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ANALYSIS OF THE CONSEQUENCES OF THE EURO ADOPTION BY SLOVAKIA IN THE CONTEXT OF GEOPOLITICAL SYSTEM

Radoslaw Kupczyk*

ABSTRACT
The monetary union in Europe may be treated as a specific example of the international system, which is applicable in monetary relations. The creation of Eurozone was a political decision, taking shape over several years in a grand bargain. The purpose of this article was to analyse the relationship between the political and economic system during the crisis of the common currency. This applies above all to monetary system in Europe, where the interactions between politics and the economy are very visible. In this context, the consequences of the adoption by Slovakia of the single currency were presented. The paper was based on the theory of optimal currency areas and the theory of convergence. The strengthening of inter-governmentalism and hierarchy between Member States supports the improvement of controllability and management. However, the competition for leadership was a potentially destabilising factor. Analysis of selected Slovak economic indicators showed that despite the problems caused by the crisis in 2009, the adoption of a common currency did not result in a significant price increase or other negative economic phenomena in the longer term.

Key words: geopolitics, Optimal Currency Area, convergence, political system of Euro zone, competitiveness of economy, economic growth

Introduction

Euro zone crisis highlighted dysfunctions and limitations of the common currency system. This may be due to the existing institutional gaps and internal contradictions. The crisis not only manifests defects and dysfunctions of this system, but also becomes an opportunity for internal adjustments. This applies above all to remove the fundamental contradictions and institutional gaps, but sometimes also rebuilding the legitimacy of a political or ideological foundations

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necessary for the stability and durability of the system. In this context, one can consider the different intensities of crisis.

First, the system may show some dysfunctions and limitations, but it is possible to repair it within a certain system and using the existing practices of anti-crisis management. Secondly, we may deal with a crisis that cannot be solved within the system. This may be, among others, because the crisis management mechanisms are inadequate. In this situation, we may talk about the systemic crisis that affects the fundamental features of the political order. It concerns directly system of power and translates to dysfunctions in the field of crisis management. Slovakia joined the EMU shortly before the outbreak of the economic and political crisis.

Preparations for adoption of the single currency started on July 16, 2003, when the Parliament passed *"Strategy of the Slovak Republic for Adoption of the Euro"*. As a result of cooperation between the Slovak government and the National Bank of Slovakia, on 8 September 2004, the second document *"The realisation of euro adoption strategy"* was adopted. It established the degree of fulfilment of the convergence criteria and indicated date of completion of the first stage of the preparations for adopting the single currency, i.e. to join the Exchange Rate Mechanism, ERM II, for the first half of 2006. However, 1 January 2009 was set as the date of introduction of the euro in Slovakia. ERM II aimed at reducing fluctuations of exchange rates of the Member States of the European Union. This mechanism facilitates the process of implementing the common currency. The first objective of *"The realisation of euro adoption strategy"* had been achieved earlier than initially expected, namely Slovakia joined the ERM II already in November 2005.

The plan to introduce the euro, called *"The* National Plan *for the Introduction of the* Euro", was developed jointly by the Ministry of Finance and the National Bank Slovakia, and adopted by the Slovak government on 6 July, 2005. The plan was updated twice: in March 2007 and April 2008.

The Plan contained:

- confirmation of the date of 1 January 2009 as the date of adoption of the common currency, if the convergence criteria are met.
- rules on the introduction of the new currency into circulation: rounding rules, the period of double currency, preventing and combating unjustified overcharging, the principle of continuity of contracts, dual indication of prices, information campaign.

In November of 2007, National Council of Slovakia adopted a law on the introduction of the euro.

1 The geopolitical Conditions of the Functioning of the Euro Area

The monetary union in Europe may be treated as a specific example of the international system, which is applicable in monetary relations. According to experts, any monetary regime is rooted in the geopolitical system. If geopolitical system weakens, the monetary system experiences a crisis as well. This is due to the fact that foreign exchange system is based on political power and has reference to a specific geographic area. In this sense, it has a direct relationship with a specific geopolitical system (understood as a system of political power in a given territory).

