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FOREWORD

MÁRTON UGRÓSDY, EDITOR

The Visegrad cooperation seems like a mystery for most of the international observers. It is an intergovernmental cooperation, albeit it is not institutionalized like a traditional cooperation format. It speaks up whenever its members feel their interests threatened or in need of protection, while on many crucial issues, like the relationship with Russia it remains divided. Whenever a new regional cooperation is announced, everyone starts to talk about the end of Visegrad, but if there is one thing we know for sure is that since 1991, the Visegrad Four has been one of the most enduring and flexible platforms in Central Europe.

The current issue of our journal, *Foreign Policy Review*, deals with these contradictions. The discussion is timely, one the one hand, because Visegrad became a well-known brand in the European Union and beyond, and on the other hand because Hungary currently holds the rotating presidency of the cooperation until June 30, 2018. Furthermore, the Institute for Foreign Affairs and Trade is part of a think tank cooperation called Think Visegrad, which augments the V4 in the research sector.

In this issue we have a wide range of articles which all look at the V4 from theoretical and practical considerations. How does the V4 fare in the tense geopolitical arena of Central Europe, which has always been stuck between Germany and Russia, two dominant powers of Europe? How the Central European Member States can use the V4 to secure their interests in the changing architecture of the European Union? What are the lessons of Visegrad for other cooperation formats currently in the making like the Belt and Road Initiative or the Eastern Partnership, or can Visegrad replace the EU Strategy for the Danube Region, or vice versa? Can the V4 become a partner to China? These are the issues our foreign contributors are tackling.

The inside of Visegrad, covered by the Hungarian researchers, is more pragmatic: can the V4 act as a single unity to combat the irregularities on the financial market? How can the Hungarian presidency build on the previous, Polish one? Should there be a common approach of the V4 to the contentious Ukrainian education law? Can we further promote V4 brands on the global market?

Even though Visegrad was announced dead many times – and most probably it will be in the future as well – we cannot talk enough about this cooperation. The current issue tries to contribute to the debate on our common European future, identifying possible areas for joint efforts as challenges will continue to arise. Should you think otherwise or should you like to argue with our authors, please do so and send us your ideas and articles, as we are looking forward to foster debate on Visegrad and beyond.



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VISEGRAD FROM THE OUTSIDE

THE VISEGRAD SAGA: ACHIEVEMENTS, SHORTCOMINGS, CONTRADICTIONS

JANUSZ BUGAJSKI

The original purpose of the Visegrad initiative was for the four re-emerging Central-East European (CEE) democracies to coordinate their pursuit of NATO and EU membership. However, since achieving their primary targets, the Visegrad group has sent contradictory signals on their EU commitments, lacked a coordinated foreign policy, failed to adapt to the new challenges facing NATO, the EU, and the Wider Europe, and lacked a clear and distinct geopolitical identity. Nonetheless, the organization is not defunct and with concerted political impetus and national commitments it can still deliver some important benefits for each of the four participating states as well as for the broader region.

OBJECTIVES AND ACHIEVEMENTS

The fundamental idea behind the Visegrad initiative, launched in the early 1990s, was for the four re-emerging CEE democracies (Czech Republic, Hungary, Poland, Slovakia) to coordinate their policies in striving for NATO and European Union membership. Government officials believed that by banding together and speaking with almost one voice in various multi-national formats they were more likely to be heard and no country would fall behind in its aspirations and achievements.

However, at the outset there were suspicions in some policy circles in all four countries that the existence of a distinct Visegrad group would itself provide an excuse for EU and NATO leaders to exclude the new aspirants from both Western organizations. It was believed that those West European leaders who were lukewarm about expanding both the Union and the Alliance eastward, could depict V4 as a



viable alternative or substitute organization. In sum, they either did not want to antagonize an unpredictable Russia or to incorporate poorer and still reforming states into prosperous and advanced pan-European bodies.

West European hesitation, delay, or outright opposition reinforced the stance of those political leaders in CEE who wanted to place brakes on the development of the Visegrad initiative and voiced concern that it could even delay EU membership. Slovakia was a special case after it opted for independent statehood in 1993 after breaking with the Czech Republic. The Vladimir Mečiar administration needed antagonists to demonstrate its national credentials and its defense of Slovak interests against assorted internal and external threats. During the Mečiar regime, Visegrad was often depicted in Bratislava as either a Czech plot to re-establish control over Slovakia or a Hungarian plan to annex Slovak territory. Moreover, Mečiar's government declared its neutrality toward NATO, was mute on EU accession, and maintained a close relationship with Moscow.

Several Czech governments were also Visegrad-skeptics even when participating in its meetings and initiatives. They did not want V4 to overshadow their efforts and progress in joining the major Western institutions and to be dragged backwards into some neutral post-communist zone. For several years, Warsaw and Budapest seemed to be the main backers of the Visegrad initiative, but even they made only limited political investments in the grouping. In sum, regardless of differing commitments to Visegrad, each state contributed to the limited V4 achievements.

The revival of Visegrad over recent years has numerous causes, partly protective, partly proactive. There was some concern in the region, especially in Warsaw, over the motives behind Russia's overtures toward the United States and NATO during the Barack Obama administration and a lingering suspicion about the efficacy of Washington's "reset" with Moscow, which appeared to come at the price of downgrading Central Europe in US foreign policy. Having already achieved NATO and EU membership, Visegrad was perceived as a mechanism for assuming more indigenous responsibility for the region and not relying primarily on Washington or Brussels.

The Lisbon Treaty also had an impact on the V4 renaissance by altering EU voting mechanisms and providing opportunities for Germany and France to promote their policies without requiring unanimity. The extension of Qualified Majority Voting (QMV) limited the veto option of any member state in several arenas, including energy, defense, and the European Union budget. As a result, a combined CEE vote could become a counterweight to Germany and France in the EU's Council of Ministers, with the V4 possessing more votes as Paris and Berlin combined. It was calculated that such collaboration would better promote CEE interests concerning several vital questions, including decisions on the EU budget, maintaining a strong European Cohesion Policy (ECP) that provides vital structural funds, and finding a geographical balance in staffing the European External Action Service (EEAS).

Another Visegrad priority has been energy security, with an emphasis on diversifying sources and supplies. A V4 Energy Security Summit was held in Budapest in February 2010, attended by high-ranking representatives from several European states. The Summit and subsequent gatherings have expressed support for interconnectors linking all the Central European countries, including the North-South Corridor that would connect the Polish Liquefied Natural (LNG) terminal in Swinoujscie and the planned Croatian LNG terminal in Krk on the Adriatic coast.

Existing gas interconnectors include the Slovakia–Hungary, Hungary–Austria, and Hungary–Romania pipelines. Gas interconnectors are due to be completed with the following links: Poland–Czech Republic, Poland–Norway, Poland–Slovakia, Czech Republic–Austria, Hungary–Croatia, and Hungary–Slovenia. An Eastwing gas pipeline is also designed to link Slovakia, Hungary, Romania, Bulgaria, and Turkey and reduce dependence on Russian gas delivered through Ukraine.

Work is also underway on the Gas Interconnection Poland–Lithuania (GIPL) designed to link the gas markets of Poland and Lithuania, an important element of a broader gas network to connect the relatively isolated Baltic States with the EU gas market. All these connections will help shield each CEE state from any disruptions in supplies, including potential cut-offs by Moscow. A similar process is underway for linking electricity grids across the region and with Western Europe. The V4 capitals have lobbied the EU to politically and economically support the North–South corridor and back the Krk LNG terminal in Croatia and the Constanta LNG terminal in Romania as well as other LNG projects in the wider Black Sea region.

Visegrad capitals have also pushed for further liberalization of internal EU markets and the removal of remaining barriers dividing the V4 from other member states such as cancelling the transition periods for the free movement of labor. Other valuable arenas have included Visegrad cooperation in transportation and infrastructure, research and education, environmental protection, and collaboration with other regional and international organizations.

In making Visegrad more relevant, some policy makers believe that the V4 Plus mechanism has significant potential. Based on the core V4 members, it involves ad-hoc cooperation with other Central, Eastern, and South Eastern European countries covering such areas as energy security, EU accession, and the EU's Eastern Partnership. Expert-level V4 Plus foreign policy consultations have been organized on topical issues that help develop operational planning for the Visegrad initiative. V4 capitals also provided EU aspirants and candidates with technical support and know-how based on their own experience with the EU accession process. Additionally, Visegrad leaders have sought new formats for inter-regional cooperation, including with the Benelux countries, the Nordic Council, with Austria and Slovenia (in the Regional Partnership format), with the Baltic countries, Ukraine, and Moldova.



PERSISTENT SHORTCOMINGS

While acknowledging its ambitions and achievements, several problem areas remain that might hamper further Visegrad coordination. These include the prospect of rising nationalism and populism in each V4 state and some lingering bilateral disputes, including such questions as Slovak-Hungarian nationality frictions over language and citizenship laws and broader minority rights. Nonetheless, relations between Budapest and Bratislava are not as tense as they were during the 1990s, when they undermined broader Visegrad cooperation, and both of the current administrations understand the need for coexistence and cooperation.

Some capitals could become selective in their V4 involvement. Specifically, if Poland renews its focus on the Weimar Triangle with Germany and France, this may limit its engagement within Visegrad. Warsaw has aspirations to become a major EU player and if it develops stronger ties with Germany, this may create the appearance of detachment from its smaller neighbors and generate resentment over its alleged regional big power ambitions.

Critics of Poland's foreign policy perceived the previous Donald Tusk government (2011–2014) as intent on placating Russia, Germany, and France to the detriment of local neighborhood relations. Diplomats from several Visegrad states complained that it was difficult to involve their Polish counterparts in regional projects, as Warsaw looked toward Berlin as its primary continental partner. The authorities in Warsaw contended that by acquiring greater influence inside the EU and with Berlin and Paris, they would have more of an impact on the Union's eastern dimension and provide momentum to its Eastern Partnership Program (EaP). Warsaw's focus has shifted somewhat under the Law and Justice (PiS) party government, elected in October 2015, and has focused greater attention on developing relations with immediate neighbors including its three Visegrad partners.

Other factors could also play a negative role in V4 cohesion, including the election of new governments with alternative regional priorities; a lack of EU and national funding for Visegrad projects; increasing economic disparities between the V4 economies; differing relations with the US; diversifying commitments to NATO and declining military capabilities; and potential economic competition in attracting Foreign Direct Investment (FDI).

CONTRADICTORY IMPULSES

The Visegrad group stands at the forefront of two intra-European movements that appear contradictory and will need to be reconciled in the years ahead: national sovereignty and asymmetrical integration. While some Visegrad governments claim that they are

defending national sovereignty from dilution and assimilation in a uniform “European mainstream,” they are also opposed to being left on the sidelines of the process of deeper integration among EU members. The momentum of more intensive integration would leave them more politically isolated and potentially economically poorer.

Across Europe, the defense of sovereignty has become a clarion call for politicians and parties opposing a Brussels-centric EU that determines the economic, cultural, and social policies of each member state. In small countries that have suffered throughout their history from foreign imperialism and cultural assimilation, there is pronounced fear of losing national identity through integration in a broader *Homo Europeanicus*. Such sentiments are heightened by opposition to what is perceived as attacks on traditional values by an allegedly “liberal” and “globalized” elite. This has appeal among broad segments of the population who may feel both culturally threatened and dismayed at widening economic disparities in their countries, which Euroskeptical politicians have pledged to rectify.

The incumbent governments in Budapest and Warsaw in particular view themselves as the bastions of a social and cultural “counter-revolution” against EU liberalism and secularism, a national-populist approach that helps to sustain them in power. Their partnership is also mutually beneficial, as they can both block EU censure motions against the other. One of the key triggers for national resistance is immigration from outside Europe. The call for cultural self-defense has wide appeal in much of Europe, even in countries where Muslim immigrants are few and their appeal for new migrants appears slim, such as the Visegrad states. All four Visegrad capitals have underscored that they will not accept significant numbers of asylum seekers from the Middle East and North Africa and have rejected the European Commission’s quota system for migrants.

In both Hungary and Poland the program for defending national sovereignty has involved strengthening the controls of the ruling parties over national institutions, including the constitutional court and judicial system, as well as closer supervision of the official mass media. Other EU governments have attacked these moves as undermining governmental accountability, the rule of law, the separation of powers, and media freedoms that each state pledged to honor when it joined the Union. Budapest and Warsaw both face EU infringement proceedings although it remains unclear whether any real consequences will result. A continuation of current policies in Hungary and Poland and a renewed challenge to democratic institutions in the Czech Republic following the October 2017 elections could place the Visegrad states in a category of “faltering democracies.” Given the perceptions of democratic backsliding, they could become increasingly ostracized and excluded by a more integrated EU core based around Germany and France.

Even while voicing their cultural and political Euroskepticism, the Visegrad states express deep concern over the emergence of a two-tier or multi-speed EU, as proposed by some older EU members that can cluster around Germany and France



and potentially marginalize the CEE region. The Visegrad states do not want to be stranded on the sidelines and evidently do not want V4 to be perceived as an anti-EU or anti-democratic bloc.

As a result, the V4 governments are engaged in an often-confusing balancing act: opposing both EU federalization or any weakening of inter-state bonds through a return to only a single market. Their ideal model would be an EU that is united on issues important to them, such as economic development and the protection of borders, but avoids tighter fiscal and political integration as proposed by some of the older EU members. Paradoxically, if the role of supranational institutions within the EU were to be decreased, this would actually weaken the bargaining position of each Visegrad state within the Union.

The overarching problem is that the four Visegrad states are insufficiently strong or influential to impact on the decisions of Germany, France, Italy, or other EU countries that may seek a more politically and institutionally integrated Union. For instance, French President Emmanuel Macron has openly stated that a multi-speed Europe is a reality and that countries seeking tighter integration should not attempt to push all capitals to move forward in unison, thus indicating that the Visegrad countries may be excluded from the process. For him, the foremost requirement for integration is a reinforcement of the Eurozone. This could weaken the position of the V4 countries, although less so in the case of Slovakia, and could contribute to dividing the four capitals. Slovakia is the only Visegrad country to have adopted the euro, while the other three have no plans to join the common currency, despite their EU accession treaties requiring such a move.

Given the ongoing uncertainties over the policies of the Donald Trump administration and the long-term impact of Brexit, the Visegrad states would each benefit from developing closer ties with Germany.¹ The UK's departure removes a large state that has sided with a number of economic and social policies supported by the V4 countries and places Berlin and Paris in a stronger position within the Union. Collectively, the four Visegrad states have the potential to significantly contribute to the development of the EU economy by ensuring social stability and tightening budgetary discipline, and this will increase their influence in Berlin and Brussels. And despite their criticisms of the EU, each capital advocates preserving the Union's cohesion policy, as they benefit economically from such investments.

In the security realm, each V4 government has sought complementarity between the EU and NATO. Poland, in particular, which feels most exposed to Russia's aggressive revisionism, does not want European defense capabilities to undermine the role of NATO in providing collective defense.

However, some worrisome trends are also evident in CEE that gives ammunition to nationalist and anti-NATO political forces in each country. A public opinion poll conducted in the Czech Republic, Hungary, Poland, and Slovakia and released in

May 2017 by the International Republican Institute (IRI) indicates waning commitment to Euro-Atlantic institutions and vulnerabilities to Russian influence.² It reveals a number of disturbing trends, including falling support for NATO, tensions over the nature of European identity, and discontent with socioeconomic challenges. Such sentiments are exploited by Moscow to divide the Union and the Alliance. In Slovakia, 60 percent of respondents feel that the US presence **actually increases** national insecurity. A majority of respondents in all four countries evidently support “neutrality” towards both NATO and Russia (Slovakia: 73%; Czech Republic: 61%; Hungary: 58%; Poland: 53%). 75% of Slovaks believe that Russia should be a security partner, followed by 59% of Czechs, 54% of Hungarians, and 35% of Poles.

The Visegrad formation is not considered as a security group and has no significant common military structures, although it has recently accelerated plans to form a small Battle Group. Individual governments have sought alternative international formats, in addition to NATO, to more effectively pursue their various national security objectives. For instance, Poland has developed closer security ties with the three Baltic countries of Estonia, Latvia, and Lithuania. It is also trying to develop a broader alliance within the Three Seas Initiative (TSI) that includes Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The goal of the groups is largely economic, in fostering regional projects in the areas of energy, transportation, and digital communication. The TSI is intended to complement connectivity between Europe’s West and East, particularly along a north-south axis, but will be dependent on EU funding contributions.

For their part, Slovakia, the Czech Republic, and Austria are exploring stronger connections in the Slavkov Triangle. In January 2015, Czech Prime Minister Bohuslav Sobotka, Slovak Prime Minister Robert Fico, and Austrian Chancellor Werner Faymann met at Slavkov near Brno in the Czech Republic. They adopted a joint position against tightening sanctions on Moscow, claiming that all sanctions are ineffective and should be lifted. The Slavkov Triangle was designed to coordinate infrastructure, transport, and energy projects between the three countries.

In contrast with the V4, the Slavkov initiative is becoming institutionalized, with a permanent tripartite working group on the level of deputy foreign ministers. This model of cooperation may become an incentive to include other countries, such as Slovenia and Croatia, in regional economic endeavors that could actually provide new inroads for Moscow. The Slavkov initiative appeared to be a tactical victory for the Kremlin, because a new crack appeared in EU policy toward Russia that cuts across Central Europe and may undermine both V4 and TSI collaboration.



RUSSIAN DIVISIONS

While competitive geopolitics has returned to CEE with a vengeance through Russia's pursuit of a new Moscow-centered "pole of power" in a broadly defined "Eurasia," the common V4 response has been largely tepid and rudderless. Worse still, the region has exposed itself to Kremlin inroads through expanding economic, political, informational, and intelligence penetration. In sum, Visegrad largely resembles a microcosm of EU disunity.

Warsaw remains more assertive in focusing EU and NATO policy on Russia's aggression in the CEE neighborhood, has campaigned vigorously for energy independence from Russia, and has viewed trans-Atlantic relations as paramount. Poland is also the only V4 country that fulfills its NATO obligations by spending above 2% of its GDP on defense. In contrast, Hungary, Slovakia, and the Czech Republic remain more circumspect toward Moscow.³ After Russia's attack on Ukraine in early 2014, all three governments proved hesitant in supporting sanctions against Russian officials partly for economic and business reasons, especially where there is high dependence on Russian energy. In some cases, political leaders have displayed sympathy toward a more authoritarian political model or even perceive Moscow as a potential counterbalance to Brussels.

By focusing on short-term national or partisan party interests rather than more significant strategic imperatives, Visegrad governments play into Moscow's hands and encourage Putin's ambitions in restoring Russia's regional hegemony. For instance, the partition of Ukraine did not convince Budapest to terminate its contract with *Rosatom* for the modernization of the nuclear power plant in Paks, as Prime Minister Viktor Orbán avoided confrontation with Moscow and sought financial benefits. Czech Prime Minister Bohuslav Sobotka has opposed strengthening NATO forces in Europe, while Slovak Prime Minister Robert Fico has protested against an increasing American military presence in several CEE states.

Russia's officials focus on influencing political decisions in each Visegrad capital through a combination of diplomatic pressure, personal and professional contacts, disinformation campaigns, economic enticements, and energy dependence. Old comrade networks from Soviet times together with financial connections enable the Kremlin to exert political influence over certain officials and governments, challenge common EU and NATO positions, and assist Moscow's international aspirations. Lucrative business contracts, donations to political campaigns, the possession of *kompromat* material, and various forms of financial corruption allow Moscow to exert political leverage and convince politicians to favor Russian investments or not oppose its foreign policy assertions.

Moscow also endeavors to benefit from political, ethnic, religious, and social turbulence in the region in order to keep governments off balance. Putin's Kremlin appeals to both the leftist old guard and the ultra-nationalist conservative Euroskeptics.

As elsewhere in Europe, democratic regression in CEE combined with the growth of nationalism and populism can favor Russia's regional objectives by weakening democratic institutions, engendering EU divisions, undermining NATO's effectiveness, and distancing the region from the United States.

As a result of the Russia-Ukraine war, the Visegrad Group has been weakened, as has the Weimar Triangle, established in 1991 as a consulting mechanism between Germany, France, and Poland. Warsaw has been largely sidelined diplomatically from the attempted Ukrainian peace process, while Berlin and Paris pursue their own attempts with Moscow to resolve the conflict over Ukraine by in effect freezing the proxy occupation of Donbas and accepting Russia's annexation of Crimea.

There are practical as well as diplomatic consequences arising from Visegrad's divisions over Russia. After Moscow's attack on Ukraine, numerous NATO countries launched programs to support the Ukrainian armed forces, but differences emerged between the V4 capitals in their levels of assistance. While Poland provided military support from the early stage of Moscow's invasion, the other Visegrad capitals focused mostly on supplying humanitarian aid. Nonetheless, by 2016, three of the four countries launched military support projects and cooperation with the Ukrainian Ministry of Defense.⁴

In the eastern policies of the Czech Republic, Slovakia, and Hungary, relations with Russia traditionally predominated over those with Ukraine. Such an approach was barely affected by the Russia-Ukraine war, although it did eventually lead Bratislava, Prague, and Budapest to revive their relations with Ukraine, and the Visegrad format has proved constructive in this regard. Largely because of Poland's involvement, the V4 have lobbied more actively for EU support for Ukraine and contributed to keeping the question of Ukraine on the EU's agenda. In addition, all four states ratified the Association Agreement between the EU and Ukraine, supported the process of visa liberalization for Ukrainian citizens, and backed the implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA) between Kyiv and Brussels.

The V4 has also become involved in more intensive energy cooperation with Ukraine. Poland, Slovakia, and Hungary have played a key role in enabling the transit of gas supplies from the West to Ukraine via reverse flows through their territories, thus ensuring the security of gas supplies after Russia halted provisions following its seizure of Crimea. The V4 is also involved in transferring experience to Ukraine for increasing energy efficiency and reforming the energy sector to better integrate with the EU energy market.

In addition, regardless of their extensive dependence on gas supplies from Russia, Hungary and Slovakia joined the criticism of plans to construct the Nord Stream 2 pipeline from Russia to Germany under the Baltic Sea, which would bypass Ukraine. However, as plans for implementing Nord Stream 2 continued to develop, countries other than Poland have decreased their resistance to the project. Prague, Budapest,



and Bratislava still view Russia as a largely reliable supplier of energy resources and have sought ways to halt the decline in trade and investment with Moscow precipitated by Western economic sanctions.

Despite the divergences in national approaches, the Visegrad format has enabled Poland, which has a more realistic long-term approach toward Russia and Ukraine, to play a positive role in helping to shape the position of its neighbors. For instance, in a joint meeting of the V4 countries with the Prime Minister of Ukraine in Krynica, Poland, in September 2016 they formulated a common position on the inviolability of borders and the territorial integrity of Ukraine.⁵ Although some V4 leaders have questioned the rationale of economic and financial sanctions against Russia, thus far none of the four capitals have chosen to block the renewal of sanctions in the forum of the EU Council. They have also declared their full support for the “Minsk process” dealing with the proxy insurgency in Ukraine’s Donbas and the implementation of agreements concluded in Minsk.

It is worth remembering that support for the European aspirations of Ukraine and other countries in the EU’s eastern neighborhood has been one of the core policy prescriptions of the V4. Since entry into the EU in 2004, one of the main stated goals has been active participation in shaping the EU’s neighborhood policy towards the states of Eastern and South Eastern Europe, and backing their aspirations to become EU members. This policy gained greater traction after the launch in 2009 of the Eastern Partnership, a Polish-Swedish initiative supported by the other V4 states. Indeed, the Visegrad group has become an important format for strengthening ties between Ukraine and the EU. In recent years, Ukraine has held meetings in the V4 Plus formula at the presidential, prime ministerial, and ministerial levels. Such meetings provide opportunities to develop collaboration in a broad assortment of economic spheres.

Ukraine has also been the biggest non-Visegrad beneficiary of programs funded by the International Visegrad Fund (IVF).⁶ Between 2005 and 2016 Ukrainians received a total of €4.5 million in the form of grants and scholarships, representing 6% of the IVF’s total budget during this period. Ukraine has also been the IVF’s largest beneficiary of all the Eastern Partnership countries, with almost half of the funding earmarked for Kyiv. Projects financed by the Fund are intended to reinforce social contacts between Ukraine and the Visegrad states and support the economic reform process in Ukraine.

Looking ahead, the Visegrad states need to be cognizant of Moscow’s attempt to undermine their relations with Kyiv by capitalizing on minority questions in western Ukraine. For instance, after Ukraine passed an educational bill in September 2017 that mandated the use of the Ukrainian language in schools, the legislation was swiftly condemned in Budapest for allegedly violating the rights of the Hungarian minority. In response, the Hungarian government threatened to stop Ukraine’s integration with the EU and its criticisms of Kyiv were echoed and amplified by the Russian media.⁷ Budapest had previously come under criticism for attacking the state of minority rights in Ukraine at a time when the country was being forcibly partitioned by Moscow.

FUTURE TARGETS

The Visegrad grouping has opportunities to increase its effectiveness but not by seeking to establish permanent structures, as this would likely turn the initiative into another expensive and unwieldy sub-European bureaucracy without boosting its effectiveness. The Group would then exist regardless of its usefulness and vitality. V4 needs to focus on realistic capabilities and prioritize a limited but achievable agenda, either in resolving existing regional problems or in launching valuable new initiatives inside or outside the EU. Above all, to be successful Visegrad must remain focused, streamlined, and consequential. In this spirit, four recommendations are offered for the V4 in its future targets:

- **Atlanticism:** V4 needs to adopt a more assertive Atlanticist position to maintain US involvement in the defense of Europe's security. This will increase the Group's cohesion and effectiveness and enhance its role as a player inside the EU. Without such a renewed impetus, the V4 may prove unable to play a significant role in the geopolitical struggle for the long-term security and independence of Central and Eastern Europe.
- **Regionalism:** Regional integration in such domains as infrastructure, cultural exchange, tourism, and the implementation of the EU's environmental goals will strengthen each member of the Visegrad group. This corresponds to the original purpose of the V4 and will be welcomed by Germany for its stabilizing effect on the broader region.
- **Security:** V4 can focus on enhanced security cooperation by increasing military expenditures to NATO requirements of 2% of GDP.⁸ Poland is the only V4 country currently meeting this benchmark. Slovakia's defense expenditures comprise 1.19% of its GDP, the Czech Republic, 1.07%, and Hungary, 1.05%. However, the three laggards appear ready to boost their defense spending although this will reportedly take time. Moreover, defense spending needs to be channeled into the required NATO capabilities and this can be enhanced through joint defense acquisitions. Such a program would save revenues and help each V4 country in acquiring modern Western technology and reinforce Allied interoperability. Additionally, Visegrad states need to be on guard to mobilize opposition against attempts by some EU members to create an alternative European military structure that would drain resources from NATO and weaken the trans-Atlantic alliance.
- **Neighborhood:** In the Eastern Neighborhood, the V4 could become the main proponent of either replacing or supplementing Germany and France in the obstructed Minsk agreements concerning Russia's war in Ukraine and help pursue a common EU position. As during their NATO and EU accession process, the CEE should not acquiesce to Moscow's neo-imperial and revisionist strategy in their immediate neighborhood, as this will undermine their own security and sovereignty.



The defense of national sovereignty, as claimed throughout Central Europe, must also involve the defense of national and regional security. This in turn requires speeding up the timetable for meeting NATO benchmarks in defense spending and helping to strengthen NATO's eastern flank against Moscow's revisionism. It is time for all countries to fully commit in both word and deed to a common defense and demonstrate that they are reliable neighbors and allies whose own sovereignty is worth defending by the US.

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AUSTRIA AND THE VISEGRAD FOUR AFTER THE NATIONAL COUNCIL ELECTION

ERHARD BUSEK – SEBASTIAN SCHÄFFER

ABSTRACT

The Austrian foreign minister Sebastian Kurz has won the recent snap elections and will most likely become the youngest chancellor in the history of the second republic. Although his party has been in government since the late 1980s, he was able to convince voters that he would be the force of renewal and also partly adopted the rhetoric of the far-right Freedom Party, which will in all likelihood become part of the next coalition government. In this article we look at the implications of the potential chancellor Kurz on the relations with the Austrian neighbouring countries, especially the Visegrád Four. We will also take into consideration the challenges and opportunities for Vienna through upcoming presidency of the Council of the European Union in the second half of 2018, and present an argument for more macro-regional governance in the EU.

AUSTRIA AFTER THE NATIONAL COUNCIL ELECTION

Although it is unlikely that Austria will have a new government until the publication of this article, we can assume that the next chancellor will be Sebastian Kurz from the Austrian People's Party (Österreichische Volkspartei – ÖVP). With an unprecedented victory of such a young lead candidate at the elections to the National Council (Nationalrat) – the Austrian parliament – the only 31 year old current foreign minister won with 31.5 per cent of the vote, gaining 7.5 per cent in comparison to the last elections in 2013. Never before in the second Austrian Republic had a chancellor from the Social Democratic Party (Sozialdemokratische Partei Österreichs – SPÖ) lost an election against a competitor from the ÖVP. The SPÖ came second with 26.9 per cent keeping the far-right Freedom Party (Freiheitliche Partei Österreichs – FPÖ) at the third place but only by a margin of 0.9 per cent.¹ Although being part of every government since 1986/87, Kurz was able to re-brand the ÖVP as a force of change during the electoral campaign. Only in the very last stage were the initials of the party used



on the election posters. Kurz opened the lists for non-politicians and advertised them heavily without revealing too much of their political agenda. The traditional black colour of the party was replaced by turquoise and the name changed to Sebastian Kurz List – the new People’s Party (Liste Sebastian Kurz – Die neue Volkspartei). The main factors for his victory may have been the adaptation of positions of the FPÖ, especially concerning anti-immigration policies. Kurz mentioned repeatedly during the typically Austrian numerous TV debates that he was responsible for closing the so-called Balkan route. Therefore, a coalition with the FPÖ, which gained 5.5 per cent since the last election in 2013 and almost overtook the SPÖ, seems the most likely scenario.

A theoretically possible coalition between the SPÖ and the FPÖ would not only mean that the front runner in the election will not become chancellor (something that happened before in 1999 when the ÖVP with Wolfgang Schüssel came third but was able to convince the then second FPÖ to elect him as head of government), but also put further strains on the internally divided SPÖ. In Vienna, where the head of the local SPÖ, Mayor Michael Häupl, won his election against the FPÖ in 2015 and also did so in this federal election, a coalition with the FPÖ’s party leader Heinz-Christian Strache is categorically excluded. A party convention decision still stands that no coalition on the federal level with the far-right party should be concluded. In the Burgenland, head of government Hans Niessl from the SPÖ, is in a coalition with the FPÖ, however, it has lost more than 4 per cent compared to the last Nationalrat elections in 2013. That doesn’t necessarily mean that the SPÖ will be in opposition, but even if they could form a government with the ÖVP again, Kurz would still be chancellor (apart from the fact that both parties are currently suing each other due to a scandal involving dirty campaigning from an advisor to the SPÖ and alleged paying off for information from the ÖVP). As long as the current chancellor Christian Kern remains head of the SPÖ, according to his announcement, the Social Democrats will be in opposition.²

Speculations about a minority government with changing majorities depending on the topic under discussion would also have Kurz as the head of government. At the moment, a coalition with the FPÖ is the most likely scenario. Negotiations have already started and are expected to conclude – if successful – until Christmas.³ So in our analysis we will look at the implications of this situation for the Austrian foreign policy towards its neighbours and especially towards the Visegrád Four states under a new ÖVP-led government. Furthermore, the upcoming Austrian council presidency in the second half of 2018 ending the trio cycle of Estonia and Bulgaria will be taken into account. In that light, this article will also look at macro-regional strategies and regional policy-making and their implications for the future of the European Union. Finally, we will offer some recommendations to strengthen the Central and Eastern European position in Brussels multi-level governance.

HISTORIC LOW LEVEL OF COOPERATION

In the last years, Austria has seen a historic low level of cooperation with its immediate neighbors. One reason for this is certainly the different policies during the main phase of the refugee movements in summer 2015. While Kurz also shared the welcome culture of Germany's chancellor Angela Merkel, the Hungarian Prime Minister Victor Orbán in particular took an opposite stance. The divide then became even more apparent when a solution for the distribution of asylum seekers within the EU was met with stark opposition from the V4. While Merkel kept her point of view during her own electoral campaign that ended just three weeks earlier than the Austrian, the rhetorical change from Kurz will at least help to ease these tensions with the V4. The last chancellor from the ÖVP, Wolfgang Schüssel, is still keeping close contacts to Victor Orbán, but without direct consequences for Austria. During the first Austrian Presidency of the Council of the European Union the then foreign minister Schüssel started the membership negotiations with the Czech Republic, Hungary and Poland (despite the opposition from France and Germany). One may criticize that the relations between Hungary and Austria is comparatively a very weak one, given this long historical tradition. This is a pity, because we need a closer cooperation along the river Danube, where Hungary is playing a very important role, but at the moment is not too much engaged in mutual cooperation with Vienna. In the beginning of the 2000s, there were common sessions of the council of ministers of Hungary and Austria, which has not yet happened again in this format since the last meeting in Vienna on 20th December 2005. Both Kurz and Strache have been claiming a close and good relationship to Orbán during the electoral campaign. While the uniting factor here was and is the shared view on stopping any (illegal) migration, the FPÖ will remain the great unknown variable. We do not know how the Freedom Party will influence foreign relations in the negotiations about a new government. Strache and almost all participants of his negotiation team have very close relations to the Kremlin and there is a strong pro-Russian fraction within the party. The FPÖ is part of the Europe of Nations and Freedom (ENF) political group together with, amongst others, the Northern League from Italy, the National Front from France and the Party for Freedom from the Netherlands, which all do have close proximity to the Russian Federation and aim to "destroy" the current system of governance in the European Union.

EUROSCEPTICISM IN AUSTRIA AND ENLARGEMENT OF THE V4?

