

THIRTY FIVE YEARS OF BANKING SERVICES FOR FOREIGN TRADE IN SLOVAKIA

LEGACIES AND STIMULI

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Thirty five years ago a handful of banking enthusiasts began to prepare the material, personal, organizational and technical pre-conditions for banking services. This important development in the history of modern banking in Slovakia should not be forgotten. We will realize its importance and content more fully if we recall the overall context in which it occurred. In this way, we will also emphasize its legacy, message and stimuli for present days.

The political and economic context of the fifties and sixties

In January 1948, the Finance Commission agreed to the concentration of all commercial banks in Slovakia into two centres: the Tatra banka and Slovenská banka. After the coup d'état of February 1948, soon after implementation of the government programme of concentration, the merger of the two remaining institutions – the Slovenská banka and Tatra banka – into one commercial banking institution for the whole of Slovakia: the Slovenská Tatra banka, was decreed. The process of concentration and radicalization of views on the position of banking did not stop even here. In June 1950, the Slovenská Tatra banka became part of the State Bank of Czechoslovakia. The circle was closed. There was a monopoly of one bank, which monopolized foreign trade and foreign currency dealing for 40 years.

In the second half of the sixties, there was some degree of „thaw“ in the political atmosphere, especially in Bratislava, and then with the „Prague Spring“ also in the capital of Czechoslovakia. This could not fail to have some positive impact also on the economy. In 1965, the so-called Administration of International Operations in the SBCS created an independent Československá obchodná banka (Czechoslovak Commercial Bank) with its headquarters in Prague. From the beginning, it was headed by Ľudovít Kováčik, an important personality originally from the upper Hron valley. Thanks to Ľ. Kováčik and thanks to some progressive and pragmatic representatives in Slovakia, and thanks to the generally favourable political context, the decision to create a branch of the ČSOB in Bratislava was adopted in autumn 1967. This apparently dry statement hides a new qualitative

change with important further effects on penetration into the monopoly of one bank in the areas of foreign trade and foreign exchange dealing, and from the point of view of personal and material preparation for the banking reform and economic reform in Slovakia after 1989.

The beginning was not easy

Twenty years of the bureaucratic command model of economic management was clearly visible in the absolute inadequacy of professionally trained personnel, as well as office premises and material and technical equipment. The reply Vladimír Valach, first director of the ČSOB, received when he asked whether they had anybody fully qualified for this post, was symptomatic in that area. The reply was that „during the last twenty years, experts in banking services in the area of foreign exchange, had either died out or already risen so high that they did not want to begin again from nothing“.

And so a period of 12 hour working days, weeks without weekends and years without holidays started on 4th March 1968, the day V. Valach met Jozef Hudák and Pavol Varsík. It was necessary to simultaneously clarify and work out a conception, to actively participate in the process of creation of a new network of foreign trade bodies also in Slovakia, to study a lot, organize study visits to Prague and to foreign countries, hold demanding administrative discussions, secure office equipment, and do all this in conditions of sometimes insurmountable investment and operational limits. Everything was much more difficult and slower than it is today, when supply prevails over demand and there are possibilities to choose between competing suppliers.

In the first three years of the existence of the ČSOB branch, the agenda of payments for exports and imports was gradually taken over. It included the whole range of payment instruments from clean payment, through documentary collection to the demanding creditives and guarantees, as well as accounting operations, currency exchange activities and the appropriate economic agenda. At the end of the first stage, practically the whole agenda necessary for crown and foreign currency services, payment and economic services for businesses involved in foreign trade were taken over from



A picture taken at a working meeting in the ČSOB held in 1969 focused on further delegation of foreign trade to Slovakia.

Prague, with exception of activities, which had to remain centralized. At this point, allow me to deviate a little: we paid our debt to our friends from Prague after 1989, when our experience helped them establish their Zárúčná a rozvojová banka (Guarantee and Development Bank), since our bank in Bratislava was the first of that type in the whole of Central and Eastern Europe.

But let us return to the events thirty years ago. In 1972, new building completion solved the problem of premises and enabled establishment of the basic organizational structure of the branch.

It was possible to overcome the now unimaginable difficulties in establishing new banking services in the foreign currency area in Slovakia mainly thanks to the immense application, enthusiasm and dedication of dozens of staff of the branch of the ČSOB. A list of them would require several pages. I will at least mention one of the many examples of self-sacrifice. When Štefan Žiak, general director of Kerametal, informed me that another billion in imports by Metalimex had to be transferred to us from Prague on complex tender payment conditions, I replied that it would not be an obstacle for the ČSOB in Bratislava, although I knew that we had not established payments / accounting unit and lacked premises for them. My colleagues reacted to this news as follows: „but we still have Saturdays and Sundays, we will survive several months until we get the new premises“.

So we gradually created a new network of foreign trade enterprises in Slovakia with a wide range of commodities and wide territorial distribution. They included Kerametal, Petrimex, Technopol, Slovart, Omnia, Drevoúnia, Intercoop and Incheba. Hundreds of new professionals in important areas matured professionally and personally in them. Thanks to their good contacts, productive stimuli could be „smuggled“ in from abroad, even under conditions of foreign trade monopoly. This brought positive results in the areas of chemical and metal indu-

stries and in consumer goods, agriculture and other sectors.

The stimuli and experiences from the ČSOB in Bratislava and Žilina were also valuable for other partners in the Chamber of Commerce and institutions in the area of management and education. Very close cooperation existed at that time with the Faculties of Commerce and the National Economy at the University of Economics, the secondary schools of economics in Bratislava, Trenčín and Banská Bystrica, the Institute of Management, Institute of Foreign Trade and other institutions.

Gradually, especially in the 1980s, when society was already „pregnant“ for change, they „smuggled“ into economic thinking such concepts and categories as enterprise, risk, boom and crisis, payment conditions, budget and so on.

What is the message for today?

Perhaps today, in the period of rapid changes, on the eve of accession to the EU, in a period of competition and stabilization of banks in Slovakia, recollections of 35 years of building banking services may seem banal and petty to some. On the contrary, today is precisely the time to stop and realize what came before this process, and what enabled the more rapid and effective introduction of essential reforms and changes.

So what is the message of the events that occurred 35 years ago, what are the stimuli from 1968 for banking sector in Slovakia?

1. The way we built up banking services in the framework of the ČSOB in Slovakia was a hidden, but very significant penetration into the foreign trade monopoly, and a penetration into the productive sphere and economic thinking. In the eighties that prepared the ground in economic thinking for the changes in banking and the economic reforms after 1989.

2. The new generation of experts in the foreign exchange field in the ČSOB and in foreign trade in the foreign trade entities in Slovakia enabled faster implementation of banking reform in the new banks and faster penetration into Western markets by the new wave of newly established companies in Slovakia. It can be emphasized that without the personnel from the ČSOB, it would have taken longer and been more difficult for the new banks to offer new products, especially in the demanding area of international payments, but also in the economic sphere.

3. It is necessary to remember that human factor, its motivation and the extent to which it is possible to stimulate, enthuse and win people for a good idea. This is an important message from banking in 1968, from the period of building up banking services for foreign trade, to the present period of competition and stabilization of banks.