The weakening of geopolitical system that supports monetary system can be caused by many factors. First of all, by the weakening of the political hegemony, which, for example, imposes its own currency or dominates the system of regional currency in political sense. In the case of the euro, there is not such a regional hegemon. Germany's position is indeed dominant in the economic sphere, but less in the area of politics. Germany can only be described as a leading European power, but not hegemonic leader, which would take full responsibility for the stability of the common currency. The problem of European geopolitical system is also strong political and economic rivalry among the major powers of the EU. This can be seen very well particularly in relation to the system of the common currency, where the crisis has become a catalyst for the struggle for power and distribution costs of bailouts. It has eminently geo-economic character, thus combining geopolitical factors with economic factors. Monetary system has a vital importance to achieve on one hand economic benefits and on other hand geopolitical position and power against weaker states.

Many experts prove that the European currency does not have adequate political base. Some scholars point to the lack of transfer of political sovereignty from nation states to the monetary union (Cohen, 2009, p.145). Lack of that transfer is the principal cause of the weakness of decision-making system. The single currency is based only on a fairly frail agreement of sovereign states, which can easily be changed and it is often subject of difficult political bargaining. Lack of adequate transfer of sovereignty also contributes to the problems of political legitimacy for authority at EU level. Other experts argue (Calleo, 2002, Eichengreen, 2011) that European monetary union is not based on model of political federation, nor the political system resembling a nation state. It is rather a confederation of sovereign states with a rather week superstructure in the form of supranational institutions, which do not have sufficient political mandate. Therefore, the monetary union lacks appropriate institutions as a result of the fiscal federalism (e.g. the common taxes and the budget being the guarantor for the single currency).

The specific geopolitical situation in Europe, which consists of aligned geopolitical potentials between the major countries (and the lack of a clear dominant hegemon in Europe) - was reflected in the integration process. In fact, it led to open (or incomplete) contracting international agreements (Cooley, Spruyt, 2009, p.161). It was impossible to negotiate final and comprehensive agreements. An example of this phenomenon is the common currency system, which from the beginning had serious shortcomings and lack of institutional cohesion. Consequence of this situation is the need for constant adjustment and completion of the system. This pushes the integration processes forward. However, it causes political tensions and rivalry between the main institutional actors. Sometimes it results in significant costs and dysfunctions of incomplete system.

It should be emphasized that the reason for many gaps in the system of monetary union is the geopolitical weakness in Europe and the internal contradictions among the Member States. Macroeconomic differences and structural differentiation between the economies of the Member States are the basic problems of the common currency system. Back in the 1960s, economists pointed to the boundary conditions necessary for the sustainability of monetary union in a situation of this type of differentiation. According to **Mundell's** concept of an optimal currency area (Mundell, 1961, p.658), economic tensions in the less developed parts of the monetary union (or the so-called asymmetric shocks) can be mitigated by high mobility of labour. Other adjustment mechanisms are fiscal instruments. For example, investment programs (stimulating economic growth in the weaker regions of the monetary union) or the so-called automatic stabilisers realised by social programs run in times of economic downturn and rise in unemployment.

To be effective, they should be implemented in a centralised way for the entire monetary union. This requires fiscal federation (and thus fiscal union with common central budget). An additional element of the system should be the control of capital markets and capital flows within the monetary union in the framework of external relations. The speculative capital investments in some regions of the monetary union are possible without such controls. They result in not only the so-called speculative bubbles, but also above all a further increase in macro-economic disparities. They deepen fundamental problem threatening the sustainability of the monetary union.

Many experts also point to the fact that in the case of the lack of introducing the relevant institutions (such as fiscal federalism or the control of financial markets) a monetary union in Europe makes economic sense only in a small number of states with similar structure of national economy (Krugman, 1993). These are Germany, France, Benelux countries, and Denmark. From the very beginning, the EMU faced a dilemma indicated by economists: whether to establish it in a small group of states, or relevant institutions must support it. European politicians have made a different choice. In the name of geopolitical ambitions concerning the European integration, they established the EMU in the broad sense, including countries from Southern Europe. At the same time, they did not agreed on appropriate institutional architecture that would provide guarantees for the stability of the monetary union in the long term. In this way, the weakness of policy makers and the political system has become a direct cause of the accumulation of economic dysfunctions of monetary union.

European leaders established the Euro zone too early, because of insufficient progress of political integration in the EU. The basic premise was the fact that monetary union could make the way for deeper integration in Europe. The common currency would force not only cooperation in the common market, but also the further progress of political union. This integration method has operated from the beginning of the European Communities. It can be described as broadening the field of integration, usually through other ambitious initiatives on economic cooperation. Under the neo-functional assumptions, political cooperation was to spill-over from the economic area to the political area, deepening European integration (Haas, 2008). In the case of currency integration, this method seems to be very risky. The stability of the monetary system requires the existence of appropriate geopolitical and political basis.

