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Features, political, economic and administrative instruments and effects of overcoming financial crisis in the Visegrad Countries

the article is dedicated to analyzing features, trends, causes and consequences, as well as political, economic and administrative instruments to overcome the financial crisis in the Visegrad countries. The researcher determined the factors that led to the financial crisis and the measures of governments of the Visegrad countries to prevent further deepening of the financial crisis. The author conducted a comparative analysis and description of the ways to stabilize the economies of various countries, such as Poland, the Czech Republic, Slovakia and Hungary. On this basis, the study suggested ways to overcome the financial crisis on the experience of the Visegrad Group countries.

Keywords: *financial crisis, financial-economic crisis, GDP, inflation, investment, Visegrad Group.*

Особливості та політико-економічні й управлінські інструменти і наслідки подолання фінансової кризи в країнах Вишеградської Групи

досліджено особливості, тенденції, причини і наслідки, а також політико-економічні та управлінські інструменти подолання фінансової кризи в країнах Вишеградської групи. Визначено чинники, що спричинили фінансову кризу, та заходи урядів країн Вишеградської групи щодо запобігання подальшого поглиблення фінансової кризи. Проведено порівняльний аналіз та характеристику шляхів стабілізації економік різних країн, а саме Польщі, Чехії, Словаччини та Угорщини. На цій підставі запропоновано шляхи подолання фінансової кризи з урахуванням досвіду країн Вишеградської групи.

Ключові слова: *фінансова криза, фінансово-економічна криза, ВВП, інфляція, інвестиції, Вишеградська група.*

The last (2008–2009) financial-economic crisis in Europe and in the world (we do not take into account the financial crisis, caused by the events in Ukraine in 2014-2015)

had a world-wide global nature[1]. It means that there was not a region in the world, which was not affected in this or that way by the crisis developments. Therewith, it is needless to state, that the forms, intenseness and specific time limits of the crisis had their regional and national peculiarities. In the specific context they revealed themselves in European countries, especially those, which in the course of the 90s of the 20th century, were interpreted as post-Communistic and transitional ones. The point is, that in 2008-2009 European markets suffered the biggest recession since the time of "transitional contraction", which happened after the collapse of the socialistic camp and regimes of "real socialism". But even despite the fact, that recently transformed region of Central-Eastern Europe was a selection of countries, which mostly suffered from the crisis, they managed to avoid currency crash, systematic bank failures and rapid inflation, what had been typical of the previous crises. It is of immediate interest, considering how deeply these countries are integrated into the world economy.

However, profound integration is both a positive and negative factor. On the one hand, due to integration appeared economic ties and financial interrelation, which made many transition economies greatly dependable on the crisis in Western countries. On the other hand, integration lessened the consequences of withdrawing big money, as it had been a destructive factor during the previous crises. Besides, integration contributed to establishment of more mature institutions and corresponding activities in the sphere of domestic policy and assisted in gaining the most powerful international support. These two effects of integration are extremely obvious in the financial sector, since financial integration was a considerable factor for early increase of the transition economies, and the existence of strategic foreign banks helped to undercut influence of the crisis. At the same time, integration into bigger European and world economy, with no doubt, contributed to the too rapid expansion into the private sector and growth of indebtedness in foreign currency, complicating the crisis in many European countries. But one thing to be understood is not to spot financial integration, but to mitigate risks, which appear in the course of integration.

As a result of this, in late 2009 the World Bank promulgated the report, where they stated that to keep the achievements which worth much and "transitional countries" must implement structural reforms. It was emphasized in the report, that the developments, which had happened to be since the fall of the Berlin wall in transitional economies predetermined the nature of the crisis in 2008-2009 and its further recovery. In particular, it was stated, that selection of economic development paths, made by some European countries in the course of transition from the centralized administrative form of state management to the market-driven economy, to some extent determined their

[1] A. Zadoya, *Ekonomichna kryza v krayinakh skhidnoyi ta tsentral'noyi yevropy: spil'ni rysy ta natsional'ni osoblyvosti*, „Teoretychni ta prykladni pytannya ekonomiky" 2010, vol 21, s. 48–54.

vulnerability in the context of the global economic crisis. At the same time it is believed that this choice predetermined the processes of economic recovery in the region. Only some time later in the report "Turmoil at Twenty: Recession, Recovery, and Reform in Central and Eastern Europe and the Former Soviet Union", it was argued, that many countries of the region were sufficiently integrated into the global markets[2]. At the same time it was remarked, that integration contributed to the success and ensured stunning growth rates during the first decade after the financial crisis, which burst out in Russia in 1998, but simultaneously led the countries of the region to become unprepared for the crisis of 2008–2009, which was outspreading in three ways: finances, trade and resource market.

