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Czechs' and Slovaks' Approaches to the Eurozone Two Decades after the Czechoslovakian Divorce

Abstract: *This paper attempts to identify the differentiated approaches of the Czechs and Slovaks in relation to monetary integration (the EMU) in Europe. It includes analysis of the key strategic documents programming the countries' position in and towards the Eurozone, the presentation of selected economic parameters, as well as public opinion surveys on the issue, which divides not only Prague and Bratislava but the whole Central European region. As a result it shows the diversified picture of the two member states' approaches towards the Eurozone. Comparing the Czech and Slovak cases enables to observe two individual trajectories that launched in 1993. If not the Czech-Slovak divorce, both of the economies would be outside or inside of the Euro-club.*

Keywords: Czech Republic, Slovak Republic, monetary integration, European Union

Introduction

This paper attempts to show the differentiated approaches to the European integration process (monetary integration in particular) represented by two Central European nations: the Czech and the Slovak Republics, which – only a little more than two decades ago – shared one statehood. If not for the ‘divorce’ in 1993, they would be treated as one entity in many situations: from Eurostat statistics or Eurobarometer opinion polls, to the EU Council meetings and in diplomatic relations. More than twenty years of dual independence manifests the two different trajectories

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of these two young states. They both belong to the Visegrad Group (V4), which also includes Poland and Hungary, and which is determined by geographical and historical factors. They are both members of the North Atlantic Treaty Organisation (NATO), reflecting the geopolitical concerns of the former East bloc. They are also both members, since 2004, of the European Union (EU). However, their present status in this organisation is very much differentiated.

As in of most other post-communist countries – from Estonia in the North to Albania in the South – The Czechs and Slovaks oriented themselves towards the Western structures after the fall of the Iron Curtain. The Velvet Revolution in 1989 however brought not only freedom and democracy but also the end of the Czechoslovakian state.¹ Despite the will of the legendary Vaclav Havel (the first and last president of the Czechoslovakian Federation, 1989–1992), they decided to split into two independent states, giving birth to two different trajectories in their relations with the West. Even before 1993, however, there were sceptical opinions expressed in Czechoslovakian politics about the pro-EU orientation.² They were generally based on anti-German (and anti-Austrian, which is important for historical reasons) sentiments, and the arguments focused around why the people of Czechoslovakia should delegate their sovereignty to some other centres of power (Brussels, Berlin, Vienna) just after having regained it following Soviet domination.

This rhetoric was continued after the momentous year of 1993, both in the Czech Republic and in the Slovak Republic. In Prague Václav Klaus and in Bratislava Vladimír Mečiar represented different variations of nationalism,³ both in internal and external relations (including towards the EU). Many observers argue that before 1993 this nationalism was effectively kept under control by the federal ideology of the Czechoslovak Federal Republic and it only exploded when the Slovaks and Czechs divided.⁴

EU association treaties for both countries came into force in 1995. Within a year (Slovakia on 29.06.1995 and the Czech Republic on 22.01.1996) they both submitted their requests for EU accession. But

¹ P. Just, *Split of Czechoslovakia as One of the Outcomes and Results of the Transition to Democracy?*, "RSP", No. 41/2014, pp. 65–74.

² J. Bures, *Political Change in Czechoslovakia: The Fall of the Nondemocratic Regime in 1989 in the perspective of theory of Transition*, "RSP", No. 41/2014, pp. 115–125.

³ V. Hloušek, *Strategic or Identity-based Euroscepticism? The Euro Discourse of Vaclav Klaus*, "Romanian Journal of Political Science", Summer 2014, Vol. 14, Issue 1, pp. 35–60.

⁴ V. Gonec, *From Pro-Europeanism to Euro-realism? Czech and Slovak Experience 1989–2004–2014*, "On-line Journal Modelling the New Europe", No. 15/2015, p. 116.

although both of them joined the EU at the same time on 01.05.2004, their roads to united Europe were somewhat different. The post-accession developments also differ with respect the two Republics.

Following its accession request, Slovakia quickly dropped out of the leading group of candidate countries as a result of the coming into power of populist governments in Bratislava. This delayed the Slovaks' entry into the NATO alliance (which took place not in 1999 – as with Poland, Hungary and the Czech Republic – but in the second round of NATO enlargement in 2004). However Slovakia made up ground very fast after 1998 with respect to its accession path to the EU and joined the EU together with the Czech Republic and eight other countries in the 'big bang' enlargement of 2004.⁵ Today the Slovakian economy is believed to be the greatest winner of the recent decades, with catch-up dynamics equalled only by Poland. In contrast to Poland, however, the Slovaks belong to the Eurozone club and this has proved to be the success story of its European integration process.

The Czechs, on the other hand, started out as the absolute leader directly after the transformative year of 1989 – especially compared to Poland or the other former East-bloc countries which suffered from the collapse of the communist system. Afterwards however, the Czech economic growth was not very dynamic and the Czechs were relatively strongly hit by the economic crisis in 2008. This stimulated the already strong Eurosceptic tendencies among both the political elites and the general public. Today Prague belongs to those EU capital cities that are perceived as the EU brakes-men.