As a result, common currency system in Europe hardly has brought economic and geopolitical benefits. The benefits were spread asymmetrically for individual members of the monetary union, even in the period of its prosperity. On one hand, the deficit in the balance of trade and payments of some countries was increasing; on the other hand, the level of their economic competitiveness was decreasing. Growing structural differences had an impact on a rise in public debt. In a case when there is no appropriate fiscal instruments at the level of the EMU, national budgets bear the burden of adjustments. As practice has shown, national fiscal policies could not be effectively run, as a result of excessive liberalisation of capital flows in the common market. Too far-reaching liberalisation of financial markets led to deepen the economic differences among member countries of the EMU and undermine the private financial sector. The crisis of banking institutions influenced the fiscal crisis, because the states engaged in rescue of bankrupt banks.

The consequence of such institutional framework of EMU has been the accumulation of economic imbalances between the European powers (especially Germany) and others. The monetary union increased the benefits of Germany, and raised the relative economic and geopolitical potential of this country in relation to other members of the monetary union. Therefore, some researches define the monetary union in Europe as the German system, in which Berlin set out the main principles and goals of policies and gained geo-economic benefits (Moravcsik, 2012). In this way, the structure of this system, like the previous monetary systems in Europe, affected the deepening of the structural differences in the geopolitical sphere. It was related to the growing imbalances of potentials and political power between France and Germany.

Analysing monetary cooperation in Europe, we can find many examples of the interaction of political and economic conditions. We also deal with the following feedback. Monetary system in Europe faces many difficulties, because it is not defended by strong geopolitical system (understood as an adequate system of political power). At the same time, the crisis of the European Monetary Union weakens political integration in Europe. It is a self-perpetuating mechanism, which is very difficult to break. In the case of the lack of reform of the political system, it may lead to crash the integration process from within of the EU.

World powers (mainly the USA and China) moderately support the European single currency, because of the threat that the consequences of the collapse of the Euro zone might mean for the global economy. They hope also of the political concessions from European authorities in a number of bilateral negotiations, including the benefits of trade and investment. The bulk of defence the monetary system in Europe is based on the largest member countries. The crisis of the Euro zone created an opportunity to reform political structure and stabilise the economic situation. It is also a period of political competition among powers in Europe and distribution of costs of the crisis. It is also a catalyst for change in the political system of the EU, and so changes in the geopolitical system backing the euro area. It seems that these changes, as well as competition for power and the distribution of funds in Europe, are now of primary importance for the political elites. The issue of overcoming the crisis is more and more only a pretext or background of the geo-economic game.

2 The Process of Adopting the Common Currency

The European Commission, in its report concerning the preparations for adopting the euro of all countries with a derogation, published in May 2008, said that only Slovakia fulfilled all criteria necessary for accession to the euro zone. The conclusions of this report have been confirmed by a decision issued by the Council in July2008, which approved the abolition of the derogation included in the accession agreement, with effect from 1 January 2009. This meant that from that moment Slovakia was a member of the euro zone. The exchange rate was set at 30,126 korunas per 1 euro (Adamiec, 2010, p.12).

The assessment of Slovakia's economy made by the ECB's Convergence Report of 2008 was as follows:

- In the period from April 2007 to March 2008, twelve-month average rate of HICP inflation in Slovakia was 2.2%, well below the reference value of 3.2%.
- In the reference year 2007, budget deficit in Slovakia was 2.2% of GDP and was below the reference value of 3%.
- Over the reference period from April 2007 to March 2008, average level of long-term interest rates in Slovakia was 4.5%, well below the reference value of 6.5% (ECB, 2008).

Adoption by Slovakia of the single currency was according to a Big Bang strategy, with a short period of double currency, covering the period from 1 January 2009 to 16 January 2009. Big Bang strategy is a strategy in which euro banknotes and coins are put into circulation at the time of joining to the euro area, and the national currency is withdrawn quickly, but for a short period of two currencies operate in parallel. After 16 January 2009, the exchange of koruna into euros in commercial banks was made possible by the following year, although the operation was carried out free of charge only until 19 January 2009. The exchange of coins was possible until the end of 2013.The exchange of banknotes does not have time limit and is implemented by National Bank of Slovakia (Szekely, 2010, p.86).