To a great extent it is argued in the scientific papers by such researchers as S. Gardo and R. Martin[3], K. Staehr[4], J. Taylor[5], J. Blažek and P. Netrdová[6], T. Michal and B. Werner[7], R. Cull and M. Pería[8], R. Arezki, B. Candelon and A. Racine Sy[9], D. Mihaljek[10], C. Reinhart and K. Rogoff[11], J. Drahokoupil and M. Myant[12], R. Kattel[13], M. Syllignakis

[2] *Turmoil at Twenty: Recession, Recovery, and Reform in Central and Eastern Europe and the Former Soviet Union*, Wyd. World Bank Press 2009.

[3] S. Gardo, R. Martin, *The Impact of the Global Economic and Financial Crisis on Central, Eastern and South-Eastern Europe: A Stock-Taking Exercise*, "ECB Occasional Paper", vol 114, 67 s.

[4] K. Staehr, *The Global Financial Crisis and Public Finances in the New EU Countries in Central and Eastern Europe: Developments and Challenges*, "Public Finance and Management" 2010, vol 10, nr. 4, s. 671–712.

[5] J. Taylor, *The Financial Crisis and the Policy Responses: an Empirical Analysis of What Went Wrong*, "Nber Working Paper Series Working Paper" 2009, vol 14631, 32 s.

[6] J. Blažek, P. Netrdová, *Regional unemployment impacts of the global financial crisis in the new member states of the EU in Central and Eastern Europe*, "European Urban and Regional Studies" 2012, vol 19, nr. 1, s. 42–61.

[7] T. Michal, B. Werner, *Economic Crisis and Its Impact on SMEs: the Case of Visegrad Group Countries*, "JWE" 2010, vol 1–2, s. 114–130.

[8] R. Cull, M. Pería, *Bank ownership and lending patterns during the 2008–2009 financial crisis: Evidence from Latin America and Eastern Europe*, "Journal of Banking & Finance" 2013, vol 37, nr. 12, s. 4861–4878.

[9] R. Arezki, B. Candelon, A. Racine Sy, *Sovereign Rating News and Financial Markets Spillovers: Evidence from the European Debt Crisis*, "IMF Working Paper", vol 11/68.

[10] D. Mihaljek, *The Spread of the Financial Crisis to Central and Eastern Europe: Evidence from the BIS Data*, [w:] R. Matousek (ed.), *Money, Banking and Financial Markets in Central and Eastern Europe: 20 Years of Transition*, Wyd. Palgrave 2010, s. 5–31.

[11] C. Reinhart, K. Rogoff, *This Time is Different: Eight Centuries of Financial Folly*, Wyd. Princeton University Press 2009.

[12] J. Drahokoupil, M. Myant, *Varieties of Capitalism, Varieties of Vulnerabilities: Financial Crisis and its Impact on Welfare States in Eastern Europe and the Commonwealth of Independent States*, "Historical Social Research" 2010, vol 35, nr. 2, s. 266–295.

[13] R. Kattel, *Financial and economic crisis in Eastern Europe*, "Journal of Post Keynesian Economics" 2010, vol 33, nr. 1, s. 41–60.

and G. Kou[14], H. Kriesi[15], G. Pop-Eleches[16], E. Terazi and S. Senel[17], Z. Darvas[18], A. Zadoya[19], O. Snihyr[20], O. Cherep and N. Sira[21], G. Fetysov[22] and others.

