 1994.

The separation of currencies, creation of a separate currency, confirmation of Slovakia's membership of the IMF and World Bank, the stability of the Slovak crown in spite of some extremely pessimistic prognoses that it would be devalued as far as 50 Slovak crowns to 1 US dollar, and the successful preparation for accession to the OECD and EU are only some of the important successes of the immense work of the staff, who contributed extraordinarily to the origin and development of the NBS, which became a firm institutional pillar of the newly independent Slovak Republic. E. Hlavatý, M. Jusko, M. Tkáč, V. Masár, J. Mates, E. Kohútiková, J. Mudrík, I. Šramko and hundreds of other employees in Bratislava and in the regions, for example, J. Kreutz in Banská Bystrica, J. Kandalík and F. Michališín in Košice and E. Stodolová in Bratislava can be mentioned here.

The process of opening up to the world was closely connected with highly professional measures in the foreign currency field, especially the transition to a convertible currency, where four stages towards the financial openness of our economy can be clearly seen:

The first stage was financial closedness of the economy with an unconvertible currency and relatively firm central administrative regulation of foreign currency business and payment transfers. This stage with the internal reproduction price settlement coefficient of – 2.7 for foreign currency regulation lasted until 1990.

The second stage of financial openness began after 1st January 1990 with the introduction of internal convertibility and the introduction of the strategy of transformation to a market economy.

The third more advanced stage of financial openness began in 1995 with the gradual transition from internal to external convertibility, from liberalization of foreign currency operations to a current account of the balance of payments and gradual liberalization of the capital account. The fourth and highest stage of financial openness of our economy will be entry to the Eurozone and a standard European market economy.

The importance of the above mentioned progressive steps to convertibility of the crown and so also to greater openness to the world becomes clearer, if we realize that, for example, in the 1970s Tuzex accounts were administered only in the Živnobanka in Prague.

Every frontier crossing and strict customs check was a source of incredible stress. For example, I remember that after one very unpleasant personal check on members of the Nová Scéna Theatre in 1976, they invited me to the theatre to talk about the foreign exchange law and foreign currency. It made me aware of the feelings of important artists and other people on such situations.

We endeavoured to get a large part of the foreign currency operations also for individuals transferred from the Živnobanka to our branch of the ČSOB.

Layering of Identity

The creation of new institutions for the independent Slovak Republic only started the process of shaping the image of Slovakia. It was necessary to explain to foreigners why the Czecho-Slovak Federal Republic had divided and „what the Slovaks are really about“. I experienced this at various international conferences in Paris, Lisbon, Stockholm and Warsaw.

In 1997, four years after the division of the Federation, after coming to the embassy in France, we set creating and strengthening the good reputation of Slovakia in France and the whole of Europe as the priority of diplomacy.

In connection with our identity and the deficit in the image of Slovakia in the world, we identified these 3 As in the French environment:

- Asymmetry
- Asynchronism
- Attention.

Asymmetry means that Slovakia was less known and visible than, for example, our neighbours. Poland with its 40 million inhabitants has been familiar to Europe for centuries. Budapest and Prague have deliberately and systematically created strong links in Central Europe and beyond for a long time.

Asynchronization means that we began to fully and comprehensively create state institutions as attributes of our self-determination only at the end of the 20th century, when the identity of our neighbours was fully constructed and properly identified with the appropriate image abroad.

Although some euphoria from the origin and existence of an independent democratic state is understandable, this asymmetry and asynchronization require increased care, since the greatest sign of wisdom and maturity of any nation is that it does not allow enthusi-



asm to grow into fanaticism or patriotism into nationalism.

Globalization and integration processes are also changing the mutual relations between independence and interdependence.

Therefore the statement of the governor of the Banque de France is eloquent in this area. At the beginning of the 1990s he already said: „A central bank already can no longer strive for independence, but for interdependence.“

Accession to the OECD, in which the NBS has engaged very successfully, was an important milestone in our opening to the world. I recall all the delegation from Slovakia, which also included E. Kohútiková, deputy governor of the NBS, who engaged the attention of partners in discussions with her high professionalism.

A brief summary of Slovakia's accession process to the OECD follows:

- 28th February 1994 – The Slovak Republic applied for full membership of this organization.
- 29th July 2000 – Slovakia was officially accepted as the thirtieth member of the organization on the basis of a decision of the council of the OECD.
- 28th September 2000 – The minister of foreign affairs of the Slovak Republic signed the agreement on accession to the OECD in Paris.
- 14th December 2000 – The minister of foreign affairs of the Slovak Republic deposited the appropriate documents with the French government, so that Slovakia became a regular member of the OECD.

In reality it was not so simple, since, especially in the period 1998-2000, it was necessary to complete a series of negotiations in the CIME (Committee for International Organizations and Multi-national Companies), the CMIT (Committee for Capital Movements and Invisible Operations) and other committees, where the National Bank of Slovakia was also active.

The accession of Slovakia to the OECD also did much to start and accelerate the preparations for accession to the EU. It strengthened the good name of the Slovak Republic in the world as the thirtieth member of the club of the most developed countries in the world – the most developed in fantasy and ideas. This was practically manifested in increased interest in Slo-

vakia from foreign investors. For example, in 2000 foreign investment in Slovakia increased by 99 billion in comparison with 1999, when the inflow was PZI 16.5 billion.

In later years, especially in 2003 and 2004, the increased inflow of foreign investment to Slovakia continued.

A Further Memory

My contacts with the OECD from the second half of the 1970s, when the representation of the ČSOB was located on the Avenue Ingres near the embassy and the Chateau de la Muette headquarters of the OECD, also testify to the progress we achieved by accession to the OECD. Since in this period, strict security measures had not been introduced, I often visited this „cathedral“ of internationalization and globalization, and freely found materials for study from outstanding experts.

Practical experience and contacts from banking also helped me in diplomacy. I recall how, when submitting my credentials to the President of France, it was necessary to use the expression „lettres de creance“ (credentials), but when I came to this expression, I hesitated for several seconds, since a different non-diplomatic, but banking expression *lettre de change* (bill) was imprinted in my mind.

Thus, I was the first ambassador to submit to a head of state a bill instead of credentials. After the end of the ceremony, President J. Chirac informally told me that „he appreciates that the Slovak Republic has sent a banker as its ambassador, since France also emphasizes the economic dimension of diplomacy.“

I was also very much helped in my work at the embassy by contacts from the preceding period with banks and their representatives, for example, with Mr. De la Rossier former governor of the Banque de France and with the American ambassador F. Rohatyn, who had saved New York City from bankruptcy in his time as a representative of Lazard Freres.

By building up the National Bank of Slovakia and its range of operations, the accession of Slovakia to the OECD, EU and NATO, as well as to such international organizations as the World Bank and International Monetary Fund, and regular contacts with international banks in Europe, the banking system significantly contributed to opening the Slovak Republic to the world and creating a favourable image of Slovakia in the world.

In fact the identity of a nation and image of a country are very fragile treasures, for which it is necessary to make constant and careful efforts.