So will we see a Eurosceptic turn in Austria similar to the developments in Hungary, Poland and likely in the Czech Republic? Might Austria even be a potential new member for the Visegrád group? Even in a coalition with the FPÖ, which has been openly working



together with Marine LePen in France, Geert Wilders in the Netherlands and also the nationalist, right-wing populist Alternative for Germany (Alternative für Deutschland – AfD) to “destroy” the current EU, Kurz will not adopt these policies. First, the Austrian president Alexander van der Bellen has already stated that he will only confirm a government with a clear pro-European commitment (he has this power according to the constitution; however, it has been rarely used. Nevertheless, during the last period of the FPÖ in the government coalition, the then president Thomas Klestil denied certain party members to become ministers). Second, not even the FPÖ has played any longer with a potential referendum about Austria leaving the EU (so-called Öxit or Outstria), because it has become widely unpopular after the decision of the United Kingdom to leave. And third, there will not be a majority in Austria for such an endeavor. Kurz will not risk his popularity among the young voters, who are generally open towards EU integration (although Austria seems not only in this case to be an abnormality compared to Western European electoral behavior, as the FPÖ was even more popular among the under 30 electorate).⁴ According to the latest Standard Eurobarometer for spring 2017, only 16 per cent of the Austrians see their country facing a better future outside of the EU. 49 per cent totally disagree. Which is nevertheless one of the lowest scores in the whole EU. Only the UK (39%), Cyprus (43%), Slovenia (47%) and Italy (45%) score lower. The newest member, Croatia, has the same number as Austria. The V4 not only have more than half of the population strongly disagreeing (Czech Republic 51%, Poland 60%, Hungary 60%, Slovakia 61%), but also less than 10 per cent believing in a better future outside of the EU, with the exception of 13 per cent in the Czech Republic (Poland 9%, Slovakia 8%, Hungary 7%).⁵

Austria has benefitted from the Eastern enlargement in 2004 but needs to find a replacement for those advantages as the positive economic effects have already started to wear off .⁶ Further enlargement could be one measure; however, Austria hasn't been very active so far in contributing to an approximation of the (potential) candidate countries. A Eurosceptic government will not be able to work as an advocator for the Western Balkan states and therefore would lose the ability to be among the main beneficiaries from a further integration of these countries. However, Euroscepticism in the form Orbán acts, does not necessarily mean no new members. While for decades the widening of the EU went hand in hand with deepening the fields of cooperation among the member states, this logic has been abandoned in recent history in general, but especially by the Hungarian prime minister. The Orbán government advocates to keep European decision at bay, first and foremost when it comes to interfering with domestic policies. At the same time, his argumentation to restore European law when it comes to the Schengen agreement and the Dublin procedures is not wrong from a legal perspective. Furthermore, he has been a strong advocator of an accession of the former Yugoslav countries and Albania as soon as possible, reiterating this position during the 6th Annual European Union

Strategy for the Danube Region (EUSDR) Forum held in Budapest on 18 October 2017. Therefore Orbán's Euroscepticism is oriented towards less policy integration but with more member states.

In that sense, Austria and Hungary seem to be very much aligned in their policies. We will most likely see a tightening of the integration measurements for asylum seekers, an area that has been in Kurz' responsibility from the very early stages of his political career as state minister for integration back in 2011. Furthermore, he took responsibilities for integration from the ministry of the interior when becoming foreign minister in 2013. It is unlikely that he would let the FPÖ take over these tasks in a potential coalition government. The FPÖ would more likely become responsible for the already very conservative ministry of the interior and exercise even harsher restrictions to be able to present themselves as securing Austrians in Austria.

Nevertheless, the electoral campaign has shown that the leader of the new People's Party is able to adapt his policies if they benefit him. The question will be if the for now seemingly unconditionally following former strongmen (and to a lesser extent strongwomen) in the ÖVP will also follow a less pro-European course. At this time, Sebastian Kurz has ensured his European partners at the recent summit in Brussels that he will act as a bridgehead for the EU, should he become chancellor.⁷

All of this does not prevent a potential enlargement of the Visegrád Four since there is no anti-Brussels stance as a pre-condition. However, the reservations among Orbán and Co. might relate to the fact that now they can form a solid block within the EU, which might become more diverse when having more members (Slovenia is also mentioned in that context). Generally the interest of the V4 in Austria remains very limited. While the FPÖ has repeatedly said that they favor joining, Kurz has clearly stated that this would not be his interest, but rather trying to improve relations with all Eastern European states, members and non-EU members alike.⁸ The V4 countries themselves do not always form a coherent block within decisions concerning the EU as the re-election of Donald Tusk as president of the European Council has shown. While the Polish Law and Justice (Prawo i Sprawiedliwość – PiS) government tried to prevent a second term for the former prime minister, Orbán and also his Czech and Slovak colleagues supported Tusk. Relations to the Russian Federation are seen much more sceptically in Warsaw, than in the other three Visegrád countries. Slovakia has already adopted the Euro as common currency and Prague might have followed in the near future, although after the recent election in the Czech Republic with Andrej Babiš' ANO party clearly winning almost 30 per cent of the vote, this has become less likely. Joining the Eurozone is currently not a policy goal of neither Orbán's Fidesz nor PiS. Babiš nevertheless stated that he does not intend to take the country on a similar course like Poland or Hungary, but sees a strong partner in Sebastian Kurz, especially regarding refugee policy, although he will face greater difficulties to form a government than his Austrian counterpart.⁹



AUSTRIA'S EU PRESIDENCY

It is somewhat ironic that during the last EU presidency back in 2006, Vienna also had a chancellor from the ÖVP. Brussels had to deal with a major internal crisis as well, the failure of the Constitutional Treaty had a similar effect as the Brexit referendum. During the Austrian presidency a new approach towards what is now the Treaty of Lisbon was started. Kurz will have to help finish the Brexit negotiations, in order for the result to be ratified until March 2019, if not, the UK and Brussels will fall back to WTO regulations and (trade) relations. But this is the only similarity. The world (and the EU – read: its members) is different. The V4 states had just been admitted then into the club. Euro-scepticism did not really exist, especially in the Central and Eastern European countries, or if it did, then it existed in Slovakia, which is now, as mentioned above, the only Visegrád country to have introduced the Euro. The first “new” member state (Slovenia) only held the presidency in 2007, but all of the countries from the 2004 enlargement will have held the position by the end of this year. Schüssel, while having recovered from the pariah status within the EU-15 after the other 14 countries introduced diplomatic sanctions due to the formation of a government with the FPÖ in 1999, was approaching the end of his term and chancellery. Kurz will just have started his first year as head of government and even if the far-right Freedom Party will be part of it, he will not have to face any repercussions from Brussels. Two reasons we should stress here:

First, in 1999, there were almost no far-right parties driving the political agenda in the member states. This changed with the enlargement of 2007, as there was again a right-wing nationalist (yet short-lived) political group called Identity, Tradition, Sovereignty (ITS) formed in the European Parliament, which had not existed in that form since 1994. In conjunction with this, the Treaty of Lisbon has further strengthened the role of the EP and therefore it has become much more important to keep the various political parties from the different member states in a strong fraction, in order to be able to find decisions. So while a more relevant role of the parliament in the decision-making procedure helps to alleviate to a certain extent the democratic deficit of the European Union, it also creates the paradox situation that the Fidesz party still belongs to the European People's Party (where also the ÖVP is a member), despite its attempts to decrease democracy at home.¹⁰ Jan-Werner Müller argues that without the importance to keep a majority within the EPP, Fidesz might have already been excluded.¹¹ As mentioned above, the FPÖ is part of the ENF political group, successor to the ITS. Currently there is a strong desire from Brussels to achieve an exit of the potential coalition partner for the ÖVP from the ENF. This has, however, been rejected by Norbert Hofer, former candidate for the Austrian presidency from the FPÖ, stating that membership in a group in the European Parliament does not say anything with regards to content orientation of a political party, using the example of the ÖVP being member of the same group as Fidesz.¹²

Second, especially over the last five years with the presidential campaign of Donald Trump, the political rhetoric and its acceptance in the political discourse changed tremendously. Slogans that normally would have ended a political career are now yesterday's headlines, only to be outdone tomorrow (and sometimes retracted the day after). In Germany the AfD holds 94 seats in the Bundestag, instantly becoming the third biggest party with 12.6 per cent of the vote. The campaign was heavily inspired by the former FPÖ campaigning. While Kurz promises a new political culture in the country, this might in the end mean something different than expected, both from him and the general public. Instead of fighting against crusted structures, the FPÖ might become a reliable partner bringing further polarization into the political discussion and therefore contributing to a normalization of this discourse. This became apparent when, during the parliamentary election, most of the radical positions and their main perpetrators – first and foremost the party secretary general Herbert Kickl – were almost invisible, contrary to the presidential elections of last year (which goes along with Hofer's aforementioned statement that we leave uncommented for everyone's own interpretation).

All Visegrád governments are either in coalition with parties using similar standpoints or are incorporating those positions into their party program. Therefore Austria will not be the odd one out as 18 years ago, but rather be one amongst a few, further aligning with its neighbors. Nationalistic, far-right Euroscepticism has come of age.

Apart from the Brexit negotiations, the Austrian presidency will also finish the trio program consisting of Estonia and Bulgaria. Five priorities have been presented:

1. A Union For Jobs, Growth And Competitiveness (sic!)
2. A Union That Empowers And Protects All Its Citizens
3. Towards An Energy Union With A Forward-Looking Climate Policy
4. A Union Of Freedom, Security And Justice
5. The Union As A Strong Global Actor¹³

This will prove the ability of a Kurz government to work together with all EU members to a test. While the interest in reaching a solution with the United Kingdom that works for both parties seems to be more or less a consensus, the working programme – depending on which ministries are held by which party in the new coalition government – bears potential conflicts with the big countries like Germany and France for instance in the fields of environmental protection and reform of the internal security of the Union.



A NEW “DILEMMA DER GLEICHZEITIGKEIT“

The German political sociologist Claus Offe coined the term “Dilemma der Gleichzeitigkeit” (dilemma of simultaneity) when analysing the transformation processes in Central and Eastern Europe at the beginning of the 1990s.¹⁴ In his article he referred to the necessity and at the same time seemingly impossible challenge to introduce political and economic transformation as well as in certain cases even nation building after the fall of the iron curtain. The EU is currently facing its very own “Dilemma der Gleichzeitigkeit”, dealing with the Brexit, necessary internal reform and potential enlargement. However, if done right, this can lead to a stronger EU and if there is one lesson to learn from the history of European integration, it is certainly that Brussels has always emerged stronger from a crisis. The Single European Act overcame the so-called Eurosclerosis describing the stagnation of European integration in the 1970s and 1980s. Paving the groundwork for today’s Single Market and introducing the qualified majority voting which nowadays has become the regular decision-making procedure, preventing giving one country a veto power. The setback of the negative referendums on the Treaty establishing a Constitution for Europe in France and the Netherlands ultimately led to the Treaty of Lisbon, containing the majority of the proposed reforms of the Constitutional Treaty, leaving out only largely symbolic potential changes. The new Austrian government will have the chance to drive the EU out of its current crisis but is also at risk to be overburdened with the simultaneous tasks at hand. Due to the political convergence to the V4 after the National Council elections but also as a partner for Germany and France, the Kurz government does have the potential to serve as the promised bridgehead in this discussion and negotiations. With London leaving the EU, there will also be a power shift in the European Council. The new double majority, where a decision is taken if at least 55 per cent of the member states that at the same time represent 65 per cent of the population agree, the roughly 65 million less inhabitants of the United Kingdom in this calculation will expand voting powers of bigger countries like Poland. But also, according to the calculations of Ralf Thomas Göllner, the Visegrád countries in total would increase their relative voting power by 36.1 per cent.¹⁵ If we add Austria (+3%), the V4 plus one will almost reach a 40 per cent expansion of their voting power. Together with Romania (+6.7%) and Bulgaria (+2.0%), this almost reaches 50 per cent. However, the more likely partners in the V4 plus plus format, Slovenia (-2.5%) and Croatia (-0.4%), actually diminish the decision-making power of the block. In any case, the Central and Eastern European states will gain significant influence, first and foremost Poland, which alone accounts for 27.8 per cent of the rising voting power of the Visegrád Four. This will certainly not contribute to a more balanced approach within the block from Warsaw, who already considers itself to be more important than its partners. As an honest broker, Austria could definitely shape the future of European integration, if good relations with its neighbors will be improved. One aspect that has been neglected so far

is that, with the exception of Donald Tusk as president of the European Council and for a very brief period Jerzy Buzek as president of the European Parliament, the member states have so far failed to integrate representatives from the Central and Eastern European countries in top positions in Brussels. Furthermore, institutions and agencies are almost exclusively located in the “old” member states. This certainly prevents identification as equal partners within the EU among the population of the “new” member states. Although location and country of origin can certainly not be the only factor in such decisions, it should be taken into account to foster coherence and balance in the Union.

MACRO-REGIONALISATION INSTEAD OF RENATIONALISATION AND AUTONOMY

Since the mid-1980s regionalization has been an ongoing discussion within the context of European integration. Mainly driven by the German Länder in the beginning, it has become by now within a Union of 28 countries a discussion of preserving the national identities of the old and new member states. Subsidiarity has shifted from a concept of countries acting together in solidarity to a concept of more autonomy for the member states within the system of multi-level governance. While in principle this is useful regarding questions of identity, democracy and to a certain extent also efficiency, there is a looming danger of undermining the basic idea of the EU. Additionally, with independence movements in Scotland (although neglected by the population pre-Brexit) and more recently in Catalonia as well as striving for more autonomy of regions in Italy (Lombardy and Veneto), Brussels’ ability to act is further destabilized, since the EU is only as strong as its member states let it be. Weaker countries therefore equal a weaker EU. We believe that not only has the EU proven its capacity to alleviate regional differences economically but also politically, be it internally (e.g. Germany) or between member countries (Northern Ireland, South Tyrol). Smaller blocks of similar interest within the EU like the V4 or the latest Three Seas Initiative can help to formulate opinions and help the negotiations on a European level; however, preserving regional and even national identity while at the same time contributing to European integration, macro-regional initiatives like the EUSDR and its existing as well as planned counterparts are much better suited.¹⁶ The full potential of these relatively new concepts of governance within the EU has not yet been unlocked. A better coordination between the strategies is necessary and the “Three No’s” rule introduced by the European Commission (no new financial resources, no new institutions and no new regulations) should not be continuously repeated when it comes to discussions on their added value. Furthermore, existing cooperation within the targeted areas of those strategies in hindsight of duplication of efforts by all stakeholders involved need to be avoided. Only then will regionalization be beneficial to the whole EU, not if it is undertaken nationally, but across borders.



This would contribute to the idea of a multi-speed Europe – countries that want to cooperate more can do more together –, while at the same time it must ensure that the very core values upon which the EU is based – human rights, democracy, rule of law – are not undermined. This seems to be the biggest challenge: to overcome the division between the V4, which opposes differentiated integration and further deepening, and the ideas of the French president that outlined his vision for a stronger, reformed EU. Germany, while generally open to Emanuel Macron's proposal, will have to determine its own ideas with the new coalition that will nevertheless be much more integration-friendly than the Visegrád plus countries, including Slovenia, Croatia, Bulgaria and most likely also Austria.

The macro-regional structures represent the possibility to push the integration forward. The chance of the macro regions is that in smaller entities than the whole European Union more common positions can be created. It is also easier to define what is necessary for the voters and also to focus on the local differences. One of the difficulties until now is the different levels of integration and the differences, which is mainly described as the problem between North and South. It is not really the difference between the two directions but also the different development mainly depending on the time that the countries spent within the Soviet Empire. It is not possible to change the situation within a short term. One can see the difficulties in the realizations of the two Germanys, which is not only creating economic and social difficulties but also a different mentality and also sometimes extreme reactions. In Saxony, one of the new Länder within Germany that were located on the territory of the former German Democratic Republic, the AfD became the strongest party in the federal election.¹⁷ Maybe it is necessary to develop more specific dialogues on this subject in different fields. It is crucial to bring it down to the local level, because here you can create an involvement of more citizens explaining what is essential in Europe. We shall not forget that we have these difficulties also concerning the Western Balkans, where we have a still much more differentiated situation. The increasing importance of the Western Balkans results from its neighboring on the Near East, especially to Turkey. It is to expect that migrants will continue to come from this area, but also from Africa through Libya. In this context, we hope that all stakeholders involved are able to develop a joint Mediterranean strategy of common affairs. Until now the example of Frontex activities in the Mediterranean Sea concerning migrants and “boat people” are not very satisfying. It is not a “border problem”, it is a problem of neighborhood and cooperation!

CONCLUSION AND OUTLOOK

The elections to the National Council have presented the frontrunner Sebastian Kurz with a solid opportunity to use his mandate to form a government to not only improve Austria's relations to its neighbors but also take an important role in shaping

the future of the European Union. Cooperation with the Visegrád Four will be crucial in this endeavor. The Council presidency in the second half of 2018 is the necessary stage to bring all members of the European Union together. The upcoming parliamentary elections in Hungary in spring 2018 will make this not an easy task, but if Kurz is able to work with Viktor Orbán past his more than likely re-election, gaps between the old and new member states could be significantly reduced. Poland will be a challenge to a different extent, since the size of the country and policies of the PiS government do differ to a certain extent from the other V4 countries and also Austria. Furthermore, if a reform of the European institutions fails to be delivered, the nationalistic, far-right, Eurosceptic parties in Central and Eastern Europe, but also in the whole EU, whether they are in government or opposition, will further be strengthened.

This is the biggest challenge, but also the best opportunity for the new Austrian government to present them as pro-European. A true reform of the European Union needs a broader approach than just from Paris and Berlin. While in former days, the French-German motor was driving the engine of European integration, today this mechanism consists of much more parts. That doesn't necessarily mean that we have 27 different opinions on the future of the EU; however, more sensitivities need to be taken into account. There will always be electoral campaigns ongoing in one or more of the member states. That must not be an excuse to stall reform. As we mentioned before, Kurz has the potential to bring together old and new member states, to lay the foundation for a political Union that consists of both and includes the Central and Eastern parts, because currently Brussels is still too much centered in the West. The great unknown will be Kurz' coalition partner. It remains to be seen if a re-start of a Europe as Macron coined in his vision will be possible with the FPÖ, which – according to their European policy – is at best willing to reduce European decision-making to a minimum.

For the daily European governance we reiterate the importance of using the macro-regional potential. Even with the increased decision-making power of the V4 plus countries, there will not be a blocking minority in the Council. Finding consensus will remain key. The Danube Region has a special position in that context. Not only does it comprise countries with the controversial standpoints concerning for instance the future regulation of the distribution of asylum seekers, but all the (potential) candidates for future enlargement are also located within or in the direct vicinity. And when we look further ahead to the external relations of the EU, especially towards the Russian Federation and the shared neighborhood, the future does indeed lie downstream.



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THE CHALLENGE OF THE VISEGRAD GROUP: BENEFITING FROM ITS POSITIONS IN THE EU'S COALITION PATTERNS

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ABSTRACT

Several developments point to the increasing relevance of coalition building within the EU, including a 'structural' coalition such as the Visegrad format (V4). Aside from political differences, the challenge of the V4 is whether it can maintain a degree of institutional strength, reliability and a culture of consultation from which several benefits could flow when their individual preferences do converge. Some V4 countries play a relevant role in the EU's coalition patterns while others could be a risk. Nevertheless, several member states are potential partners for the V4 with regards to recent political developments (to balance the French-German axis, to prevent a persistent multi-speed EU and to protect interests). Although regional coalitions are rarely politically decisive, they are relevant to the EU's governance and interlink member states in the EU's pattern of coalitions.

INTRODUCTION

Since 1991 the Central European countries Czech Republic, Hungary, Poland and Slovakia tried to cooperate and represent their interest through a format called the Visegrad Group (alternatively Visegrad Four, V4). Recently, this cooperation became quite visible, particularly surrounding the migration crisis in 2015. Envisioned as a format to facilitate Euro-Atlantic integration of its members, it apparently transitioned into a more self-assertive or 'rebellious' format in the EU.¹ At the same time, this common 'self-assertive' stance might, before it even fully started, paradoxically be coupled with an equal trend of increasing irrelevance, including a seeming split within the V4.² These projections are mainly derived from political rhetoric in the media and occasional high political clashes. They also fall into descriptions of an EU divided between North and South, West and East. While these divisions based on the respective divergent political and cultural economies to a



certain extent hold true, reality is more complex. Depending on policy issue, coalitions across the EU in fact differ and change, while regional coalitions remain to exist.

This seems contradictory, and the V4 cooperation has often been declared dead (or alive again).³ However, such general descriptions gloss over the multiple dynamics and reasons of (structural) coalitions. An analysis of common policy positions or voting would furthermore be too static and, next to consensus still playing an important role in European decision-making, fails to grasp the processes and developments of European decision-making. Assessing the challenges of the Visegrad Group requires first a good understanding of coalition building in the EU. Ultimately, the opportunities of the Visegrad Group originate from its shared interests or strategic objectives. These objectives derive from common semi-structural geopolitical and (cultural) economic environments. They are, however, again not static and influenced by changing internal dynamics and policy preferences of their individual members. These elements moreover interact with, and are influenced by, a changing structural environment of the EU including a prospective Brexit, shifting coalitions and future-EU related proposals in the European Council (EU Leaders agenda). Measuring the challenges of the Visegrad cooperation means also viewing the V4 not as an end in itself, but (paradoxically) assessing whether it is instrumentally stable enough to be able to defend common interests in the EU when they *do* emerge.

Against this background, the challenges of the V4 will be evaluated on the following three levels. First, by looking at the relevance of coalition making in the EU and its (changing) dynamics (paragraph 1 & 2). Second, by analyzing the (potential) strength of the Visegrad: looking briefly at commonalities of interests, policy preferences and the institutional dimension (paragraph 3). Finally, the strategic positions as well as the obstacles of the Visegrad countries within the EU's coalition patterns will be touched upon (paragraph 4), followed by a conclusion.

I. STRUCTURAL EUROPEAN COALITION CHALLENGES

The relevance of coalitions, particularly structural (regional) coalitions such as the Visegrad Group, has increased in European decision-making and governance. At the same time, the V4 itself faces increasing structural challenges. There at least seven challenges (not necessarily separated from each other) which member states face.

1. An ever larger EU

First of all, the EU is comprising ever more member states. After the big enlargement of 2004 (which included the V4 countries), Bulgaria, Romania and recently also

Croatia have joined the Union. While the UK is on its way out and enlargement fatigue is clearly present within several parts of the EU,⁴ the European project is most likely (in the long term) to enlarge further beyond 27 member states. In fact, enlargement is one of the talking points of the Visegrad cooperation within the EU.⁵ This (potentially) ever larger EU implies that the relative weight of each country, including the V4, has become smaller.

2. Extended Qualified Majority Voting

Since the implementation of the Lisbon Treaty the use of the ordinary legislative procedure (based on majority voting) in the EU Council has been extended to most of the EU policy fields. An estimated 80% of decision-making now occurs via this procedure, including on agriculture, energy, immigration and certain aspects of judicial and police cooperation and the EU's trade policy.⁶ As a consequence, the veto-power and thus control of individual member states on the European project has diminished. European Commission President Jean Claude Juncker pressed recently to take more and expedient majority decisions.⁷ Even if consensus will remain important and customary in many policy areas, the 'shadow of the vote' naturally influences the compromise that is being presented as consensus in the end.⁸

3. New Qualified Majority Voting

New majority voting rules, which lower the threshold for adoption by the Council, have been introduced with the Lisbon Treaty as well.⁹ This implies that since November 2014/March 2017 (till then the old rules could be invoked) the V4 has lost potential in creating a blocking minority. While the year 2015 may have been perceived as a rise of the V4's prominence, a possible emancipation of the V4 as a voting bloc is rather a little too late. Under the old voting rules the V4 nominally had an equal amount of voting rights compared to France and Germany combined (58 votes). This meant that with the support of one of the big member states, Germany, France, UK, Italy or Spain (27 to 29 votes), and another small member state (ranging from 14 to 7 votes) a blocking minority (93 votes out of the 352 votes distributed in the Council) would have been possible. With the new rules, a blocking minority must include at least four Council members representing more than 35% of the EU population. This gives more weight to big member states. The V4 countries comprise only about 13% of the EU population, implying it needs at least one big member state and multiple small member states in order to create a blocking minority (and thus increase its leverage in negotiation). In general, extensive coalition building is important for every member state; e.g. the largest five member states still need 11 countries to achieve a winning majority, which requires 65% of the EU population and 55% of the vote (each member state having one vote). Nevertheless, the Visegrad - with the sixth largest EU member state Poland among its ranks - can be easily outmaneuvered. In an EU-28,



a coalition of *all* small member states still need at least two or three big member states to achieve a majority; realistically a coalition without Germany and/or France has no chance.

4. Formal negotiation procedures

In order to influence policy one has to negotiate with an increasing number of countries; a reality that does not fit the formal negotiations surrounding EU Council meetings. For example, the regulations of the Council stipulate that like-minded countries are expected to present their proposal together with one speaker.¹⁰ Teaming-up and negotiating in subgroups in earlier phases (and creating the necessary structures for it) is desirable and has become more important.

5. An ever integrated and complicated EU

Policy-making and negotiations have in general become more complicated, technical and numerous in an enlarged and further integrated EU. Yet small member states only have limited administrative capacities and can therefore only focus on a limited amount of policy fields. They need to prioritize and carefully pick their battles and have less strategic tools at their disposal in negotiations such as side payments, linkage strategies and proposing detailed package deals.¹¹ These deficiencies can however be counteracted by working structurally together with other member states (see paragraph 2).

6. Brexit

Poland, as one of the 'Big Six' EU member states, traditionally served as a potential channel for the other V4 countries to these dominant big member states. However, with Brexit the strategical landscape of EU member states will alter, in particular the positions among these Big Six will be affected. As research from the European Council of Foreign Relations (ECFR) shows,¹² Poland has strong ties only with the UK and Germany (and the UK has strong ties with Germany). Consequently, it has the most to lose with Brexit, becoming strategically less relevant in the context of the soon to be 'Big Five'. The French-German axis is the strongest, and France, Spain and Italy are also well connected and less so with the UK. Their positions are thus to strategically increase with Brexit. Regardless of current political winds, Poland has (already) been the least well connected among the Big Six. With the departure of the UK, and without a change, this is to increase further and indirectly affect the potential of the Visegrad Group.

7. Developments in the European Council and multi-speed Europe

More and more European affairs have become 'Chefsache', involving high level political contacts. In the last years, the European Council has played a pivotal role as crisis manager from the economic crisis to migration, which has increased the

relevance of intergovernmental coalition building. While consensus is the norm in the European Council, decision-making is highly political and when it takes place in a context of crisis and time pressure, big member states or established coalitions can more easily press others. It also takes allies to block a proposal, as it is unusual to bloc proposals unilaterally. The recently developed Leaders Agenda by European Council President Donald Tusk, that is to address the major political dossiers of the EU in consensus through multiple informal meetings, does not necessarily change that.¹³ The Leaders Agenda is welcomed by member states as a way to take control over the European project (as opposed to the European Commission's political ambitions, something the Visegrad Group generally does not support¹⁴). However, supranational institutions traditionally have served as a protector of some of the smaller Visegrad states, providing a platform among the political clash of big member states. Despite the appeals to unity, the 'threat' of a multi-speed Europe also provided for by the EU Treaties via enhanced cooperation has furthermore emerged. Bulgaria, Romania and Croatia have also voiced concerns that the EU institutions that give them clout could be hollowed out with (intergovernmental) multi-speed integration.¹⁵ Moreover, Tusk expressed he will not hesitate to point out member states who frustrate the process towards a compromise or consensus with regards to troublesome EU reforms.¹⁶ As a consequence, several member states could opt for a sub-optimal compromise to remain at the core of newly build EU structures/policies, instead of being marginalized in a multi-speed EU. Opting out of new EU policies could not only imply loss of possible funds/benefits attached to it, but also less influence on the development of the EU policy that one is possibly to adopt later. Furthermore, one will have in theory less potential to make European package deals, reinforced by the fact that a multi-speed Europe already exists with regards to i.a. Schengen and the Eurozone.

In sum, the EU's (changing) playing field shows the (increasing) need of (new) coalition building in the EU. The Visegrad's challenge is not only to seek ways to maintain and intensify their cooperation, but also to re-energize and expand relations with other potential partners through its V4+ format.

II. STRUCTURAL BENEFITS OF (REGIONAL) COALITIONS

While temporary (voting) coalitions emerge on policy specific topics among member states, structural coalitions could exist in relation to re-occurring thematic dossiers as well as territorial regional coalitions such as the Visegrad Group, which are i.a. based on historical legacy and like-mindedness. Following mainly Ruse,¹⁷ there are at least five potential benefits of a structural coalition. In short, a structural coalition



works as an important 'input'-coalition and therefore as a potential valuable 'output'-coalition; i.e. European agenda setting, a recognizable platform to reach out to potential additional partners and a shared position or vote on issues.

1. Improvement of information position and expertise

By creating structural coalitions with like-minded countries, (small) member states including the V4 can attempt to compensate their structural deficiencies and increase their influence in the EU's negotiation field. Whether consensus is the habitual preferred method (most notably the European Council) or if this is under pressure by increased majority voting (such as in the EU Council of Ministers), coalitions do not only exist in order to pool voting power, nor is it necessary for the individual members of the coalition to have the exact same policy preferences. Member states working together structurally and intensively have a comparative advantage as they build up trust and facilitate the bundling of capacities among them; sharing of information, knowledge and expertise and the participation in relevant networks. In the informal pre-negotiation stage this can increase the country or coalition's bargaining power due to superior expertise, knowledge, network capital and the resources to provide common argumentation for their positions.¹⁸

2. A testing environment of ideas and negotiation positions.

A structural coalition offers a safe environment to test out ideas and policy preferences (e.g. whether positions are not too extreme). Policy positions can be augmented and refined arguments commonly constructed. Possibilities can be explored to create a strong coalition position before attempting to advocate it at the EU-level at large.¹⁹

3. A recognizable platform to reach out to potential partners

An institutionalized format with a name creates external recognition and makes it easier for its members to reach out to possible additional partners. Potential partners realize that by talking with an individual country or with the format itself, they can probably reach out or influence multiple countries at once, making them more attractive to invest in them.

4. To pool and project normative justifications and rhetorically trap opponents

Structural (regional) coalitions facilitate the pooling of normative justifications and consequent rhetorical action which could (indirectly) grant a bargaining advantage. Negotiations may be conducted by 'rational' governmental actors following primarily an 'objective' national economic interest, they also conform to norms by following cost-benefit calculations in order to avoid punishment in terms of exclusion or reputational damage. To strengthen their political stance, the positions of governments are often sold to the general public (who in many cases are not, or cannot be, aware

of the intricate details of interests and policy) with reference to a normative goal. Governments can however use (other) normative appeals to rhetorically address the public in other countries and take away rhetoric tools ('rhetorically entrap' their opponents). Structural coalitions with a (constructed) identity are in the best shape to commonly pool norm-consistent arguments and, to the support of their possible converging preferences, diffuse these norms among the European public who then serves as an arbiter.²⁰ The Visegrad view on the handling of the EU's migration and refugee issue might provide an example. In their rejection of refugee quota, next to primarily Poland and Hungary's focus on a 'defense of a Christian Europe', the V4 moved from a solidarity discussion (for electorates in other countries also in their 'rational' national interests) i.a. to a security discussion with a general normative justification of political overreach by 'Brussels'. They projected the idea of a Europe of nations working together and not forcing 'ineffective majority decisions' on one and another. Even though some V4 members were more vocal than others, in the perception of the European public normative justifications were connected to the Visegrad Group as a whole. This public was not only introduced to different 'practical' arguments but also different normative *European* views, a 'Central European view', taking away or contesting existing rhetorical tools (including European solidarity with terms as flexible solidarity).²¹

5. Relative protection.

Coalitions can also be influential after European decisions (by majority) have been made. The interpretation, execution and enforcement of existing European arrangements move between certain (practical and political) margins. This is reinforced by the increasing political nature of the EU (including the European Commission) and the required reliance of the European Commission on the political will of the member states - instead of the EU Court of Justice - to enforce arrangements. Margins of flexibility within European rules or frameworks can exist in relation to unique national circumstances but can be kept to a minimum. However, when several member states team up, it increasingly puts pressure to interpret the existing agreement in a more compromising way. This could range from more or less technical arrangements or policies (whether or not ending up at the EU Court of Justice) to high political ones such as the discussions surrounding energy market projects,²² the Stability and Growth Pact,²³ the role of the EU in relation to the rule of law in member states²⁴ or the straightforward rejection of a majority decision involving the redistribution of refugees. While these kinds of actions (in the long run) are damaging towards the EU and/or the actors due to isolation, it's a reality that cannot be denied. In the short term it can serve as a tool to force political change. In case of such actions to relatively succeed or prevent repercussions, having allies is important. Trust and solidarity are relatively built up within an institutionalized format for the sake of continued



cooperation, thereby potentially granting some protection to one of its members. At the same time, this relative solidarity - e.g. Slovakia that distances itself more and more from Hungary and Poland - can quickly run out of balance.²⁵

III. THE POTENTIAL STRENGTH AND UNITY OF THE V4.

The Visegrad Group is obviously not an end in itself but a platform for the interests of its individual members. Nevertheless, allegedly, as with other territorial alignments - such as the Benelux group, the Nordic-Baltic grouping and a rather coherent Mediterranean bloc - regional coalitions often share, next to a common historic and regional legacy, socioeconomic preferences. They more or less depend on 'who you are' (instead of 'what you want') in which like-mindedness on the basis of culture, geography and ideology or shared interests are relevant.²⁶ The degree to which the V4 format can effectively influence European decision-making or upload matters at EU-level depends on their shared characteristics/interests, its subsequent common policy preferences, and its institutional strength.

Common characteristics?