The plan of information campaign about the progress in the process of adopting the single currency was a very important part of preparation for accession to the euro zone. Specific measures were taken in relation to the most vulnerable groups, i.e. the elderly, the disabled, rural regions, small and medium-sized enterprises.

The most important tool to protect consumers from the adverse effects of joining the euro zone was a display of prices in two currencies - the korunas and euros (Cwiklinski, Pawlowski, 2013, p.67). This principle had functioned since the adoption by the Council of the European Union official conversion rate of the koruna to the euro, i.e. since May 2008 until the end of 2009. The best solution was to extend this period up to June 2010. The principle of providing prices in both currencies went into effect with reference to financial information: salaries, invoices, social insurance contributions, among other things.

The Slovak authorities put pressure on the monitoring and control of prices and the elimination of unfair increase in prices, caused by the change of currency. NGOs and consumers have been incorporated into the system to counter unjustified overcharging. A principle of regularly publishing current price basket of most frequently purchased goods was introduced (Beblavy, Cobham, Odor, 2011, p.354).

In January 2009, The Eurobarometer survey showed that the most effective source of information about the adoption of the euro was a television. In second place was a special web page. As much as 60% of Slovaks knew about that page, which operated since December 2007 until the end of March 2009, reaching a maximum number of 500 thousands visitors in January 2009. More than 50 thousands people took advantage of opportunities coming from free mobile application “Eurocalculator”.

3 Analysis of the Slovak Economy in the Light of OCA Theory

In the literature, the theory of monetary union is a simply identified with the theory of optimum currency area. It is widely believed that **Robert Mundell**, author of book "Theory of Optimum Currency Areas" published in the early 1960s, was a precursor of the concept of monetary union. Mundell defined the optimum currency area as the geographic area in which a single currency would create the greatest economic benefit. The advantages of the single currency in a given area are the following: obliteration of the existing exchange rate fluctuations between a number of currencies and reduction of transaction costs (no other currency is necessary when conducting business or travelling in the euro zone). The single European currency also stimulates trade activities and free movement of capital, goods and people, but these effects should be subject to a profound academic research. On the other hand, the main drawback of this approach is the difficulty of maintaining full employment throughout the area, in case of uneven disturbances in the currency area (Kawalec, Pytlarczyk, 2013, p.33).

The European Commission in the Europe's re-industrialisation strategy placed Slovakia in the group of catching up countries, i.e. the more industrialised than other Member States of the European Union. Poland, Bulgaria, Czech Republic, Hungary, Lithuania, Latvia and Romania were included in the same group. It is important to achieve a sustainable nominal and real convergence in the process of monetary integration, which consists of the fluctuations in business cycles and comparable structures economies. Rigid nominal exchange rate relative to the single currency and the divergence of an independent monetary policy in a case of an emergency caused by asymmetric shocks, leads to a real improvement in the economy.

The hypothesis of convergence, formulated by Alexander Gerschenkron, suggests a tendency to equalise the levels of economic development and standards of living. According to this hypothesis, the poorer countries with a lower level of capital and income per capita, achieve higher rates of return, which allows them to reduce the distance between them and the richer countries. Proponents of this theory provide for equality between richer and poorer countries in the terms of economic development (Mulhearn, Vane, 2008, p.241).

GDP is considered as an important measure of structural convergence (Gomulka, 2012, p.15). If these rates vary considerably among countries, economic shocks affecting an economy can have a variety of consequences for the economies of Member States of the currency area.

The size of the Gross Domestic Product is of the utmost importance. It is a basic measure of national income and the size of the economy. Its growth depends on four factors: domestic consumption, investments, government expenditures and the balance of trade. Otherwise, GDP can be called a measure of economic activity (Medved, Zimkova, 2005, p.123-129). GDP figures are calculated quarterly and early. The percentage change of GDP indicates that in 1999, Slovakia in comparison to some European Union countries, achieved the worst result, i.e. -0.2%.

Table 1. Gross domestic product in selected EU countries in 1999

Country	GDP growth (annual %)	GDP per capita (in US$)
Austria	3,6	27 116, 7
Finland	4,4	26 178, 8
Germany	2,0	26 756, 2
Greece	3,1	13 140, 1
Italy	1,6	21 945, 5
Portugal	3,9	12 474, 8
Slovakia	-0,2	5 635, 5
Slovenia	5,3	11 441, 8

Source: Own calculations based on World Development rations (World Development Indicators, 2016).