According to these authors, it becomes clear that economic policy of the majority of the EU countries and in particular Central-Eastern European countries was formed under the impact of imbalances, caused by the world financial crisis. The main tasks, among which one could find: economic activity promotion, current account balance payments, decline in unemployment, were joined by the new ones, like indebtedness and control over money flow. In modern world it becomes apparent that migration of money has great influence on economic advancement of countries, and foreign investments are a considerable contribution to money accumulation and stable development in many countries of the region. The fact is that the crisis of competitiveness of Central-Eastern European countries and access to cheap credit resources within the Euro zone caused imbalance in the EU countries' financial accounts and great public and private debts accumulation during the first years of introduction of the euro currency and in the course of the global financial crisis of 2008–2009[23]. Since the recession, economic reductions and losses of financial investments inaccurately assessed in the periphery showed lack of economic integration within the Euro-zone and caused negative market response, which can be to a large degree observed even today.

In general, these patterns are inherent to the former post-Communist countries in Central-Eastern Europe in the beginning and in the course of enduring the 2008-2009 financial economic crisis. But in this context one should appeal to certain regional and national peculiarities, incorporated in term of such microregion of Central-Eastern Europe as the Visegrad Group and namely such countries as Poland, the Czech Republic, Slovakia and Hungary. The common thing is that they belong to the post-socialist countries, where market changes were commenced (with different degree of intensity) only in the 80s-90s of the 20th century; for most of them the 2008-2009 crisis was the

[14] M. Syllignakis, G. Kouretas, *Dynamic correlation analysis of financial contagion: Evidence from the Central and Eastern European markets*, "International Review of Economics & Finance" 2011. Vol 20, nr. 4, s. 717–732.

[15] H. Kriesi, *The Political Consequences of the Financial and Economic Crisis in Europe: Electoral Punishment and Popular Protest*, "Swiss Political Science Review" 2012, vol 18, nr. 4, s. 518–522.

[16] G. Pop-Eleches, *From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe*, Wyd. Princeton University Press 2008.

[17] E. Terazi, S. Senel, *The Effects of the Global Financial Crisis on the Central and Eastern European Union Countries*, "International Journal of Business and Social Science" 2011, vol 2, nr. 17.

[18] Z. Darvas, *The Impact of the Crisis on Budget Policy in Central and Eastern Europe*, "OECD Journal on Budgeting" 2013, vol 10, nr. 3, s. 1–42.; Z. Darvas, *Exchange Rate Policy and Economic Growth after the Financial Crisis in Central and Eastern Europe*, "Eurasian Geography and Economics" 2011, vol 52, nr. 3, s. 390–408.

[19] A. Zadoya, *Ekonomichna kryza v krayinakh skhidnoyi ta tsentral'noyi yevropy: spil'ni rysy ta natsional'ni osoblyvosti*, „Teoretychni ta prykladni pytannya ekonomiky" 2010, vol 21, s. 48–54.

[20] O. Snihyr, *Transformatsiya Yevropeys'koho Soyuzu pid vplyvom kryzy yevrozony. Vysnovky dlya Ukrayiny*, Wyd. NISD 2012.

[21] O. Cherep, N. Sira, *Dosvid krayin Tsentral'noyi Yevropy shchodo podolannya kryzy i stabilizatsiyi ekonomiky*, „Visnyk ZhDTU: Ekonomichni nauky" 2011, vol 2, nr. 56.

[22] G. Fetysov, *O merakh po preodolenyyu myrovoho kryzysa y formyrovanyyu ustoychyvoy fynansovo-ekonomycheskoy systemy*, „Voprosы ekonomyky" 2009, vol 4, s. 31–41.

[23] O. Snihyr, *Transformatsiya Yevropeys'koho Soyuzu pid vplyvom kryzy yevrozony. Vysnovky dlya Ukrayiny*, Wyd. NISD 2012.

first cyclic crisis in its "pure form", which happened after the countries had transited to market economy (the point is that the previous 2001-2002 crisis, as a phase of the middle-term cycle, did not have a whole complex of internal reasons for its formation, and consequently took place in its malformed order); nearly all countries of the region were and are enough integrated into the world market, as their economies were considerably dependable on foreign trade.

Interestingness of the region from the financial-economic crisis' perspective is revealed in the fact that the Visegrad countries were determined by a certain set of common features, which presupposed specific peculiarities as to the depth of the crisis and its prospects, ways of solution and effects. If one characterizes common forms of manifestation of the financial-economic crisis, the attention should be paid to the following: a) severe contraction of export both to Western Europe and in frames of mutual trade; b) not only reduction in direct investments into the countries' economies, but also considerable "leak" of foreign capital was observed; c) the countries of the region remained extremely dependable on foreign markets, what created additional threats to dynamics of their national economies, as the average export proportion to the region's GDP was rather high.