In 2014, on the tenth anniversary of the EU enlargement, there was an agreement on both sides of the Czech-Slovakian border that overall the balance of advantages and disadvantages of accessing the EU has been beneficial for both countries' economies. The greatest advantages are considered to be the abolition of custom tariffs (export literally exploded both in Slovakia and the Czech Republic), the inflow of foreign direct investments, and the absorption of EU funds.

GDP per capita in PPS (Purchasing Power Standard) increased in Slovakia at the fastest rate after 1989. It increased by 79 per cent, compared to Poland's 70 per cent (in second place), while the Czech Republic's GDP per capita in PPS grew during the same time span by 30 per cent. Since the EU enlargement the Slovak GDP has grown 49 per cent (the same

⁵ An illustrative example of the Slovak backwardness on its road to the EU at that time can be seen in the academic world – the Jean Monnet projects came to Slovakia six years later than to Poland or Hungary.

as Poland's) and the Czech GDP by 28 per cent. This makes the Slovak economy one of the most dynamic in the world.

Despite these positive economic parameters, a decade after the 'big bang' enlargement, passivity and discontent have become two major characteristics of the public attitudes towards the EU as it is today. The previous Euro-optimists are described today as 'Euro-naives'. The 'British disease' has infected both Czech and Slovak politics, with changing internal political conflicts related to European themes.⁶

The British context also demonstrates one of the major dividing lines between the Czechs and the Slovaks, i.e. their monetary division. It should be noted that it divides Central Europe in general – with three Central European countries using the Euro (Austria, Slovenia and Slovakia), while the other three (Poland, Hungary and the Czech Republic) still enjoy their own currencies without demonstrating much intention of adopting the Euro anytime soon. Following the split in 1993 the Czech Republic and Slovakia also had two separate currencies, but the Slovaks' adoption of the Euro in 2009 integrated them more deeply with the European integration structures. They became members of the so-called 'inner core', whereas the Czechs remained at the outer core or inner periphery, depending on the nomenclature used.

Both the Czech Republic and the Slovak Republic have been obliged to join the Eurozone since they ratified their Accession Treaties (2003). Just like many of the new EU member states (NMS), they enjoyed a derogation from adopting the common currency.⁷ The approaches of the other NMS remain mixed. Seven out of the ten new member states that joined the EU on 1 May 2004 decided on a strategy of adopting the Euro as soon as possible (Latvia, Lithuania, Estonia, Malta, Cyprus, Slovenia and Slovakia). Consequently, these countries joined ERM II (the second generation of the Exchange Rate Mechanism) as early as possible. However Hungary, Poland, and the Czech Republic opted to participate in ERM II only for the shortest period necessary to fulfill the exchange rate criterion and make technical preparations for the Euro,⁸ and none of these countries has yet fixed a date for adoption of the Euro. This temporary derogation does not, however, exempt any member state from its obligation to adopt the Euro. The Czech Republic, like any other member state from outside of the Eurozone (however unlike the United Kingdom or Denmark, both of which negotiated a special opt-out status in this regard), must

⁶ V. Gonec, *op.cit.*, p. 108.

⁷ In the meaning of Article 122 of the Treaty establishing the European Community (EC).

⁸ J. Hölscher (ed.), *Poland and the Eurozone*, Palgrave Macmillan, Houndmills 2014.

work towards the introduction of the Euro as soon as possible. This is also connected with fulfilling the macroeconomic criteria known as the Maastricht criteria.⁹ At the same time, the 'old' Member States standing outside the Euro area – Denmark, the United Kingdom and Sweden – are not planning to adopt the Euro any time soon.¹⁰

1. The Slovak Eurozone strategy

Since 1993, the National Bank of Slovakia (NBS) has conducted its own independent monetary policy. From the very beginning it has been conducted, however, as a continuation of the Czechoslovakian Central Bank monetary policy. From 1998 the Slovak Crown (SKK) became a currency with a floating exchange rate using the German Mark (DEM) as a reference currency. This meant that the Slovak Economy belonged to what the economists informally called the 'Deutsche Mark Zone', standing for the peripheral economies (including also the Czech Republic, Hungary and large parts of Poland) dependent on Germany for its imports and supply chain.

The internationalization rate of the Slovak economy is the highest in the whole region, thus it is no surprise that Slovakia was the first V4 country to join the Euroclub. It started its intense preparations already in 2004. In May the Slovaks acceded to the EU and already in November they entered the ERM II (Exchange Rate Mechanism – second generation), and as a result in 2009 Slovakia was already a Eurozone member.¹¹ By that time the Slovak economy also attained relatively high levels of convergence (nominal and real) with other Eurozone economies, which made it compatible with the Eurozone market. Actually, already before the accession the Slovak economy showed some extreme levels of internationalization. The share of imports and exports of goods and services in the Slovakian GDP represented 157.5 per cent in 2003 and 156.1 per cent in 2004 (Updated Monetary Program of the NBS for 2004), which made Slovakia one of the most open economies in the world. The most important documents on the Slovak's path to the Eurozone were: Strategy of the Slovak Republic for Adoption the Euro (SSAAE); the

⁹ The EU new member states, besides being required to harmonize their economies in line with the convergence criteria formulated in the Maastricht Treaty, are also expected to achieve a high degree of sustainable convergence in order to join the Euro area.