The above data shows that in 1999, Slovakia was classified as a less developed country with 5635.5 US $ per capita. GDP growth leads to the process of reducing the economic gap. In 1999, Slovakia had a large economic gap compared to other countries because of a negative GDP growth rate.

Another important element is the trade balance that consists of export and import. Volume of export is the value of all goods and services sold abroad. The more a country sells abroad, the more the export affects GDP. On the other hand, volume of import is the value of all of goods and services bought abroad and sold at the domestic market. The data show that both import and export in relation to GDP in Slovakia was the highest. Greece and Italy had the lower indicator of export and Italy had the lowest import indicator.

Table 2. Export and import of goods and services in selected EU countries in 1999

Country	Export as % of GDP	Import as % of GDP
Austria	39, 4	38, 9
Finland	37, 6	26, 6
Germany	27, 1	26, 4
Greece	19, 2	28, 4
Italy	23, 2	21, 5
Portugal	26, 5	36, 8
Slovakia	47, 5	51, 9
Slovenia	44, 1	48, 5

Source: Own calculations based on data from World Development Indicators (World Development Indicators, 2016).

4 The Economic Results of Slovakia after the Adoption of the Euro in the Years 2008 – 2013

The introduction of the euro by Slovakia coincided with the biggest economic crisis of the 21st Century. In September 2008, Lehman Brothers, one of the largest investment banks in the United States, announced bankruptcy. This entailed consequences in the form of a wave of turmoil in the global financial markets, sharp falls in world stock markets, and an unexpected increase in interest rates, which caused problems on the credit market. Domestic monetary shocks are replaced by such residuals that would cause the identical development of short-term interest rates in both economies, i.e. how the Slovak economy would have developed if the interest rate had been set by ECB (Zeman, 2012, p.16).

Over time, the financial crisis has affected the entire world economy, which resulted in general downturn in economies of EU countries. The Slovak authorities announced that the adoption of the euro from the beginning of 2009 would allow a small, export-oriented economy survive the economic downturn in better way than other Central European neighbours would.

In 2009, contrary to the predictions, Slovakia experienced a big drop in GDP (4.8%), increase in unemployment rate and the deterioration of public finances. On the other hand, the crisis slowed growth of inflation, which the society feared. It turned out that Slovakia had similar problems as other countries under recession, but coped better than other countries during the economic recovery in 2010. After the first phase of the crisis, Slovakia has begun to achieve benefits from the adoption of euro, mostly because foreign investors were not exposed to foreign exchange risk.

In 2008, Slovakia had been a member of the European Union for four years. Membership in the European Union gave the possibilities of a significant increase in the level of GDP. This may be caused on one hand by transfers of financial aid in the form of the Structural Funds to subsidise the poorest regions and one other hand by the free movement of people, goods, services and factors of production, resulting in modernisation of production and an increase in domestic demand. EU membership creates the potential for economic growth, but it depends on domestic economic policy run by the authorities of the Member State whether this potential will be realised.

The Slovak economy has been experiencing, apart from 2009, steady economic growth for five years. In 2009, all the analysed countries suffered negative GDP growth. This is a result of the European sovereign debt crisis, which affected at the time some Member Countries of euro zone. It is worthy noting that after Slovakia had experienced a big drop in 2009, it reached one of the largest economic growth among the euro area countries the following year. This fact shows the positive effects of economic policy making by the Slovak government that supports the creation of favourable conditions for intensification of foreign investment, the inflow of new technologies, which stimulate the economy to growth. Against the background of the analysed countries, Slovakia recorded almost the highest growth of GDP in years 2012-2013. Higher GDP growth was recorded only by two countries: Malta (2012: 1.1% 2013: 2.9%) and Luxembourg (2012: -0.2%; 2013: 2.0%). Accession to the European Union and very good economic situation in Europe between 2005- 2008 contributed to a significant increase in GDP of Slovakia.

Table 3. Gross Domestic Product (in %) in selected euro area countries in the period 2008-2013.