First, the Visegrad countries share a historical legacy of geopolitical vulnerability, caught between West and East, which is further cultivated through identity. While their identities differ widely (for example the linguistic and religious characters) and have in fact clashed, the overarching sense of 'Central-Europeanness' remains. As the 'institutional' expression of the region, the format facilitates a stronger Central European identity which feeds back again into stronger European legitimization, political support and the potential of rhetorical action. However, the awareness of the V4 and the accorded relevance by the public is not that high, latest research shows.²⁷

Secondly, they share the post-communist legacy of a political 'return to Europe,' entering the EU together (albeit not intentionally) in 2004. While the current political developments in particular in Hungary and Poland show that the values of euro-Atlantic integration such as liberal democracy are under strain, the strong support for membership among political elites and the population, and the desire to emancipate in a common European project, have been structurally present. Unexpectedly, the Czech Republic (scoring overall better than its partners in various rule of law, democratic governance and (anti)corruption indices)²⁸ is the (current) exception when referring to support for EU and euro membership (possessing the most Eurosceptic population and political party landscape).²⁹

Third, they share a legacy of a post-communist economy that still needs to catch up with the West, requiring a transition from the efficiency-driven state of development into the innovation-driven stage. They are heavily dependent on for-

eign and western direct investment (Netherlands, Germany, Austria and UK are important for all four)³⁰ and are net-receivers from the EU-budget which is an important contribution to GDP.³¹ They are (still) dependent on the import of raw materials (mainly from Russia) including gas supplies³² and have a relatively high energy intensity of the economy.³³ The EU's internal market is crucial for them. Together with Luxembourg they are in the top 5 of EU countries of conducting trade within the EU. As relatively traditional economies (manufacturing and industry), they face and seek common challenges and opportunities in automation, robotisation and digital developments. Many of its citizens make use of the freedom of movement, which provide both economic opportunity but also demographic and economic concern in relation to brain drain. In 2015, among the top 3 export partners of all Visegrad countries, Germany by far ranked the highest (from 28% to 38% of exports) among all V4 countries. The 2nd and 3rd export partners among the countries are each other, with the exception of Romania and UK being the second most important partner for Hungary and Poland respectively.³⁴

However, they also compete against each other by striving to offer the best conditions for (Western) investment and their integration among themselves is limited. Slovakia is a Eurozone member, while all other V4 partners are neither in the European Exchange Rate Mechanism nor have they pegged their currency to the euro. The Czech Republic is set to become a net-contributor to the EU-budget. The country, and to a lesser degree Slovakia, stands out economically (in Purchasing Power Parity and GDP per capita)³⁵. Finally, although three out of four take an important stake in nuclear energy, their energy production varies and common interest is limited.³⁶

Shared interests and policy preferences

A survey by the ECFR, conducted in summer 2016 among EU policy makers and experts across the EU, show that the V4 share quite some common interests.³⁷ Respondents from Hungary, asked to select up to five countries which generally share interests and policy preferences with their country, accord in total 67% of their votes to its V4 partners, followed by respondents from Slovakia (65%), Czech Republic (62%), Romania (38%) and Poland (28%). Zooming in on four policy fields specific and asked which countries they consider as essential partners, the respondents pick t similar kind of countries and rank each other high.³⁸ Nevertheless, there are some imbalances. Poland does not grant much importance to the V4 regarding security and defense, and Slovakia not at all with fiscal policy.



TABLE 1. FOREIGN AND DEVELOPMENT POLICY

(SHARE OF VOTES TO PERCEIVED ESSENTIAL PARTNERS).

Czech Republic		Hungary		Poland		Slovakia	
V4	27%	V4	27%	V4	28%	V4	53%
Top 7							
Germany	17%	Germany	10%	Germany	12%	Czech Rep	27%
France	12%	Poland	10%	Czech Rep	10%	Germany	20%
Poland	12%	Slovakia	9%	Hungary	9%	Poland	13%
UK	10%	Czech Rep	8%	Slovakia	9%	Hungary	13%
Austria	8%	UK	8%	UK	9%	UK	13%
Slovakia	8%	Austria	7%	Sweden	8%	France	13%
Hungary	7%	Slovenia	6%	Lithuania	7%	Italy	13%

TABLE 2. SECURITY AND DEFENSE

(SHARE OF VOTES TO PERCEIVED ESSENTIAL PARTNERS).

Czech Republic		Hungary		Poland		Slovakia	
V4	30%	V4	37%	V4	15%	V4	67%
France	17%	Poland	13%	Germany	17%	Czech Rep	27%
Germany	17%	Czech Rep	12%	UK	13%	Poland	20%
UK	17%	Slovakia	12%	France	9%	Hungary	20%
Poland	15%	Germany	9%	Sweden	8%	Germany	7%
Slovakia	11%	Austria	5%	Hungary	7%	Austria	7%
Austria	4%	Croatia	5%	Romania	7%	UK	7%
Hungary	4%	Slovenia	5%	Estonia	6%	France	7%

TABLE 3. ECONOMIC AND SOCIAL POLICY

(SHARE OF VOTES TO PERCEIVED ESSENTIAL PARTNERS).

Czech Republic		Hungary		Poland		Slovakia	
V4	43%	V4	27%	V4	22%	V4	18%
Top 7							
Slovakia	18%	Germany	12%	Germany	21%	Germany	36%
Germany	16%	Czech Rep	10%	Hungary	10%	Czech Rep	9%
Poland	16%	Poland	10%	Czech Rep	7%	Hungary	9%
Hungary	9%	Austria	8%	France	7%	France	9%
Austria	7%	Slovakia	7%	Latvia	7%	UK	9%
France	7%	Croatia	6%	Lithuania	7%	Austria	9%
Sweden	5%	UK	6%	Estonia/ Romania/ Slovakia	5%	Belgium	9%

TABLE 4. FISCAL POLICY

(SHARE OF VOTES TO PERCEIVED ESSENTIAL PARTNERS).

Czech Republic		Hungary		Poland		Slovakia	
V4	32%	V4	32%	V4	27%	V4	0%
Top 7							
Germany	25%	Germany	22%	Germany	20%	Germany	57%
Slovakia	18%	Poland	12%	Hungary	15%	France	14%
Austria	11%	Czech Rep.	10%	Czech Rep.	10%	UK	14%
Poland	11%	Slovakia	10%	Sweden	10%	Luxembourg	14%
UK	7%	UK	7%	France	7%	n/a	
Bulgaria	4%	Austria	5%	Romania	5%	n/a	
Hungary	4%	Denmark	3%	UK	5%	n/a	
				Slovakia	2%		

Blue color: V4 countries in the top 7.

Green color: At least three out of four V4 countries share the same essential partners in their 'top 7'.

Sharing common interests does not necessarily have to result in the same policy choices. For example, V4 countries share an interest in regional (energy) security and stability, yet disagree on issues relating to the relations with Ukraine and Russia (most notably Hungary and Poland)³⁹. V4 countries support a liberalized internal market and brought in a common document in the Council's discussion on revising the posted workers directive, yet ultimately Slovakia and the Czech Republic voted in favor of a compromise while Hungary and Poland voted against⁴⁰. Moreover, Slovakia being an Eurozone member has, with the prospect of major reform in the Eurozone, repeatedly stressed that it wants to remain at the core of the EU and French-German axis while the other Visegrad partners have remained skeptical.⁴¹ Nevertheless, in reality Slovakia might not completely embrace Macron's EU proposals relating to deeper Eurozone integration and social harmonization. E.g. uneasiness in the past has existed in bailing out 'richer' Greece.⁴² In other words, common interests do not lead to the same policies and different political rhetoric does not necessarily lead to complete different interests.

The Visegrad Countries support(ed) each other on concrete policies such as on migration (rejecting a common European asylum system and refugee quota, while emphasizing investment in the region, the integrity of Schengen zone and the security of European borders) and enlargement in the Western Balkans. On most issues it is about agenda-setting or influencing an agenda, such as the digital agenda and the internal market, environment and climate policy (which does not hinder their convergence), defense (in which their less competitive defense industry will have a chance, albeit Poland considers its V4 partners not so important), energy



security and diversification, the EU's Global Strategy and the Eastern Partnership.⁴³ However, the V4 as the heart of the 'Friends of Cohesion' in the Multiannual Financial Framework could be in jeopardy (preventing a cut either due to new conditionality or due to further Eurozone integration) in relation to Slovakia's Eurozone membership and Czech Republic's prospect of becoming a net-contributor to the EU-budget.

Overall, regarding the institutional relations of the EU, the overarching V4 theme still seems to be focusing relatively on the status quo. The Visegrad Group emphasizes subsidiarity and consensus in the European Council, and although multispeed is not fundamentally rejected, it wants to prevent a multi-speed Europe that results in a clear (persistent) core and periphery.⁴⁴ This is to some extent confirmed by the ECFR survey: both from the perspective of other EU partners who regard the V4 countries as the least committed to further European integration, and from the V4 itself - with the important exception of Slovakia - in view of a relative preference for national decision-making and the rejection of a legal EU core group (compared with views in the rest of the EU).⁴⁵

Institutional resilience

The real challenge of the Visegrad Group is whether its potential avenues, which create common EU positions that arise from their shared political and economic realities and that could resonate with other EU partners, is sufficiently institutionalized. For example, the Benelux cooperation seldom results in common voting, however it is strongly institutionalized on the basis of a treaty, various institutions and increasing contacts in the last 10-15 years. According to its own accord, the Visegrad Group is (politically) 'not institutionalized in any manner'⁴⁶. Official institutions that do exist are the International Visegrad fund (which supports the development of cooperation in culture, scientific exchange, research, education and tourism) and a V4 Patent Institute. Politically a culture of structural consultation has certainly emerged however. The ECFR survey confirms that the V4 countries prioritize individual governmental contacts with each other. Hungary gives most votes to its Visegrad partners (68%), followed by Slovakia (68%), Czech Republic (59%) and Poland (40%) (the average accorded to a V4 country thus ranges from 23% by Hungary to 13% by Poland). According to the survey, the V4 might prioritize each other relatively more than the informal Southern Seven (the southern EU member states), the Nordic-Baltic combination and definitely the newly emerged Slavkov Triangle (Austria, Czech Republic and Slovakia) created in 2015. Compared to the similar small Benelux, Nordic and Baltic cooperation, the V4 is not necessarily 'closer' in contacts however.⁴⁷

Processes of V4 'institutionalization' take place nonetheless. Periodical V4 meetings at various levels (from the high-level meetings of prime ministers and heads of states to expert consultations) are organized. Heads of state meet once a year and prime-ministers meet at least on an annual basis in which a rotating V4 presidency is

responsible for a one year action plan which includes consultations prior to EU Council meetings (to be able to come up with common statements or documents). This has happened among others in relation to the Eastern Partnership, Balkan enlargement, energy and climate policy, agriculture, migration and posted workers. Meetings of various parliamentary committees, including annual Speaker of Parliament meetings have been organized to ensure the principle of subsidiarity in the EU and to participate in inter-parliamentary conferences. Ideas of a permanent V4 parliament assembly have been floating. Moreover, the V4 intensified defense cooperation with among others a V4 Battlegroup. The V4 as a platform has furthermore promoted V4+ relations with other regional coalitions such as the Benelux, the Nordic Council and individual countries such as Romania, Bulgaria, Slovenia, Croatia, Austria and Germany, in which flexibility and openness to other EU partners, instead of official enlargement of its format (of which there is no agreement) is maintained. The institutional strength also lies in its recognition. However, as the Czech V4-presidency annual report of 2015-2016 noted in relation to the V4 stance on migration: 'The robust V4 stance highlighted the relevance of the "V4 brand" and raised its perception on the European scene', but also 'admittedly at some cost to the reputation of the V4 whose positions came under criticism for "lacking solidarity" and for being "defensive"'.⁴⁸ The V4's recent success could thus paradoxically also be its failure. This is aggravated by the fact that the political rhetoric of individual members has not always been aligned recently; e.g. Hungary and Poland strongly emphasize the overall political relevance of the Visegrad, while Slovakia has distanced itself.⁴⁹ Together with the presence of new central European formats such as the Slavkov Triangle, it projects an (unnecessary) image of disunity. In fact, based on interviews, some EU diplomats have stated that they are skeptical about the (rhetoric) reliability of the V4-format, making them less worthwhile to reach out to them.

IV. THE V4 IN THE EU'S COALITIONS PATTERNS

Many structural, strategic, thematic, regional or loose coalitions exist within the EU, and they can be seen as a requisite for the functioning of the EU (see paragraph 1). To what extent can the V4 push their common agenda? What might be their potential partners and how is the V4 situated in the EU's coalition field? Which factors might hinder them from pursuing common objectives?

The French-German axis, the Big Three (France-Germany-Italy or France-Germany-UK when relating mainly to foreign policy), the Founding Six, Weimar Triangle (France, Germany, Poland), Benelux, Visegrad Four and Nordic-Baltic 6 are the most known regional groupings or strategic partnerships. Recent regional formats are the Slavkov Triangle and the Three Seas Initiative⁵⁰. In reality, the political effectiveness and political cohesion of such groups are disputed and often in flux. Specific thematic



regional groupings also exist, such as the Salzburg Forum where Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia promote cooperation relating to justice and home affairs. Or the Quadro-group between Malta, Cyprus, Greece and Italy, situated at the external borders of the EU with an interest in a social EU migration policy. A quite particular structural cooperation is the Northern Lights Group, which is based on exchange of information prior to European Councils, consisting of Finland, Sweden, Denmark, UK, the Netherlands, Germany and Estonia.

Important re-occurring coalitions based on specific EU themes and policies have emerged, as i.a. a report from the Clingendael Institute has shown.⁵¹ These coalitions include re-occurring consultations and meetings. Examples, albeit mainly derived from a Dutch perspective, are listed in the table below.

TABLE 5. THEMATIC COALITIONS

Group	Members
'Thrifty net payers group' Work together on several issues relating to the EU budget.	Austria, Germany, Luxembourg, Netherlands, Sweden and UK.
'Better spending friends' Work together on several issues relating to the EU budget.	Thrifty net-payers group + Czech Republic, Denmark, Finland, Italy and occasionally Slovenia.
Friends of Cohesion Work together on several issues relating to the EU budget (maintain sizeable budget).	Visegrad Four, Bulgaria, Croatia, Estonia, Greece, Latvia, Lithuania, Malta, Portugal, Romania, Slovenia and Spain.
Copenhagen Group Shared interests in market liberalization Recently shift to ' <i>Hanseatic League 2.0</i> ', relating to EU-budget, Brexit.	-Czech Republic, Denmark, Estonia, Finland, Ireland, Lithuania, Netherlands, Sweden, and UK. -Baltics, Germany, Ireland, Netherlands and Nordics.
(Informal) northern Eurogroup in favor of strict implementation of fiscal and budgetary discipline and national reforms.	Eastern and northern member states led by Germany
(Informal) southern Eurogroup In favor of more national and European investment space and a more 'political' or flexible application of the Stability and Growth Pact rules/ deeper political integration +risk sharing budget	Southern member states led by France,
Central European defense cooperation Largely led by Austria to push some ideas to compensate for lack of NATO membership.	Austria, Croatia, Czech Republic, Hungary, Slovakia and Slovenia.

Group	Members
'Better regulation' group Interests in the Better Regulation agenda.	Baltic states, Czech Republic, Denmark, Netherlands, Poland, Slovakia, Sweden and UK.
Loose coalition on liberal trade policy	Czech Republic, Denmark, Estonia, Finland, Germany, Netherlands, Sweden and UK + Austria and Ireland.
Loose coalition on agriculture policy	Denmark, Estonia, Germany, Netherlands and Sweden.
Loose coalition on development policy (group originated from countries with a social democratic minister for development aid/policy).	Denmark, Finland, Netherlands, Sweden and UK. Austria, Germany and Ireland sometimes join.

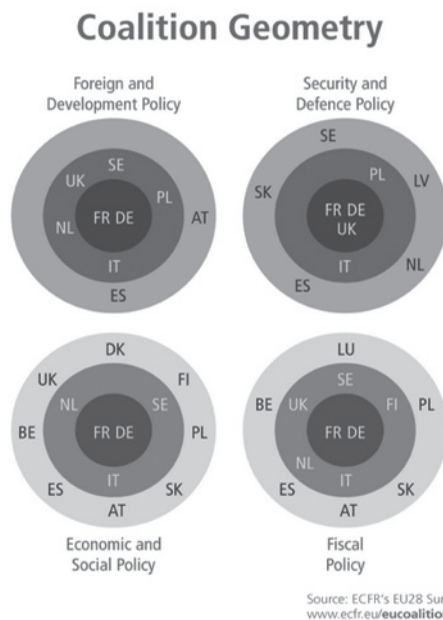
In relation to the changing EU's strategical landscape due to Brexit and the renewed French-German axis by French president Emmanuel Macron, new coalitions are being shaped. Existing groups can be affected or recent new formats emphasized (such as the Slavkov Triangle and a 'Hanseatic League 2.0'). These developments could make some V4 countries lose their position in an existing group or divide the V4, making less common projects possible to base future unity on. The ECFR survey shows that the V4 accord relatively great importance to each other but name outside partners as more essential than other Visegrad countries, mostly Germany, followed by France and the UK (with the exception of Hungary). The declared range of possible activities within the Slavkov format, including the idea of consultations before the European Council and a deputy-ministerial level coordinating workgroup, could duplicate or render empty some of the V4 projects. In addition, the outgoing Czech deputy foreign minister speculated on extensions to Slovenia and Croatia. Talks about annual conferences by Austria, Slovenia, Croatia (and possibly Romania) on the Balkans, dubbed by current Austrian prime-minister Sebastian Kurz as a 'Southern Triangle', also occurred.⁵² Nevertheless, on average, based on the ECFR survey in 2016, the preferred contacts and perceived interests between the countries of the V4 are much higher than those of the Slavkov Triangle. V4 countries are not yet part of other stronger institutional formats in practice (Weimar⁵³ and Slavkov Triangle). If one calculates the average of the percentage of votes accorded to a country within a regional format by each country on a perceived shared interest, the V4 appears not really weaker, and sometimes stronger, than other regional formats.⁵⁴

The coalition potential of the V4

The ECFR survey grants further insight of the positioning of V4 members in the EU's coalition field. Based on perceived shared interests, a preference to contact each other and a country's responsiveness, France and Germany, as expected, lie at the heart of Europe's cooperation patterns. Next to the big member states - the UK, Italy, Spain and Poland - Sweden and the Netherlands are also seen as pivotal players. Together



they form the core of EU's coalition patterns ('Cooperation Community'). Individually, Germany ranks as the country with the overall most 'coalition potential' across the EU, followed by France, Netherlands, Italy, Sweden, UK, Belgium, Spain and Finland. The first Visegrad member Poland ranks 10th with Slovakia ranked 13th, Czech Republic 17th and Hungary 22nd. Concerning the priorities of EU member states to contact other member states, the V4 together do fairly well however, with Poland ranking 4th, Slovakia 8th, Czech Republic 10th and Hungary 11th. Nevertheless, it is clear that Hungary is the 'weakest' link considering coalition potential and is also perceived as disappointing by many alongside Greece and the UK. At the same time, Hungary is credited much influence by half of the EU as 'spoiler' government.⁵⁵ As mentioned, the V4 is also widely recognized as the least committed to European integration within the EU (Slovakia ranks 23rd, Poland ranks 24th, Czech Republic ranks 26th, Hungary ranks 27th). While only Poland is part of the EU's 'Cooperation Community', when looking at the perceived essential partners on four individual policy fields by EU member states, Slovakia also plays an important role in the coalition geometry of three policy fields (see image).⁵⁶



In sum, next to the big member states, various northwestern member states seem active players in coalition building. Southern countries appear to be the least active in creating structural formal formats. At the same time, the southern countries are in reality well connected to the EU's coalition patterns due to the three big member states

France, Italy and Spain. This makes Central-Eastern Europe relatively disconnected from the web of EU interactions (particularly with the current political wind in Poland). New formats such as the Slavkov Triangle or the Three Seas Initiative should in that sense not necessarily be perilous: they can play a role in indirectly connecting the V4 to more patterns of EU coalitions.

Despite the Leaders Agenda ambition of unity on future EU reforms, the prospect of a multispeed Europe is looming large with the big member states France, Germany, Italy and Spain having expressed to be more or less comfortable with multispeed. The challenge is whether the V4 will be able to find partners to either maintain influence in a multi-speed Europe or prevent a (severe) multispeed all together. With the UK leaving, the V4 lose a big country protecting their economic and social interests and preventing the Eurozone (accounting for 85% of the EU's economy) from making deals.⁵⁷ New decisions on defense, migration, digital agenda, social policy, institutional issues (e.g. transnational party lists in the European Parliament, the budget, single market, trade (e.g. European Buy Act by Macron), climate and energy are in the making, and a possible deepening of the Eurozone with institutional implications (its own budget and system of parliamentary scrutiny).⁵⁸ Several member states might be potential allies for the Visegrad Group in balancing the French-German axis (mainly through Germany): to maintain influence as non-Eurozone member states, to prevent a severe multi-speed EU and to protect interests.

Defense

A new European defense structure, PESCO, is already being developed with nearly all EU member states (including the V4 countries) participating, while a common V4 agenda is limited or has been lacking. Poland takes a special important position in relation to its staunch NATO stance.⁵⁹ Due to Germany, the new EU defense pact includes many member states as perhaps opposed to French ambitions of a smaller but more ambitious and deepened PESCO.⁶⁰

Migration

The Visegrad countries have so far succeeded in defending their interest on the issue of migration and asylum policy (most prominently rejecting a compulsory EU refugee relocation system) and can find allies across Central and Eastern Europe, including Austria. However, with the apparent European deadlock, a next refugee crisis could spark new unfortunate emergency majority-decisions in the Justice and Home Affairs Council. For the proponents of an EU wide relocation mechanism, it seems currently essential that the former emergency decision of 2015 is adhered to before any possible compromise can be made. Alternatively, that a new compromise is made which does not entirely exclude burden-sharing and a common EU approach (one that includes the whole chain of asylum and migration policy: from a strategy towards a crisis-struck



region to the hosting of refugees). An EU-wide policy of some sort of 'flexible solidarity' might still be possible: comprising various tasks and stages for member states to participate in, alleviating the burden of border countries and preventing refugees making (uncontrolled) journeys to Europe⁶¹ It is also imaginable that a core group could more forcefully move further in creating a single border and police and coast guard, deal with migration flows on the basis of common immigration and asylum laws and a common fund, accompanied by more negative policy and budgetary implications for the V4.

EU's economic governance, the internal market and trade

Important trading partners of the Visegrad countries, Germany, Romania, Netherlands, and Austria, together with the Nordics, Baltics, Ireland and Central and Eastern Europe, are potential partners with regards to the internal market and European trade, economic and digital policies. Despite different recent views by the Northwestern member states regarding 'social dumping' and posted workers, these countries traditionally have a less protectionist view compared to France and southern member states, and are less ambitious or even skeptical towards EU social policy and tax harmonization that could jeopardize existing business models and raise standards that place the region at a distinct disadvantage. Depending on the new Czech government, the Czech Republic's (former) participation in the Copenhagen Group and loose coalition on liberal trade policy could be of relevance here for the Visegrad. The same countries i.a. as investors, might have an interest in the region's innovative development as prospective automatization/robotization and consequently labor mobility/drain creates shared European political problems.

Political integration, multi-speed, the EU-budget and the Eurozone.

Northwestern member states traditionally favored no divergence between the Eurozone and non-Eurozone (multi-speed) and are not in favor of ambitious political integration. Poland, Czech Republic and Slovakia were/are part of the 'better regulation' group whose interest is better regulation, not necessarily more EU. North and eastern Eurozone countries (e.g. the Baltics) also don't necessarily see merit in ambitious economic and political integration of the Eurozone. However, a major clash of 'governance culture' arises. The idea of strong member states by northwestern member states which prevents European economic and political centralization requires transparent independent national institutions which are depoliticized (and possibly decentralized). This idea does not include the tendencies of 'etatism' by some Visegrad countries or clear violations of liberal democracy and rule of law and the politicization of numerous state bodies. The potential of coalition partner is further limited by the fact that they are net payers to the EU budget while the Visegrad countries are generally net receivers. As European Commissioner for Justice, Consumers and Gender Equality, Věra Jourová recently said: 'there will be no well-functioning single market without the rule of law, because

if companies don't believe they have legal certainty, they will not invest and innovate. There will be no efficient regional and cohesion policy without the rule of law, because the corruption and fraud will leave their marks. There will be no effective neighborhood policy without the rule of law because we have to lead by example to attract others⁶² (the policy fields where the V4 precisely have a shared interest). The potential allies of the V4 could focus on core coalitions within the Eurozone only (responsible for 85% of the EU's economy), which could impact other policy fields and the EU-budget. The V4 itself could be split along the lines of the Eurozone (Slovakia), the better spending friends and Copenhagen group (Czech Republic, aggravated by becoming a net-contributor). Other remaining non-Eurozone members like Bulgaria and Croatia are also flirting with euro-membership.⁶³

The skeptical non-euro Visegrad could opt to campaign for eurogroup observer status as the outgoing government of the Czech Republic has recently expressed,⁶⁴ coupled with a rapprochement (e.g. concrete steps towards joining the ERM or pegging their currency to the euro). In doing so, they might have a seat at the table to influence the Eurozone reforms together with the aforementioned potential partners, before they are faced with a *fait accompli* in the future. In general, if 'illiberal tendencies' of Hungary and Poland are not put on hold, it will most likely distort potential avenues for the V4 to commonly find coalition partners⁶⁵.

CONCLUSION

Several developments point to the increasing relevance of EU coalition building, including a 'structural' coalition such as the Visegrad. Regardless of political differences, the challenge of the V4 is whether it can maintain a culture of consultation, and a degree of institutional strength and reliability, from which several benefits could flow for its partners: from knowledge, network capital and expertise to agenda-setting, common presentation of arguments, common policy positions and rhetorical action..

The Visegrad Group can potentially find additional partners (via the V4 format or the connections of its individual members) in some policy fields to influence the French-German axis, seen as the core of the EU coalition making, and protect their interests (notably northwestern and eastern member states in relation to economic policy, the internal market and trade as well as the relation between Eurozone and non-Eurozone countries). Traditionally, the Czech Republic and Poland appear to play a recognizable role in the EU wide landscape of cooperation patterns. . Slovakia is seen as a relative important player by a ECFR survey while Hungary is credited influence as a 'spoiler' government only. The prospective multispeed Europe - or rather different coalitions on different policy fields - could be a threat to the unity of the V4 when a dominant Eurozone governance leads to core coalitions that diminish



influence and benefits for non-EU members. In addition, in an increasing complex and integrated EU, the governance culture becomes of increasing relevance. Consequently, Hungary and Poland are currently the biggest risk to the potential of the V4 (relating to disagreement on the rule of law and the politicization of national institutions).

Five paradoxes could be concluded on the Visegrad cooperation. First, the V4 share only a few concrete political positions (e.g. migration and the Balkan enlargement) and some shared interests (agenda-setting topics such as the (digital) internal market and Eastern Partnership), all the while a relative strong culture of consultation and cooperation exist. Second, the success and immense visibility of the V4 in 2015 on migration was at the same time its 'failure'; laying bare different interests and subsequent rhetoric as well. Third, new formats like the Slavkov Triangle are both a threat and strength for the V4: there is not much 'to lose' in common positions in the first place, while the whole V4 could (indirectly) be linked to the broader hub of coalition patterns in the EU. Fourth, a process of multi-speed Europe is only to a certain degree a risk to the V4, as Visegrad countries deliberately choose, to a varying degree, to opt out of policies: multi-speed allows the national flexibility they precisely desire. Finally, EU coalitions differ and change per policy topic, while various coalition clusters around various EU policy fields are likely to occur. Regional coalitions are (and can) rarely (be) politically decisive, yet they are relevant to make EU's governance work and interlink member states in the EU's pattern of coalitions. In other words, regional formats like the V4 do not necessarily divide the EU in clear geographical areas, but (could) rather contribute to a workable unity of the EU: serving as a bridge and leaving no member state completely isolated in the EU. The degree of success will depend on the European responsibility of all four members.

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- 48 Annual Report of the Czech V4 Presidency 2015–2016. Retrieved from <http://www.visegradgroup.eu/documents/annual-reports/annual-report-of-the>
- 49 Reuters (October 23, 2017). Slovakia a pro-European island in its region, PM says. Retrieved from <https://www.reuters.com/article/us-slovakia-europe/slovakia-a-pro-european-island-in-its-region-pm-says-idUSKBN1CS1M3>
- 50 The Three Seas Initiative is a joint Polish-Croatian project, launched in 2016, with the aim of strengthening trade, infrastructure, energy and political co-operation among countries bordering the Adriatic, the Baltic and the Black Sea with Poland, Hungary, Czech Republic, Slovakia, Romania, Bulgaria, Lithuania, Estonia, Latvia, Croatia, Slovenia and Austria participating.
- 51 Van der Bij, H. en J. Rood (June 2016). Samenwerking en coalitiepatronen in de Europese Unie. Nederland op de Europese politieke assen. Clingendael Report.
- 52 Kalan, D.(February 16, 2015). The Slavkov Triangle: A Rival to the Visegrad Group? *Bulletin PISM No 19 (751)*. Retrieved from <https://www.pism.pl/publications/bulletin/no-19-751>
- 53 Although certain structures exist and foreign ministers have met several times, the last summit of presidents/prime ministers of the Weimar Triangle took place six years ago.
- 54 Calculations from the ECFR survey (Question 2 'In your view or experience which other EU member states generally share many of your own country's interests and preferences on EU policies?)
- French-German axis:** Germany accords 14% of its votes to France, France accords 19% to Germany.
- Baltics:** On average each country within the Baltic format is accorded 10% of votes by Estonia, up to 22% by Lithuania (albeit Estonia gives nothing to Lithuania).
- Visegrad:** On average each country within the V4 is accorded 9% of votes by Poland, up to 22% by Slovakia.
- Nordics:** On average each country within the Nordics is accorded 11,5% of votes by Sweden up to 17,5% by Denmark.
- Benelux:** On average each country within the Benelux is accorded 8,5% of votes by the Netherlands, up to 19,5% by Luxembourg.
- Nordic-Baltic:** On average each country within the Nordic-Baltic group is accorded 7,2% of votes by Denmark, up to 12,6% by Lithuania (albeit Denmark and Finland grant nothing to Latvia and Lithuania; Estonia gives nothing to Denmark, Sweden and Lithuania; Latvia nothing to Sweden, and Lithuania nothing to Finland).
- Slavkov Triangle:** On average each country within the Slavkov Triangle is accorded a 3% perceived shared interest by Austria, up to 18% by Slovakia.
- Weimar Triangle:** Poland accords 4% on average per country, France 9,5%, Germany, 8% (albeit France accords nothing to Poland).
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- 56 Janning J. and C. Zinneberg (May 22, 2017). The invisible web – from interaction to coalition-building in the EU. *ECFR Policy Brief*, pp7-8. Retrieved from http://www.ecfr.eu/publications/summary/the_invisible_web_from_interaction_to_coalition_building_in_the_eu_7289
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- 58 European Council (October 2017), Leaders Agenda. Retrieved from <http://www.consilium.europa.eu/en/policies/talinn-leaders-agenda/>
- 59 Buras, P. (September 7, 2017). Europe and its discontents: Poland's collision course with the European Union. *ECFR Policy Brief*. Retrieved from http://www.ecfr.eu/publications/summary/europe_and_its_discontents_polands_collision_course_with_the_eu_7220
- 60 Peel, M. (November 7, 2017). EU states poised to agree joint defence pact. *Financial Times*. Retrieved from <https://www.ft.com/content/29f6fe76-c2eb-11e7-a1d2-6786f39ef675>
- 61 Think of a common EU-policy of support and asylum in crisis-stricken regions in which only some refugees are resettled to Europe, while promoting solidarity of other international actors too. Or if a number of asylum seekers still (have to) move to Europe and consequently reach a given limit in the receiving European border country (derived for example from the state's population and financial resources), other EU states will be obliged to offer assistance. Guided by an EU assessment system, one can think of various stages and means: from financial, material or personnel aid in the region (including assessing EU asylum applications) to aid for an European border country, including (ultimately) a share of refugees on a voluntarily or mandatory basis in which e.g. the more affluent countries take in more of the burden.
- 62 Speech of Commissioner Jourova at the High level seminar: Finland 100 years – Finnish and European perspectives to the Rule of Law. Retrieved from https://ec.europa.eu/commission/commissioners/2014-2019/jourova/announcements/speech-commissioner-jourova-high-level-seminar-finland-100-years-finnish-and-european-perspectives_en
- 63 Radosavljevic, Z. (October 30, 2017). PM says Croatia wants to adopt euro within 7-8 years. *Euractiv*. Retrieved from <https://www.euractiv.com/section/economy-jobs/news/pm-says-croatia-wants-to-adopt-euro-within-7-8-years/>. *Euractiv* (June 2, 2017). Bulgaria seeks access to the euro waiting room. <https://www.euractiv.com/section/economy-jobs/news/bulgaria-seeks-access-to-the-euro-waiting-room/>
- 64 *Euractiv* (August 22, 2017). Czechs may seek observer seat at beefed-up Eurogroup. Retrieved from <http://www.euractiv.com/section/central-europe/news/czechs-may-seek-observer-seat-at-beefed-up-eurogroup/>
- 65 E.g. Austria allegedly did not want Hungary to participate in the Slavkov Triangle due to its unorthodox national economic interventionist policy affecting Austrian companies.

THE ROLE OF VISEGRAD GROUP AND ITS PROSPECT: AN OUTSIDER'S VIEW

KONG TIANPING

ABSTRACT

The Visegrad Group is a major sub-regional organizations in Europe, its economic and political position on the continent cannot be ignored. The Visegrad Group should be regarded as the carrier of the ideal of Central Europe, the arena for regional cooperation and the platform to defend interests of member states. The Visegrad Group cannot only wield clout within the EU, but has also carried out fruitful cooperation with some countries and sub-regions in Europe. The Visegrad Group's credible voice can be heard within the EU concerning the decision-making regarding its members and the European Union, since the Visegrad Group is no longer the passive recipient of EU decisions. Through the form of V4+, the Group is building new ways of cooperation with other countries or regions. Against the backdrop of political changes in V4 and crisis-stricken Europe, to some extent, the role of the Visegrad Group may be restricted. The rift between the V4 and West Europe may weaken the position of the Visegrad Group in the international arena.