¹⁰ Denmark and the UK based on their opt-out clauses, and Sweden because it is not bound by any agreement to join the Eurozone.

¹¹ R. Horvath, M. Rusnak, *How Important Are Foreign Shocks in a Small Open Economy? The Case of Slovakia*, "Global Economy Journal", Vol. 9/2009, Iss. 1, Art. 5, pp. 1–15.

National Euro Changeover Plan (revised three times – NECPSK); and Monetary Program of the NBS (for various years); and the communication strategy for the Euro introduction in the Slovak Republic. Their main statements and conclusions are summarized below.

Even before EU accession, the Slovak authorities were very optimistic about their chances for Eurozone accession. The SSAE of 2003 reveals the ‘no-alternative’ approach on the part of governmental and central bank officials towards full monetary integration. In its program statement, the Slovak government expressed its determination to achieve the Maastricht criteria by 2006. And the Slovak National Bank repeatedly declared its support for entry into the Euro area on the earliest possible date.¹² On the eve of adoption of the Euro, the Slovak Authorities (via the coordination of numerous ministries as well as the Narodna Banka Slovenska) updated a key document in April 2008: The National Euro Changeover Plan for the Slovak Republic, which contained a plan for a trouble-free and successful introduction and use of the Euro throughout the whole of the Slovak economy. It highlighted some important principles connected with the introduction of the Euro, including:

- the principle of not harming the citizens;
- avoiding price increases;
- prohibition of using an inverse coefficient;
- minimising costs.¹³

Because Slovakia joined the Eurozone just before the economic reached Central Europe, there was never any fundamental discussion concerning whether Slovakia should become a member of the Eurozone or not. The key decisions were taken many years before and, in contrast to Poland, Hungary or the Czech Republic, they were not conducted in the context of the crisis.¹⁴ From the moment of accession the Slovak monetary policy was subordinated to the ambition of integrating with the Eurozone.¹⁵ This meant that already in 2007 all the Maastricht criteria needed to be met (considering the projected 2009 Eurozone entry), which was already

¹² SSAE 2003 – Strategy for the Slovak Republic for Adoption of the Euro, Narodna Banka Slovenska, BIATEC, Volume XI, 8/2003.

¹³ NECPSK 2008 – National Euro Changeover Plan for the Slovak Republic, update April 2008, Ministerstvo Financii Slovenskej Republiky, Narodna Banka Slovenska, 2008.

¹⁴ J. Rodríguez López and J.L. Torres Chacón, *Following the Yellow Brick Road to the Euro? Czech Republic, Hungary, and Poland*, “Eastern European Economics”, Nov./Dec. 2007, Vol. 45, Issue 6, pp. 46–79.

¹⁵ J. Klacso, *The Effects of the Euro Area Entrance on the Monetary Transmission Mechanism in Slovakia in Light of the Global Economic Recession*, “Czech Journal of Economics and Finance”, Vol. 65, No. 1/2015, pp. 55–83.

clearly expressed in the document from December 2004: Monetary Program of the NBS until the year 2008, Bratislava 2004.

2. The Czech Strategic Documents in Relation to the Eurozone

Already in 2003 the Czech Government and the Czech National Bank (CNB) agreed on a joint document 'The Czech Republic's Euro-area Accession Strategy',¹⁶ in which they presented a coordinated approach on the part of the Ministry of Finance, the Ministry of Industry and Trade and the CNB to the basic issues associated with the Czech Republic's entry into the Economic and Monetary Union. It summarized the starting points for the Czech Republic's integration into European monetary structures and discussed the positive effects and potential risks associated with joining the Euro area. In the end, the document recommended that the Czech Republic join the Euro area '[...] as soon as economic conditions allow for doing so'.¹⁷ The timing of entry depended on the speed of real and nominal convergence of the Czech economy to the Euro area economies. In the CREAS document, the Government and the CNB committed themselves to annually assessing the preparedness of the Czech Republic for Euro-area accession, with reference to the current and expected fulfillment of the Maastricht convergence criteria and economic alignment with the Euro area. The assessment was planned to result in a recommendation to the Government on whether to initiate the procedure that would take the Czech Crown (koruna) into ERM II in the year following the assessment. All the assessments conducted since the approval of the CREAS have resulted in a recommendation for the Government to *not* attempt to enter ERM II the following year.¹⁸

In 2007 the Czech Government and the Czech National Bank decided on the Czech Republic's Updated Euro-area Accession Strategy.¹⁹ The same year, the Czech Government comprehensively up-dated its *National Euro Changeover Plan for the Czech Republic*. Both of the documents emphasized that the Czech Republic's entry into the Euro area would complete the Czech economy's process of integration into European monetary structures. Among the positives attributes and consequences of Euro accession, the documents indicated:

¹⁶ CREAS 2003 – The Czech Republic's Euro-area Accession Strategy, September 2003.