Table 1. Direct foreign investments proportion to the Visegrad countries' GDP, in percentage form

Country	Average direct foreign investments proportion to the GDP in 2005-2008	Average direct foreign investments proportion to the GDP in 2009
The Czech Republic	5,0	1,5
Hungary	3,5	1,5
Poland	3,0	1,5
Slovakia	5,0	2,0

Źródło: *Report on Transformation. Hard Landing: Central and Eastern Europe Facing the Global Crisis*, Wyd. Price Water House Coopers 2009, s. 8.

It is quite notable, that the main macroeconomic indices of the Visegrad countries have been reduced. It is referred to the reduction of the GDP growth, GDP per capita, increase in inflationary processes, foreign trade balance etc. However, on the contrary, investment climate in the region (except Hungary) still remained very stable and attractive. Thus, in most countries of the Visegrad Group even amid the crisis there was small potential for growth of investments. Positive outlook for these countries was created by the indices in the real estate sector[24].

[24] *Analytycheskyy obzor rynkov Tsentral'noy i Vostochnoy Evropy*, „Delo" 15 zhovtnya 2009, źródło: http://delo.ua/world/analiticheskij-obzor-rynkov-ce-132243/ [odczyt: 01 may 2016].

Table 2. Main macroeconomic indices in the Visegrad countries in 2008-2009

Country	GDP growth, in %		GDP per capita, in USD		Inflation rate, in %		Foreign trade balance, in % GDP	
	2008	2009	2008	2009	2008	2009	2008	2009
The Czech Republic	+2,70	–4,32	20 760	18 194	+3,61	+0,63	–3,08	–2,15
Hungary	+0,61	–6,73	15 523	12 386	+3,50	+6,10	–8,40	–2,95
Poland	+4,89	+0,98	13 846	11 098	+3,30	+3,01	–5,48	–2,23
Slovakia	+6,39	–4,66	17 646	16 315	+4,40	+2,00	–6,52	–8,05

Źródło: *WorldEconomic Outlook Database*, Wyd. International Monetary Fund Press 2009.

It has been noted that in all Visegrad countries, except Slovakia, the depth of the economic crisis was not connected with the rates of the pre-crisis growth, i.e. with correlation – the faster the economy had grown before the crisis, the deeper its economy was shrinking. The analysis of dynamics in the countries' economies gives certain doubts as to supporting this tendency. It is contributed by the factor, that the countries of the Visegrad Group made a selection, where the export proportion to the GDP was bigger, than in average across Central-Eastern Europe. Moreover, the countries from the analyzed series were differentiated as to their internal and external risks. It is acknowledged that venturousness of providing loans to the countries (and consequently possibility of its incorporation into foreign capital investment and solution of current problems) is generally represented in their credit rating. Despite comparative "youthfulness" of market economy in the countries of the Visegard Group, in 2008 three of them, namely Slovakia, Poland and the Czech Republic were assigned upper-medium grade (A). On the contrary, Hungary was assigned lower medium grade (BBB).

It should be stated that currency exchange rates of those days in the Visegrad countries quite differently reacted to the financial-economic crisis. Thus, in Slovakia the national currency rate in comparison with the mid of 2008 increased by almost 5%. Quite considerable drop in the national exchange rate (about 5-10%) was registered in the Czech Republic, and even bigger one (10-20%) was detected in Hungary, and the biggest fall in the national exchange rate was seen in Poland (over 20%)[25]. It signifies that, there was no correlation between the fixed and unfixed currency exchange rates and control of inflation and lowering of interest rates. However, in general, countries with fixed currency exchange rates found themselves in a more difficult situation as to their macroeconomic vulnerability, than countries with floating exchange rates. It was revealed in the fact that in countries with more flexible regimes, the "credit boom" was less expressed, and levels of inflation and deficit of current account of balance of

[25] *Report on Transformation. Hard Landing: Central and Eastern Europe Facing the Global Crisis*, Wyd. Price Water House Coopers 2009, s. 11.