KEYWORDS: VISEGRAD GROUP, CENTRAL EUROPE, REGIONAL COOPERATION

The Visegrad Group is one of the most important sub-regional organizations in Europe. It has drawn wide-ranging attention in academic community as well as the circle of decision-makers in the world, especially major powers. In the past 26 years, the Visegrad Group has passed different tests, but whether it still has future, remains a topic of hot debate. This paper will provide an outsider's view on the role of the Visegrad Group and its prospect.

UNDERSTANDING THE POSITION OF VISEGRAD GROUP

The Economic position of the Visegrad Group:

The Visegrad Group, oftentimes referred to as Visegrad 4 or V4, is one of the most important regional organizations in Europe. The population of the Visegrad Group is about 64.3 million, which accounts for 12.67% of the population of the EU. Based on Eurostat statistics, the combined GDP of the Visegrad countries in 2016 was EUR 1354 billion (PPS at current price) , which accounts for 9.1% of GDP of EU 28. The



average GDP (PPP) per capita for the Visegrad Group in 2016 is equivalent to 75.2% of the level of EU 28. The Visegrad countries are members of the Organization for Economic Cooperation and Development (OECD). Czech Republic joined the OECD in December 1995, as the first post-communist country to join the organization. Then it was followed by Hungary and Poland in 1996. Slovakia became a member of the OECD in December 2000. According to the definition of the world bank, the Visegrad states are high income countries. Based on data from the World Bank, the GDP of the Visegrad Group in 2016 was \$876 billion. If V4 were a country, it could claim the 17th place in GDP rankings of the world.

After the big-bang enlargement of the European Union in 2004, the Visegrad countries have achieved quite good economic results compared to the other post-communist transition economies. In 2003, V4's economic aggregate was only about 3.7% of the EU with 28 countries. 10 years later, in 2013, nominal GDP was equivalent to 5.4% of the EU. If we look at the share of V4's foreign trade in GDP, it increased from 5.8% to 9.1% in 2013. GDP (in PPS) per capita for V4 as a whole increased from 49% of the level of EU 15 in 2003 to 65% in 2013. It is amazing to note that Visegrad Group narrowed its income gap with EU 15 by one third. In terms of record of economic growth, the growth rate of Poland and Slovakia is much higher than that of the developed Czech Republic, while Hungary lags behind its neighbors due to inadequate economic policy in the early 2000s. Double deficit and unorthodox measures in Hungary from 2003 to 2006 had undermined its growth potential, while Poland and Slovakia have caught up and overtaken Hungary. Generally speaking, the quality of life in the Czech Republic, Poland and Slovakia has improved significantly, while Hungary's quality of life has suffered due to the financial crisis. In the first decade of their EU membership, the GDP per capita of Slovakia and Poland has doubled, the GDP per capita in the Czech Republic has increased by 70%, and in Hungary it has increased by 36%. In terms of growth of GDP per capita, The Visegrad states' performance is better than the EU 15, the 15 old member states. The total exports of the Visegrad Group rose from EUR 155 billion in 2003 to 398 billion in 2013. In 2003, V4 exports ranked sixth within the EU in 2013, then they rose to the fourth place in 2013. Since 2003, the V4's export to the outside of the EU has doubled. As major Western European manufacturing giants have transferred their production base to Central Europe, the Visegrad countries have become the workshop of Europe, automobile manufacturing is the leading export industry. The automobile manufacturing industry in V4 is only second to Germany in the EU¹.

The Visegrad countries are the main beneficiaries of the EU enlargement. First of all, the Visegrad countries joined one of the largest single markets in the world, with more than 500 million consumers, and companies in V4 can benefit from the expansion of the market. As the market opens, some monopolies such as energy, telecommunications and aviation have to open up to the competition, which has a positive

impact on consumers. Secondly, the Visegrad countries benefit from EU funds, the Structural and Cohesion Fund is the most important tool. The Visegrad Four countries received EUR 130.9 billion from 2007 to 2013. The Visegrad states make full use of EU funds to invest in infrastructure, environment, SMEs, and research and development etc. It is estimated that the Visegrad countries will have received EUR 135.4 billion from 2014 to 2020. The cohesion policy has a positive effect on GDP growth. It is estimated that if the EU fund is effectively utilized, Czech Republic's annual economic growth rate will increase by an additional 0.3%, Hungary's growth will increase by an additional 0.7%, and Slovakia and Poland will grow by an additional 0.5%. Furthermore, the Visegrad states have benefited from the common agricultural policy of the European Union. It is expected that the Visegrad Group will receive EUR 57.4 billion in 2014-2020. Other items such as the Horizon 2020 Project (investment in R & D), Connecting Europe Facility (European transport, energy and telecommunications infrastructure) and Erasmus project (the exchange of teachers and students within Europe) contributes to improve the competitiveness of the Visegrad countries. Slovak foreign minister Miroslav Lajčák proudly declared that after 10 years of EU enlargement, V4 has become one of Europe's most dynamic and stable economies in the region, with a sound banking system, reasonable debt ratio, and long-term growth prospects of health². Compared to other economies in transition in Central and Eastern Europe, the Visegrad countries are in a better economic position.

TABLE 1 POPULATION OF THE VISEGRAD GROUP 2014

SOURCE: EUROSTAT

Country/Region	Population
Czech Republic	10 512 419
Hungary	9 879 000
Poland	38 495 659
Slovakia	5 415 949
Visegrad Group	64 303 027
EU 28	507 416 607

TABLE 2 GDP OF THE VISEGRAD GROUP

(AT CURRENT PRICE) 2014

SOURCE: EUROSTAT

Country/region	GDP per capita EUR	GDP billion EUR
Czech Republic	14700	1550
Hungary	10500	1030
Poland	10700	4130



Country/region	GDP per capita EUR	GDP billion EUR
Slovakia	13900	750
Visegrad Group	12450	7460
EU 28	27300	130 750

TABLE 3 GDP PER CAPITA (PPS)% OF THE EU 15

SOURCE: EUROSTAT, ERSTE GROUP RESEARCH.

	Czech Republic	Hungary	Poland	Slovakia
2003	67%	55%	43%	49%
2013	74%	62%	63%	71%

The political status of the Visegrad Group

The Visegrad countries are active participants in the European integration and Euro-Atlantic integration, they are member states of the EU and NATO. Poland, Hungary and the Czech Republic joined NATO in March 1999, while Slovakia finalized the process of NATO accession 5 years later, in March 2004. The Czech Republic, Hungary, Poland and Slovakia joined the European Union on May 1, 2004. The V4's dual membership of EU and NATO has enhanced the position of these countries in Europe and in the international arena as well.

The Visegrad states are not heavyweights within the NATO. The armed forces of individual Visegrad countries have limited troops, the ratio of defense expenditure in GDP is lower than the average level of NATO. Poland is the only exception, it has spent more than 2% GDP on defense after 2014. The military capability of the Visegrad Group is not strong enough to deal with possible external threats. On the occasion of the 20th anniversary of the founding of the Visegrad Group, NATO Secretary General Rasmussen commended Visegrad Group's contribution to NATO, called Visegrad states the shining examples of democracy and solidarity, and stated that the Visegrad states do not only enhance the regional stability and security in Europe, but also increase the vitality of NATO. The Visegrad Group tries to speak in a common voice in NATO, although V4 states have different views on Russia. Before the NATO Chicago Summit held in 2011, the Visegrad Group issued a joint statement, which called for strengthening cooperation to hold joint military exercises on the territory of the country on the V4 within NATO. The Visegrad Group seeks to overcome the obstacles in order to make a breakthrough in the field of military cooperation in recent years. A joint Communiqué of the Ministers of Defense of the Visegrad Group was signed in May 2012, committed to establish the Visegrad Group European Union Battlegroup. The V4 Prime Ministers signed the Budapest Joint Statement of the Visegrad Group Heads of Government on Strengthening the V4 Security and Defense Cooperation in 2013, which gave a new boost for the V4 defense cooperation. The V4 Ministers of

Defense signed three strategic documents in 2014: Long Term Vision of the Visegrad Countries on Deepening their Defense Cooperation, Framework for Enhanced Visegrad Defense Planning Cooperation and Memorandum of Understanding on Establishment of the V4 EU BG. It opened a new chapter in the V4 defense cooperation, and some observers considered it as a milestone event in this field. . The V4 defense ministers also decided that the first joint military exercise will be held in the second half of 2016. The defense minister of the Czech Republic, Martin Stropnický stressed that the common position of the four countries on the issue of defense could have an impact on NATO's handling of important issues. The Ukrainian crisis highlights the strategic position of the Visegrad Group in NATO, Poland strongly demanded to increase NATO's military presence in the region.

As member states of the EU, the Visegrad countries are active participants in European affairs. In fact, the Visegrad Group may play a role as lobby or pressure group in the EU. To some extent, the Visegrad group's voting weight will affect the EU agenda. If the Visegrad Four obtains support from other new member states in the EU agenda, the influence of the Visegrad Group in European politics can be further enhanced. If we look at the distribution of voting rights in the Council of the European Union, the Visegrad Group is not irrelevant: Poland has 27 votes, Czech Republic and Hungary have 12 votes each, and Slovakia has 7 votes. The Visegrad Group has a total of 58 votes, it equals the combined votes of France and Germany, each having 29 votes. (see Table 4). When the Council of the European Union makes decisions by qualified majority voting, the votes from the Visegrad Group count. The Visegrad countries can better protect the interests of the Central and Eastern European countries in the EU in fields such as the Multiannual Financial Framework (MFF), cohesion policy and staffing policy of European External Action Service (EEAS) and other issues in the Council of the European Union. The Visegrad Group leaders usually hold a meeting to coordinate positions on issues of common concerns within the EU before the EU Summit. In November 2009, the French President Sarkozy questioned the practice of the Visegrad Group leaders meeting before the EU Summit. Sarkozy's criticism at the meeting was considered to be a double standard, because the French president also held a meeting with the German chancellor before the EU Summit. In response to some older EU member countries' doubts, 2010 Czech prime minister Necas defended the regular meeting of the Visegrad Group, rejected the notion that it is a closed club, and emphasized that the Group is willing to cooperate with other EU countries. He pointed out: "We are not a political Masonic Lodge or anything of that kind. Our meetings represent legitimate negotiations between four countries who share similar backgrounds and interests".³ It should be recognized that the Visegrad Group has a certain political clout, the V4 countries could act as a counterweight to the predominance of France and Germany. Among the V4 countries, only Slovakia has joined the Eurozone so far, the other three have not yet joined the euro. Hungary has made it



clear that there is no timetable for joining the euro⁴. Two years ago, the Czech government under PM Bohuslav Sobotka discussed the plan to introduce euro by 2020, but it failed to agree to set the target date for euro adoption. The government led by social democrats pledged it would set a deadline of 2020 to agree on a specific euro adoption roadmap if it wins the reelection in 2017, unfortunately, it failed to win, the Czech Social Democratic Party lost out to ANO 2011 led by Andrej Babiš in parliamentary elections. Mr Andrej Babiš, possible next prime minister, openly opposes euro adoption. To strengthen Poland's position in Europe, in late 2014, Poland's short-lived government led by Ewa Kopacz tried to debate the issue and speed up Poland's entry into the Eurozone, but failed to agree on any plausible plan for euro adoption. After the Party of Law and Justice won the parliamentary elections in 2015, the prospect of euro introduction has become dimmer, because the Party of Law and Justice opposes euro adoption. Three Visegrad states are outside of the Eurozone, therefore it is difficult to form common positions over economic affairs, which weakens the bargaining power of the Visegrad Group.

TABLE 4 DISTRIBUTION OF THE VOTING WEIGHT IN THE COUNCIL OF THE EUROPEAN UNION
SOURCE: COUNCIL OF THE EUROPEAN UNION

Country	Voting Weight	Country	Voting Weight
France	29	Sweden	10
Germany	29	Bulgaria	10
United Kingdom	29	Danmark	7
Italy	29	Finland	7
Spain	27	Ireland	7
Poland	27	Croatia	7
Romania	14	Slovakia	7
Netherlands	13	Lithuania	7
Portugal	12	Cyprus	4
Belgium	12	Estonia	4
Czech Republic	12	Latvia	4
Hungary	12	Luxembourg	4
Greece	12	Slovenia	4
Austria	10	Malta	3

The Visegrad Group has expanded its influence by the V4+ format. The V4+ format can cover different levels of activities from summits and ministerial meetings to people-to-people exchanges. Before the EU enlargement in 2014, a meeting of V4+ with Germany and France was organized to discuss main issues of EU accession. After the EU accession, as the V4+ format has focused on the policy coordination within the

EU, different configurations of V4+ format emerged, such as V4+Slovenia and Austria, V4+ Benelux, Sweden, V4+ Baltic states, V4+ the Baltic states and the Nordic countries, V4+ in Greece, Romania and Bulgaria, V4+ Eastern Partnership countries etc. The V4+ format is not limited to the EU Member States, the meeting of V4+ Sweden and Ukraine was held to discuss the relationship between the European Union and Ukraine in 2008. Even the V4+ framework is not limited to European countries, such as the V4+ Japan Summit, the V4+ Japan Security Seminar and the V4+ ROK ministerial meeting. In recent years, officials from the Visegrad countries repeatedly called for V4+ China meeting, Dr. Miroslav Lajčák, Slovak Minister of Foreign Affairs, put forward the initiative of V4+ China dialogue in an address at the Chinese Academy of Social Sciences.⁵ In May 2015, the V4+ China meeting at director-general level was held in Bratislava. The Visegrad states are active participants of 16+1 framework, China has established comprehensive strategic partnership with V4 states except Slovakia, so there is wide room to explore China-V4 cooperation.

DEFINING THE ROLE OF THE VISEGRAD GROUP

Visegrad Group as the carrier of the ideal of Central Europe

Although the concept of Central Europe is widely used, there is no unified definition about the region, it is hard to define the borders of Central Europe. The concept is a result of imagination and subjective construction, therefore, it goes beyond geographic definition. It is self-evident that Central Europe is between Western Europe and Eastern Europe, but Central Europe disappeared when it was controlled by the powers from the East and West. Tomas Kačerauskas assumes that "Central Europe is central being the centre of fight for European values including Western Christianity, liberalism, democracy, justice, and historical memory"; "Central Europe is not geographical and even geopolitical notion, i.e. the subject of power expansion. Instead of this, it is more a moral obligation for people who fight for certain ideas to be embodied by testing them in the new, i.e. imagined life-world."⁶

As Rick Fawn put it, "The history of Central Europe (irrespective of however exactly it is defined) is hardly suggestive of cooperation. Central European history can be recounted as one of tensions, mutual suspicions, avarice and even violence"⁷. However, Central European countries rediscovered the values of the 1335 meeting of the Bohemian, Hungarian and Polish kings in the castle of Visegrad, and drew inspiration from the historical meeting after the end of the cold war. In the 30 years after the end of World War II, the concept of Central Europe was almost forgotten. "Mitteleuropa", the German term for Central Europe, has geopolitical connotations. Whether the Prussian version of Mitteleuropa or the Nazi's modified version, the concept served the geopolitical needs of Germany. In the wake of the defeat of Nazi Germany, the



concept of Mitteleuropa lost its meaning of existence. The term “Central Europe” resurfaced among Eastern European intellectual elites in the middle of the 1980s; it is Milan Kundera, the writer, who should be given credit for spreading the concept of Central Europe. Mr. Kundera published the enlightening article of “the Tragedy of Central Europe” in the *New York Review of Books* in 1984. Kundera pondered the identity of Central Europe, “What does Europe mean to a Hungarian, a Czech, a Pole? For one thousand years, their nations have belonged to the part of Europe rooted in Roman Christianity. They have participated in every period of its history. For them, the ‘Europe’ does not represent a phenomenon of geography but a spiritual notion synonymous with the word ‘West’.”⁸ He thought that the geographical Europe was divided into two parts, one part of it was related to Rome and the Catholic Church, and the other was tied with Byzantium and the Orthodox Church. He pointed out the changes after 1945, when the border between the two Europes moved westward for several hundreds of kilometers. Several nations, which have always considered that they belonged to the west, woke up to find out they were in the East. As a result, postwar Europe has resulted in three situations: Western Europe, Eastern Europe, and a complicated part of Europe situated geographically in the center, culturally in the West and politically in the East. He stressed that the Central European countries felt that the change of their destiny after 1945 was not only a political disaster, but also an attack on their civilization. The deep implication of their resistance is the struggle to preserve their identity, in other words, to preserve their Westernness⁹. Kundera argued that Central Europe is not a state: it is a culture or a fate. Its borders are imaginary and must be drawn and redrawn with each new historical situation. “By virtue of its political system, Central Europe is the East; by virtue of its cultural history, it is the West. But since Europe itself is in the process of losing its own cultural identity, it perceives in Central Europe nothing but a political regime; put another way, it sees in Central Europe only Eastern Europe”. Kundera pointed out the identity crisis of Central Europe, and concluded that the real tragedy of Central Europe is not Russia but Europe. He awakened the concept of Central Europe that had been sleeping for many years. Since then, the term of Central Europe returned in intellectual debate in East Europe, it even had some repercussions in Western Europe. György Konrád raised the question “Does the Dream of Central Europe Still Exist?”. He assumed that “being Central-European is an attitude, a Weltanschauung, an aesthetic sensitivity for complexity, for the polyglotness of points of view, (...) Being Central-European means, to consider variety as a value.”¹⁰ Czesław Miłosz defined Central Europe as a real or hypothetical object of a trade between the Soviet Union and Germany in 1939, “this Central Europe encompasses not only the area usually associated with the idea of ‘centrality,’ but also the Baltic states.”¹¹ The revival of the concept of Central Europe by writers such as Milan Kundera, György Konrád, and Czesław Miłosz, was perceived as an intellectual and political alternative to the Soviet-dominated ‘Eastern Europe’¹².

The regime change in 1989 ushered a new era for Eastern European countries, opening the way for the return to Europe. After the end of the Cold War, the idea of Central Europe has integrated into the mainstream politics. Václav Havel saw the political change as the opportunity to transform Central Europe from a mainly historical and spiritual phenomenon into a political phenomenon¹³. As the 1991 Visegrad Declaration stated, the Visegrad countries' traditional, historically shaped system of mutual contacts, cultural and spiritual heritage and common roots of religious traditions provide a favorable basis for intensive development of cooperation¹⁴.

The Visegrad Group as the arena for Central European Cooperation

The full title of the Visegrad Declaration from 1991 is Declaration on Cooperation between the Czech and Slovak Federal Republic, the Republic of Poland and the Republic of Hungary in Striving for European Integration. As the founding document of Visegrad Group, it stipulated that the main purpose of this organization is to promote and strengthen their cooperation in European integration. The declaration pointed out the common objectives for Visegrad countries: full restitution of state independence, democracy and freedom; elimination of all existing social, economic and spiritual aspects of the totalitarian system; construction of a parliamentary democracy, a modern State of Law, respect for human rights and freedoms, creation of a modern free market economy; full involvement in the European political and economic system, as well as the system of security and legislation,¹⁵ It is because of the same objectives of the Visegrad Three (Czechoslovakia, Hungary and Poland) that the birth of the Visegrad Group became possible.

Before the EU enlargement, the main fields of cooperation in Visegrad countries are: coordination and cooperation in striving for EU membership; consultations on security affairs; trade and investment cooperation, infrastructure connectivity; ecological cooperation; protection of minority rights;; regional cooperation. The Czech Republic, Hungary, Poland and Slovakia finally joined the EU in May 1, 2004, so it seemed that the Visegrad Group completed its mission. However, the Visegrad Group was not disbanded. In May 12, 2004, the four prime ministers issued the Declaration of Prime Ministers of the Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic on cooperation of the Visegrad Group countries after their accession to the European Union (referred to as Kroměříž Declaration). The declaration stated that the integration of the Visegrad Group countries into the European and Euro-Atlantic structures opens up new opportunities and poses new challenges for their further cooperation on the issues of common interest. The Visegrad countries will continue to focus on regional activity and regional initiatives aimed at strengthening regional identity. The Visegrad Group cooperation will be based on concrete projects, it will maintain a flexible and open character¹⁶. Based on the Kroměříž Declaration, the Visegrad Group passed the Guidelines on the Future Areas of Visegrad Cooperation in 12 May, 2004, which set



the specific areas of cooperation. These involve cooperation within the Visegrad Group, cooperation within the EU and cooperation with other partners. Cooperation within Visegrad Group includes culture, education, youth exchanges and science, Visegrad International Foundation, cross-border cooperation, infrastructure, environment, combating terrorism, organized crime and illegal migration, Schengen cooperation, disaster management, labor and social policy, the exchange of experience on foreign development assistance policy and defense and arms industries. The guidelines are relevant for V4 cooperation as of 2004, when the main goal of the group was finalized.

Visegrad Group as the Platform for Defense of Common Interests

In order to protect the interests of Visegrad states, the Visegrad Group coordinate wide-ranging issues within the EU. Due to space limit, the selective areas for cooperation will be briefly mentioned.

Schengen Accession: It is regarded as one of the successful cases of V4 cooperation. When V4 members were informed that their accession to the Schengen zone may be postponed until 2009, the Visegrad Group countries started to coordinate positions on the case, and issued a joint statement. The Visegrad Group held presidential meetings and premier meetings to express common positions as a highlight on Schengen was a top priority for V4. As Austria tried to delay the Visegrad countries to join the Schengen zone, Visegrad countries sided with Slovenia to oppose Austria's idea. V4 strongly lobbied Portugal, EU rotating presidency at the time, for support. As Visegrad Group's strong voice was heard, the Visegrad countries eventually joined the Schengen area according to the original plan.

Energy Cooperation: The Visegrad Group set up a high-level group on energy security in 2009. The Visegrad Group held a summit for energy security in Budapest in February 24, 2010. Leaders from Central, Eastern and Southeast Europe and relevant stakeholders participated in the summit. The declaration adopted by the summit stressed the need to focus on energy security in the region. The declaration calls for the development of relations between the EU and selective suppliers, the development of the "Southern Energy Corridor", the solution of the problem of lack of interconnection of the natural gas, the formation of Europe's energy and electricity markets, and integration into the European internal energy market, formulation of emergency plans to deal with energy crisis. Energy cooperation in Visegrad Group has set a good example. Visegrad cooperation has helped subduing the risks related to dependency, but the region is far from being fully interconnected¹⁷.

The Eastern Partnership: after joining the European Union, the three Visegrad countries became the eastern and southeastern boundary of the EU. They have a natural interest in eastern neighbors close to Europe. After the Mediterranean Union was proposed by France in 2008, Poland and Sweden jointly proposed the Eastern Partnership, and received the support of the European Union. The Visegrad Group supports political

and economic reform in countries of the Eastern Partnership, strengthens the political relations and economic ties with them¹⁸. In the EU, the Visegrad countries are major supporters of the Eastern Partnership, because the Visegrad countries realize that the Europeanization of the eastern neighbors is in the interest of Europe. The Visegrad countries share their experience in transition, regional cooperation and European integration with Eastern Partnership countries in order to contribute to the Europeanization of eastern neighbors. After the Ukrainian crisis, the Visegrad countries realized that the EU Eastern Partnership as policy tool has not been fully utilized, there is a need to further strengthen the Eastern Partnership.

Ukraine crisis: In addition to the Czech Republic, other Visegrad countries are also Ukraine's neighbors. Although the concerns of the Visegrad 4 for the Ukraine crisis concerns are not the same, but for the maintenance of regional security considerations, the Visegrad Group decided to take joint action. In February 24, 2014, the Hungarian Ministry of Foreign Affairs organized a V4 meeting of foreign ministers with Greece, Romania and Bulgaria, issued a joint statement, which stressed that Ukraine's independence, unity, sovereignty and territorial integrity should be maintained. On February 28th EU Foreign Minister Catherine Ashton commissioned V4 foreign ministers to visit Ukraine. Foreign ministers from V4 proposed EU to sign an association agreement and free trade agreement with Ukraine. On March 4th, the V4 prime ministers held a meeting in Budapest, and issued a joint statement, which

said that Russia's military intervention was similar to the experiences of the Central European countries in 1956, 1968 and 1981. The statement stressed that Russia's military operations not only violated international law, but also formed a dangerous new reality in Europe, and called on the European Union and NATO to assist Ukraine. After the Russian annexation of Crimea, the Visegrad Group condemned Russia's action. In June 4th, the Visegrad Group held a meeting of defense ministers, where they decided to invite Ukraine to participate in the Visegrad Group EU Battlegroup, which was expected to be formed in 2016. In November 6th, the four V4 presidents held summit with Ukraine president Poroshenko in Bratislava. The heads of the Visegrad Group reiterated that the EU needs to maintain a unified position over the Ukrainian crisis, keep up the sanctions against Russia, and help the Ukrainian reform process.

THE FUTURE OF THE VISEGRAD GROUP

The Visegrad Group came into being in 1991, however, its development was not so smooth. It was confronted with the first serious shock when Czechoslovakia disintegrated by the means of a "velvet divorce"; at the time, some observers even talked about the end of the Visegrad Group. For instance, at the beginning of the 1990s, Konrád asserted that the region would never integrate with other parts of



the continent. Adam Michnik called it an unfulfilled dream of regional sovereignty. Even one former prime minister from V4 said the Visegrad Group experiment is unnecessary, he preferred the Central European Free Trade Agreement rather than the Visegrad Group¹⁹. Prime Minister Václav Klaus once dismissed the V4 as “artificial, false and unnecessary”. During the years 1994-1998, Slovakia under the rule of Mečiar pursued an authoritarian way of governing. The relationship between Slovakia and the West became increasingly tense. Although Mečiar advocated Slovakia to join the European Union and NATO, Slovakia was making slow progress in joining them due to its domestic political situation. To some extent, the Slovakian political situation adversely affected cooperation within the Visegrad Group in this period. The atmosphere of V4 cooperation was affected by the dispute on Hungarian minority rights between Hungary and Slovakia. When Mečiar failed in the general elections in 1998, Slovakia returned to the path of European integration, and began catching up with its neighbor in this process. When the V4 countries joined the European Union in May 2004, it seemed that the Visegrad Group had completed its historic mission. Some observers foresaw that the Visegrad Group would come to an end, because of the plain reason that V4 countries had achieved the objective of returning to Europe. After their EU membership, the V4 countries had to face internal problems, such as the lack of strong motivation for cooperation, imbalance in size between Poland and other states, different priority for different countries, and the lack of a common agenda. The Kroměříž Declaration confirmed that the Visegrad Group would continue to exist. The Visegrad Group came to a standstill after 2004, when the dream of V4 countries to join Europe came true. As the new geopolitical changes emerged in Europe in 2008, the cooperation within Visegrad Group countries started to recover. The Visegrad Group did not focus only on their interests, but also responsibly took on a regional role. The Visegrad Group gave strong support to the Western Balkans and the Eastern Partnership countries²⁰. European integration of those countries is a long-term priority on the Visegrad Group agenda. The multiple crises suffered by the EU unify the V4 countries. February 15, 2016 marked the landmark 25th anniversary of the founding of the Visegrad Group; the countries held various commemorative activities, which were aimed to recall history and look forward to the future.

In the development process of the Visegrad Group, geopolitical factors cannot be ignored. After the drastic changes in Eastern Europe in 1989, the bipolar system ceased to exist, the geopolitical landscape in Europe started restructuring. Central European nations that had newly liberated from the Soviet yoke had to face the problem of re-positioning themselves in the new international order. At the beginning of the transformation, NATO and the European Economic Community did not have any plan to accept Eastern European countries, and President Walesa of Poland complained that Poland had become an orphan of Europe. In spite of the Soviet acquiescence of changes in Eastern Europe, Central European states were still worried about action against

demonstrators in Tbilisi, Baku and Vilnius taken by the Soviet Union. After Visegrad countries joined the European Union, they found out that Russia under Putin tried to restore its imperial ambition, taking assertive position in its "Near Abroad" in order to undermine the influence of the West. Russia used force against Georgia in 2008 , which deepened the concerns of the Central European countries towards Russia. When American president Obama came into power, United States started to reset relations with Russia, abandoned Bush's version of a missile defense system in Central Europe. President Obama's decision weakened political elites' trust in the United States, and increased security anxiety of the Central European countries. An open letter to the Obama Administration in July 2009 demonstrated the nervousness and uneasiness of the political elites towards American concession to Russia at the cost of Central and Eastern Europe²¹. The sense of insecurity inherent in Central Europe highlighted the importance of regional cooperation for V4 countries. Due to Russia's revival and its energy influence, energy security for Visegrad Group countries became vulnerable. Due to American resetting relations with Russia, the importance of the region in the United States foreign policy dropped, and the relationship between Central Europe and the US cooled. It can be said that the influence of the Visegrad Group as an organization is greater than that of an individual country. The revival of the Visegrad Group has contributed to the formation of a buffer against Russia's influence. The crisis triggered by Ukraine's abandonment of associated agreement with the European Union not only led to regime change in Ukraine, but also made Ukraine the center of geopolitics in Europe. After the fall of the Yanukovich regime, West-bound Ukraine has become irreversible. Russia made full use of the opportunity to annex Crimea, supported rebellion within the Eastern part of Ukraine, which led to continued tension between the EU and Russia, compelled the United States focused more on European security. Poland, Hungary and Slovakia, as neighbors of Ukraine, are very concerned about the crisis in Ukraine and are worried about their own security. The European Union and the United States introduced sanctions against Russia, the United States increased military presence in Europe, so that Central Europe once again is in the forefront of confrontation between the West and Russia. The value of cooperation in Visegrad Group countries enhanced when they were confronted with geopolitical challenges. Martin Butora borrowed the famous dictum of Lord Ismay, NATO's first secretary general, "Keep the Russians out, the Americans in, and the Germans down", which clarified the aims of NATO. He explained the aims of the Visegrad Group: it serves the aims of Central Europe: Keep the Russians out (to ensure Soviet troops withdrawal, the dissolution of the Warsaw Treaty Organization); keep the Americans in (stabilize America's presence in Europe); control the demons of Central Europe , namely aggressive nationalism and populism.²² It should be said that the Visegrad Group has partially achieved the goal. It remains a hard job to tame nationalism and populism in Central Europe, especially the rise of populism and nationalism have become a Pan-European phenomenon. Some parties



with nationalist roots entered the national parliament in Central Europe. The Ukraine crisis shows that security in Central Europe is not without threats. In post-cold war era, Visegrad countries as member states of the EU and NATO will not give up on their own national interests, and the Visegrad Group has become a platform in pursuit of their national interests. The Group is highly valued in Europe in the context of evolving geopolitical environment. As Chinese proverb said, “the brothers even in a strife at home would fight against an outside insult together.” Although national interests among V4 countries are not the same, the V4 countries will strengthen their cooperation if they face common external threats. Although the V4 countries opposed Russian actions in Ukraine, but their policies towards Russia are not the same. Poland advocated a hawkish stance on Russia, while for the other remaining countries in the bloc, their position was relatively modest. Hungary maintained energy ties with Russia, Slovakia and the Czech Republic have been cautious on sanctions against Russia. In addition to the historical experience, different degrees of dependence on Russian natural gas may have effect on policies towards Russia.

Cooperation of the Visegrad Group countries is constrained by domestic politics. Before 1998, V4 cooperation was limited by Vladimír Mečiar’s method of governance. There was no substantial cooperation over the resolution of the European debt crisis. When the Czech Republic served as the rotating presidency of the European Union, Prime Minister Topolánek convened the V4 summit to try to make a common response to the economic and financial crisis. Unfortunately, the Visegrad Group countries had no common approach to cope with crisis, as they had different readings about the reasons of the economic and financial crisis. The Czech Republic’s center right government sided with Eurosceptic UK, refusing to sign the Fiscal Pact. Hungary stressed the sovereignty and national value. Due to divergent vision, Hungary continued the course of conflict with EU after Viktor Orbán came to power in 2010. Poland hoped to find a way out of the crisis, actively supported Germany to play its role in the resolution of Eurozone crisis after the breakup of the Eurozone debt crisis. The Czech Republic returned to its pro-Europe course in 2013 when the Social Democratic Party won the elections. On the issue of the appointment of Juncker as president of the European Commission, Hungary was the only British ally. When Eurosceptic Law and Justice won the presidential elections and parliament elections in 2015, Poland took to the right, and Jarosław Kaczyński, leader of the Law and Justice, finally “moved Budapest to Warsaw”. Hungary now has its strong ally within the Visegrad Group as like-minded Kaczyński started to dominate Poland. Some analysts pointed out that the “illiberal axis” emerged in Central Europe. With ANO led by Andrej Babiš winning the general elections in October 2017, it remains to be seen whether the Czech Republic will head to the path of a political development similar to Hungary and Poland. If the Czech Republic follows a similar path, the political landscape in Central Europe will be quite different. It is worth noting that

the migration crisis has become a factor for unifying V4 countries in the last couple of years, as all of the V4 countries rejected EU's relocation scheme. Some observers pointed out that Poland's economy is larger than the sum of the other three countries, so that the Visegrad Group countries cannot establish an equal partnership. But in the light of the history of the Group, the size of the countries and the scale of economy have never become an obstacle to cooperation. As for the Ukrainian crisis, the four countries of the Visegrad Group have three positions. Therefore, none of the countries can impose their will on the other countries. Because of the weak integration ability of the Visegrad Group, V4 cooperation has its disadvantages. Perhaps seeking common ground while reserving differences is the way to the survival of the Visegrad Group.