¹⁷ Ibidem, p. 1.

¹⁸ Ibidem, pp. 1–3.

¹⁹ CRUEAS 2007 – *The Czech Republic's Updated Euro-area Accession Strategy*, 29 August 2007.

- positive impacts on domestic economic policy (the key elements of the system are requirements to achieve balanced public budgets and undertake structural reforms supporting long-term sustainable economic growth);
- fiscal policy implemented in accordance with the Eurozone rules would reduce the costs of financing public budgets and lead to stabilization of long-term interest rates at a low level;²⁰
- the stability of the financial sector would reduce the risks of monetary turbulence (sharp fluctuations in the exchange rate present a significant threat to a small open economy);
- the elimination of exchange rate risk vis-à-vis the Euro-area countries, which are the Czech Republic's most important trading partners.

On the negative side, a number of threats were identified, the most important being:

- exposure to economic disturbances under the irrevocably fixed exchange rate within the Euro area (especially troublesome in the event of an insufficient cyclical and structural alignment of the Czech economy and its financial sector with the Euro-area economies);
- the loss of independent monetary policy (the loss of important instruments that could help to mitigate the negative effects of potential asymmetric shocks);
- fixing the exchange rate irrevocably and adopting the single monetary policy could only be made when sustainable convergence of the economy and of macroeconomic and microeconomic policies have been achieved (opening of markets, competitiveness within the single market, and increasing economic integration and the functioning of institutions on the products, services and capital markets).²¹

The bottom line conclusion of both the 2003 and 2007 documents was to recommend *not* to finalize the Czech accession to the Eurozone. The same conclusion was reached on the tenth anniversary of the EU enlargement, in the *Assessment of the Fulfillment of the Convergence Maastricht Criteria and the Degree of the Alignment of the Czech Republic with the Euro Area*.²² A joint document of the Ministry of Finance of the Czech Republic and the Czech National Bank, approved by the Government of the Czech Republic at its meeting on 15 December 2014,

²⁰ Corporations and households would profit not only from low interest rates, but also from access to the deeper, more liquid, and more transparent capital markets.

²¹ CRUEAS 2007, op.cit.

²² AFCMC and DACREA 2014 – *Assessment of the Fulfillment of the Convergence Maastricht Criteria and the Degree of the Alignment of the Czech Republic with the Euro Area*, December 2014.

stated that: '[...] the Ministry of Finance and the Czech National Bank, in line with the Czech Republic's Updated Euro-area Accession Strategy, recommend that the Czech government should not set a target date for Euro area entry for the time being'.²³

In the middle of the economic crisis in Europe the political climate in the Czech Republic remained unchanged with respect to Eurozone entry. In July 2010 the new Czech government decided not to fix the date for adoption of the Euro. The three political parties that formed the governmental coalition declared in their coalition agreement that 'for now' they would not fix the date for the adoption of the Euro.²⁴

At the wane of the economic crisis, in February 2014, the new Czech government declared its active support for creating conditions for adoption of the Euro. The political parties that formed the coalition government based on the general elections of October 2013 announced in their Policy Statement that they would undertake an active effort to create conditions conducive to the adoption of the Euro.²⁵

However the 2014 report produced by the central bank emphasises that entering the Eurozone is conditioned on resolving the internal Eurozone problems²⁶ as well as on the readiness of the Czech economy. Compared to the Slovak reports, the Czech reports focus much more on the issue of the potential costs²⁷ connected with the new rescue mechanisms, and perceive them as unforeseeable. Clearly the Czech authorities imagine their country only in the position of a rescue measures' provider, not a recipient. This reveals a lack of solidarity in the case of economic turbulences, which runs counter to the received financial assistance in the form of cohesion and structural funds in the previous decade.

This optimistic view on the Czech economy was challenged by another claim – based on competitiveness. Identifying the eventual risks of joining the Euroarea, the authors of this report underline: 'With no option of exchange rate depreciation, the current single monetary policy seems too

²³ Ibidem, p. 7.

²⁴ They were, however, prepared to initiate the adoption process under the assumption that the single currency will be developing as a sustainable project and that the compliance with agreed rules will be ensured by the Eurozone countries.

²⁵ The new Czech Government also expressed its intention to sign the Fiscal Compact (The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) and to defend its interests in the emerging banking union, including preparations for accession.

²⁶ ACRCEAE 2014 – *Analysis of the Czech Republic's Current Economic Alignment with the Euroarea*, Czech National Bank, Prague 2014, p. 6.