Country	2008	2009	2010	2011	2012	2013
Austria	1,5	-3,8	1,9	3,1	0,9	0,2
Belgium	1,0	-2,6	2,5	1,6	0,1	0,3
Finland	0,7	-8,3	3,0	2,6	-1,5	-1,2
France	0,2	-2,9	2,0	2,1	0,3	0,3
Germany	1,1	-5,6	4,1	3,6	0,4	0,1
Greece	0,4	-4,4	-5,4	-8,9	-6,6	-3,3
Ireland	-2,6	-6,4	-0,3	2,8	-0,3	0,2
Italy	-1,0	-5,5	1,7	0,6	-2,3	-1,9
Portugal	0,2	-3,0	1,9	-1,8	-3,3	-1,4
Slovakia	5,4	-5,3	4,8	2,7	1,6	1,4
Slovenia	3,3	-7,8	1,2	0,6	-2,6	-1,0
Spain	1,1	-3,6	0,0	-0,6	-2,1	-1,2

Source: Own calculations based on data from World Development Indicators (World Development Indicators, 2016).

Slovakia, like the other Member Countries of the euro zone, suffers the consequences of the crisis, in the form of a considerable drop in GDP per capita in 2009. However, in 2010 Slovakia experienced slight increase in GDP per capita.

Table 4. Gross Domestic Product per capita (in US$) of selected euro area countries in the period 2008- 2013

Country	2008	2009	2010	2011	2012	2013
Austria	51388,3	47651,3	46590,6	51134,1	48348,2	50510,7
Belgium	48563,1	44996,5	44358,3	47814,1	44827,7	46929,6
Finland	53403,3	47104,3	42202,4	50790,7	47243,7	49150,6
France	45417,5	41631,3	40706,1	43809,7	40925,2	42560,4
Germany	45634,5	41668,8	41723,4	45870,6	43931,7	46251,4
Greece	31701,7	29483,7	26861,5	25964,0	22494,4	21965,9
Ireland	60971,1	51493,5	47900,8	51951,6	48391,3	50478,4
Italy	40661,2	36992,9	35875,7	38367,3	35132,2	35685,6
Portugal	24816,5	23062,6	22538,7	23196,2	20732,6	21738,3
Slovakia	18558,9	16455,2	16509,9	18065,7	17151,2	18049,2
Slovenia	27501,8	24633,8	23417,6	24964,8	22488,4	23295,3
Spain	35580,1	32331,5	30736,0	31975,0	28985,3	29882,1

Source: Own calculations based on data from World Development Indicators (World Development Indicators, 2016).

The accession of Slovakia to the euro area resulted in the removal of barriers to the international exchange of goods, which increased the share of exports in the Gross Domestic Product. The elimination of exchange rate risk led to a significant, steady growth in the export of goods and services.

The Slovak export volume is very high, which results from the structure of economy. A year before the adoption of the euro, Slovak export amounted to 80.4% of GDP. The highest level of export volume reached countries such as Luxembourg (191.2% of GDP) and Malta (87.8% of GDP). In 2012, Slovak export of Slovakia attained 91.8% of GDP. A higher level of exports has occurred only in Luxembourg (193.4% of GDP) and Ireland (105.6% of GDP). The analysis of data contained in the table shows that the level of export volume from Slovakia's accession to the Monetary Union has grown.

Table 5. The export of goods and services (as a percentage of GDP) of selected euro area countries in the period 2008- 2013.

Country	2008	2009	2010	2011	2012	2013
Austria	53,2	44,9	50,7	53,7	53,6	53,5
Belgium	79,5	69,3	76,2	81,4	82,2	82,8
Finland	45,1	36,3	38,7	39,2	39,6	38,2
France	27,4	24,1	26,0	27,8	28,1	28,3
Germany	43,5	37,8	42,3	44,8	45,9	45,6
Greece	23,4	19,0	22,1	25,5	28,2	30,2

Ireland	80,4	87,1	95,7	97,7	105,6	105,3
Italy	27,0	22,5	25,2	27,0	28,3	28,6
Portugal	31,1	27,1	29,9	34,3	37,3	39,3
Slovakia	80,4	67,6	76,5	85,3	91,8	93,0
Slovenia	66,1	57,2	64,3	70,4	73,2	74,7
Spain	25,3	22,7	25,5	28,8	30,3	31,6

Source: Own calculations based on data from World Development Indicators (World Development Indicators, 2016).