payments were lower (averaged). Besides, an important factor, which affected economic development of Central-Eastern European countries, was competitiveness of their industries at foreign markets. From this point of view, floating currency exchange rates had the advantage, as they did not contribute to the price and salary increase, as it was in countries with fixed currency exchange rates, i.e. did not lower competitiveness of the countries' economies. In support of it, one can provide evidence as to real effective currency exchange rate in the countries of the Visegrad Group, provided by the Eurostat. It completely argues that the higher real effective currency exchange rate is the lower the level of countries' economies competitiveness is. Table 3 shows that in the Visegrad countries, which used fixed currency exchange rate (Slovakia), it was higher than in the countries with floating currency exchange rate (the Czech Republic, Poland and Hungary). At the same time, Poland and the Czech Republic applied the regime of inflation targeting together with floating currency exchange rate, i.e. in its classical form, and successfully overcame the crisis, whereas Hungary, which carried out moderate interventions, had to ask for the IMF's assistance. It is also referred to Slovakia, which since 2009 has been using the EU currency – the euro, and it managed to avoid the liquidity crisis and considerable flight of capital, due to the fact that the European Central Bank acted as guarantor of its stability and liquidity of the national currency. But, despite this, the economy losses of Slovakia, due to such policy, were much higher, than in Poland and the Czech Republic, which had to devalue their national currency. Notwithstanding all this, already in 2014 GDP growth (in %) in the Czech Republic equaled 2,0%,in Poland – 3,4%, in Hungary – 3,6%, in Slovakia – 2,4%; inflation rate in the Czech Republic was 0,4%, in Poland – 0,1%, in Hungary – 0,0%, in Slovakia – 0,4%. This quite clearly confirms the previous conclusions.

Table 3. Real effective currency exchange rate in the countries of the Visegrad Group

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Poland	106,18	121,45	111,31	94,76	90,07	100	101,44	105,59	118,96	95,92	104,79	102,52
Hungary	72,13	79,49	90,69	92,92	97,99	100	95,18	104,72	105,43	95,28	92,11	94,24
Slovakia	81,11	79,37	82,10	88,56	94,69	100	104,82	114,19	124,21	136,01	131,71	129,70
The Czech Republic	73,61	79,03	92,09	92,99	95,82	100	105,09	108,66	121,18	114,55	117,23	119,63

Źródło: *Eurostat*, źródło: http://ec.europa.eu/eurostat [odczyt: 01 may 2016].

Consequently, of great interest were political, economical and managerial instruments and actions of the Visegrad countries' governments, aimed at overcoming the results of the financial-economic crisis. Thus, the Polish government in 2008 chose the

strategy of radical cost saving and strict financial discipline to overpass the crisis. The team of the then prime minister Donald Tusk set ambitious objectives: to make use of the crisis to reform civic finances and to join the Euro zone within the shortest possible time. On the background of other Central-European countries Poland looked like an "island of stability". When most neighbors suffered from acute recession, economic growth in Poland stabilized at 0,5% of GDP, and that was seen as "success". Moreover, the economy of Poland had stable "foundation". The former governments managed to implement reforms of the tax and expenditure system, though it was done gradually and imperceptibly. Yet in December 2008 the prime minister persuaded that any crisis had nothing to do with Poland, so there were no reasons to speak over any anti-crisis measures. But, in 2009 already many entrepreneurs and physical persons faced serious challenges. The reason was an abrupt fall in the national currency exchange rate to the euro and Swiss franc. Zloty went down in value by 10% to the euro, and almost 30% to the dollar. It certainly caused serious problems for those, who took Swiss franc loans at low interests, which were popular in the country at that time, as the sums of monthly installments grew considerably. But mass loan default (including mortgage loans) even at that time proved to be an unlikely scenario[26].

Taking into consideration the experience of overcoming the financial-economic crisis in Poland, we appeal to the undisputed fact, that the country managed to avoid many symptoms of the global crisis due to the point that Polish banks did not issue venture mortgage loans, as the financial institutions did in the USA, and were not engaged in the operations with mortgage securities. The poles were less accustomed to credit-fuelled lifestyle, in comparison with the American and Western Europeans. Thus, a great number of Polish banks on the wave of economic development in 2007-2008 issued fewer loans, than attracted deposits. Warsaw Stock Exchange was affected by poor financial decisions made by international financial institutions; however Poland did not belong to the countries of excessive economic risks.