²⁷ If the Czech Republic became the participant of the banking union, it would have to pay 51 bln Czech Crowns into the capital of the ESM.

restrictive for the less competitive countries, which are often showing negative consumer price inflation and high debt ratios'.²⁸

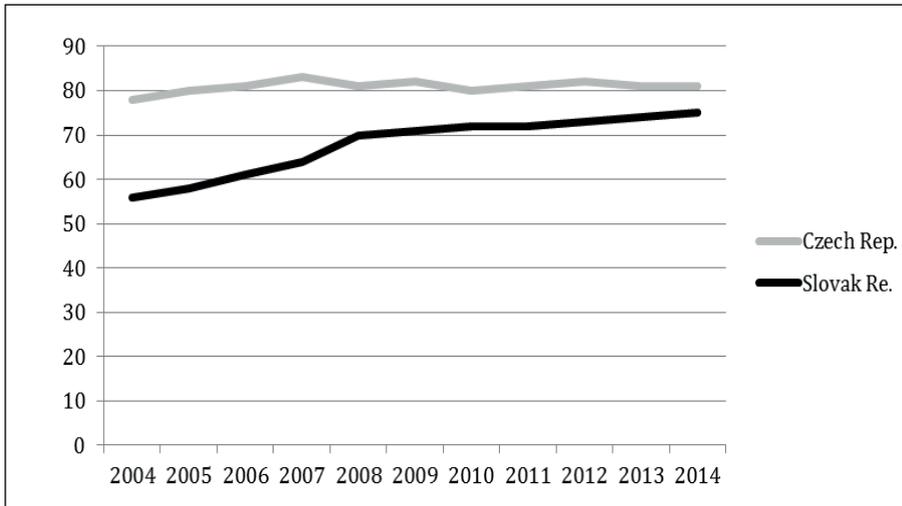
The most up-dated balanced assessment of the envisioned pros and cons of Czech accession to the Eurozone can be summarised as follows. *Arguments for*: a high degree of openness of the Czech economy; close trade relations with the Eurozone, dense ownership ties with the Euro area (predominantly Germany and Austria), fostering alignment of the business cycles with the Euro area (however disturbed in 2008); a high correlation between the exchange rates of the Czech Crown and Euro against the American Dollar and other international currencies; long-term convergence in inflation rates and nominal interest rates. *Arguments against*: fiscal concerns (an increased budgetary deficit in 2010–2013, with tendencies to exceed the 3 per cent limit and an aging population as a potential source of unsustainability in future public finances; transfer of banking supervision competences outside of Prague; no improvement in labour market flexibility; structural differences (high proportion of industry compared to the service sector).

3. The Czech and Slovak statistical picture

Even though their economic parameters are very similar – in some cases nearly identical – the Czech and Slovak attitudes towards the Eurozone and deeper monetary integration differ substantially. This is quite an interesting phenomenon since the same input impulses generate diversified output results. This effect is very much in line with the Europeanisation literature that argues that states that advanced Europeanisation does not need to bring enhanced homogenisation. Below some selected data are presented; due to the limited scope of this article it is not possible to present a full comparative analysis of the Slovak and Czech economies – which show very similar tendencies in both countries.

The GDP (expressed in Purchasing Power Parity per capita) differed greatly at the moment of EU accession – the difference was 22 per cent (see the graph below). From that moment on, both the Slovakian and Czech economies developed and caught up, however at diversified speeds. The catch-up dynamics of Slovakia was one of the fastest in the whole EU (comparable only to the Polish achievements in this regard). At the same time the Czech Republic developed much slower. It seems that the two lines will converge if the current trajectories remain valid.

²⁸ ACRCEAE 2014, op.cit., p. 8.



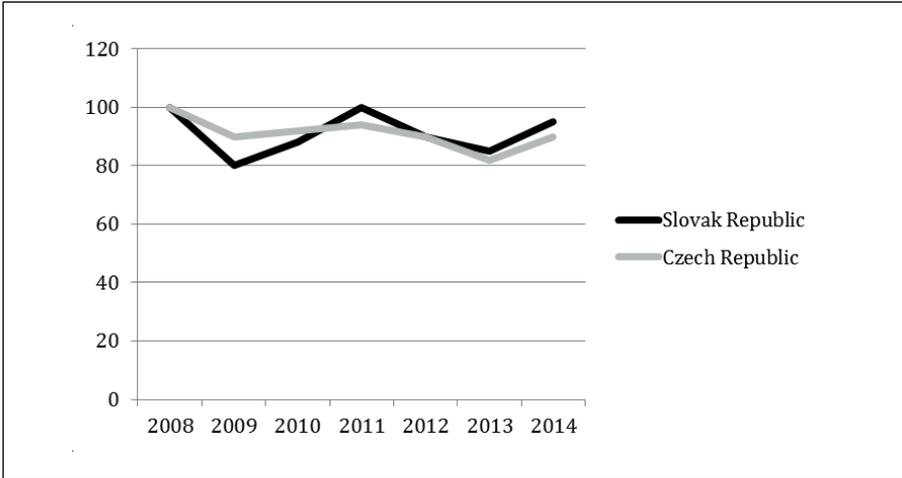
Graph 1. Nominal GDP per capita as % of the EU average

Source: Commission Staff Working Document, Country Report Czech Republic 2015, Brussels 2015.