A significant decline in export in 2009 was due to a fall in demand in other countries caused by world economic crisis. Export volume had returned to pre-crisis level in 2010 and was growing steadily, reaching 93% of GDP in 2013. A higher level of export than Slovakia reached only two countries: Luxembourg (203.3% of GDP) and Ireland (105.3% of GDP). This also means that Slovak GDP is very sensitive to the economic climate in partner states.

Like export, Slovak import volume has grown steadily. In 2009, there had been a significant decline in imports, from 83.3% of GDP in 2008, to 69%. After 2009, the import of Slovakia continued to grow, exceeding the volume reached before the crisis. In 2013, the import volume in Slovakia amounted to 88.4% of GDP. The highest level of import among analysed countries occurred in Luxembourg (168.1% of GDP). Similarly, Ireland (84.5% of GDP) also reached a high rate of import in 2013.

Table 6. Imports of goods and services (as a percentage of GDP) in selected euro area countries in the period 2008-2013.

Country	2008	2009	2010	2011	2012	2013
Austria	49,0	41,9	47,5	51,1	51,1	49,9
Belgium	79,0	66,8	74,5	80,8	81,8	81,4
Finland	41,4	34,3	37,4	40,0	41,1	39,1
France	29,1	25,5	27,9	34,0	30,1	29,8
Germany	37,5	32,9	37,1	40,0	40,0	39,8
Greece	36,3	29,4	30,7	32,3	32,7	33,2
Ireland	71,6	72,3	78,2	77,4	85,1	84,5
Italy	27,7	23,1	27,1	28,6	27,4	26,3
Portugal	40,8	34,0	37,4	38,6	38,0	38,3
Slovakia	83,3	69,0	77,9	86,2	88,1	88,4
Slovenia	68,0	55,4	62,8	68,4	68,9	68,7
Spain	30,4	23,8	26,8	29,0	28,8	28,1

Source: Own calculations based on data from World Development Indicators (World Development Indicators, 2016).

Conclusion

The economic crisis in Europe contributes to the transformation of the geopolitical system in Europe, accompanied by fierce rivalry for power and distribution of costs of the crisis. There is a significant shift from the community integration model to a model based on a power politics, the dominant member states over the weaker ones.

An important consequence of the crisis of the common currency is a tendency to segmentation of the political and economic situation in the European Union. Political expression of this is the so-called division on two-speed Europe. It is crucial to concentrate power in the leading countries of the EU and to use political segmentation in different circles of integration to strengthen the political influence of these countries over the others. In the economic sphere, the phenomenon of segmentation consolidates the dependence of the peripheral economies from the central economies.

The crisis in the euro zone is a period of internal adjustment within the geopolitical system. It is difficult to predict, whether it will be stronger after these changes. The strengthening of inter-governmentalism and hierarchy between Member States supports the improvement of controllability and management. However, the challenge is competition for leadership, mainly between France and Germany. This is a potentially destabilising factor in a new model of integration organised around the paradigm of power politics. The crisis systematically undermines the legitimacy of the political integration of Europe. Attempts to rebuild the legitimacy are insufficient. The problem is the increasing social tensions within Member States, which deepen themselves because of the worsening economic situation. If there is no economic recovery, it may strengthen tensions in relations among EU countries.

The adoption of a common currency is a long and difficult operation that requires meeting financial and social requirements by country wanting to join the euro zone. Admittedly, Slovakia entered to the Monetary Union as the first of the countries from Central Europe, but was able to benefit from the experience of countries that already had joined the euro zone. In addition, Slovakia faced challenge of adoption of the common currency at the moment of greatest crisis of the 21st Century.

The information and promotional campaigns devoted little space to potential risks arising from the adoption of the euro. The main concern regarded to the sudden increase in prices, but because of world economic crisis Slovakia did not suffer inflation. Opportunity to benefit from the experience of other countries with the euro has enabled Slovakia to avoid such mistakes as unjustified overpricing bound up with the implementation of new currency. The financial crisis highlights the uneven levels of development of countries in the euro zone and its implications for their economic situation during this difficult period.

Analysis of selected Slovak economic indicators showed that despite the problems caused by the crisis in 2009, the adoption of a common currency did not result in a significant price increase or other negative economic phenomena in the longer term. As a result of the adoption of the single currency, barriers of trade and exchange rate fluctuations were removed. The result was a dramatic increase in exports and imports in Slovakia. Consequently, in years 2012-2013 Slovakia had one of the highest GDP growth among the analysed countries.

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