As Ján Šóth observed, "If we accept that in international politics not only rational interests are at play, but also emotions and instincts, then an external observer could not understand that this grouping came into being on a 'regional instinct.' An instinct that is expressed in a regional self-preservation and also a shared understanding that an individual approach reduces the relevance of each country and the region as a whole"²³. His view on V4 as a grouping of mutual assistance is compatible with reality, but V4 as a grouping of mutual control is not confirmed, because different countries have different domestic politics and different agendas, it is hard to control one member state by the other member states. He pointed out that "an evaluation of the V4 should be based on the extent to which its original ambitions and goals were fulfilled"²⁴. It makes sense to judge the success or failure of one organization. If we look at the Visegrad Declaration, the Visegrad Group had achieved its main goals by May 1st 2004, as those countries formally joined the EU. After EU accession, on the one hand, the Visegrad Group has concentrated on cooperation within the EU, on the other hand, it has focused on cooperation within V4. The V4+ format has expanded its influence in international arena, increased its visibility. So far, the Visegrad Group has not become a tight-knit organization, the level of institutionalization is low compared to other regional organizations, it has not set up a secretariat, but this has not hindered V4 cooperation. The rotating presidency of the Visegrad Group set priority after consultation with other member states. The Visegrad Group has a regular annual meeting at different levels: president meeting, prime minister meeting and ministerial meetings, while national coordinators from member states play an important role in communication and coordination. The Visegrad Group has shown flexibility when V4 countries dealt with issues of common concern. The International Visegrad Foundation founded by V4 in 2000 has contributed to closer cooperation among citizens and institutions in Central Europe, it has also facilitated links with Eastern Partnership countries and Western Balkan states. The foundation provides grants to programs in culture, education, scientific research, youth exchanges, cross-border cooperation and tourism. To



some extent, the International Visegrad Foundation can be regarded as a famous trademark with value. It fosters sharing Visegrad spirit in society, strengthens exchanges of intellectual elite, and promotes the sustainable development of the Visegrad cooperation.

The Visegrad Group will continue to exist as a grouping of Central Europe, and will play an important role in shaping the region. The Atlantic Council of Slovakia once proposed that Austria should be an integral part of Central Europe. So far, the Visegrad Group has no plan to enlarge. To what extent V4 can shape the future of Central Europe, depends on internal factors and external factors. In the context of debate on the future of the European Union, multi-speed Europe is presented as a preferred scenario. V4 states are worried about the scenario that it would put them in a disadvantaged position. As President Juncker emphasized that even if member states do not go at the same speed, what is important is that they all go in the same direction²⁵. It seems that post-communist states in Central Europe rally against EU migration policy, especially the mandatory relocation quotas. The hard line against migrants by the V4 countries even had positive response from far right politicians in old Europe. Austria's far-right presidential candidate Norbert Hofer said he would like the Visegrad Group to include Austria, making it the union within union. The European Commission and old member states blamed V4 states for showing no solidarity. When the European Court of Justice took Poland, Hungary and Czech Republic to court for refusing refugee quotas recently, Slovakia still shows solidarity with the other member states of V4²⁶. The vision of ruling parties such as Fidesz and PiS are different from the mainstream parties in Western Europe, they want to take back more power from Belgium, and increase the power of nation states. In terms of domestic politics, Hungary and Poland parted with the prevailing path of political development after 1989, trying to explore effective methods of governance by restructuring the state. The EU has closely followed the political development of Central Europe, threatening to introduce sanctions against Hungary and Poland time after time. PiS government's conflict with the Constitutional Tribunal and judicial reforms are perceived by the European Commission as undermining the rule of law and the elimination of checks and balances. Some analysts mentioned that the emergence of the "Hungary-Poland axis" will meet the Franco-German axis led by the duo of Macron and Merkel. The rift between the V4 and Western Europe may weaken the position of the Visegrad Group in Europe as well as in the international arena. Within the Visegrad Group, Slovakia is the sole member of the Eurozone, the other countries have no timetable for the introduction of euro, although there is no possibility to opt out like Denmark, according to their accession treaty. There is no common ground in the financial and economic fields among V4 member states. After ANO won the elections in the Czech Republic, V4 may become a bastion of mavericks in the changing and uncertain Europe. As Janusz Bugajski

pointed out that “Visegrad grouping has opportunities to increase its effectiveness if it follows two core principles: cooperation not integration, and instrumentalization not institutionalization”. He warned that “Attempts to establish permanent structures and secretariats would likely turn V4 into another expensive and unwieldy sub-European bureaucracy without boosting its effectiveness”²⁷. So far, the institutional framework of the Visegrad Group has functioned well.

Due to its political and economic influence, the Visegrad Group has become a recognized brand in Europe as well as in world. In March 2010, the Visegrad Group opened the first Visegrad Embassy in Cape Town, where V4 diplomats take turns to run diplomatic and consular missions. The Visegrad International fund can help to foster the common identity of the Visegrad Group. After the fulfillment of their strategic mission to join NATO and the European Union, the Visegrad countries’ cooperation has moved to specific policy areas in the EU. V4+ format has enlarged its external influence. The Visegrad Group is not affected by domestic politics, but the Visegrad Group cooperation can go beyond domestic politics, and can always find a common agenda for cooperation. Based on the experience of the development process of the Visegrad Group, despite the challenges and internal problems that can be expected in the future, the Visegrad Group will continue to survive, and achieve transformations according to the changes of the environment. To some extent, the future of the Visegrad Group will be shifted by the way how it interact with outside players, such as the United States, Germany, China and Russia.

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EASTERN PARTNERSHIP COUNTRIES ON THE CROSS-ROADS OF THE EURASIAN GEOPOLITICS: V4 EXPERIENCE IN COOPERATION CULTURE

RUBEN ELAMIRYAN

ABSTRACT

The article focuses on the analysis of geopolitical and geostrategic essence of the following cooperation projects: Eastern Partnership Program (EaP) of the European Union, Eurasian Economic Union (EEU), and Belt and Road Initiative (BRI). At the same time it reveals the main declared and latent goals of the above mentioned Eurasian cooperation projects, as well as of the EaP countries with regard to those projects. The article also analyzes the Visegrad experience in cooperation culture.

Finally the research argues that as the EaP region is situated on geographical, geopolitical and civilizational cross-roads, it should become the "bridge" of cooperation among the above mentioned stakeholders through humanization and development of cooperation culture.

INTRODUCTION. NEW WORLD ORDER: HUMANIZATION AND COOPERATION CULTURE

The beginning of the 21st century signalled the start towards the development of multipolar world order. This process is accompanied by the development of the EU, rise of China, fresh restart of Russia, as well as establishment and development of a number of international regional organizations and cooperation platforms, such as Shanghai Cooperation and BRICS. This allowed F. Zakaria to announce the "rise of the rest"¹, as an antithesis to S. Huntington's famous "the West and the Rest".

However H. Kissinger writes that the "reconstruction of the international system is the ultimate challenge to statesmanship in our time... The domination of a region by



one country militarily, even if it brings the appearance of order, could produce a crisis for the rest of the world”².

The experience of the last two decades, specifically of the Iraq war, Libya, Syria, Ukraine, etc. allows to stress the importance of cooperation and humanization driven construction of the new world system based on the ideas of peaceful co-existence, stability, and sustainable development.

In this context the development of the new world order should be based on the necessity of humanization of international relations and development of cooperation culture. This will foster the harmonized development of international relations in the process of formation of a new world order.

The idea of humanization of international relations became widely known based on Jan Tinbergen’s report to the Club of Rome titled “Reshaping the International Order”. The report particularly stressed the importance of human social organization named “humanistic socialism”. The latter was called to provide equal opportunities inside and among countries, based on universal human values³. This approach allowed various researchers to develop the necessity of humanization of world order. René Kemp and his colleagues have researched the concept of humanization of the economy and defined it as “an umbrella term for activities of living and working based on values of reciprocity, responsible citizenship, integrity and autonomy, connectedness and trust, suggesting new ways of doing that operate on a different logic and principles such as trust-based cooperation, mutuality, autonomy, and respecting the environment”⁴.

Thus we see that nowadays humankind faces global challenges and threats. From this point of view the humanization of international relations will foster peaceful and safe human development on a planetary scale.

Another important way to provide peaceful coexistence in the world and specifically in Eurasia, is the possible development of cooperation culture.

There is no single approach towards understanding and explaining of the concept of cooperation culture.

An American business strategist and blogger Evan Rosen distinguishes seven steps to achieve culture of collaboration in the business (in the context of collaboration hackathons):

- Plan: a key question to be answered
- People: broad participation in cross-functional collaboration
- Principles: value system
- Practices: principles in action
- Processes: prototype and test ideas
- Planet: to address how their ideas impact the communities in which the organization does business
- Payoff: the work product of the hackathon which must create value⁵.

Interestingly most of these components and steps could be easily transited to the realm of international relations, making them more cooperation and peace oriented.

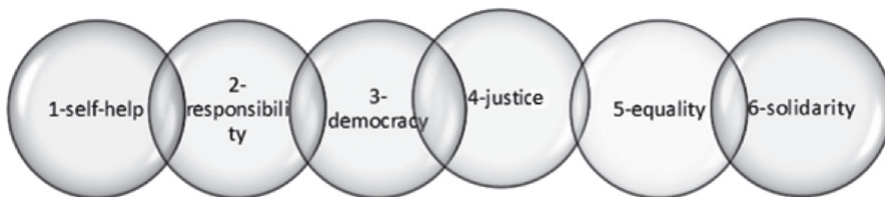
In this regard Polish professor Barbara Kożuch defines three types of collaboration:

- Collaboration, i.e. positive collaboration;
- Competition, or rivalry;
- Battle, i.e. negative collaboration⁶.

Thus our goal is to develop positive collaboration based on responsible leadership, motivation, clear vision and strategy, as well as mutually accepted principles.

Talking about the possible opportunities of political cooperation Clayton M. Christensen, Matt Marx, and Howard H. Stevenson emphasize the role of democracy to foster cooperation⁷.

Following the idea of democratic cooperation, a group of Iranian researchers develops a six-step combination to foster cooperation culture⁸:



Thus, the concept of the “culture of collaboration” (or cooperation)⁹ in international relations could be summarized as a set of such components as responsibility, democracy, leadership, motivation, trust, broad participation of all interested stakeholders, dialogue and strategic approach/long-term interests, aiming to achieve positive cooperation and peaceful co-existence among nations and countries on local, regional and global levels of world order.

EURASIAN INTEGRATION PROJECTS ON THE CROSS-ROADS

Eastern Partnership Program

EaP is a relatively new regional integration project officially presented by the EU to six neighbor countries in Eastern Europe and South Caucasus. It was presented by Poland with active Swedish participation on May 26, 2008 during the EU Foreign Affairs Council meeting. It is designed to promote regional stability and sustainable development through economic cooperation, democratic institution-building, as well as stabilization of the EU eastern neighborhood.



According to European External Action Service, “the EaP is a joint initiative involving the EU, its member states and 6 eastern European partners: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. It is based on a commitment to the principles of international law and fundamental values - democracy, the rule of law, human rights and fundamental freedoms. It also encompasses support for a market economy, sustainable development and good governance”¹⁰.

The official objectives of the EaP are to develop the political association and economic integration of the EU with Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. It was designed to advance human rights and good-governance norms through the creation of a free-trade zone that would give partner countries access to the EU’s five hundred million consumers. However, the initiative did not go further to offer EU membership to partner countries. On the one hand it was a reasonable decision taking into account the limited possibilities of the further EU enlargement. On the other hand, this move was widely seen as an impediment and restriction for partner countries to enact serious economic and political reforms¹¹.

There is also the third opinion, which claims that the EaP was intentionally designed to stop the EU enlargement to the East.

At the same time EaP provides a strategic security dimension for the EU. Particularly, the EU Global Strategy of 2016 clearly states “... We have learnt the lesson: my neighbour’s and my partner’s weaknesses are my own weaknesses. So we will invest in win-win solutions, and move beyond the illusion that international politics can be a zero-sum game... Internal and external security are ever more intertwined: our security at home entails a parallel interest in peace in our neighbouring and surrounding regions. It implies a broader interest in preventing conflict, promoting human security, addressing the root causes of instability and working towards a safer world”¹².

Thus, successful EaP implementation will contribute to the EU external and internal security through establishing a peaceful, sustainable and stable region in its neighborhood. Nowadays this approach is more than timely taking into account the Ukrainian conflict, migration crisis in the EU, increasing violence in Nagorno-Karabakh conflict, etc.

Trying to further understand the role and significance of the EaP, I will present below some opinions of Hungarian policy-makers and researchers who reflected on that issue during expert interviews. As it was agreed not to disclose them, I am presenting direct words without naming the experts:

“The EaP is the result of strategic thinking of (Radoslaw) Sikorski... I think that the EaP has two strategic goals: to prepare the participating states to tighter integration with the EU and decrease the Russian influence in that region”.

“In short there is European Union which wants to shift its neighborhood away from Russia. And to have neighbors with whom we can commerce and trade. This is the reason why it was created”.

“I do not think that the EU needs EaP. We are not interested in these countries, especially the South Caucasus at all, they are far from us and cannot give us anything. The EU is doing EaP only because it is a normative power and it feels necessary to spread European values in the region. But I repeat, we do not have any real interest in the EaP participating countries”.

However there is the opposite opinion too: “Why are they not important? All the neighbors are important for the EU. The EaP at least helps Brussels to see, to understand possible developments in these regions with regard to the EU. At the same time the Project allows to understand Russian influence and strength in various fields”.

At the same time Hungarian researcher András Rácz outlines specifically two major points of interest for Hungary in the EaP: diversification of energy imports and the issue of Hungarian minorities¹³. Despite the fact that the Nabucco pipeline project is completely dead at the moment, the EU is still interested in Caspian and Iranian gas.

David Král, Director of the Policy Planning Department at the Ministry of Foreign Affairs of the Czech Republic, has outlined the following Czech interests:

- Democratization,
- Economic interest,
- Countering the Resurgence of Russian influence in Eastern Europe¹⁴.

Thus it can be concluded that back in 2009 the EaP has been and currently remains a strategic initiative, which covers wide range of EU foreign policy issues in that region, including economic, political, social and other fields. Summarizing, it could be said that the EaP was established mainly due to the following reasons and interests:

- EU as a normative power
- Economic interests: trade and new markets
- Diversification of energy import
- Political and economic stability in neighborhood as a precondition for the stability in the EU
- Geostrategic motives: decrease the role of Russia in the region which is in the EU's close neighborhood
- Better understanding of Russia's motives and capacities to promote these motives
- Control of strategic ground routes from East to West
- Tool of influence on the EU's international environment.

Eurasian Economic Union

In 2000 Vladimir Putin took the office of the president of the Russian Federation. He was a “fresh air” for Russian politics after Yeltsin's 90s. Putin's approach was based on the desire to strengthen geopolitical positions of Russia and diversify the unipolar world. In early 2000s Putin succeeded in uniting Russia and stabilizing



the political-economic situation. This allowed to develop old and initiate new integration frameworks in post-Soviet area, particularly, Commonwealth of Independent States (CIS), Collective Security Treaty Organization (CSTO), etc.

In 2011, then-prime-minister Putin published an article in "Izvestia" newspaper, where he elaborated the idea of establishing a new regional integration organization – the Eurasian Union¹⁵.

"Creation of the Customs Union and United Economic Area establishes the basis for further development of the Eurasian Economic Union... We do not stop on it and have the ambitious vision to step up onto the next, higher level of integration – the Eurasian Union", clarifies Putin. After returning to the Office in 2012, Putin continued the new term as the president with active promotion of the idea of establishment of the Eurasian Union.

The EEU was launched on January 1, 2015 and currently includes 5 members: Armenia, Belarus, Kazakhstan, Kirgizstan and Russia. Thus developing the idea of multipolar international system, president Putin's objective is to establish a new mechanism of balance of powers, based on the promotion of an alternative to Euro-Atlantic global pole ~~polar~~.

However, the idea of Eurasianism is not new. According to the Modern Philosophical Dictionary, Eurasianism is an ideocratic geopolitical and social-philosophical study, morphological complex of ideas and intellectual movement, which was founded in 1921 among the Russian emigrants and which has preserved the ideal-political potential until now... The Eurasianism theorists not only opposed Russia-Eurasia and Western Europe, but also accentuated the potential importance of traditional and modernized founding triads of Russian mentality: "Orthodoxy – autocracy – nationality", "centralization – discipline – self-sacrifice"¹⁶.

Thus Eurasianism develops the central place and role of Russia as the Eurasian heartland. It sees Russia as a unique unite, which should become an alternative pole on international arena.

While Russia is currently not in the position to provide further geographical enlargement of the EEU, , it still needs to develop cooperation within Eurasia in face of specifically increasing economic sanctions from the US.

In this controversial international environment called by many researchers "New Middle Ages" or "Period of uncertainty", motivated by the necessity to improve relations with the EU and deepen cooperation in Eurasia, Putin brought to the international political agenda the vision of creation of the Greater Eurasian Union and establishment of "integration of integrations", which had been formulated during the 70th annual UN General Assembly Summit in 2016.

Similar ideas we can found in the updated Foreign Policy Concept of Russia of 2016, which in comparison to the 2013 version keeps stressing the importance of the development of the EEU, but also accentuates the importance of "integration of integrations" from Atlantic to Pacific¹⁷.

Thus we see that Eurasianism is currently developing on at least two tracks – EEU, which is formed reality even if with controversial outcomes at the moment. Another vector is the Greater Eurasia, which is currently much more difficult to implement due to not only tensed EU-Russia relations, but also rather often contradicting Russia-China interests. Developing the idea of the Greater Eurasia, Russia does not give up the process of strengthening the EEU and promoting the integration process in the “Near abroad”. It finds the EEU as an important mechanism to harmonize integration processes in European and Eurasian regions.

Summarizing, it could be said that the EEU was established mainly due to the following reasons and interests:

- Strengthening influence in the region, which Russia considers as the sphere of its interests
- Development of multipolar world order
- Economic interests: trade, labor force
- EEU as a buffer zone against EU and NATO enlargement
- EEU as a buffer zone against increasing Chinese influence in Central Asia
- Foreign military bases
- Connectivity bridge towards the Middle East (in terms of Armenia), Europe (Belarus) and Asia (Kazakhstan, Kyrgyzstan).

Eurasianism as an ideology to unite Russian society, pro-Russian forces domestically and abroad and secure Russia’s place in global order for the Future.

Belt and Road Initiative

The Belt and Road Initiative is a comprehensive project aiming at better economic integration in Eurasia. The Project encompasses the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The BRI was initially proposed by Chinese President Xi Jinping in 2013.

According to the Hong Kong Trade Development Council, the BRI is a comprehensive visionary project for global economic development in the new world order. It refers to both historic Silk Road and also takes into account the modern tendencies of global economic development to foster inclusive growth and development in the 21st century. The BRI covers more than 60 countries and regions from Asia to Europe via Southeast Asia, South Asia, Central Asia, West Asia and the Middle East. The region estimates about 30 per cent of global GDP and more than 35 per cent of the world’s merchandise trade. At the same time the Project sets the ambitious plan by 2050 to advance three billion more people into the middle class in the Belt and Road region through providing 80 per cent of global GDP growth¹⁸.

Particularly, the BRI sets the following seven areas of cooperation¹⁹:

1. Promoting connectivity of infrastructure and facilities
2. Enhancing economic and trade cooperation
3. Expanding production capacity and investment cooperation



4. Expanding financial cooperation
5. Strengthening cooperation on ecological and environmental protection
6. Promoting orderly maritime cooperation
7. Strengthening cooperation and exchanges in cultural, social and other fields

China has proposed a framework including six corridors, six means of communication, multiple countries, and multiple ports²⁰.

At the same time Chinese authorities have developed financial instruments to provide the implementation of the BRI – the Silk Road Fund (USD 40 billion) and the Asian Infrastructure Investment Bank (AIIB) with approximately USD 100 billion²¹.

However the problem is that according to different estimations the total cost of BRI ranges from USD 6 to 8 billion, where USD 140 billion makes up less than 2 percent. On the other hand the Initiative is a huge and long-term project. It cannot be excluded that financial flows will be provided according to successful or unsuccessful implementation of specific parts of the project.

Based on those said above, a question can be raised, namely whether the BRI is solely about economy. In this regard analysts largely vary in their opinions:

“According to my perspective the world had previously one hegemon, the US, because it has navy, which controlled the most important trading lines in the global system. Since the most important trading lines were connected to the sea, with navy you have capacity to control global economy. The New Silk Road is something to introduce new connections. And this is against the unipolar American system”, says a Hungarian expert on China.

Another Hungarian expert on Eurasian geopolitics, answering the question on the real nature of the BRI, told the following: “I think there are several reasons for BRI to be established. First of all it was a reflection of the economic situation in the country. I mean the power accumulated in China should have its further development. At the same time the initiative is a response to Eastern Partnership and Eurasian Economic Union”.

At the same time the Lowy Institute analyst Peter Cai outlines three main interests of China in BRI:

- Strive to find new markets for Chinese goods and services, enhancing connectivity and trade between Asia, Europe and Africa.
- Domestic economic development in China. According to the author, 16 out of 27 provinces in China are covered by BRI, which will become a unique opportunity to increase connectivity both among the Chinese provinces and with neighboring states.
- BRI is also China’s grand strategy for spreading its leadership role on the international stage both regionally and globally²².

Another important issue is the necessity to ensure secure energy supply routes and open up new market opportunities for both its established low-value, and the

increasing volume of high-value goods. Stephen Aris, a researcher at the Center for Security Studies, also points out huge currency reserves in China as a reason for the establishment of BRI²³.

Thus it can be concluded that BRI is a comprehensive long-term project which includes economic, political, geopolitical and other dimensions. The project is designed to become an impetus for domestic development in China, foster connectivity in Eurasia, as well as provide economic cooperation and energy security for China. At the same time it aims at transformation of Chinese economic power into political influence and provide "a place under the sun" for China in the global and regional developing order.

EaP, EEU AND BRI ON THE CROSS-ROADS OF EURASIAN GEOPOLITICS

The "father" of political realism, Hans J. Morgenthau, specifies two types of external interests: complementary and conflicting²⁴.

At the same time American political scientist Michael G. Roskin is adding "identical" interest to H. Morgenthau's classification, clarifying that "two countries, even allies, seldom have identical national interests"²⁵.

Identical are the interests of the parties, generally allies, which are practically the same. Complementary are those interests, which do not completely match, but provide large room for agreement around the exact issue on the basis of a compromise, which satisfies all the parties.

Thus, reflection of this trilateral approach on the results of the above performed research clearly demonstrates that both EaP, EEU and BRI contains at least two types of the interests presented by H. Morgenthau.

The table below presents EaP, EEU and BRI interest-comparison. It follows the above presented Morgenthau-Roskin combined approach.



TABLE N1:

Initiative Interest	EaP	EEU	BRI
Political			- Domestic political stability
Economic	- Trade, - New markets, - Labor force	- Trade, - New markets, - Labor force	- Trade, - New markets, - China as a rule-setter in global (particularly Asian) economic order, - Domestic economic development
Geopolitical	- Decrease the role of Russia in the region, - Control of strategic ground routes from East to West. - Tool of influence on the EU's international environment. - Tool to understand Russia, the level of its influence, capabilities and interests in specific areas, - Connectivity bridge towards "East" (Russia, Central Asia, China) and Middle East.	- Strengthening influence in the region, which Russia considers the sphere of its interests, - Development of multipolar world, - EEU as a buffer zone against EU and NATO enlargement, - EEU as a buffer zone against increasing Chinese influence in Central Asia, - Connectivity bridge towards the Middle East (in terms of Armenia), Europe (Belarus) and Asia (Kazakhstan, Kyrgyzstan).	- Strengthening influence in the region - Decrease of US, EU and Russian influence in EaP, and, broadly, Eurasian region, - Counter-balance the "Pivot to Asia" project, - Provide better connectivity in Eurasia
Civilizational/ Normative power	EU as a normative power: export of values, norms and standards	Eurasianism as an ideology to unite Russian society, pro-Russian forces domestically and abroad and secure Russia's place in global order for the Future	Development of Chinese order in Eurasia
Security	- Diversification of energy import, uninterrupted energy supply - Political and economic stability in neighborhood.	- Foreign military bases, - Political and economic stability in neighborhood, - Uninterrupted energy export.	- Uninterrupted energy supply, - Political and economic stability in neighborhood.

Based on Table N1 and the Morgenthau-Roskin methodology, it could be concluded that all the parties have both complementary and conflictual interests, and not surprisingly no identical ones.

However the main question here is which of the above presented interests are more vital in long-term perspective – peaceful co-existence with global and regional stability or economic interest, where it is much easier to find a compromise.

From this perspective the main issue is how to provide the cooperative framework taking into account the both complementary and conflicting interests of the EaP, EEU and BRI.

Below are presented some approaches from the expert interviews on how to deal with this issue.

Answering the question about how Germany and China can move closer, if they are exporting or will export similar things and to the same markets, my interviewee replied: “This is the problem, you are trying to look at this in a Western conflictual way. If we want the same thing, we think that the outcome will be a conflict. But in China they have a different view about this. Why don’t you think in terms of favors. For example, if Germany wants to move closer to China, probably they should ask about favor. Ok, I want to support your idea, but I want this. And if China accepts this, this favor starts to be exchanged. In that case it is possible to avoid conflict. E.g., you are exporting to Russia this, and I, that.. This is a different kind of thinking that we have in the West”.

“When you think about Eurasia, at the moment Russia could be the bridge. For Russia being in this cold war situation is the worst case, as in longer terms it means it will be the minor part of China, and less and less important. It is much more important to have Eurasian region, where they can export gas to both economic centers. They can be the road. On the other hand, China thinks that Russia is important, because it can create problems, so it provides an acceptable role to Russia, not too much of course, but not to make Russia openly against BRI”.

“The development of these three integration projects will not necessarily lead to collision. I think it is possible for the projects to cooperate... The issue is the level of influence. The EU wants to recognize partners and decrease influence of Russia and China, Russia strives to have what EU wants, plus hard-power (including military cooperation) and development of new political and economic relations. China tries to adopt the European approach and add economic component. Thus the development of these three integration projects will not necessarily lead to collision, as EaP is more about promotion of democracy, China – infrastructure, and Russia – military cooperation. If the sides will agree to develop only “their own” field, it could provide peaceful coexistence and cooperation, when each actor plays its own game without interfering with the partner’s “garden”.

Agreeing with the expert, at the same time it is worth to mention that all three initiatives are also about trade. In this regard fair market competition based on international norms and principles could be the best solution to avoid confrontation in the region.



The strong point is that neither EU nor China have the necessary military or hard-power capabilities to enter into the EaP region. At the same time most security problems in the region have hard-security essence. Thus the issue is that both EU and China should either develop hard-power capabilities in the region, or promote economic cooperation and normative power.

From this perspective most of the EaP countries could be a reliable basis for all stakeholders to develop cooperative values in the region. This will allow to avoid repetition of Ukrainian scenarios in the future. Moreover each initiative should be strategic enough to be responsible for the regional and global security architecture.

EASTERN PARTNERSHIP PROGRAM, EURASIAN ECONOMIC UNION, BELT & ROAD INITIATIVE AND EASTERN PARTNERSHIP COUNTRIES

The interest-based comparison of the EaP, EEU and BRI among each other raises the necessity to analyze and understand the state of cooperation among EaP countries and three initiatives.

The following table provides a short overview of the current picture in those relations:

Project Country name	EaP	EEU	BRI
Armenia	Pre-signed Framework Agreement with the EU, since March 2017	Full member, since January 2015	Bilateral developing cooperation with China
Azerbaijan	Participation in the EaP, Preparation of a comprehensive agreement (in the framework of EaP between the EU and Azerbaijan) is under negotiations	Bilateral cooperation with EEU member-states, member of CIS	Joint Declaration on development and deepening the relations of friendship and cooperation between the Republic of Azerbaijan and the People's Republic of China, December, 2015
Belarus	Participating country with large potential for further cooperation with the EU	Full member, since January 2015	China-Belarus Joint Statement on Establishing a Comprehensive Strategic Partnership, September 2016
Georgia	Association Agreement, since July 2016	Bilateral cooperation with EEU member-states	Free Trade Agreement, which is supposed to enter into force at the end of 2017/beginning 2018

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Project Country name	EaP	EEU	BRI
Moldova	Association Agreement, since July 2016	Bilateral cooperation with EEU member-states, member of CIS	Negotiations to sign a free trade agreement
Ukraine	Association Agreement, since September 2017	Bilateral cooperation with EEU member-states	Developing bilateral relations

Simultaneously the picture would not be complete without economic indicators of cooperation, driven by the above mentioned political and legal bases. In the economic overview the article stops on three indicators – export, import and foreign direct investments. This choice is explained by the declared economic nature of all three initiatives. At the same time it is necessary to keep in mind cooperation in political, military and other fields. These factors only strengthen the necessity of tighter multivector cooperation.

The table below resembles the EaP countries` main trading partners for 2015²⁶:

	Export/USD	Import/USD	Foreign Direct Investments/USD
Armenia	Total: 1.66B Russia – 14% China – 10% Germany – 8.8%	Total: 3.26B Russia – 28% China – 9.4% Germany, Italy, France – 12.1%	Total: 4.169B Russia – 1.921B Argentina – 247M UK – 244M France – 268 Germany – 168
Azerbaijan	Total: 16.9B Italy – 25% Germany – 10% France – 6.7%	Total: 11.1B Russia – 15% UK – 7.9% Germany – 7.6%	Total: 22.229B UK – 4.424B Turkey – 4.150B Norway – 3.087B Iran – 1.910B Russia – 1.497B China – 169M
Belarus	Total: 26.1B Russia – 39% UK – 11% Netherlands, Poland, Latvia – 9.6%	Total: 28.4B Russia – 54% China – 7.2% Germany, Lithuania, Italy – 9.6%	Total: 17.9729B Russia – 10.258B Cyprus – 2.929B Austria – 649M Netherlands – 442M China – 196M



	Export/USD	Import/USD	Foreign Direct Investments/USD
Georgia	Total: 2.77B Bulgaria, Italy – 14.3% Russia – 6.6% China – 4.6%	Total: 7.72B Ireland, Germany – 11.5% China – 8.1% Russia – 7.4%	Total: 14.827B UK – 1.656B Azerbaijan – 1.592B Netherlands – 1.526B Russia – 601M China – 455M
Moldova	Total: 2.4B Romania, Italy, Germany – 38.1% Russia – 11%	Total: 4.08B Romania, Italy, Germany – 28.9% China – 9% Russia – 7.1%	Total: 2.634B Russia – 476M Netherlands – 326M Cyprus – 224M Spain – 212M France – 206M
Ukraine	Total: 41.7B Russia – 12% China – 5.9% Italy, Poland, Germany – 13.3%	Total: 39.6B Russia – 21% Germany, Poland – 17% China – 9.5%	Total: 26.522B Germany – 6.594B Netherlands – 4.151B Cyprus – 3.124B France – 1.699B Russia – 833M

Thus the above presented overview can be summarized with an image, where all six countries have rather significant bilateral political and economic routes with Brussels, Moscow and Beijing. The level of cooperation varies from country to country. However it is worth acknowledging that multi-vector cooperation with and within EaP, EEU and BRI will be profitable for all EaP countries.

“Being proactive, the EaP countries can largely enjoy the situation, when they can work with different stakeholders and gain as much as possible”, says a Hungarian expert on Eurasian geopolitics.

A question to be raised is whether the Ukrainian conflict has alienated Kiev and Moscow with no possibility to cooperate. However there is a deep-rooted opinion that the conflict has even increased Russian influence in Ukraine.

“Currently Ukraine is more dependent on Russia than it used to be before the conflict. The reason is the conflict itself”, says a Hungarian expert on Russia-Ukraine relations.

The problem is that negative collaboration as a starting point will never lead to the development of either a separately taken country, or the whole region. The same could be acknowledged for the Nagorno-Karabakh conflict. A disintegrated South Caucasus will never have the development it could have as a united and cooperative entity, taking into account the small economic, political and geopolitical potential of separately taken South Caucasian countries.

Thus, it can be summarized:

- Firstly, all the sides are interested in mutual positive cooperation. Negative cooperation will not provide any solution to solve the existing problems.
- Secondly, each EaP country needs a clear strategy for how to deal with Eurasian integration initiatives, not to wait for what Brussels, Moscow or Beijing will offer, but to have a clear vision.

- Moreover, each EaP member would have stronger negotiation positions if it were possible to develop a joint strategy and approach for six countries. At the moment it seems less realistic taking into account the existing problems among EaP countries. However long-term interests could lead the countries to take this decision.
- At the same time, if the EaP countries want to take a significant role in the Eurasian geopolitical arena, there is strong necessity to continue the process of development of strategic elites with strategic knowledge and connections, of an elite, which would be able to lead those countries throughout the current stage of political and economic turmoil to a more politically and economically stable region.

WISEGRAD GROUP COOPERATION EXPERIENCE AS A ROLE MODEL FOR THE EAP

The necessity of development of tighter cooperation within the EaP, as well as between the EaP and foreign stakeholders brings to the idea to research the successful experience of the V4 cooperation framework. This will allow to apply the V4 success story to the EaP reality.

The official Visegrad web page describes the Group as a platform which “reflects the efforts of the countries of the Central European region to work together in a number of fields of common interest within the all-European integration. Czechia, Hungary, Poland and Slovakia have always been part of a single civilization sharing cultural and intellectual values and common roots in diverse religious traditions, which they wish to preserve and further strengthen”²⁷.

At the initial stage the Group was united with the goal to become EU members. However the EU membership in 2004 allowed the V4 countries to set new agenda, which was presented in the in the Kroměříž Declaration on 12 May 2004. The Declaration particularly stressed the importance of development of the following main directions:

- Culture,
- Education, youth exchange, science,
- Continuation of the strengthening of the civic dimension of the Visegrad co-operation within the International Visegrad Fund and its structures,
- Cross-border co-operation,
- Infrastructure,
- Environment,
- Fight against terrorism, organized crime and illegal migration,
- Schengen co-operation,
- Disaster management,
- Exchange of views on possible co-operation in the field of labor and social policy,
- Exchange of experiences on foreign development assistance policy,
- Defense and arms industries²⁸.



Thus we see that V4 is a deep and comprehensive regional cooperation format, which encompasses economic, political and civilizational components.

Though some of these elements are hardly applicable in EaP region, such vectors of cooperation inside the platform as culture, education, youth exchange, science, continuation of the strengthening of the civic dimension, cross-border cooperation and disaster management could be essential both for current and future cooperation. In this regard the establishment of the International Visegrad Fund as an analogue for the EaP could be an important contribution to the development of regional cooperation.