There is an observable slow down in the catch-up dynamics after 2009, which is a direct result of the economic crisis which hit the European and world economy a year earlier. Both of the economies suffer this slowdown, however the Slovaks still enjoy some modest progress whereas the Czechs have remained stagnant for almost a decade. The fact that one of the two has its own currency and the other does not leads to the conclusion that the Euro is not a barrier to rapid economic growth. One could even speculate that, based on the Czech–Slovak comparison, the Euro may be an engine of growth. However when comparing Slovakia to some other fast-growing economies, like the Polish economy (which does not participate in the Eurozone), it seems obvious that the Euro is neither a barrier nor a decisive stimulant of the economy.

Both of the economies belong to the heavy absorbers of the foreign direct investments (in non-relative terms as well as per capita). The chart below shows how similar the trajectories of the investment inflows are in Slovakia and the Czech Republic.

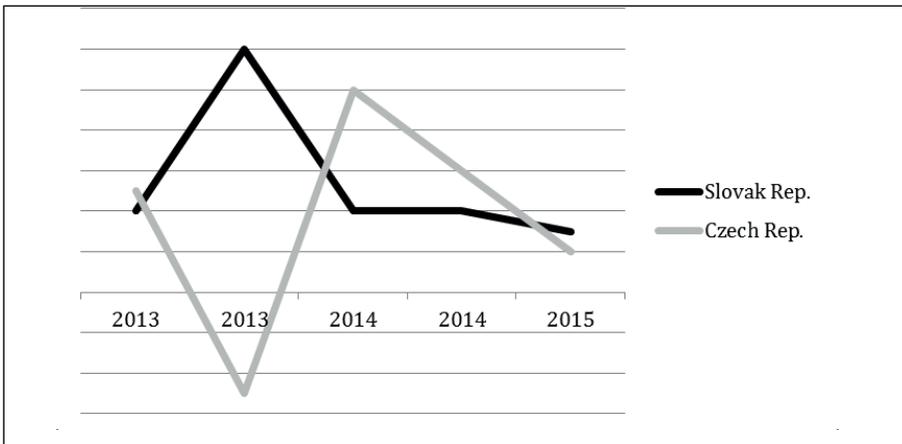
Both the investments and the trade flows are concentrated in the Eurozone, which make both the Czech and the Slovak economies – as small, open, internationalised economies – natural candidates for membership of the Euroclub. It seems however that these macroeconomic arguments do not translate into the microeconomic scale of the individual and household budgets.



Graph 2. Fixed investments (2008 = 100)

Source: own calculations based on Eurostat and NBS data.

One of the economic parameters that may have an effect on people's attitudes towards the common currency is household consumption. A direct effect on household finances may stimulate positive or negative perceptions of the currency and its stability among the people. The chart below presents a comparison of the consumption dynamics in both the Slovak and Czech Republics. Even though the trajectories were different in past years, still the final outcome is very similar.

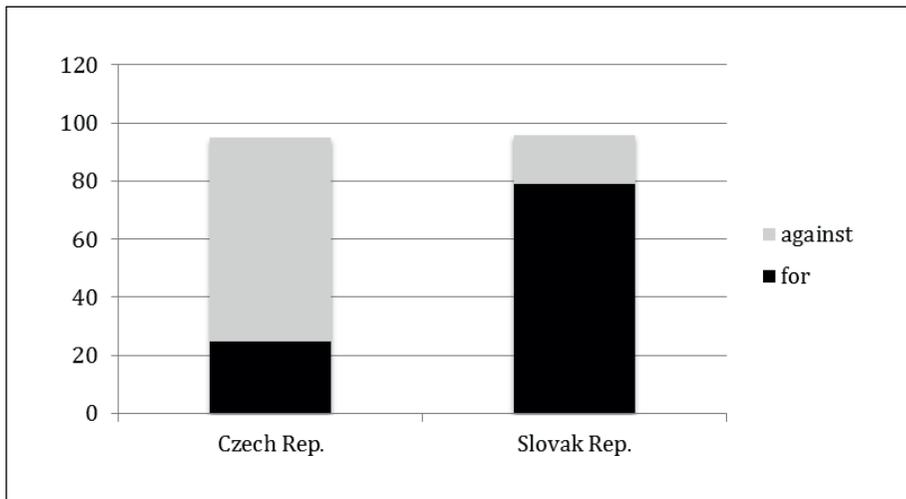


Graph 3. Consumption changes in Czech and Slovak Households

Source: own calculations based on Eurostat and NBS data.

The graph below shows some data from the 2014 Eurobarometer survey which presents a sharp contrast between the Czechs and the Slovaks as regards their attitude towards the Euro. It is important to bear in mind that the Slovaks had experienced five years in the Euro currency at the time of the survey, whereas the Czechs attitudes were based on hypothesis. The presented difference is typical for some tendencies on a European scale – the member states whose societies are for participation in the Eurozone are already in the Eurozone; whereas those member states whose societies are sceptical about this idea are outside of the Eurozone. And both of the groups are satisfied with their situations.