To the ruling parties' point of view, these problems could have been averted, if Poland at proper time had adopted the euro. But the opposition neglected these assumptions and argued that under their governance it became possible to implement the reform concerning civic finances and slash budget overspending – from 30 bln zlotys (3,8% of GDP) in 2005 to 18 bln (2,0% of GDP) in 2007. And this was one of the preconditions for adopting common European currency. The truth is that the party "Law and Justice" held off on adopting the euro (and this has not been done yet), supposing that it can lead to impoverishment of the Poles. However, according

[26] *O. Cherep, N. Sira,* Dosvid krayin Tsentral'noyi Yevropy shchodo podolannya kryzy i stabilizatsiyi ekonomiky, *„Visnyk ZhDTU: Ekonomichni nauky" 2011, vol 2, nr. 56.*

to the words of the then prime minister D. Tusk, everything should have been done to adopt the euro to 2012, and if it failed, then in 2013. The prime minister explained his position in the following way: when investors saw that Polish government steadily moved to the set aim, they would stop treating Poland as the "country from the crisis region". Consequently, that strategy of the government consisted in shortening budget expenditures, as well as avoiding the excessive deficit. The prime minister authorized the ministers to find out extra 17 bln zloty (more than 5 bln dollars). At that reduction should not be referred to salaries and investments, cofounded by the EU. To struggle with the financial-economic crisis Polish government worked out a plan of promoting economic activity of the country, which cost 91.3 bln zlotys, i.e. 31.4 bln dollars or 24 bln Euros for the state budget. The set of stimulating measures, figured out for 2009-2010, presupposed the increase of bank guarantees, issuing the loans to the small and medium business, investments into renewable power sources etc. Banks, which acted in Poland, received additional guarantees from the government. The governmental plan was aimed at credit enhancement of enterprises, especially small and medium ones, and presupposed establishing of the stabilization surplus fund.

It was clear that, government tried and contributed to the consumers' demand, by lowering value added tax. In the meantime, the cabinet raised excise duty rate on alcohol and imported vehicles, to receive money for increasing social welfare. The decision on providing money, approved to fight with the crisis' effects, did not affected the stability of the state finances and investors' confidence in the Polish economy, as despite the crisis, its condition was not bad. Therefore, the consequences of the world financial-economic crisis for Poland proved to be not too harsh.

However, irrespective of the words of the Polish government as to stability of the economy, its growth rates slowed down. Thus, the ministry of finances cut its forecast of the GDP growth in 2009 from 4,8% to 3,7%. Consequently, Poland experienced the effects of the world financial-economic crisis[27]. It should be mentioned, that in 2007, when the Poles elected new parliament D. Tusk promised his voters "Another Ireland". However, with the beginning of the crisis, the prime minister found another example to follow, which was much closer to them, namely Slovakia.

Many analysts had great doubt as to the relevance of the "Slovak way", drawing attention to the overvalued currency exchange rate, according to which Slovak koruna was converted into Euro. However, Slovakia, in fact, remained extremely stable in the midst of the crisis, which covered Central-Eastern Europe. Though, it referred only to the banking-financial system, as the real economy, since recently had been in recession. When in autumn 2008 financial markets of Poland, the Czech Republic and Hungary

[27] G. Fetysov, *O merakh po preodolenyyu myrovoho kryzysa y formyrovanyyu ustoychyvoy fynansovo-ekonomycheskoy systemy*, „Voprosы ekonomyky" 2009, vol 4, s. 31–41.