At the same time the fostering of economic cooperation could be another pillar of EaP modernization to provide peaceful environment through interdependence.

Not less important is the foreign policy dimension. "After its revitalization the V4 became a strategic platform for discussing issues related to the pre-accession process", says researcher Tomáš Strážay²⁹.

Today the Euronest Parliamentary Assembly provides a platform for political consultations. However it is very often rather formal. In this regard the V4 experience could be applied to deepen cooperation within this platform and spread it to governmental and non-governmental levels.

Tomáš Strážay continues that "joint accession to the EU was in the interest of all four countries, which also strengthened the sense of solidarity inside the group. Exchange of information and experience was held on a regular basis inside the group, as well as with non-V4 partners"³⁰.

Though the EaP countries do not have a common approach related to the EU accession (for instance, Armenia, Azerbaijan and Belarus do not consider EU membership a foreign policy goal), however the united approach could be based on the necessity to transform the region into a "bridge of cooperation" with the EaP format as locomotive of that process. Particularly the following extract makes it clear how countries with different foreign policy priorities can contribute to the joint goal: "In terms of foreign policy, the principal challenge again is for all Visegrad member countries to turn their traditionally different foreign policy ties into a common strength rather than a weakness. In simplified terms, during crises Hungary has traditionally looked towards Germany, Czech Republic and Slovakia toward Russia and Poland to remote powers, such as France and Britain in the past or the United States at present. The Visegrad Group should not try to suppress these historic inclinations but rather use them to promote its common aims"³¹.

Thus it could be concluded that V4 experience in cooperation culture could be widely applied to the EaP reality to provide more effective modernization of the EaP on both "domestic" level and EaP countries – foreign stakeholders collaboration.

CONCLUSIONS AND RECOMMENDATIONS

Thus we see that all the above discussed sides are deeply interested in cooperative, humanized and peaceful relations in Eurasia. From this perspective the EU can become the locomotive of transformations, using and fostering its normative and economic power to provide:

- More interdependence between the EU and EaP countries, as well as among EaP countries, as the less conflictual is the region, the easier it is to provide the EU's strategic goals. "These will lead to more interdependence among these countries, and increase EU's leverages. As a result the EU will be able to develop a more peaceful agenda in the region, providing political stability and sustainable development", says a Hungarian diplomat.
- More financial support for economic development (not provide fish, but teach how to get the fish out of the river), as it will make the countries more self-sufficient and as a result less dependent and more cooperative.
- Ongoing work with local elites. The above cited diplomat explains it the following way: "Going hand in hand with traditional European lines, reforms of public administration, business relations, we should focus on educating local elites to foster more democratic views and how such issues as, for instance, business to business cooperation or local administration, can be handled...", and he continues, "... because whatever happens in the capitals mostly stays in the capitals and if you can educate basically in municipalities, in a long term perspective this can force, speed up integration processes..."
- Another solution could be stimulation of positive collaboration in political, economic, social and other fields among the six EaP countries.
- Application of the V4 experience on "domestic" and "foreign" levels of cooperation.
- Not less important is standing hard on the bases of the normative power. "The thing is that because of the economic interest we sacrifice our values that was also a problem within this region. If you want to transform this region towards our values to be big brother of the region, you have to be more coherent in your views", explains the Hungarian expert.
- At the same time there is a strong voice for diversified approaches towards those EaP countries which have signed the Association Agreement and those which have not. On the one hand, it is a fair point and the policy "more for more" should be in place. However, on the other hand, such kind of policy could lead to the alienation of specifically those participants or groups within these countries which see cooperation with the EU as one of their main foreign policy priorities.

However, the modernization of the Eurasian cooperation architecture is not a unilateral process and should be developed by all stakeholders.



Thus, if the EU becomes the locomotive for normative change, other actors should also take the responsibility for change and provide the maximal input into the “common budget” of peaceful co-existence. The first step could be the re-evaluation of the principles of doing business and politics, based on fair competition, mutual respect and responsibility to provide peaceful coexistence among the EU, Russia and China, and the EaP countries. At the end of the day, the more developed a small or medium-size country is, the more opportunities it can offer to the investors and trade partners. One can think that the richer the six EaP countries are, the more it will distance them from “big partners”. But this is only partially true, as interdependence and the necessity for further cooperation and peaceful coexistence will make these countries continue cooperating on local, regional and global levels in all existing fields of current collaboration.

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VISEGRAD FROM THE INSIDE

VISEGRAD COOPERATION BEYOND THE POLISH AND DURING THE HUNGARIAN V4 PRESIDENCY

PÉTER STEPPER

In the framework of Visegrad cooperation, Czechs, Slovaks, Hungarians and Poles have been harmonizing their interests for more than 25 years now. Visegrad cooperation, which is still not an institutionalized integration, proved to be an effective platform of political dialogue. Whenever political will emerged in the past, the V4 Group was able to present tangible and visible results. The agenda of cooperation is defined by the current rotational presidency and the last two presidency programs. According to those programs, the Polish and the Hungarian ones show relatively greater ambitions of cooperation than before. The aim of this article is to analyze the results of 2016/2017 Polish and 2017/2018 Hungarian presidency programs and make estimates of the chances of deepening the cooperation.

1. AGENDA SETTING ACTIVITY OF THE VISEGRAD GROUP

The modern form of Visegrad cooperation exists since 1991, but it has its old historic roots.¹ Its aims and framework changed a lot since the post-communist transformation of the then three countries, Czechoslovakia, Hungary and Poland. Its existence has been questioned several times, at first the 1999 NATO, then the 2004 EU accession raised the question of the necessity of such a regional platform. However, the V4 did not lose its significance and during the long road of self-definition it might find once a Visegrad identity.² Nonetheless, the cooperation is still not institutionalized and works strictly on intergovernmental basis. The frequency of the political and expert-level meetings is influenced by the rotational presidency,



which was orchestrated by Poland in 2016-2017 and was followed by the Hungarian V4 Presidency in 2017-2018. The most important priorities, the topics and level of negotiations are determined by the Presidency programs.³ It is always a huge challenge to comprehend a presidency program, which somehow reflects the interests of the country which holds the presidency on the one hand, still able to serve the principle of consensus and continuity on the other. Only such a comprehensive approach could strengthen the bonds and serve as a follow-up of the previously successful joint projects. This is key to preserve the credibility of Visegrad cooperation.⁴

The main goal of the Polish V4 Presidency was to have a stronger V4 voice in the European Union decision-making process and to increase the visibility of special Central European interests in Brussels. Hungary chose the motto of V4 # Connects for the presidency, which reflects the attitude towards the whole project, as Budapest intends to facilitate interconnections both in terms of infrastructure and of extended dialogue. Lately there has been more talk on Visegrad than ever before. Press releases of influential Hungarian politicians, daily newspapers and TV channels are constantly presenting news on V4. MTVA, the public television channel even has a special news session called “Visegrad News” – V4 Híradó in prime time, which shows how important Budapest finds it to advertise the V4 cooperation format. This article strives to analyze the results of the recently closed Polish V4 Presidency and the prospect ahead of the on-going Hungarian V4 Presidency. The first part deals with the international environment of the V4 countries, analyzing the regional, the European and the global international scene. The second part focuses on three distinctive policy areas, energy policy, digitalization and defense cooperation.

2. EXTERNAL RELATIONS OF THE V4 COUNTRIES

2. 1. V4's Agenda Setting Activity in the European Union

One of the most important goals of the V4 Group is to be heard in a multi-speed Europe. The first chapter of the Polish Presidency: *Strong V4 Voice in Europe* reflects on this desire and identifies policy fields, which is essentially important for Central European states in European politics. The Polish presidency program highlighted the challenges of irregular migration, which is on the top of the agenda of European politics since the spring of 2015. The aim of the V4 countries is to tackle root causes of forced migration and to strengthen border control, while preventing the erosion of traditional European principles of free movement of labour stemming from the Schengen system. Concerning the Common European Asylum System (hereinafter: CEAS)⁵ the V4 Group clearly rejected any kind of initiatives aiming to implement a mandatory quota system to relocate asylum seekers and/or refugees. However, V4

supported the strengthening of European Asylum Support Office (hereinafter: EASO), the EU Refugee Fund and any platform useful of strengthening border protection, like the new Frontex, the European Agency for Border Protection and Coast Guards.

Concerning future policy areas connecting to European politics, V4 countries focus on issues where they can facilitate a constructive dialogue. Therefore, V4 usually avoids to shed light on the divisive issues, but identifies and promotes only topics according to which they can find a common interest.

Economically, it is top priority for the region to promote their interest during the negotiations about the next multi-year EU budget of 2021-2027. While the Czech Republic will be a net contributor of the EU multi-year budget in 2019, also Poland has ambitious plans to follow this path. As Deputy Minister of Economic Development Jerzy Kwiecinski argued, Poland's goal is to be net contributor in the future, because if EU has ambitious goals in terms of innovation and competitiveness as well as security policy and migration, it should have a proportionally ambitious budget, too. While V4 is willing to do what it can in financial terms to support common European projects, there is still room for increasing economic convergence between EU member-states.. In Poland, for example, the GDP per capita was only 50% of the EU average in 2004, but EU cohesion support helped to reach 70%.⁶

V4 position is to simplify cohesion policies and new regulations should be future-proof. Instead of providing only grants, EU funds could provide financial instruments, loans, capital instruments or guarantees, much easier to acquire. However, plans of some EU bureaucrats in Brussels and Berlin to use conditionality and introduce political standards like the level of rule of law in exchange of providing financial assets is unacceptable. While the transformation of cohesion policy is necessary indeed, it is purely an economic question and not a field of political bargains. Increasing economic convergence within the EU is also in the interest of Western private companies, because without the recent cohesion support for the CEE region, their FDI cannot find their market opportunities and they will move forward to East, occasionally. Furthermore, the increase in terms of purchasing power of the population of V4 countries is an essential requirement to sell the goods produced in EU countries. The V4 Group finds initiatives about the future of EU really important but reminds every member-state that the most essential task is to show credibility and consistency. In order to remain credible, the EU needs to respect its own commitments laid down in the treaty of Lisbon in 2009 and not to hasten reform procedures with ad hoc decisions, which can erode the traditional European values, based on the consensual form of decision of every sovereign member-state. EU committed itself to negotiate with Western Balkan countries and it remains open for the options of further enlargement and to maintain partnership relations with Eastern Partnership countries. V4 supports to keep these enlargement promises for Serbia, Bosnia, Macedonia and Montenegro. Similar argument applies for the free movement of labour, thus V4 Group



intends to defend the Schengen system with strengthening border protection. From their perspective, Europe needs reform programs, which have more than just a limited support of a few like-minded member-states,⁷ but a wide consensus on the future of the European asylum system, migration policy and border protection. V4 countries harmonized their positions towards these issues before every General Affairs Council (GAC) and Foreign Affairs Council (FAC) meetings and pursued dialogue on lower level of negotiations like COREPER meetings and preparatory commission works. Concerning negotiation with other European member-states like the big players, as Germany or France, or the smaller neighbors like Austria or Slovenia, V4+ format remained salient. It is not surprising that in terms of negotiations with Germany, there is always easier to promote the common interests of a region of 65 million inhabitants than of a single country. V4+ can be an effective tool to discuss a potential accession of Slovenia to the EU V4 Battlegroup after its stand-by in 2019, but it highly depends on the chances to transform the V4 BG into a Permanent Modular Force. Thus, negotiations with other EU member-states are also important in the field of defense policy and it is absolutely true in case of the Nordic-Baltic 8. V4 troops were deployed there on a rotational basis in the framework of NATO Enhanced Forward Presence (hereinafter: EFP). V4+ negotiations on EU spatial policy and cohesion/structural policy with Romania and Bulgaria are probably going to remain important in the future as well.

2.2. V4 Group's Relations with non-EU countries

In the field of enlargement and neighborhood policy a slight exhaustion can be experienced in the past few years, but V4 tries to vitalize the relations with the Western Balkans, whose EU accession is of its prime interest. Building more and more connections towards Eastern Partnership countries remained a significant initiative and V4 strongly supports economic reforms in this region. Due to the global effects of protracted conflicts - such as irregular migration and terrorism - V4 Group supports the policy of global opening and seeks constructive dialogue with Middle-Eastern and South-American countries, besides the traditional ways of multilateral diplomacy in the framework of the UN. It uses V4+ negotiation format to pursue this goal.

Visegrad+

Negotiations with non-EU countries focus on countries with future investment potential like China, Japan, South-Korea and the United States of America. Information and know-how sharing is the best way to materialize such initiatives. A good example for this is the case of a V4+ Japan project, where companies and a scientific team worked together on common projects related to materials sciences. V4 countries use V4+ format also in multilateral diplomacy, so they harmonize their positions in terms of several topics like UN SDGs, human rights protection, international peace-keeping and conflict resolution.

In practice we can see how useful this V4+ format can be to reach political leaders from relatively far-located regions, if we think on the V4+ Egypt and V4+ Israel ministerial meetings of 2016. CEPA Forum in Washington remained the traditional platform of American-Central European cooperation and the 9th CEPA Forum has been organized in 21-22 September 2017. Energy policy and cyber-security cooperation are the two distinctive topics, which both the V4 and the US might be interested in. Furthermore there are several US related events planned to take place in Budapest like the AmCham conference on business opportunities. V4 Group also wants to open up towards countries of the Sub-Sahara, thus the Hungarian V4 presidency organizes a political consultation with representatives of the African Union in 2018. The aim of this consultation is to find opportunities for how the Visegrad Group could support international development and donation programs in such countries. As a relatively new initiative, the goal of deepening the relations with the Asia-Pacific also appeared on the V4 agenda, but it is still unclear how successful it can be.

Eastern Partnership

EaP countries⁸ will be just as important for V4 as it was earlier, thus Visegrad countries welcome every development project on transport and energy networks, reform initiatives in the field of state-building, democracy and anti-corruption, which are crucial to have stability in the eastern neighborhood of the European Union. The Polish V4 Presidency program highlighted that we should pay attention to the different levels of ambitions in the EaP countries and focus on those which stood firm to implement the reforms in the framework of Deep and Comprehensive Free Trade Agreement (hereinafter: DCFTA). V4 is ready to share its experience and knowledge with Georgia, Ukraine and Moldova. In practice we can find several programs to support this initiative like the Civil Servant Mobility Program (CSMP)⁹, which is implemented by NGOs of Think Visegrad Platform. The aim of CSMP is to facilitate civil servant mobility and make it possible for Georgian, Moldovan and Ukrainian civil servants to visit Hungary, Poland, Czechia and Slovakia in order to change ideas with their fellow colleagues and meet staff of NGOs, SMEs, ministries related to their field interest.

Concerning EaP, the realistic goal of the Hungarian V4 Presidency is to keep credibility and do not let these partner countries be disappointed due to the unfulfilled promises of the past. It is essential to maintain stability. In order to achieve this, clear messages has to be communicated towards the region about what the EU really expects and what they can achieve in the foreseeable future. The most successful way of cooperation is to do as many small, but significant projects as one can. Such areas of cooperation can be the cross-border cooperation and/or infrastructure building. It is true that DCFTA and institutional reform is the guarantee of future development, and reform cannot be done without such projects as CSMP, which is supported by the Hungarian Presidency, too. Economic reform takes time, like the transformation



of the Ukrainian agriculture sector, but it cannot succeed without the reduction of the corruption level, which is still one of the biggest problems in the region.

Regarding Ukraine, Georgia and Moldova, not just EU accession, but NATO enlargement used to be on the agenda, but it is not reality anymore. It is primarily because of the Russian activity to undermine these efforts. While NATO as a defense community perceives enlargement and partnership initiatives as a tool of promoting stability and peace, Moscow understood this process as an aggressive extension in its neighborhood and reacted accordingly. Russia, at least partially, achieved its strategic goal to block further NATO enlargement. The 2008 Russo-Georgian war and the 2014 annexation of the Crimean Peninsula made these EaP countries' efforts to join NATO impossible. Enlargement towards countries which have unresolved armed conflicts on their territories is not an option for the member-states of the transatlantic alliance. In spite of this, it is essential for NATO to show solidarity towards these countries and find partnership possibilities instead of empty enlargement promises. Such initiatives are the Comprehensive Assistance Package in Ukraine, the Substantial NATO-Georgia Package and the Defense Capacity Building Initiative in Moldova. If there is political will, these projects can be significant assets of capacity development.

According to the V4 declarations, Belarus, Azerbaijan and Armenia are equally important partners of the V4 Group, but it can be a real challenge for the future to find the balance terms of foreign relations towards these countries. On the one hand the Polish (not just the Civic Platform but the first Law and Justice) government supported Belarussian opposition parties with the help of financial assets transferred to BELSAT TV Channel. BELSAT TV is known as an important media platform of the opposition of the Lukashenko regime. Recently the PiS government decided to reduce this financial support significantly, even if the director of BELSAT and her family is known as a traditional supporter of Kaczyński and PiS.¹⁰ Besides the opening towards Minsk, the V4 Group deepens the ties with Baku with bilateral agreements and the plan of an EU framework agreement. In order to avoid alienating Yerevan with these steps, the V4 Group supports the Armenian visa liberalization process and facilitates to sign and ratify the comprehensive EU-Armenia Cooperation Agreement.¹¹

Western Balkans

Polish V4 Presidency just started after the period of increasing irregular migration since 2015, which significantly influenced European mind-set toward the necessity of good partnership with Western Balkan countries and Turkey. The V4 Group still supports the idea of enlargement, because it can be the primary tool to expand the zone of stability and welfare towards southern and eastern directions. Therefore V4 welcomes action plans and projects like the NERLFR (Network of Experts on the Rule of Law and Fundamental Rights) and Enlargement Academy project, both of which help

to transfer best practices. Furthermore V4 facilitates the enhancement of political consultation and keeps the question of Western Balkan accession on the EU agenda.

The Hungarian V4 Presidency also seeks for options to facilitate projects aiming stability, security and economic growth in the Western Balkan region. Agenda setting activity is really important concerning this question, because the last analysis of the European Commission on the chances of accession is of November 2016, and no other such report has been created or even planned to be published in the future. It is a clear sign of the “enlargement exhaustion”, which shows that without any strong lobby activity of certain EU member-states, the question of WB accession will disappear from the agenda sooner or later and it is the vital interest of V4 Group to prevent it from happening.

3. AGENDA SETTING AND V4 PRIORITIES

Inter-state cooperation in Visegrad functions on a daily basis with the help of inter-ministerial meetings, political consultations, working groups, which result in publishing common letters, declarations, non-papers and other ceremonial documents. Before ceremonial press conferences and release of such documents, a lengthy process takes place where representatives of the Czech Republic, Slovakia, Hungary and Poland try to harmonize their positions, which reflect their national interests, and are also acceptable for the regional partners. V4 seems to be successful, because these countries are cautious enough not to talk about issues where consensus would be hard to achieve. Of course this means that V4 Group has never been more than a political consultation platform, but it does not mean that it would be a problem in any sense. Policy fields like agriculture, defense industry, or energetics significantly differ in these countries, because of their differences in terms of the size of the country, population, and geography; so finding the common interest is not an easy process. The realistic aim for V4 is to find at least a few policy areas where the countries can identify common interests and take steps to implement some tangible projects. The three most successful such territories of cooperation are the energy policy, digitization and defense policy. It is easy to understand why it is important for the whole region to increase the competitiveness of the ICT sector, to build a stable energy infrastructure, which increases supply diversification and reduces vulnerabilities, to maintain defense capabilities and defense industry during the time of austerity. The next section of this article analyzes these three distinctive areas of cooperation.

3.1. Energy Policy

Regarding European energy policy, the main goal is just the same, to create the European energy single market and to reduce the effects of potential market externalities. Increasing the maneuverability of EU member-states vis-à-vis Russia is an important



goal, especially for the Visegrad region, which is in the geographical proximity of it. The aim is of course not to substitute e.g. the Russian gas import, by far the cheapest energy import alternative for the region, but to incentivize Russia to remain competitive and to adjust its energy pricing to the EU energy market requirements. It is a priority for V4 to decrease fossil fuel consumption and to increase the role of nuclear energy in the energy mix, in accordance with the 2030 EU environmental goals.¹² To achieve the aforementioned goals, the Visegrad countries support the development of energy infrastructure to increase interconnectivity with the help interconnectors on the route of North-South corridor. New LNG terminals like the terminal in Świnoujście¹³ can help diversification, but LNG still remains only a complementary source of energy even in Poland. Although the North Stream II gas pipeline is the elephant in the room, V4 countries are still able to negotiate about the topic despite the differing perceptions on the project. Poland rejects it, because NS II pipeline can be seen as a Russian tool to undermine European political unity and NS II can make it possible to use the “gas weapon” against Ukraine politically. In the case of the realization of this project, Ukraine will not be the gas hub of Central Europe anymore. There is a clear trend, if we look at the increasing dependency on Russian gas sources in the past 3 years. The Russian Federation supplied 38% gas of the EU Gas Market, while Norway supplied 32% in 2014, but after the implementation of NS II, the share of Russian gas in Europe can exceed 80% and Gazprom will control 60% of the German gas market. After that, Gazprom could easily threaten Naftogaz with the refusal to conclude supply contacts again, like it did in 2009.

Polish V4 presidency strongly supported the creation of a European single gas market.¹⁴ However, the most important question for the Visegrad region is not the future of gas market anymore. Due to interconnectors, V4 countries can rely on gas import from Germany, which is also Russian gas originally, but the pricing is more flexible and favorable than previously, when it was oil-indexed and established on the basis of long-term contracts for 20-25 years. In terms of nuclear energy, V4 promotes technological neutrality, which means that they prefer the cheapest solution between the similar alternatives of non-fossil fuel usage. While nuclear energy is by far more cost-effective than huge solar and/or wind farms or dam projects, the principle of **technological neutrality** would help V4 countries to be able to fulfill EU environmental requirements for 2030 without loss of significant energy supply or money. There are several plans for V4 cooperation in terms of R&D, especially in connection with Allegro project¹⁵, which is related to fourth-generation nuclear plants.¹⁶ Another important topic in this field is nuclear waste management and the support of the functions of a European Nuclear Energy Forum.

The Hungarian V4 Presidency also supports the increase of interconnectivity and the North-South corridor. Therefore Budapest organizes several diplomatic and business conferences with experts from CEE region including Western Balkans and EaP

countries and promotes the possibilities that originate in LNG usage. Budapest pursues negotiation in order to prevent unintended cross-border electricity loop flows, which caused problems several times e.g. in the case of Czech-German relations. Hungarian V4 Presidency also supports diversification, that's why it facilitates actions against projects which can undermine the potential in LNG usage.¹⁷ This phrasing of the official presidency program suggests that Budapest was receptive of Polish expectations towards LNG projects, but it is still a small portion in the energy-mix of each countries.

The more and more connected energy networks that resulted in the positive effect of changing long-term contracts and price adjustment effects can be seen in most of the cases. Of course connectivity does not mean that the actual gas would flow through the Yamal pipeline through Germany from Russia and backwards to the Czech Republic and/or Hungary, but it would be possible. Hungarian gas import still comes from the Urengoy-Pomaray-Uzhgorod pipeline, but Moscow cannot ask significantly more money for it than for the gas exported to Germany, which could simply sale its surplus to V4 countries. A few years ago there were more than two dozens of long-term contracts in effect with Russia, which allowed them to calculate with stable, relatively high incomes and the prices did not have to be adjusted to the actual market situation. This situation changed significantly and now mid-term contracts are more characteristic. Gas prices used to be oil-indexed, which meant maker advantage for the supplier. Still we can argue that the future of natural gas market is dark. The European Commission adopted a plan to half the CO₂ emission within the European Union until 2050, which would result in a significant decrease in terms of gas consumption. On the other hand, while the domestic gas consumption is decreasing, gas production of EU member-states has already stopped or will be stopped in a few decades (e.g. in Norway or Scotland). Therefore experts expect a growth of gas import, even if the consumption will be lower than earlier.

These aforementioned trends reveal that V4 Group still depends on the Russian gas market, but Germany can be an important partner regarding enforcement of CEE interest vis-à-vis Russia concerning gas pricing. On the other hand German *En-ergiewende* needs the infrastructure project of North Stream II and it effects Polish foreign policy goals toward Ukraine negatively. For the Visegrad Group as a whole, it is important to support interconnectivity and the single gas market, which helps them in terms of negotiating with Moscow and other suppliers. The LNG terminals in Krk and Świnoujście can be effective tools of diversification on the route of the North-South corridor, but of course the aim is not to connect two far-located import terminals, but to increase connectivity, which helps us to have better position during the negotiations with the suppliers.



3.2. Digital Visegrad

Another tangible and clear interest of V4 countries is not to let behind their industrial capacities during the recent digital revolution and transform their most important sector to fit into the recent innovations of Industry 4.0. The Slovak Presidency¹⁸ started *Digital Visegrad* project in 2015 in order to implement the EU Digital Single Market Strategy in V4 region. The incorporation of modern technological innovations are essential to increase competitiveness.

The Polish V4 Presidency program supported development in the field of cyber-security, thus a *Computer Security Incident Response Team* (CSIRT)¹⁹ and a *Central European Cyber Security Platform* (CECSP)²⁰ has been established in order to deepen the cyber-cooperation among the four countries. Regarding cyber security, the idea of a new police cyber unit and a centre of excellence came up to help to combat cyber-crime. Digitalization of industry belonged to this policy field, where states facilitated to develop new technologies, which can increase interoperability, smart management and protection of property rights. An additional priority of deregulation appeared on the program in order to make e-transactions easier in the field of start-ups and SMEs.

Hungarian V4 Presidency also identified Digital Visegrad projects as one of the most important ones in its presidency program, thus realized that countries which cannot follow the trend of robotization, will lose their competitiveness soon. If European companies would like to keep their profitability, they have to be able to exploit economies of scale and it is not possible without implementing the innovations of Industry 4.0. V4 Group seeks to promote the Central European interests in terms of *EU Digital Single Market* strategy and the four countries are able to do that much better together. They need such cooperation, because the car industry revolution will significantly transform the industry sector in these countries and we still cannot see the results of the trend just started. V4 Group plans extended dialogue concerning the Digitizing European Industry initiative in V4+ Austria and Germany framework, which makes pretty much sense, if we look at the share of German car industry in the region. R&D conference will deal with the know-how sharing in the field of sensor development of self-driving cars, which is one the leading innovative technology research projects in the region.

In order to be able to maintain competitiveness, V4 need education programs about digital technology. First of all, the four countries need to define common notions and goals regarding this topic, so they started a *Digital Competency Framework*. It is a main priority to enhance student mobility in higher education and make it worthwhile for them to travel within the V4 region and share experiences. Despite the relatively big increase of the ICT sector, V4 countries still need more and more experts and students interested in these jobs. V4 needs to start new programs and reduce brain drain at the same time, so accelerator programs to create start-up companies are of utmost importance.

Another aspect of digitization is in connection with the state administration. **V4 Smart Platform** aims at a regional framework in the field of e-administration to provide the development of services. Concerning e-commerce, the Hungarian V4 Presidency aims to help the cooperation of postal services.

Horizon 2020 reaches half-time evaluation at 2018 and it is essential to promote Visegrad interests, when the plans for the new Horizon financial budget allocation are to be decided. Therefore V4 Group establishes a Horizon 2020 V4 Task Force to tackle the challenges coming from the applications and share from the financial assets of these grants.

In order to vitalize innovation in the field of digital technologies, V4 seeks for cooperation with the US, South Korea and Japan. A number of expert-level meetings are planned to be organized during the 2017-2018 period and a **V4 Startup and Innovation Days Fastlane** conference takes place in each capital city. The aim of the conference series is to talk about digital health, **smart cities**, **smart vehicles** and **fintech** applications, where numerous legal and political challenges are to be expected. Furthermore the IVF supports regional strategic conferences, like the **think.BDPST – Connect the Future** in Budapest.

3.3. Defense and Stability

The goal of Polish Presidency concerning defense policy is to achieve that the armies of V4 countries have the capacities necessary to participate in international missions in order to provide collective security within the framework of NATO. The DAV4 report²¹, the European Defence Action Plan²², the V4 Training and Exercise Strategy and the V4 Defence Cooperation New Opening²³ project defined three main priorities: to increase defense budget in order to be able to be effective partners in EU and NATO missions, to implement capacity building projects and joint procurement and to enhance interoperability with joint training programs and exercises. The more and more dangerous security environment requires common actions to be able to tackle challenges coming from the Eastern and Southern flank of the transatlantic alliance and to increase deterrence capacity. It has its utmost importance to implement Wales and Warsaw NATO Summit decisions, to increase European defense capacities within the framework of CSDP and European Global Strategy²⁴. It would be a useful and valuable contribution to preserve EU V4 Battlegroup for future mission and to find ways to transform it into a permanent modular force. V4 countries agree to restart joint procurement projects and the Polish presidency program started a discussion on the future military cooperation in NATO OSCE and UN missions. Last but not least, V4 defense cooperation aims at strengthening resilience towards hybrid warfare and performing in the field of potential development of Georgian, Moldavian and Ukrainian military forces. Strengthening police forces are just as important for the V4, so joint development projects regarding law enforcement and border control agencies are more than welcome by the heads of states. Development in



this field is required because of challenges stemming from irregular migration, pandemics and natural disasters. To achieve this goal, V4 countries facilitate good governance conferences to be held during the presidency period and to harmonize their position in this field before EU GAC and EAC meetings, which touch the issues of immigration and asylum. Expert level meetings were organized concerning readmission agreements and immigration policy. In the framework of law enforcement cooperation of V4 countries, the main topics were the combat against organized crime, drug trafficking and cyber-crimes. Counter-terrorism and fight against violent extremism as well as additional border control measures and disaster relief remained important in terms of political consultations. Promoting the necessity of enhanced border protection stems from the aforementioned basic V4 logic on irregular migration (security aspects are the priorities, safety comes first), but the other fields of cooperation may require an explanation.

The Hungarian Presidency program highlighted that the main goal in terms of defense policy is to preserve credibility of NATO, therefore to invest more into interoperability and capacity building projects. Since the 2008 economic crisis, there have been repeated discussions on how to find synergies to achieve more by spending less. Therefore, smart projects like the new initiative of EU-NATO cooperation can be understood as a good tool in this regard. The presidency program highlights precise steps in order to achieve this goal, such as the political consultations before the alliance-wide negotiations and enhanced cooperation in order to transform and use wisely the V4 defense flagship projects, the EU V4 Battlegroup. On a practical level, it means that after the 2019 stand-by of the BG, it would remain operational as a NATO modular force. This transformation would result in a smaller component, whose modules would cover niche capabilities. It would be able to deliver in certain missions along other NATO and EU partners in remote places. Of course it would not mean necessarily that the political will would exist to use this force in the battlefield, but at least such chances would remain realistic. It is a good sign that the ambition level is to be fine-tuned on the basis of past experiences and a smaller, but permanent battlegroup could deliver tangible results and show the usefulness of V4 defense cooperation. Hungary also plans to deliver in terms of NATO EFP and send at least one battalion of Hungarian troops under Polish command, which is the framework nation responsible for command and control tasks on the Eastern Flank. Concerning joint procurement the ambition level is still low; even if the countries promised further negotiation and consultations, it is highly unlikely to witness significant achievements in the near future. V4 countries continued to work together in terms of common exercises and training programs, such as the implementation of Mid-Term Training and Exercise Plan (hereinafter: MTEP), which was announced during the 2015 Slovakian V4 Presidency.²⁵ Cyber-security, which was mentioned in the Polish presidency program accordingly, also appeared on the radar of defense issues of the Hungarian presidency program. Budapest wants to organize two particular conferences (in Brussels and Washington DC) in order to share know-how

and facilitate negotiations on how to tackle challenges stemming from cyber-crimes. V4 Group still strives to share biometric data and develop the PNR system in order to prevent potential non-conventional attacks in Europe. While V4 initiatives reflect on existing trends of European projects in terms of data sharing, it seems that V4 supports quicker and more effective measures and worries less about data protection concerns. In the field of counter-terrorism V4 countries like to convince their EU partners to put additional pressure on regulatory bodies in order to convince companies to cooperate with law enforcement agencies in order to prevent further terror attacks. Although the goal is just, there are significant ethical problems regarding potential data collection methods, so some countries are reluctant to take additional measures.

4. CONCLUSION

Regional cooperation of the four Visegrad countries has been continuous for the past 25 years. Ambition level is sometimes higher, sometimes lower, but now we can feel a strong political commitment for a deeper cooperation in several fields. One of such issues is irregular migration, where the V4 articulated its own political agenda, which clearly differs from the official European viewpoint. The core element of their proposal is that security comes first, and any future discussion on European migration policy is possible only after Europe has regained control over its borders. V4 countries also argued that no solidarity can be seen among EU member-states according to what measures should be taken to reform the Common European Asylum System. This messages did not make this regional cooperation format popular among other EU member-states. Some countries urged to highlight that V4 is only capable of rejecting proposals, but not able to act in a constructive way. In spite of this narrative, Polish and Hungarian presidency programs showed a large number of policy areas where inter-ministerial negotiations proved to result in real and imminent consequences. A relatively large amount of topics have been addressed on the macro level of European politics (how to see the future of the EU, the Brexit, European migration policy or the EU Digital Single Market) as well as the day-to-day business of sectorial cooperation (agriculture, industry, services). Of course there is an embedded fear that widening the V4 agenda would have a blowback effect on deepening. However, it is important to remember, V4 does not strive to create an alternative form of integration alongside the European Union, only seeks for opportunities of political consultation in order to amplify its lobby power. Some topics are needed to be discussed regularly indeed, while other topics are not necessarily future-proof. Energy security, digitization and defense policy are certain fields where negotiations existed since the very beginning of Visegrad cooperation, and are still important, while the countries have similar interests to increase interconnectivity, to transform into innovation-based economies and to be able to spend enough on their militaries even during times of austerity.