This difference is also visible in some other statistical data. For example according to the Flash Eurobarometer 405, 'The EURO AREA', Report October 2014, a majority of Slovaks claim that there should be more coordination among the Euro-area governments in the field of economic policy, including budgetary policies. Obviously this concerns not only monetary integration but the concept of integration in general.

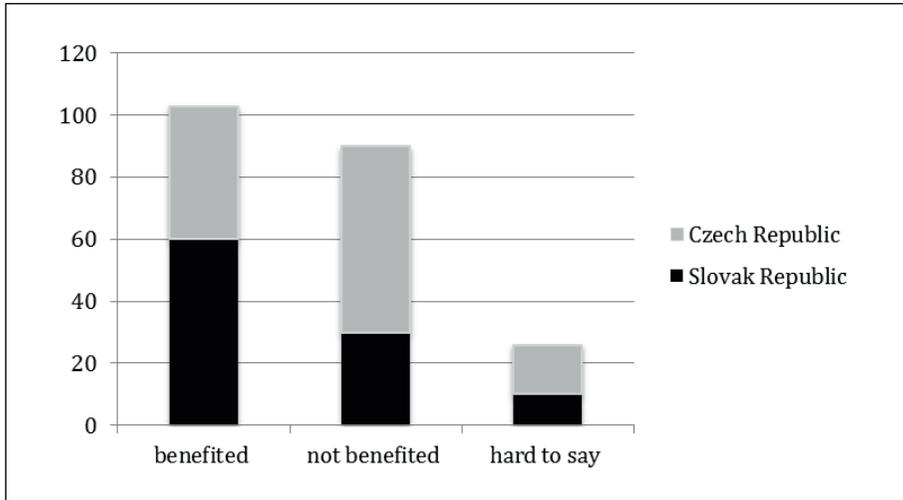


Graph 4. Are you for or against a European economic and monetary union with one single currency - the Euro?

Source: Eurobarometer Report on the “Public Opinion in the European Union” Autumn 2014.

The data presented in the graph below confirms the above stated claim. The Slovaks are also more satisfied with the developments to date in the EU. When asked if their country benefited from EU membership, they are much more positive than the Czechs. The difference is even more

visible in the case of the ‘not benefited’ answer. Here the Czechs are much more Eurosceptic.



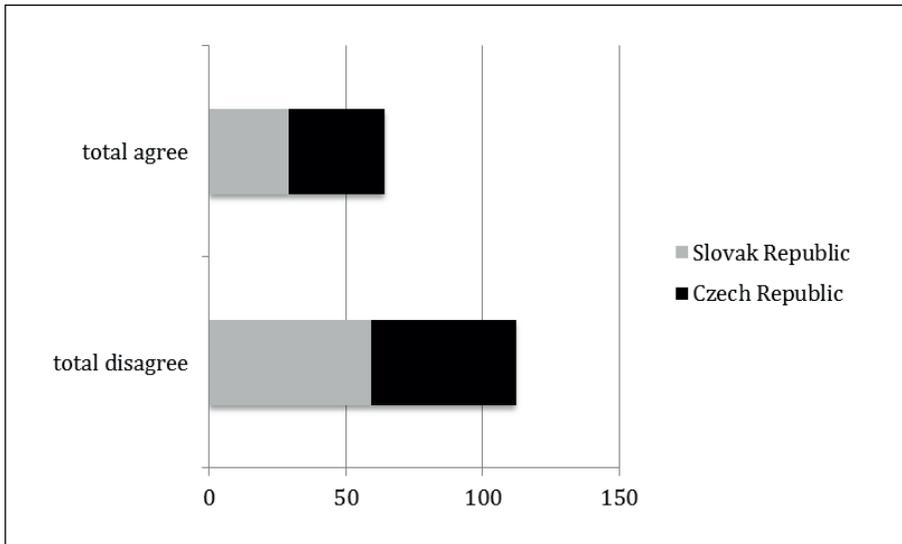
Graph 5. Has your country benefited or not benefited from the EU membership?

Source: Raport – Polacy, Czesi, Słowacy i Węgrzy o integracji europejskiej, BS/137/2013 CBOS, Warszawa 2013.

The same is visible in the responses to the question ‘Would my country better face the future outside of the EU?’ Not so dramatically, but still considerably, the Czechs reveal much more Eurosceptic views than Slovaks. This question (also known as the ‘British question’) is very important because it suggests what kind of results one might expect in the case of exercising an EU exit option.

Still however, when summed up the total results for Slovakia and the Czech Republic show a greater perception of benefits from the European integration process. At this point one could speculate what the results would have been like had there been no Czechoslovakian ‘divorce’ in 1993. Certainly it is not possible to reconstruct all the possible dynamics – how public opinion would have formed, the interaction of political elites and many others factors. However, taking into account the population domination of the Czechs in the Czechoslovakian state, one can speculate that the Eurosceptic attitudes would be dominant, and thus Slovakia would not have joined the Eurozone in 2009. Whether that was the right thing to do is a separate question. A phenomenon that is very much interesting from the political science point of view is that the split of the

sovereign generates two different possible scenarios in this vital economic policy variable.