hurled into chaos, and investors massively "were leaving" the countries, Slovakia showed no perturbation. At first, the euro had "soothing effect" on investors. The very process of adoption was extremely successful, and many analysts even suppose it to be the best one, among other countries, which had already adopted the euro. In accordance with the attitude measurement and research almost 90% of the Slovaks were satisfied with adoption of the euro currency. All this, was quite a heavy argument for politicians from Polish ruling parties, who conducted several conferences in Warsaw with participation of Slovak counterparts, where they together convinced the Poles to "follow Bratislava". However, the Slovaks adopted the euro when the koruna exchange rate was too high. Along with that, since 2008, neighboring currencies have devalued a lot, losing up to several dozens of their previous value[28]. Eventually, in early 2009, Slovakia became almost the most expensive country in the region. And here is a paradox: if in the course of the recent years citizens of neighboring Poland and Hungary went skiing or shopping to Slovakia, then in the new season everything was quite to the contrary. The enrichment effect, which the Slovaks experienced due to their overvalued by 15% national currency, when they adopted the euro, had been rapidly lost due to the recession. According to various data, that year Slovakian GDP was to shrink 6,2%, though in reality it shrank almost 4,7%. And it was on the background of very stable foundation of the economic system, created under the reformist cabinet headed by M. Dzurinda. Therefore, it is quite obvious and this point is supported by the experience, that the overvalue exchange rate of Slovakian koruna, under which the national currency was converted to the euro, was "worth much" for Bratislava in the economic perspective. During the first quarter of 2009 Slovakia was one of a few countries with positive GDP, though even then there were some signs of slowing down, and first of all steep downfall in auto sales. The reason was that Slovakian economy appeared to be very dependable on the "condition" of the automotive industry, as 35% of industrial production and 40% of export at that time belonged to the products of the automotive industry. It is worth mentioning, that high dynamics of Slovakian GDP growth in 2002–2007 was connected with the investment expansion of the world corporations (not only in the automotive sphere), attracted by the Slovakian government, which offered cheaper working force and state donations in comparison with the neighboring countries. It goes without saying, that an important role was played by such factors as stable economy, highly-developed transport infrastructure and favorable location of the region, Bratislava and Vah valley (they attracted most of investments), which are situated not far from western European market outlets.

However, in the course of the struggle for investors the countries of the Visegrad Group have met on even ground. When production in Slovakia became more costly than in the

[28] Y. Lohynov, *Evrovalyuta kak retsept protyv kryzysa? Popytka ne udalas*', „Zerkalo nedely" 2009, vol 22, nr. 750, źródło: http://gazeta.zn.ua/ECONOMICS/evrovalyuta_kak_retsept_protiv_krizisa_popytka_ne_udalas.html [odczyt: 01 may 2016].

neighboring countries, the advantages of the common currency proved to be not enough to preserve the investment attraction of the country. Within some time investors stopped fearing unstable Hungary (and Ukraine), as well as Poland and the Czech Republic. Within this context of great interest was financial and economic crisis-fighting in the Czech Republic. It is known that in 2010 its government paid considerable attention to the issues, concerned with minimization of the financial and economic crisis' effects for the country's economy search for the ways out of the post-crisis position. Thus, in 2010 the Czech government approved the National Antirecessionary Plan, which presupposed a number of actions, aimed at struggle against the world financial and economic crisis. The principal directions in fighting with the crisis phenomena, as it was mentioned in the plan, were: improvement of tax administration; support for entrepreneurship and private investors; encouragement of ecological and infrastructural programs; supporting for the appropriate level of employment and transportation service; support for restructuring processes and bankruptcy; export promotion, renovation and strengthening of credit financing; supporting for scientific and research work and innovation activity.

Implementation of the abovementioned plan, as its authors supposed, required 70 billion Czech koruna (almost 3,8 billion US dollars). Besides, the measures, which were aimed at economy stabilization in the Czech Republic, presupposed the introduction of the state expenditure saving regime for the amount of 29,6 billion Czech koruna (more than 1,6 billion US dollars). According to the plan, state benefits for the population were reduced by 0,6 billion Czech koruna (33 million US dollars) in comparison with 2009; medical insurance was cut down on 2,4 billion Czech koruna (almost 133 million US dollars). At the same time, it was planned to increase earnings in 43,5 billion Czech koruna, due to the enlargement of the tax assessment base. To stabilize economic development the Czech government took a number of measures, aimed at improving of industry, increasing of investment flow and export growing. In particular, the regime of the maximum stimulation of investment attraction into the country's economy was introduced. For instance, investors who invested more than 10 million dollars were exempted from taxation on 10 years, received grants for every new working place, and got the right to carry their equipment into the country tax-free. Additional benefits were provided for the companies, which planned long-term investments. Bringing the investments in the Czech enterprises was usually connected not only with provision of financial inputs into new equipment, vehicles, premises, but also with new technologies and market "know-how". All these contributed to the rapid and qualitative reconstruction of enterprises. As a result, on the territory of the republic worked more than 150 000 foreign companies. The biggest amount of investments was attracted to the spheres of transport and infrastructure, construction etc. Due to a massive flow of investment the Czech koruna has strengthened its positions.