ENDNOTES

- 1 Leaders of Central European kingdoms held an international conference in 1335, a so-called meeting of the kings, in order to resolve international disputes. The meeting was held in the court of Hungarian King Charles I of Anjou, the actual initiator of the meeting.
- 2 Bocskor Kitty: "Visegrad as a Regional Identity". In Focus, Vol. 1. No. 1. (2016) 27-31.
- 3 <http://www.visegradgroup.eu/documents/presidency-programs>
- 4 Stepper Péter: The Sinusoidal V4 Presidency Struggles to Find Areas of Cooperation Which Will Unite the Region's Priorities. Visegrad Insight. <http://visegradinsight.eu/consistently-inconsistent/>
- 5 Migration and Home Affairs DG: "Common European Asylum System", https://ec.europa.eu/home-affairs/what-we-do/policies/asylum_en, 1 September 2017.
- 6 Eric Maurice: Poland Ready to be EU Budget Net Contributor. <https://euobserver.com/economic/139415>
- 7 Visegrad Group: "Joint Statement of V4 Interior Ministers on the Establishment of the Migration Crisis Response Mechanism", <http://www.visegradgroup.eu/calendar/2016/joint-statement-of-v4>, 21 November 2016.
- 8 Joint Declaration of the Eastern Partnership Summit, Riga, 21 May 2015.
- 9 Centre for Euro Atlantic Integration and Democracy: "Consultations of Georgian Civil Servants in Hungary", <http://ceid.hu/consultations-of-georgian-civil-servants-in-hungary/>, 28 November 2016.
- 10 The reasons behind this decision are probably in connection with the situation of Polish minorities in Belarus. The Lukashenko government is willing to grant more rights for Polish minorities in exchange of the BELSAT deal.
- 11 About the EU-Armenia Cooperation Council see: <http://www.consilium.europa.eu/hu/press/press-releases/2016/01/18-eu-armenia/>, 18 January 2016.
- 12 European Commission: "2030 Climate & Energy Framework" available: https://ec.europa.eu/clima/policies/strategies/2030_en, 1 September 2017.
- 13 PolskieLNG: "LNG Terminal in Poland", <http://en.polskielng.pl/lng/lng-terminal-in-poland/>, 1 September 2017.
- 14 Natalia Slobodian: "Single Gas Market and Energy Security in the Visegrad States: Models, Challenges, Perspective", National Center for Strategic Studies, Warsaw.
- 15 Vuje a.s. „Project Allegro”, <http://www.vuje.sk/en/project-allegro/projekt-allegro>, 1 September 2017.
- 16 The German politics of "Energiewende" stopped nuclear energy usage and started to increase the ratio of renewables in the German energy-mix, which is problematic for two reasons. Firstly, renewables are an inconsistent source of energy, thus Berlin needs backup capacity, which is now provided by old coal plants. Secondly, the inconsistency does not just mean lack of energy but energy surplus sometimes, which can cause unintended electricity loop flows, dangerous for the electricity network. As long as German and Czech networks are connected this problem becomes international.
- 17 The North Stream II project is an important political achievement for Russia, but in terms of market demands, it seems to be a rather unnecessary duplication of existing network capacities. If it is eventually to be build, it could connect German and Russian gas markets without crossing the territories of Ukraine. Because of the German Energiewende, Berlin needs reliable gas supplies to have the backup capacity needed to increase the ration of green energy in its energy mix. It also affects the value of LNG supplies in terms of diversification goals, if cheap Russian gas is also available from German energy markets.
- 18 Slovak Presidency 2014-2015 Dynamic Visegrad for Europe and Beyond: "Program of the Slovak Presidency in the Visegrad Group", <http://www.visegradgroup.eu/documents/presidency-programs/20142015-slovak>, 15 February 2014.
- 19 Maroš Kirňák, Roman Šulc, Zsolt Illési, Kamil Gapiński: V4 Goes Cyber: Challenges and Opportunities, The Prague Security Studies Institute, http://www.pssi.cz/download/docs/372_final-project-report.pdf, 1 November 2016.

- 20 Berzsényi Dániel: "New Dimension in V4 Defense Cooperation. A Comparative Analysis of the Cybersecurity Strategies of CECSP Countries, <http://visegradplus.org/analyse/new-dimension-v4-defense-cooperation-comparative-analysis-cybersecurity-strategies-cecsp-countries/>, 18 January 2015.
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- 22 European Defence Action Plan, European Commission, 30 November 2016.
- 23 VisegradGroup: "Budapest Declaration of the Visegrad Group Heads of Government on the New Opening in V4 Defence Cooperation", <http://www.visegradgroup.eu/calendar/2014/budapest-declaration-of>, 24 June 2014.
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VISEGRAD BRANDS ON THE GLOBAL MARKETS

ISTVÁN KOLLAI

ABSTRACT

My research intends to tackle the phenomenon of global consumerism from the point of view of product branding – how national, regional or global branding strategies have evolved under the “pressure” of globalisation – with a strong focus on the Visegrad countries. As a conclusion, the paper draws attention to the low level of Visegrad brands within the global hierarchy of brands, and its relation to the somewhat lower prestige of Central and Eastern Europe within the “imaginative hierarchy of regions”.¹ Based on this conclusion, strong and common national geo-branding and language-branding strategies are proposed by the article, which can give impetus to the market-oriented product brandings within the business sphere. The theoretical contribution of the essay is to highlight the dependency of product branding on the “economics of language” and “economics of culture”.

Globalization does not mean just the trans-nationalization of the market economy's infrastructure and institutions, but it implies the forming of global consumer behaviors – that's why we can speak about the era of global consumerism.² A great variety of contesting theories attempt to address the phenomenon of global consumerism; some of them point out the danger of product homogenization³ or elucidate the clash of cultures due to the extremely intensive level of cultural penetration.⁴ Others see the phenomenon of global consumerism as a virtual platform where globalised products compete local ones, resulting in the hybridization of consumers' behavior (see the theory of “glocalization”).⁵

One of the most interesting economic fields where the forming of the global consumerism – i.e. the global interference of market behaviors and institutions – can be scrutinized from a practical point of view is product branding. The essay's main intention is to investigate the position of Central and Eastern Europe in the global contest of product brands. What is the value of a product name coming from this post-Communist region labeled as “transition”, “emerging” or “semi-peripheral”, where the FDI-inflow has constituted the most important source of growth in the past decades, but where just a few companies have been able to go global and become a

real MNC? For finding an answer, we intend to pick some Czech and Slovak market examples.

Product brand ranking has now become a stand-alone industry that tries to measure the value of product-brands based on different market indicators and then prioritize them. Such rankings show that Central Europe has remarkably lagged behind in the field of brand building, which in itself cannot be attributed to the current potential of local economies and economic policies: the accumulation of brand value is in most cases a slow, progressive process, as long as consumers develop a stable perception about a product.

But nevertheless, the CEE region lags behind, for example in comparison with Scandinavian or Southern Europe: Scandinavia has strong brand names, but the big economies of southern Europe have also built stronger brands than Central Europe. Indeed, the prosperity of the Asian region's brands is spectacular, and from this perspective, Central Europe is rather a stagnating region: „Asia is on the march, with China leading the way, while Euro-Atlantic nation brands are stagnating. CEE is still lagging behind western nations, with only Poland ranking in the top 25.”⁶

On the next pages, we look through the branding strategy of some Czech and Slovak products. First, we scrutinize the carrier ways of some traditional Czech brands, which have gained international reputation over the many past decades, and whose market presence is supported by the day-to-day activities of the Czech foreign trade bodies, primarily by the Czech Ministry of Foreign Affairs. After that, we investigate the inter-connection between the Slovak product branding and geo-branding strategies.

„The Rolls Royce of glass products”

The glass industry has a very profound tradition in the Czech Republic due to the availability of raw materials available in the Jizerské and Lužické Mountains or in the Dub region: strong glass production capacities have evolved there from the Middle Ages. The best-known Czech bottles come from Jablonec nad Nisou and Nový Bor. Thanks to the stability of the Czech industry, this comparative advantage was successful in the 20th and 21st century conditions and transformed the accumulated knowledge capital into a competitive advantage.

The glass products of the Czech Republic are present all over the world, but a distinction should be made between glass products: “flat glass” production in the Czech Republic essentially serves the car industry, while “utility glass” includes household glass, decorative glasses (e.g. glass figurines, Christmas ornaments, and chandeliers) as well as lead crystals. The typical Czech decoration is the so-called “lace decoration”, which is a special feature of the Czech glass art tradition; this kind of decorative work requires handwork and it is difficult to copy or replicate. In the era of automation, this is seen as the unique value of the Czech lead crystal, as stressed by the Czech Ministry of Foreign Affairs.⁷



Czech glass industry is the fourth largest in Europe after German, French and Polish production centers.⁸ But this is the country that the crisis of 2008-2009 hit the hardest: some renowned strongholds of the national glass industry have fallen, such as Bohemia Crystalex Trading, Porcela Plus Group and Jablonex.⁹ Of the more than 34,000 people employed in 2008, fewer than 19,000 remain in this business in 2010. Exports data have been gradually increasing since 2011, but the Czech glass industry suffered a huge downturn in 2008-2010.¹⁰ Czech glass production is, however, completely export-dependent, so it is extremely sensitive to external economic effects. The largest producer of flat glass is the Japanese-owned AGC Flat Glass Czech, which serves the automotive industry, as part of a closed production chain. For this reason, due to the closed production chain, it is difficult to influence market success with external effects such as foreign ministry-led promotional activity. Accordingly, the Czech foreign trade representatives focus almost exclusively on utility glass products, and household porcelains, ceramics. Among them, the promotion of the Moser factory products is prominent. For over 140 years, the Moser factory has been producing luxurious and decorative glass products, in classic and modern design as well.¹¹ A secret manufacturing formula makes this glass like lead crystal, but without the use of lead. Information materials of the Czech economic diplomacy refer to Moser glass as “the Rolls Royce of glass” as “it is what world leaders give and receive as gifts”.

It should also be said that at a macro-level, the success of foreign economic work can be disputable. The aim of lowering the EU market share in utility glass products has not been achieved at all; rather on the contrary, the EU market share continues to grow steadily. A similar process took place in the case of porcelain products: the extremely large export market concentration in Europe has now grown to over 90%. This does not show the success of the strong non-EU promotional activity.¹²

However, the branding of unique glass products and Czech “glass startups” seems to be successful in the international press with an easily readable narrative: it combines 19th century handicrafts with 21st century technology.¹³ Overall, it can be said that one of the most intensively represented product groups within the portfolio of the Czech economic diplomacy is glass and crystal products, and that has a realistic explanation. The producers here are relatively small, therefore it is quite difficult for them to solve the foreign trade promotion. Here are some relatively small producers who are more difficult to solve the foreign trade promotion; the coordinated foreign representation is therefore particularly useful here, and the customer’s perception can be built most effectively from outside. Actually, Czech foreign economic diplomacy has proved to be capable to help the marketing and branding of these handmade productions of unique quality.

The way how this kind of economic diplomacy works in practice will be scrutinized later. But it should be mentioned here that the industrial associations of glass production are involved in economic diplomacy: an important partner for the export

of glass products in the Czech Republic is the *Association of Glass and Ceramic Industry*, founded in 1990, which is also active in foreign market entry and is part of the Glass Alliance Europe; it currently has 43 member companies.¹⁴ According to the Annual Report, the “Association carried out a systematic dialogue with the Ministry of Industry and Trade and the Ministry of Environment on general support of the glass and ceramic industry, especially in the area of competitiveness support.”

Czechia helps Škoda – or Škoda helps Czechia?

Continuing 100 Years of Designing the Future – it was the title of the Škoda Day held in Beijing in 2014.¹⁵ The slogan refers to the proud history of Skoda: the factory was founded before the turn of the 20th century by Laurin and Klement as a family business. With its long history, Skoda is one of the four car factories in the world which have been functioning for more than 100 years. First, the two young men made bicycles in Mladá Boleslav, and then started to manufacture engines. In 1905 L & K Sd Limousine was created. This was the beginning of a productive car factory, but the real success story started after the plant was merged with Škoda Plzen in 1925. The Second World War and subsequent nationalization hampered the boasting business; but the carmaker proved to remain successful in the global automotive market after the regime change, too. In 1991, Škoda Auto became the fourth brand of the VW Group. It currently employs about 20,000 people and produces about half a million cars per year for both domestic and foreign markets.¹⁶

For Škoda, it is interesting to note that not only the brand is globally known, but the company itself is a true multinational one, with a global product strategy. Škoda did not lose its local knowledge and production capacity in the Czech Republic during privatization, but now the whole production chain has a global dimension. As a result, the product branding is embedded into a robust corporate governance system, which has surely been overshadowed by Czech foreign trade diplomacy. Looking at the documents of the Czech Ministry of Foreign Affairs, it seems that diplomatic bodies are often in a “follow-up mode” when it comes to Skoda’s global branding: for example the Czech ambassador was rather an invitee and not an organizer on the Škoda Karoq’s world premier near Stockholm.¹⁷ Indeed, this new car brand was introduced to the global market in Sweden, as the company’s PR strategy says the car has a lot of common features with the Scandinavian country. The car’s brand was therefore more connected with Scandinavia than with Central Europe – it is not hard to recognize that it is not in tune with the pure interest of the Czech economic diplomacy, and it is unfortunately a telling example about some weaknesses of the CEE-region in the field of imaginative geography.

However, Škoda products constitute an extremely important part of the portfolio of the Czech economic diplomacy. Each Škoda sold somewhere in the world strengthens the Czech economy, since Škoda’s production and service centers are located



there. In fact, there are no foreign protocol events without a car being rented for the general public from local Škoda dealers; and the Škoda DigiLab in Prague also often houses high-level protocol events and even prime minister meetings.¹⁸

Coordinated branding practices¹⁹

Apparently, the Czech economy has several products with a good original brand identity; promoting the country's products is thus something which is "easy to do" for the Czech economic diplomacy. Looking at the level of practical solutions, coordinated branding practices can be revealed that combine product and country presentation and that involve several public and market institutions from the receiving and sending country as well. This way, "product branding" and "geo-branding" help each other.

For instance, such coordinated opportunities for brand building include the operation of Czech restaurants in the world. In 2015, for example, the Krajánek Czech restaurant opened in Shanghai with Mattoni and Becherovka in the assortment; it is a place where the Czech Consulate General in Shanghai regularly organizes programs.²⁰ This obviously means more traffic and media attention to the restaurant, and the consulate can use an extremely authentic location to present the Czech Republic to the public. Another interesting example of the coordinated brand building is when local diplomatic missions organize actions jointly with airlines. This has also been experienced in China in recent years, where direct flights from Beijing and Sichuan Chengdu had been launched to Prague.²¹ (This process seems to continue: In September 2017, the Czech and Chinese authorities signed a general development memorandum on further cooperation.) For example, Sichuan Airlines and the Czech foreign economic bodies organize the promotion of Sichuan Airlines, along with the promotion of Škoda and Czech beverage products.²² This also includes the geo-branding of Czechia and product branding of the country's business actors at once. Another way of coordinating brand building is embedding the product branding of creative industries into cultural programs. This is a fairly common form of promotion within the Czech economic diplomacy, a task which is delegated to the Czech Centers; this way, Czech Centers are also responsible for a special segment of foreign trade. Thus, for example, the "Czech glass in Chengdu – a Czech Culture Weekend" program took place, where Czech glassware and other supplemented products were introduced. The intentional geo-branding of the country has an extremely clear added value in the case of organized business trips, when diplomacy invites businesspeople to Czechia in order to get familiar with the country, and help them to negotiate with partners. This was the case, for example, at the invitation of the leaders of the HEB supermarket chain in Texas in the Czech Republic.²³ HEB then decided to market Czech food products, which obviously could have a very direct impact on the Czech foreign trade.

Retro-branding in Slovakia

After the Czech Republic, a country with a very strong industrial tradition, I will turn to Slovakia, which in some ways is the opposite of the Czech Republic: there are no products with serious market traditions. For example, most of the world's economists have come to think about car manufacturing from Slovakia, knowing how well a number of automotive plants have settled in recent decades.²⁴ But within Slovakia, perhaps because of this multinational nature, cars were less typical as Slovak products: the VW, Peugeot and KIA brands became a symbol of local prosperity and GDP growth, but they did not become "our car".

Slovakia had fewer pre-war products and industries that could become a global brand after the fall of Communism. Thus, some of the COMECON-products became the flagships of Slovak "cultural brands", transforming the legacy of socialism into capitalism. This process – recalling the retro-products of earlier ages in a new robe – is called retro-branding or nostalgia branding, which has also been observed in Western economies over the last decades. (Retro- or nostalgia-branding is when companies are looking for old designs or old recipes.) The retro products build on a very specific customer attitude: they are trying to embody stability, predictability and security in a rapidly changing world.²⁵

Such a product of the socialist age is, for example, the wafer "Horalky" in Slovakia. Its production started in 1965 in Sereď, in Southern Slovakia. Horalky soon became extremely popular in Czechoslovakia, and its popularity and positive brand heritage eventually helped the wafer to survive the regime change. During the collapse of the eastern markets, it had to compete not only with Western competitors, but also had to encounter the division of Czechoslovakia: together with the country, the factory was also split into two parts: into the Opava-located factory in the Czech Republic and into the factory of Sereď, Slovakia. In the fight for the brand, the two now independent and combative plants went to court. Eventually, both factories can officially use the Horalky brand today, and both Horalky products are successful in their domestic markets.²⁶

The success of Kofola, a competitor of Coca-Cola and Pepsi in Slovakia, has become more emblematic than Horalky. Kofola was born in the Czechoslovak Galena factory in the 1960s when they experimented with how to use caffeine produced during roast coffee production. The result was the sweet-sour Kofo syrup, which eventually became the basis of Kofola. In the following years and decades, Kofola became incredibly popular, mainly because it became a substitute for Western colas, whose popularity was well-known in the eastern side of the Iron Curtain as well, but not available in Czechoslovakia. From the fall of Communism, however, Kofola had to compete with world brands. Due to the missing trademark and the available recipe, "kofola" became an umbrella/comprehensive name for a series of cola-originated soft drinks and cola-imitations. So there were many competing drinks in the caffeine market, but despite the attempts,



none became dominant. Finally, the Greek-owned Santa Nápoje Krnov company was the winner of the court litigation for the brand name and was thus the only manufacturer of Kofola in both Czechoslovak successor states.²⁷

Kofola then continued its success story after the difficult recovery, where it stopped before 1989: it became the main rival of Coca-Cola and Pepsi on the market. In 2003, the quantity of Kofola sold was over 14 million liters, and almost a year after nearly 20 million liters. Since then it exceeded the Coca-Cola's market share, it has become the largest brand of the non-alcoholic beverage market in Slovakia. Despite the Czech-Greek ownership background, it can be regarded as a Slovak product as well, since from 2002, Rajecká Lesná also operates a factory that supplies the Slovak market with Kofola. Other products of the company (including RC Cola known in Hungary, but not very popular) are also exported to the Central European region. The expansion of Kofola is successful in Russia and Poland; in the latter, Kofola has its own factory. But it does not cope with the popularity of Kofola in Slovakia, in the country where even draft Kofola can be found in almost every brasserie and restaurant.²⁸

“A friendlier companion of Hungarian lips” – branding and the economics of language

The logical question has arisen that if Horalky and Kofola are the leaders of their own market in Slovakia, then these products should find their customers outside of the country of their origin as well. Slovak products do not, however, easily break the way for foreign buyers. An interesting phenomenon was Kofola's attempt to enter Hungary: the Czech-Slovak drink appeared in discount stores in 2007, with a very unfortunate advertising slogan (“Ez nem kofa, ez kofola” – It's not a hawker, it's a Kofola). The end of this attempt was similar to that of the Hungarian Túró Rudi in Slovakia: after a few years they had abandoned the serious marketing plans.²⁹ For Kofola, it is true that not only the brand needs to be run, but also the unusual taste has to be introduced, which is extremely time-consuming and capital-intensive. Therefore, although the domestic branding of Kofola was surprisingly successful, it has so far not been able to move to foreign markets.

The Slovakian Horalky has been trying to target foreign markets as well: it appeared in Poland and Hungary two years ago. In Horalky's strategy there is a very interesting phenomenon: after a while the management considered to re-name Horalky on outer markets. In Poland, the brand was “polished” from Horalky to Góralki – it became the new name of the chocolate wafer; in Hungary, the old name changed to English “Moments”.

Can a Slovak product succeed in Hungary better if it has an English name? According to the distributors of Horalky, more precisely of Moments, it can. The reason for the change, according to the announcements issued by the company, is that the new English name is “a friendlier companion of Hungarian lips”. Accordingly, the Slovak word “horalky” – which would be the Slovak name of a mountainous flower – would be unfriendly, or perhaps strange. The wafer has its own Facebook page, where the

feedback did not confirm that this amendment of the brand was so crucial and inevitable. In fact, the question “Do you like the new name?” received few positive comments: “You have to get used to it.” “I do not like it! That’s not what I really like.” “I’ll take it in Kosice from now, it is still Horalky there.” “It was a pity to shift towards the Anglo-Saxon naming, as though a non-English brand name would not be cool, understandable or popular. Dislike!” “I think the name Horalky was more specific, it showed well that it’s a Slovak chocolate :)”

Facebook comments cannot be considered a representative survey, but they still highlight that there is a consumer subculture which does not necessarily regard an English brand as a superior one. Nevertheless, the decision was certainly preceded by market research and internal surveys, so it is presumably a grounded strategy. And the inferior lingual self-perception is not only a Slovak phenomenon, but it is present in Central Europe as a whole. If we go shopping around as a single consumer, we also see that Central European products avoid the use of Hungarian, Slavic, or Romanian. It derives from the “imaginative geography” of Central Europe: the international prestige of these languages and countries is lagging behind Western societies. Hungarian buyers think Slavic languages strange, and vice versa. Indeed, it is more difficult to understand and record the language of a person from neighboring countries than English, Spanish, French, Italian words. This mutual lingual mis-perception weakens a lot in the internal economic cohesion of the Central European region; and as a result, product branding shows a strong Anglo-Saxon and Western European dominance. Accordingly, the most secure way to market a product is when companies choose English names, but the Spanish, French and Italian connotations seem also appealing. Thus, for example, the Alain Delon top clothing brand in Slovakian malls actually keeps secret their being a Slovakian product, and according to its slogan, it could be thought of as a French company: “French charm to modern men.”³⁰ But the same thing is true of the popular Hungarian cottage cheese dessert “Pöttyös Túró Rudi”, which decided it was better to conquer the world without the accents, and chose a new name, Dots. However, it is not only accent, apostrophe and other specific symbols that make it difficult to use only Central European languages. They are not harder to pronounce than the “Côte d’Or” chocolate name, for example. The high prestige of the French language permits this question not to be answered for their own customers. Such a high international prestige of Central European languages does not exist, so the controversial situation is that we are trying to sell Polish, Slovakian and Hungarian products of international quality today as not Polish, Slovak and Hungarian ones.

Geo-branding in Slovakia

Slovakia, as we see it, does not have traditionally strong international brands. This is also apparent from the Ministry of Foreign Affairs’ strategic representation material, which does not list any traditionally branded product when searches for the answer to the question “what does Slovakia give to the world?”; instead, three startups are



mentioned here.³¹ This does not seem like a mere marketing trick: in Slovakia, there is indeed a huge potential in emerging companies. A recent research has examined the locations of the fastest growing 5000 European companies: according to this, most emerging companies are based in London, Stockholm, and then in Bratislava. It is also extremely telling that the NUTS-2 region, which includes Bratislava and its surroundings, is steadily ranked among the ten richest regions of the European Union if we look at GDP per capita.

Slovak startups are not world-known, they have not yet entered a global career, except for a few cases. The most interesting is the story of ESET, producer of antivirus software: it is a company of considerable size already from a national economic point of view. Named after the goddess of ancient Egypt, Eset, it was established in Bratislava in 1987, where it has its headquarters even today, but branches operate in South and North America and Asia, or Prague and Krakow as well. There are no official branches in Hungary but the company is represented in more than 180 countries. The breakthrough for the company was the invention of the NOD antivirus software, which is used by Windows programs. Since then, the name of this Slovak product has been displayed worldwide on our screens. The antivirus has brought the reputation within Slovakia as well: from 2008 onwards, ESET has become the company of the year (Trend Top Firma roka) for three years, and the company's growth has more than doubled between 2011 and 2014. Like many startup executives, ex-CEO Miroslav Trnka (heading the company until 2011) has a social role as well, with his associates launching the "Stop the Corruption" movement. Similarly, the new daily newspaper called "N" was also started primarily thanks to the generous support of Mr. Trnka.

The development of the market position of dozens of emerging products is somewhat related to the long-term challenge of how to brand Slovakia and Bratislava in the era of global consumerism. The fact that the country is little known and the possible negative connotations attached to it may hinder market expansion. Therefore, the Ministry of Foreign Affairs does not really focus on marketing and promoting some particular products, but has launched a large-scale project for country marketing. This program, which can be considered a personal initiative of Slovakian Foreign Minister Miroslav Lajčák, tried to make the slogan "Good Idea" as the main brand of Slovakia, with related content about the country's innovation potential and its "green field" character. Within the framework of the program, surveys were conducted on the visibility and "personality traits" of Slovakia; after that, "Good Idea" promotional surfaces and logos were conceptualized.³²

The success of these governmental intentions can be supported unintentionally by the international news coverage of Slovakia, which regularly highlights the capacities of the Slovak economy. For example, the Financial Times has recently published a paper that addresses those who believe that the real innovation has been lost in the world economy. For such technopessimists, the paper suggests that those who "feel the tech

industry lacks the ambition to tackle real problems in the world, should visit Bratislava".³³ This is the bold opening of the author of the article, Anton Spisak, who calls the "Danube Valley" a potential challenger to the Silicon Valley. The essence of this writing is the launching of the Slovakian product called Aeromobil, which aims to develop and market flying cars and thus become the Central European challenger of Google's similar ambitions. Financial Times is ultimately trying to find out what Bratislava's chances are in the global technology competition. Interestingly, the paper highlights the small-state nature of the region as a competitive advantage: Central European companies cannot survive on their own national market, so they have to enter the market with an international strategy from the start. The article is also pleased with the relatively well-trained IT workforce. But the newspaper does not address another exciting issue: the capital and workforce-attracting power of cities such as Bratislava. Well-trained foreign laborers, the "expatriates" who move the startup-world, have the power to decide where to live. In recent years, an increasing number of surveys show that the workforce responsible for research and development is not only mobile but also selective: it prefers to move to places with higher living standards, where the ecosystem of expats can flourish; and Bratislava is not well represented in this respect, compared to Vienna for instance. Geo-branding, therefore, can be useful in helping to market the products, but the expected results for attracting human resources to the country are quite limited.

In summary, we can conclude that the current Slovak branding strategy is very different from the Czech foreign trade activity: the former focuses on specific products, and rather aims to make the country itself, and especially Bratislava, a center of technology hubs. This job will have to face two serious challenges in the future. One is the serious competitiveness of the rest of the CEE: it is enough to think, for example, of Estonia's extraordinary success. In today's world of the mobile capital and mobile people, where better-quality classrooms, transport, wifi and restaurants can be a competitive advantage, Bratislava, Budapest and Krakow are actually competing with each other.

Another challenge is how extraordinarily the strategy is focused on the capital city. The differences within the country are so great that some aspects of the development plans have come down from the eastern areas, and their attractiveness for the capital investments is considered such minimal which is not worth dealing with. The Tatra Tiger seems to become just a Tiger of Small Carpathians laying around the Bratislava region, as most of the automakers are not far from 50-100 km from the western border of Slovakia. In fact, not Slovakia, but only Bratislava that appears on the map of global economy, thanks to its emerging companies and products; the brand in the making is not the "Made in Slovakia", but the "Made in Bratislava". This will further increase the differences within the country and will impose further tasks on the political elite, facing widening socio-economic inequalities.



Are there general conclusions?

My primary intention was to create a research framework which provides answers to the practical question of how to position the products of the CEE region in the era of global consumerism, targeting the global market. The case studies above elucidate the complexity of the issue, which makes it difficult to draw too general conclusions: the position of Slovak and Czech products proved to be rather different, despite the fact of the almost century-long economic coexistence. Nevertheless, some underlying principles seem to be possible to be put down.

First, it is apparent that from the perspective of the dependence theories and political economics, geo-branding is an inevitable supplementary of product branding if it comes to *semi-peripheral* regions. Core regions, consisting of the most developed and prestigious economies, do not need active geo-branding, thanks to their good traditional nation brands. LDCs do not need geo-branding strategies either, due to the fact that hardly any of their products can be competitive on a global scale. But the products of semi-peripheral countries, lying somewhere in-between the dominant and fragile economies, have already the potential of going global, their quality can achieve or exceed the international standards, but the global market position can be hampered by the invisibility of the homeland-economy, and by a weak or negative “brand heritage”. It is just one challenge to succeed in producing high-quality products in a particular economy; but it’s another one to convince the global consumers about this success. So the challenge of geo-branding is a typical semi-peripheral one.

A second, quite general but practical conclusion is that it is practically impossible to measure the effectiveness of the economic diplomacy in the GDP-growth: the day-to-day results of the economic missions are overshadowed by the changing productivity of the often closed production chains of the MNCs and the complexity of FDI-decisions. However, it does not mean that economic diplomacy is redundant or inherently ineffective; it means just that GDP-growth cannot be regarded as its main effectiveness factor. Instead of GDP, the right focal point of the economic diplomacy could be the number of the working places; due to the fact that economic diplomacy could be extremely successful in positioning the workforce-demanding, handmade or innovative, creative fast-growing products. The support of fast-growing SMEs can result in lasting workplaces in the sending countries – it could be a measurable final outcome of diplomatic activities of the CEE region.

ENDNOTES

- 1 „Imaginative hierarchy of regions” refers to the concept of „imaginative geography”. Imaginative geography means that our perception of a region is created through images, texts and discourses, and these imaginations deeply influence of the economic potential of this given region, through its political partnerships, FDI inflows, tourism, and through the brand personalities of its products. The concept

- was coined by Edward Said: *Imaginative Geography and Its Representations: Orientalizing the Oriental*. Orientalism. New York: Vintage, 1979.
- 2 Willk, Richard: Emulation, Imitation, and Global Consumerism. *Organization & Environment*, 1998/3, 314-333.
 - 3 See e.g. the theory of Coca-Colonisation or „Global Nothing” by Georg Ritzer. George Ritzer: Rethinking Globalization: Glocalization/Globalization and Something/Nothing. *Sociological Theory*, Vol. 21, No. 3 (Sep., 2003), pp. 193-209
 - 4 Benjamin R. Barber: *Jihad vs. McWorld: How Globalism and Tribalism Are Reshaping the World*. Times Books, 1995.
 - 5 Svensson, Göran. “Glocalization” of business activities: a “glocal strategy” approach”. *Management Decision*. 2001/1, 6–18.
 - 6 *Nation Brands 2017. The annual report on the world’s most valuable nation brands*. Brand Finance, 2017. www.brandfinance.com
 - 7 <http://www.czech.cz/en/economy-business-science/general-information/traditional-czech-products>
The website is operated by the Czech Ministry of Foreign Affairs.
 - 8 Nora Wintour: *The glass industry: Recent trends and changes in working conditions and employment relations*. Working Paper No 310. International Labour Office, Geneva, 2015. pp. 24
 - 9 Wintour (2015), pp.29.
 - 10 *Annual Report – Glass and Ceramic Industry of Czech Republic 2016*. Association of the Glass and Ceramic Industry of the Czech Republic, Prague, 2017. pp 33. <http://www.askpcr.cz/admin/files/vz/VZ2016-ASKP-EN.pdf>
 - 11 The factory was founded in the 19th century by Ludwig Moser glasscutter. After him, the company was led by his offspring who gained worldwide recognition. Adéla Koudelková: *Vývoj sklářského průmyslu v Čechách c letech 1890-2013 na příkladu průmyslového závodu Moser a.s.* Bakalářská práce. Zápa-dočeská univerzita v Plzni, Plzen, 2015. <https://dspace5.zcu.cz/bitstream/11025/19167/1/Adela%20Koudelkova%202015.pdf>
 - 12 Annual Report, 2017.
 - 13 <https://www.bloomberg.com/news/articles/2017-08-24/a-czech-producer-buffs-up-the-bohemian-glass-industry-with-a-focus-on-design>
 - 14 Annual Report, 2017.
 - 15 http://www.mzv.cz/file/1201738/_2014_SKODA_Day_in_Beijing.pdf
 - 16 Rick Fawn and Jirí Hochman: *Historical Dictionary of the Czech State*. The Scarecrow Press, 2010.
 - 17 “There are many similarities between Karoq and Sweden: proximity to nature, large space, advanced technology and innovation, external design and strong emphasis on family, all these aspects made Stockholm a natural place for Karoq’s world premiere.” http://www.mzv.cz/stockholm/en/business_and_economy/events_archives_1/skoda_karoq_world_premiere_in_stockholm.html For the world premiere, a trip was made from Prague to Stockholm by a camouflaged Skoda Karoq. The diary of trip could be followed online, as the part of the car’s marketing. <https://www.skoda-storyboard.com/en/models/karoq/road-stockholm-karoq/>
 - 18 <http://www.skoda-auto.com/en/news/2017-01-23-sobotka-cerar-visit-skoda-digilab>
 - 19 *Report on the Foreign Policy of the Czech Republic between January 2006 and December 2006*. Ministry of Foreign Affairs, Prague, 2007.
 - 20 http://www.mzv.cz/shanghai/en/news/koncerty_kapely_uz_jsme_doma_v_sanghai.html
 - 21 http://www.mzv.cz/chengdu/en/news_and_events/chengdu_and_prague_connected_by_a_direct.html
 - 22 http://www.mzv.cz/chengdu/en/news_and_events/czech_beer_and_fly_in_chengdu_one_year.html
 - 23 http://www.mzv.cz/washington/cz/obchod_a_ekonomika/novinky/texasane_na_nakupech_retezec_heb_se.html
 - 24 See e.g. the publication of the Ministry of Foreign Affairs of Slovakia which refers to the country as „the Tatra Tiger”. *Slovakia. Inspiration for a more beautiful, more interesting and safer world*. Ministry of Foreign Affairs, Bratislava, 2016. pp 12.