Graph 6. My country would face a better future outside of the EU

Source: Eurobarometer Report on the “Public Opinion in the European Union” Autumn 2014.

Some more detailed survey data²⁹ delivers some answers to the question: ‘Should the Czech Republic join the Eurozone?’ Six per cent of Czechs claim that definitely yes; 12 per cent rather yes; 28 per cent rather not; and 48 per cent definitely not (6 per cent had no opinion). On the other side the Slovaks, when asked: ‘How do you judge the introduction of the Euro currency in Slovakia?’ answered as follows: 18 per cent of Slovaks evaluate it as definitely good, 38 per cent as rather good, 27 per cent as rather a wrong thing and 13 per cent as definitely a wrong thing (4 per cent had no opinion).

According to the Flash Eurobarometer 418 ‘Introduction of the Euro in the Member States that Have not Yet Adopted the Common Currency’ Report May 2015, the majority of EU citizens living outside of the Eurozone claim that the introduction of the Euro would have a negative impact for their country (53 per cent). This reflects a rather long-lasting trend

²⁹ Raport – Polacy, Czesi, Słowacy i Węgrzy o integracji europejskiej, BS/137/2013 CBOS, Warszawa 2013.

which originated in 2009 – obviously as a consequence of the economic crisis. The ‘for’ and ‘against’ lines crossed in 2011 and have remained on their respective trajectories ever since. The detailed breakdown of the statistical data shows that women are more skeptical than men, and the younger generation is much more skeptical than the older one.

Interestingly however, when the same people were asked: ‘What impact do you think the introduction of the Euro has had in the countries that are already using the Euro?’, they were much more optimistic. Fifty-one percent claimed it had a positive impact, and only 36 per cent that it was negative. At the heart of the crisis, in 2011 these opinions were different, but both before and after the crisis the opinions are quite positive. This is not true however in the case of the Czech Republic. 53 per cent of Czech citizens consider these consequences as negative and 39 per cent as positive, which is the most extreme result among all the V4 countries as well as all other countries remaining outside of the Eurozone (including the United Kingdom).

Conclusions

When analysing the Czech and the Slovak economies one may find many similar or even nearly identical features. However the attitude towards the monetary integration is a key difference. It has been like this for over a decade (since the EU accession) and it will most probably remain so in the foreseeable future³⁰. Their position with respect to the supranational monetary regime is not determined by economic factors but rather by political ones. In this paper, the strategic documents and public opinion towards the Eurozone have been analysed.

An anecdote oft-repeated on the train between Prague and Bratislava says that in the past – before the 1993 divorce – Slovaks claimed that their economic underdevelopment was the result of Prague policies favouring only the Bohemian parts of Czechoslovakia, whereas the Czechs claimed that if not for the Slovak ballast, they would already be the ‘Switzerland of Central Europe’. This is why it is good that they divorced, because now the Slovaks are on their own (and successful) and the Czechs have no excuse or scapegoat to blame.

From the perspective of time, we could speculate about the past and conclude that if the Slovaks had stayed in the Czechoslovakian Federation,

³⁰ J. Durcová and M. Raisova, *The demand and supply factors of economic growth in the Czech and Slovak Republic*, “Journal of Advanced Studies in Finance”, Vol. IV, No. 2(8)/ Winter 2013, pp. 91–98.

today they would not be members of the Eurozone. Their positive attitude would, most probably, melt in the sea of Czech Euroscepticism. At the same time we cannot forget that it is not only Czechs and Slovaks who live in the territories of the Czech and Slovak Republics. There are still some minority national and ethnic groups, like Hungarians, Moravians, Silesians, Germans or Roma – just to mention the historical inhabitants of these lands.³¹ Such minorities – as exemplified by the Scots in the United Kingdom – have a tendency to be much more pro-European when located inside a Eurosceptic majority. But it is politics that keeps them silent or not heard so long as they remain parts of a bigger political entity.

It is also politics, not economics, that keeps the Czechs out of the Eurozone. There are accusations that the Czech central bank does not want to join the Eurozone since it would lose its competences and importance. Hence there is a kind of a clash between the bank itself and a large part of the political and economic elites, who criticise the central bank for devaluating the Czech Crown in 2013, an action which was supposed to boost the economy (via export competitiveness) but failed to do so. At the present time (in 2015), in both countries there are strongly pro-EU governments in office. However the situation is dynamic due to the inter-related refugee crisis. The Visegrad Four (including Czech and Slovak Republic) belong to one of the strongest opponents of the allocation mechanism proposed by the EU Commission which results (in a spill-over phenomenon) to the growing Euroscepticism, including EURO-scepticism.

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³¹ Not to mention the new immigrant groups, like the Vietnamese – who rapidly became the largest, after the Slovaks – minority group in the Czech Republic.

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