Thus, it is quite obvious that, despite the debt, financial and economic crises, the Visegard countries gained their own financial benefits from the Europe's reintegration, while foreign investors opened a new region for them, attractive in terms of investment. Due to comparatively

low prices throughout the region, the countries managed to modernize their production capacities and introduced foreign technologies. Huge amounts of direct foreign investments and a high level of export in the GDP became clear evidence for this, moreover these indices remained unchangeable. Of great interest is the fact that till 2011 the level of direct foreign investment had stabilized. The worst investment tendency was observed in Hungary: only within two years this index lowered in 10% from the peak 75% of the GDP in 2009. However, in the Czech Republic, this index was 60% of the GDP in 2011, and in comparison with 2010 it lowered only in 5% of the GDP.

Another peculiarity of economic development of the Visegrad countries was enhancement of export. If one studies the share of export of the GDP, the differences between the countries (see Tables 1 and 4) will become apparent. Thus, such countries of the Visegrad Group as the Czech Republic, Slovakia and Hungary managed to increase their shares of export over the crisis years. Poland, on the contrary, could not be characterized by such a pattern, due to its specific reasons, namely a bigger size of the Polish market (as bigger countries usually export less), and less competitive structure of the economic system. In the context of the banking sector of the Visegrad countries, it should be admitted that the rise in the amounts of credits and assets in the regional bank sector has not stopped since the "full spate" of the global financial crisis in 2008. In fact, total banks' assets in the region had been constantly increasing, for instance in 700 billion Euros since September 2008 and up to September 2012. Of course, the rates of increase a bit lowered in comparison with the pre-crisis period, but in four years since the crisis onset, banks in the countries of the Visegrad Group have boosted their supplementary capital in 130 billion Euros, i.e. in 49%.

Table 4. Principal macroeconomic indices of the Visegrad countries (billion US dollars)

Country	Volume of direct foreign investments	Named country's investment into foreign countries' economy	Gold holdings (reserves)		Import		External debt volume
	2011	2012	2011	2012	2011	2012	2011
Poland	43,34	44,89	116,9	99,93	21,79	20,65	36,54
Hungary	24,04	26,39	52,89	44,9	10,78	10,08	23,25
The Czech Republic	16,82	16,47	44,62	35,26	14,35	12,90	10,58
Slovakia	3,08	4,30	2,16	2,67	8,54	7,42	7,59

Źródło: *Ekonomycheskye dannye stran myra*, „mostinfo.su", źródło: http://mostinfo.su/66-ekonomicheskie-dannve-stran-mira.html [odczyt: 01 may 2016].

In conclusion, we can state, that worsening of economic conditions in the Eurozone affects the countries of the Visegrad Group (and in general Central-Eastern Europe), but at the same time none of the mechanisms is a real threat for the countries of the region. Especially, it is true

taking into account lack of anxiousness, concerning the state debts, lower dependence on loans and potential benefits from the weaker Euro. Therefore, the banking system of the Visegrad countries is much more dependable on the biggest economies of Western Europe. In general, Central-Eastern European countries require improvement of the banking models, which must be more reliable on increasing of capitalization due to citizens' deposits and internal foundation, but not on external crediting.

The research gives us a possibility to draw a conclusion, that the countries of the Visegrad Group quickly overcame the effects of the financial and economic crisis. Thus, current account deficit was overpassed, inflation rate was rapidly reduced, and the banking system suffered minimal losses among system banks. Besides, none of the countries was on the point of default. Moreover, none of the countries in the region changed its currency exchange rate policy in the course of the crisis. On the top of that, the countries which were and are not the members of the Euro zone, considerably suffered from the strain of liquidity during the crisis. It became clear, that they cannot rely upon financial support from the European Central Bank. It is quite unexpectedly, that none of the countries changed its currency exchange rate policy over the crisis, and it does not refer either to the countries which supported currency board, or to the countries which practiced inflation targeting. Another important conclusion is that the countries which did not adopt the euro could not rely on the European Central Bank's or other EU structures; support; therefore the only way out for them was to ensure the sufficient level of their own central banks' reserves.

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