- 25 Mikolaj Rogowski: *Socialistic Brands. A Unique Category of Vintage Brands*. MIPLC Studies. Volume 28, 2015.
- 26 <http://sedita.sk/vyrobky/oblatky/horalky>
- 27 The current company name is Kofola CeskoSlovensko Inc. www.kofola.cz, www.firma.kofola.sk, company.kofola.cz/history
- 28 Jakl M.L., Kraus S. (2011) Kofola Holding (Slovakia). In: Kraus S. (eds) *Entrepreneurship – Fallstudien*. Springer, Vienna
- 29 http://hvg.hu/kkv/20090618_kofola, <http://www.marketinginfo.hu/hirek/article.php?id=9143>
- 30 <https://fici.sme.sk/c/20147242/alain-delon-pietro-filipi-sencor-tieto-cesko-slovenske-znacky-sa-iba-tvaria-ze-su-zapadne.html>
- 31 *Slovakia. Inspiration for a more beautiful, more interesting and safer world*. Ministry of Foreign Affairs, Bratislava, 2016. pp 16.
- 32 Marian Timoracký, Oľga Gyárfášová, Jozef Bátora: *BRANDING SLOVENSKA: od ideového konceptu k posolstvám a komunikácii*. Štúdia vypracovaná pre MZVaEZ SR. Október 2013.
- 33 Anton Spisiak: The Danube Valley: Central Europe's answer to Silicon Valley. Financial Times. 6 June 2017.

EFFECTS OF THE NEW UKRAINIAN EDUCATION LAW FOR THE VISEGRAD COOPERATION

NORBERT FEJES – GÁBOR MIKLÓS

PREAMBLE (ABSTRACT)

Since its independence, Ukraine has been looking for its position between the East and the West, or – more precisely – between the Russian Federation and the EU or the US. This positioning process has become more and more tense in the last 15 years, and besides the economic difficulties resulted, for instance, in two revolutions, several snap elections and government changes, the illegal annexation of the Crimea and a military conflict in Eastern Ukraine. The current Ukrainian leadership aimed for the country's European integration after the Euromaidan. However, in spite of the measures taken in this sense – e.g. the Ukraine–EU Association Agreement, the visa-free regime for Ukrainians, or certain launched reforms – the Ukrainian government also made some non-European decisions, such as the controversial newly adopted Education Law's language article, which completely violates the international minority rights. Namely, Article 7 states that the students belonging to the numerous national minorities living in the country cannot learn in their native language in the higher levels of education.

Besides the largest Russian minority in Ukraine, there are other minorities having mother countries from the EU – as Romania, Hungary, Poland, Bulgaria or Slovakia. In this study we would like to analyze the new Law from the point of view of the Visegrad Group (especially its Hungarian and Polish members). As we shall see, the V4 countries have different interests (e.g. economic, cultural or security) in their relations with Ukraine: they all have economic interests, but three of them (Hungary, Poland, Slovakia) have common borders with Ukraine, and they feel – to a different extent – a sense of responsibility for their minorities living in the neighboring country. Consequently, due to the different positions of the V4 countries regarding Ukraine, in our opinion (and as a hypothesis) these countries – contrary to the migration crisis management – will not be able to make a common action towards Brussels against the Ukrainian Education Law.



1. HUNGARIAN AND POLISH NATIONAL MINORITIES IN UKRAINE

Numerous minorities live on the Ukrainian territory according to the last census (which was held 16 years ago, in 2001) and they are almost 25% of the total population. Besides the largest Russian minority (17,3% of the population), there are other nationalities with more than 100 000 inhabitants in Ukraine, whose mother countries are members of the richest union in the European region, namely the European Union: Hungarians, Poles and Romanians. The division of the population by mother tongue is a bit different: the mother tongue of more than half of the population was Russian in 2001 (Russian speaking people with Russian and Ukrainian nationalities), while only 40% of the population's mother tongue was Ukrainian (Baranyi, 2009).

1.1: The Hungarian minority in Transcarpathia

Because of the fact that the Ukrainian census is so outdated, it is almost impossible to precisely determine the population's ethnic composition in Transcarpathia and the number of Hungarian inhabitants. Although according to the State Statistics Service of Ukraine the permanent population of Ukraine has decreased by more than 6 million people between 2001 and 2017¹ (State Statistical Service of Ukraine, 2017a), the number of permanent inhabitants of Transcarpathia remained almost unchanged since the last census. Namely, according to the data of the Transcarpathian Statistical Office there were around 1 254 000 inhabitants at the time of the last census, while there are almost 1 256 000 people today (Transcarpathian Statistical Office, 2017). However, the census in 2001 proved that multiethnicity is one of the major characteristics of the population of Transcarpathia, because more than 100 different nationalities were registered on a regional level, of which the Hungarian minority was 12,1% (151 516 people). Regarding the territorial location of the Hungarian minority in Transcarpathia, more than 90% of the Hungarian people live in four districts (including the cities of Uzhhorod/Ungvár, Berehove/Beregszász and Mukachevo/Munkács) near the Ukrainian-Hungarian border: Berehove/Beregszász, Uzhhorod/Ungvár, Vynohradiv/Nagyszőlős and Mukachevo/Munkács Raions (Molnár-Molnár D., 2005).

At the beginning of the 2016/2017 school year there were around 3,8 million students in the 16 365 Ukrainian schools (not including the data of the Autonomous Republic of Crimea and the city of Sevastopol), of which nearly 3,4 million studied in the official language of the state. As we can conclude from the ethnic composition of the population, around 365 000 students studied in the Russian language, approximately 16 000-16 000 students in Hungarian and Romanian, 2700 students in Moldavian and 1800 students in Polish (Слово і Діло, 2017). The students studying in Hungarian are enrolled in schools in which the language of instruction is exclusively Hungarian (71 educational institutions) or school with dual language programs (28) in Transcarpathia, of which there are 46 secondary schools, high schools or

gymnasiums (KMPSZ, 2017a). Before the primary and secondary education in the Hungarian language, naturally the parents can enroll their children in kindergartens (87) in which the language of instruction is Hungarian (KMPSZ, 2017b). The most significant higher education institutions in Transcarpathia that teach in the Hungarian language are the Ferenc Rákóczi II. Transcarpathian Hungarian Institute (with 1224 students enrolled in the 2017/18 school year) and the Uzhhorod National University Ukrainian Hungarian Educational Institute (Kárpátalja.ma, 2017a).

Currently the Hungarian minority of Transcarpathia possesses representation on all levels – national, county, district and local government – of the Ukrainian public administration. Although, before the early parliamentary elections in 2014 – in spite of the petition of the Transcarpathian Hungarian Cultural Association (THCA) – the Central Election Commission once again failed to take into account the ethnic aspects in the determination of individual constituencies (the same happened during the elections in 2012), and thereby a constituency with the Hungarian majority and with the center of Berehove/Beregszász could not have been created in Transcarpathia, László Brenzovics, the president of the THCA obtained a representation for the Hungarian minority in the Verkhovna Rada of Ukraine due to the fact that he received the 62nd position on the election list of the Ukrainian President's party (Petro Poroshenko Bloc „Solidarity”, (Darcsi, 2015).

Furthermore, due to the election cooperation between the THCA and the Hungarian Democratic Party in Ukraine during the local elections on October 25th 2015, 8 Hungarian representatives won seats in the Transcarpathian County Council, and József Barta became the vice president of the council. The Hungarian political parties achieved good results in the districts, too: today they have 19 representatives (out of the 34) in the Berehove/Beregszász District Council and they name the president and the vice president of the council. Moreover, they gained representations in Vynohradiv/Nagyszőlős, Uzhhorod/Ungvár and Mukachevo/Munkács districts, and Zoltán Babják became the mayor of the city of Berehove/Beregszász as a common candidate of the two Hungarian parties (Darcsi, 2016).

1.2 Basic information about the Polish minority in Ukraine

Polish people live in Ukraine as a historical minority, just like the Hungarians or the Romanians. Although out of these minorities the Polish one is the smallest – in relation to the number of people who live in Ukraine –, their mother state is the largest from the three countries above. That is why it is particularly important to analyze the situation of the Polish minority.

The Polish ethnic minority in Ukraine comprises 144 130 people, which stands for the 0,3% of the population according to the Ukrainian census of 2001 (since 2001, a new one has not been organized in Ukraine even though it should be done every 10 years). As mentioned above, their number is the smallest in the country, and they are



the least territorially “concentrated” nationality compared to other minorities like Romanians and Hungarians. These two reasons might explain why the Polish people are less likely to hold any national power and representation in Ukraine as strongly as the other two do (Szeptycki, 2016).

Most Poles are situated in Western Ukraine and lead a very active public life. Although it is important to note (as already mentioned) that ethnic Polish people are dispersed throughout the country, which affects their sense of identity in every sense, and rather helps (and accelerates) their assimilation. This latter statement can be confirmed by the fact that only 13% of the ethnic Poles speak Polish as their native language.

The four main regions covered by the Polish minority in Ukraine are the following (Ukrainian name is in the first place, Polish one in the second): the cities of Zhytomyr - Żytomierz, Khmelnytskyi - Chmielnicki, Lviv - Lwów and Kyiv, which altogether provide 34%, 16%, 13% and 5% of the total Polish population in Ukraine. These regions thus contain 68% of the Poles, although their density is low. Additionally, there are six more regions with Polish inhabitants (but their density is even lower than in the previous territories).

However, this fact does not mean that Polish people do not actively try to create a stronger bond within their ethnic group in order to strengthen and preserve their identity. To reach this goal, several Polish ethnic organizations help them. To be exact, in the Lviv region – 34, in the Khmelnytskyi region – 25, in the Zhytomyr region – 42 such organizations operate. Besides these, many other locations in Ukraine possess other cultural, sport or special events related Polish clubs or associations (Bakirov-Kizilov-Kizilova, 2011).

The document that guarantees the Polish minority various rights is the Ukrainian Constitutions – or more precisely Article 10 - which states that: ***“In Ukraine, the free development, use, and protection of national minority languages are guaranteed”*** This Constitution was adopted on June 28th 1996 (Constitution of Ukraine, 2004).

Ukraine gives home to some Polish schools. There are two Polish schools in Khmelnytskyi region – in the cities of Kamianets-Podilskyi and Horodok – where the number of students learning Polish is close to 500. As a native language, additionally two thousand more pupils study Polish in more than 19 schools of Khmelnytskyi. Also, within the Transcarpathia Polish cultural community there is a Polish weekend school for children and adults. 137 children were brought up in two kindergartens where the language of instruction is the Polish.

Concerning universities, the Polish Senate funds institutes where the Polish language can be taught in Ukraine. Such institutes are (for instance): The Center of Polish Language and Culture in Berdyansk, Khmelnytskyi University, Educational Centre of Polish Language and Culture in Drohobych, the Department of Polish language in Shevchenko Kiev National University (Bakirov-Kizilov-Kizilova, 2011).

On the one hand, although the Polish minority contains about 150 000 people, Warsaw does not have a special education program for the Polish community in Ukraine.

Instead, there is a so called “Semper Polonia”, the most important organization for the young students who want to study in Poland, especially in the medical science field.

On the other hand, in Ukraine there are many civil Polish organizations and institutions for the native minority to study in their native language. Their scale of function is very wide, but firstly the support is invested in education, nursery-schools and churches. As we have already mentioned, Poland does not offer the Polish minority the money directly but some Polish civil institutions support the expenditures of the Polish minorities in the world. It is 19,5 million EUR and the Poles in Ukraine can get 260 000 – 270 000 EUR from this cap year by year.

The other part of the Polish civil life in Ukraine is also very diverse and active in the fields of science (there are many civil organizations like Society of Polish Physicians or Association of Polish Doctors), of sports (the most important Polish sport organization is the Polish Sport Association). This small Polish community can use approximately 34 libraries in their native languages (Bakirov-Kizilov-Kizilova, 2011).

Despite of the fact that there are many organizations and self-made institutions or programs, the Polish minority does not need their own political party. Poles do not want and maybe cannot create a strong political representation because they do not live in one smaller, well-defined region or place like the Hungarians. In comparison with the Hungarian minority in Ukraine, we can imagine that after an election the very few Polish votes will have no effect. Additionally, the Poles have said that they cannot present an accurate political leader for themselves.

2. UKRAINE’S LAW ON EDUCATION

The Verkhovna Rada of Ukraine has voted – on a second reading – the new Education Law after fierce disputes on the first day of the autumn session on September 5th 2017. Numerous provisions of the Act violate the rights of Hungarian and other minorities in Ukraine. The new Education Law – among others – foresees 12 years of education (instead of 11), the reform of the teachers’ qualification system, the larger autonomy of schools and – this is the most relevant one for the study – the restriction of the use of national minorities’ languages in the education system (Kárpátalja.ma, 2017b). Namely, Article 7 of the Act states: the official language of the education is the state language (the Ukrainian), and though it guarantees the right for national minorities to study in their mother tongue, but only in pre-school and elementary school, and – as the Act says – in parallel with the education in the Ukrainian language. Consequently, starting from the 5th grade in the secondary education and in higher education the students belonging to national minorities can study only in the Ukrainian language. The Act states that only the indigenous people of Ukraine (primarily the Crimean Tatars) can study in their mother tongue – beside the state language – in the secondary level of education



as well. Furthermore, the respective article of the law allows the national minorities to study their native languages as subjects in secondary educational institutions or in national cultural associations, and – if needed – vocational training and higher educational institutions can create the possibility of teaching the minorities' languages. In addition, Article 7 also states that in schools of national minorities one or more subjects can be taught either in two or more languages (in Ukrainian, in English, or in other official languages of the EU), a clause which currently seems to be the only solution (as a loophole) for the Hungarian minority in Transcarpathia to study some subjects in their mother tongue on the secondary education level (Fedinec-Csernicsekó, 2017a). The Ukrainian President, Petro Poroshenko signed the Act on September 25th 2017 and became active on September 28th (Fedinec-Csernicsekó, 2017b). The provisions of the law would be implemented in several stages, but the main changes must be launched on September 1st 2018. Based on certain information, those students belonging to national minorities, who began the secondary education before September 1st 2018 can continue their studies under the rules of the law, which were valid before the adoption of the new Education Law. However, in these cases the number of subjects taught in the Ukrainian language has to be increased gradually (Kárpátaljalap.net, 2017a). Although the Law refers to local government (or communal) schools, at the same time it may indirectly affect the activity of private schools (such as the Hungarian religious schools in Transcarpathia), because students of these schools will have to take their graduation – and consequently entrance – exams in the Ukrainian language (NPKI, 2017a).

3. THE NEW EDUCATION LAW IN LEGAL POINT OF VIEW

Following the adoption of the new Education Law besides the remonstrance of the Ukrainian domestic political parties (mainly the opposition) and the national minority representatives, the neighboring countries – Hungary, Poland, Romania, Moldova and Russia – also protested against the provisions of the Act, and furthermore the Ukrainian government received sharp criticisms regarding the Education Law from the international organizations (e.g. European Parliament, Council of Europe) too. The opinion of critical experts and politicians is that the law violated several bilateral and multilateral international law agreements through Article 7 of the Education Law, but it does not comply with the election agreement between Petro Poroshenko and László Brenzovics, the President of THCA signed before the 2014's Ukrainian Presidential Election. So the current Ukrainian leadership deviated from its commitments on a local level too. In the following subchapters we are going to examine how the newly adopted Education Law violates Ukraine's agreements and other laws on different levels: domestic, bilateral and multilateral agreements. Due to the topic of this study, on a local level we are going to check whether there were and – if so – what kind of

agreements between the Ukrainian leadership and the Hungarian and Polish national minorities in Ukraine, while on a bilateral level we are going to examine the previously signed agreements between Ukraine and Hungary, as well as Ukraine and Poland.

3.1 Domestic level: Ukrainian legislation and local agreements

The new Education Law voted by the Ukrainian parliament on the 5th of September and come into force on the 28th of September violates Article 5 of the Ukrainian constitution and other relevant Ukrainian laws. The Education Law abolishes those language rights which were guaranteed for the minorities even under previous state systems on the territory of Ukraine. Therefore, László Brenzovics made a petition to Valeriya Lutkovska – who is the human rights commissioner of the VR – in order to accomplish the constitutional examination of the Education Law (Kárpátaljalap.net, 2017b). However, it seems the wording of Paragraph 5 of Article 53 of the Constitution offers two alternatives for the Ukrainian leadership², but Article 10 of the Constitution clearly states that the state must guarantee the free use of the minority languages, while Article 22 prohibits the restriction of the existing rights (Kárpátaljalap.net, 2017c). Consequently, the petition of László Brenzovics about the constitutional examination of the Education Law is not baseless.

The Law violates another agreement on a local level, though on a moral, rather than legal basis. Petro Poroshenko and László Brenzovics – as we have already mentioned – signed an election agreement in May, 2014 before the presidential election. In this agreement, Petro Poroshenko – who was a presidential candidate at that time – promised that if he became the president of Ukraine – among others – the Hungarian minority in Transcarpathia will have the language rights in accordance with the European standards, creating the necessary conditions for the improvement of the education system in the Hungarian language in Ukraine, that he will take into account the interests of the Hungarian community during the administrative reform and create the opportunity of the Hungarian parliamentary representation in the VR. In return, the THCA supported Petro Poroshenko during the presidential election (Kárpátaljalap.net, 2014). Although, from a legal point of view, this election agreement does not really provide a suitable reference point for the Hungarian minority in Transcarpathia against the Education Law, but at the same time from a moral point of view it raises several questions regarding the reliability and the politics of the current Ukrainian leadership. Namely, the THCA fulfilled its commitments of the agreement, as Poroshenko won 67% of the votes in the Berehove/Beregszász constituency – which included the significant part of the Hungarian minority in Transcarpathia, as it involved Berehove/Beregszász and Vynohradiv/Nagyszőlős districts –, and the voting ratio of Poroshenko in the Hungarian municipalities exceeded the county and constituency averages (there were a lot of Hungarian-inhabited municipalities, where the voting ratio reached more than 80-90%



(Darcsi, 2015). Nevertheless, the VR (including the governor parties – Petro Poroshenko Bloc and People’s Front) voted, while President Petro Poroshenko signed the Education Law which violates the rights of education in the Hungarian language in Transcarpathia. Moreover, several draft bills of the language law have already been presented to the VR, which would restrict the use of the minority language almost in every area of life (offices, media, cultural events, theaters, filming, etc.), it would impose the use of the Ukrainian language and if somebody broke the law, he or she would be punished (Kárpátinfo.net, 2017). And on top of that, the question of dual citizenship is continuously on the agenda (Kárpátalja.ma, 2017c). As a consequence, all of these happenings – primarily on a moral basis – have been contrary to the 2014 agreement and its commitments.

3.2 Bilateral agreement: Hungarian-Ukrainian Basic Treaty

At the beginning of the 1990s, the Antall-government took advantage of Gorbachev’s „Glasnost”-policy and started building the relationship with the independent Ukraine. The first and the most significant action – for the Hungarian minority in Transcarpathia – was the signature of the *“Declaration on the principles of cooperation between the Republic of Hungary and the Ukrainian Soviet Socialist Republic in guaranteeing the rights of national minorities”* and the related Record on 30 May 1991. The Declaration ensured several important rights for the Hungarian minority in Ukraine, who were completely separated from their mother country and lived in a very bad situation during the period of the Soviet Union. The document recognized the national minorities as state constituent factors, fixed the individual and collective rights of the minorities, forbade the alteration of nationality rates, guaranteed the preservation and protection of historical and cultural monuments and the opportunity to study in the mother tongue on all education levels (10th point of the Declaration (NPKI, 2017b). When Ukraine became independent in August 1991 József Antall, the prime minister of Hungary and Leonid Kravchuk, the president of Ukraine signed the first international treaty of the independent Ukraine in Kiev on December 6th 1991, which helped the practical implementation of the Declaration regarding the protection of the minorities’ rights. The *“Hungarian-Ukrainian Treaty of Good-Neighborliness and Cooperation”* is still valid, and Article 17 fixed the obligation of mutual cooperation in the field of protection and preservation of the national minorities’ ethnic, cultural, language and religious identity in accordance with the Charter of Paris for a New Europe and other related documents of the Conference on Security and Cooperation in Europe (today OSCE). In this Article of the Treaty, both sides undertook the implementation of the obligations defined in the Declaration and the Record. The Hungarian parliament – after long disputes – ratified the Basic Treaty in May, 1993 (Jeszenszky, 2016), while Ukraine already did so in 1992 (Kárpátaljalap.net, 2017d).

In the official Ukrainian version of the Declaration – in the aforementioned 10th point – instead of “and”, we can find another conjunction, “or”, in the sentence, which determines the language of education. So, according to the Ukrainian version, Ukraine has to ensure for the Hungarian minority in Ukraine the learning of the mother tongue **or** the learning in the mother tongue on all education levels. It is probably clear for everybody that the “or” conjunction gives a totally new explanation to the text. Two contradictory sentences cannot be included in an international document, therefore the parties would have to (or already had to) unify the Hungarian and Ukrainian versions through negotiations or by the help of an international court. As long as this does not happen, both countries’ governments can interpret the text in a completely different way (Fedinec-Cserniczkó, 2017b), interpretation on which Kiev could rely in the disputes regarding the new Education Law. Anyway, both the Hungarian organizations in Transcarpathia and the Hungarian government have been regularly reminded of the details of the Basic Treaty, and László Brenzovics also referred to the legal commitments of the valid Treaty regarding the minority rights in the petition which was sent to Pavlo Petrenko, the Minister of Justice. Furthermore, the leader of THCA also pointed out Article 19 of the law “About international agreements of Ukraine”, according to which international agreements ratified by the VR are the parts of the national law, and if the valid international agreements of Ukraine contain regulations different from the Ukrainian laws, then the standards of the international agreements are the normative ones (Kárpátalja.net, 2017d). Consequently, the Basic Treaty and the Declaration could be relevant tools both for the Hungarian minority in Transcarpathia and the Hungarian government in the disputes with the Ukrainian government on an international level. However, we must note, the different wording of the Ukrainian and Hungarian versions slightly weaken the Hungarian standpoint.

3.3 The foundations of Ukrainian-Polish relationship

As soon as Ukraine was granted independence from the Soviet Union, it established relations with the Republic of Poland. In addition, Poland was the first country to officially recognize the independence of Ukraine. Since then they have improved their partnership to a strategic level.

On October 13th 1990, both countries agreed to the “*Declaration on the foundations and general directions in the development of Polish-Ukrainian relations*”. This agreement signified and strengthened the historic relationship between the two countries, referencing “ethnic and cultural kinship of the Polish and Ukrainian peoples”. They declared that neither country has any territorial claims against the other, and will not bring any in the future. They promised to respect the national minority rights on their territories and to improve the situation of the minorities on their countries. (Stephen R. Burant, 1993)

On May 18th 1992, the two countries signed the “*Treaty on Good Neighborhood, Friendly Relations and Cooperation between the Republic of Poland and the Ukraine*” which marked the beginning of their strategic partnership. In its 21 articles, the treaty



highlights “the goals and principles for building mutual relations in the areas of political, economic, military, ecological, cultural, scientific, and humanitarian cooperation, as well as the protection of legal and national minorities”. The Treaty was essential for two reasons: geostrategically and for the bilateral relationship between Ukraine and Poland. That is why it has sometimes been referred to as the Constitution of Polish-Ukrainian relations. (Jan Draus, 2011)

3.4 Rights of the Polish minority in Ukraine

According to the 2001 Ukrainian census, there were 144 130 people belonging to the Polish ethnic minority in Ukraine, which is approximately 0,3% of the whole population of the country. In 1989 there were already some legislative changes towards the position of the Polish minority when the Supreme Soviet of USSR adopted a law on “*Languages in Ukrainian SSR*”. In the above mentioned “*Declaration on the foundations and general directions in the development of Polish–Ukrainian relations*”, both countries promised to respect the minority rights and to improve their situation. On November 7th 1991 under the “*Declaration of right of nationalities of Ukraine*”, the Polish minority was guaranteed political, economic, social, and cultural rights besides the right to use their native language in every field of social life. In June 1992, the Ukrainian government adopted the “*Law of National Minorities*”, which guarantees Poles the use of the Polish language, the right to an education in Polish, to establish a system of cultural institutions, and to national cultural autonomy. The law makes it possible to establish Polish interest-protection organizations, to use national symbols, to use names in accordance with the Polish rules, and to maintain contacts beyond the borders with Poland. The Ukrainian Constitution also contains rights for minorities; in Article 10 they guarantee the free development, use, and protection of national minority languages. As a member of the Council of Europe, the Ukrainian Parliament ratified the “*European Charter on Regional or Minority Languages*” in 1999. The law on the ratification was passed by the Supreme Council of Ukraine on April 15th 2003, but with some modifications: the use of minority languages in the state administration has been removed and the assumed guarantees of using the minority languages have been narrowed down. Moreover, the Charter did not define the powers of the local authorities regarding the recognition of the languages, and the territories where the principles of the Charter can be applied are still legally undefined. (Research Gate, 2011)

3.5 Minorities in the international

international agreements and conventions on many points. Although Ukraine agreed to almost all of them, the new Law does not fit them at all.

According to the European Charter for Regional or Minority Languages, the right to use a regional or minority language in private and public life is an inalienable right according to the principles embodied in the United Nations International Covenant on Civil and Political

Rights, and according to the spirit of the Council of Europe Convention for the Protection of Human Rights and Fundamental Freedoms (Preamble, Council of Europe, 1992).

According to the European Charter for Regional or Minority Languages, in determining their policy with regard to regional or minority languages, the Parties shall take into consideration the needs and wishes expressed by the groups which use such languages. They are encouraged to establish bodies, if necessary, for the purpose of advising the authorities on all matters pertaining to the regional or minority languages. (Article 7, Paragraph 4, Council of Europe, 1992)

The Parties undertake to make appropriate provision, in pursuing their cultural policy abroad, for regional or minority languages and the cultures they reflect. (Article 12, Paragraph 3, Council of Europe, 1992)

The Council of Europe Convention on the Protection of National Minorities further adds that the Parties will make the efforts, within their capabilities and within the framework of their educational system, to make sure that the persons belonging any national minorities have the opportunity to learn or study in their minority language. (Article 14, Paragraph 2, Council of Europe, 1992)

According to the Association Agreement between the European Union and Ukraine, which entered into force on September 1st 2014, Ukraine is committed to a close and lasting relationship with the European Union, in line with democratic principles, the rule of law, good governance and human rights and is based on strengthening fundamental freedoms, including the rights of the persons belonging to national minorities, the principle of non-discrimination of minorities, the respect for diversity and the consolidation of its contribution to internal political reforms. (Article 4, Paragraph 2, Council of Europe, 1992)

3.6 The security games

Ever since it regained independence from the Soviet Union, Ukraine has been playing a significant role in the life of the United States' foreign policy. Following the independence in 1991, the USA was determined to help and support Ukraine to successfully enter the market economy and to establish a modern democratic state. The main goal was to create a secure, stable and democratic state that is very closely integrated into the European and Euro-Atlantic system. (U.S. Department of State, 2016)

Given the special and essential geopolitical location of Ukraine that basically separates Russia from Europe – except the Balkan region – the United States' helpful assistance is centered on the security of Europe against any Russian military efforts. Right after the collapse of the Soviet Union and the independence, Ukraine agreed to give up the entire nuclear arsenal that it inherited from the SU that was originally built to strike the United States. In 1994, as a "response" to the Budapest memorandum, the United States – alongside Russia and Great Britain – provided security assurances for Ukraine. (Pifer, 2017)



To affirm the importance of their relationship as partners, they signed the U.S.–Ukraine Charter on Strategic Partnership in 2008, which was supposed to ensure the cooperation in the areas of economics, trade, energy, cultural exchanges, democracy and most importantly defense and security. As said above, to ensure the security of Europe (and the NATO member countries) the “well-being” of Ukraine is a crucial issue for the USA. Therefore, the Charter also emphasizes the strong cooperation between the North Atlantic Organization (NATO) and Ukraine. (U.S. Department of State, 2016)

That is why it is basically unimaginable for the USA to support any country that has human rights issues against Ukraine as it could risk the country’s stability.

For very similar reasons, Poland is not too keen on supporting such initiatives either. For Poland, it is probably much more important to keep the country and the continent safe (from the potential Russian threat) than to fight for the rights of their (highly assimilated) minorities in Ukraine. It is more likely that they seek to make a compromise on that issue.

Poland’s deep concerns regarding its national security – especially after the events of the plane crash of Smolensk – determined Poland to “push extremely hard for admittance to NATO and the EU, both seen as virtual life insurance policies for the nation”. (Nougayrède, 2015)

Due to the fear of the Russian threat, and the influence of the United States (and NATO), the countries’ military performances differ. Regarding the numbers of “active military fighting strength”, Hungary has 23 250, Poland 109 650, and Ukraine: 182 000 persons in their national army. (Globalfirepower, 2017) Although both Hungary and Poland – and the Czech Republic – have NATO radars in their countries, Poland also runs the “Joint Force Training Centre (JFTC)” of the NATO in Bydgoszcz that provides high-quality training support for the Allied forces (NATO, 2017).

4. V4 – UKRAINE: DIPLOMATIC VIEWPOINT AND ECONOMIC INTERESTS

We have seen in the previous chapters how the new Education Law – passed by the Verkhovna Rada of Ukraine and approved by President Petro Poroshenko – and mainly its Article 7 affects the national minorities living in Ukraine. Furthermore, we have examined the number of Hungarian and Polish speaking students, and schools teaching in the Hungarian or Polish languages affected by the law, and we have also analyzed how the Act violates the domestic legislation and international agreements. In the next phase of the study we shall examine whether the Visegrad Countries may act jointly against the Education Law

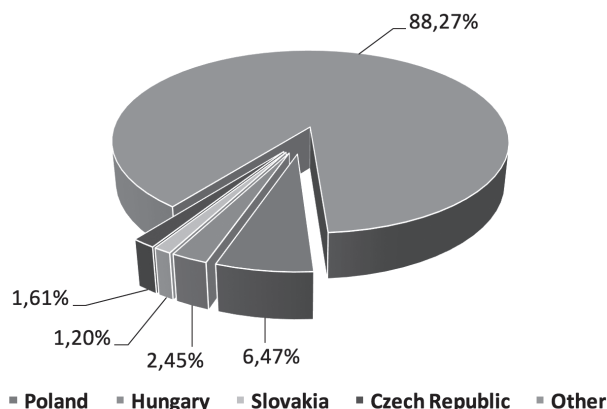
towards Brussels and the EU (as it happened in the case of the migration crisis management), or (primarily) in the wake of these countries' economic interests, the cooperation and common action are unrealistic in this matter.

4.1 V4 – Ukraine: diplomatic reactions

The new Ukrainian Education Law – as presented by the international press – triggered different reactions in the Visegrad Countries. Due to the ethnic composition of Ukraine and the number of schools teaching in the languages of the national minorities – in the aspect of the V4 – Hungary protested the most loudly against the provisions of the law violating and restricting the rights of the national minorities, in order to preserve the Hungarian education in Ukraine, while on the other hand we could not notice any substantial reaction from the Czech Republic. Between these two ends we can find the points of view of Warsaw and Bratislava/Pozsony, which do not seem completely clear yet.

The communication of the Slovak government regarding the Ukrainian Education Law has been highly controversial up to now. Namely, on the one hand Miroslav Mojzita, the consul general of Slovakia in Uzhhorod/Ungvár, supported the provisions of the new Law and called it an “internal matter of Ukraine” (according to him, this is the viewpoint of Slovakia too) (Kárpátaljalap.net, 2017e); on the other hand, the Slovak Members of the European Parliament – among others, the members of SMER-SD

**The distribution of Ukraine's foreign trade of goods
in 2016, %**



– condemned the anti-minority reform of the law in a common statement (Új Szó Online, 2017). Furthermore, the Ministry of Foreign and European Affairs of the Slovak Republic also asked for national minorities' rights to be respected (Magyar Iskola Online, 2017). However, there is only one school in Ukraine (in Uzhhorod/Ungvár),



where students (145) can study in the Slovakian language (Слово і Діло, 2017) in separate classes, which could explain the smaller resistance of the Slovak side (Kárpátaljalap.net, 2017e).

Warsaw's calmer and more patient standpoint – contrary to Slovakia – was influenced by the dialogue between Ukraine and Poland. Although Poland also expressed its concerns regarding the restriction of the Polish minority's rights in Ukraine, due to the negotiations between the two countries' Ministries of Education at the end of October, the Ukrainian (Liliya Hrynevych) and Polish (Anna Zalewska) ministers reached a common agreement and signed a joint declaration. In this document, the parties mutually agreed that they are going to ensure the possibility of education in the native languages of the national minorities in Ukraine and Poland. The declaration is based on the former bilateral agreements between the countries, and it ensures the education in the Polish language in pre-school, primary and secondary education (Kárpátaljalap.net, 2017f).

Contrary to Warsaw and Bratislava/Pozsony, Budapest – as we have already mentioned above – has been criticizing and condemning the new Education Law in all possible international forums. There have also been discussions between Hungary and Ukraine on a ministerial level, but (still) without any significant progress. Both Hungarian Foreign Minister Péter Szijjártó (Kárpátaljalap.net, 2017g) and Minister of Human Resources Zoltán Balog (Kárpátaljalap.net, 2017h) asked from their Ukrainian colleagues the preservation of the rights of the Hungarian national minority in Transcarpathia, the withdrawal of the provisions of the new Education Law violating the rights of the national minorities, and ensuring the education in the mother tongue. The Hungarian Parliament also condemned the Ukrainian Education Law in a resolution (H17379) in September (Parlament.hu, 2017), and, moreover, the Hungarian Foreign Ministry vetoed the Ukraine-NATO Commission meeting in December, indicating that Hungary cannot support and help Ukraine's further integration until the withdrawal of Article 7 of the Act (Kárpátaljalap.net, 2017i). Moreover, Hungary would like to introduce a new norm into the Joint Declaration of the next Eastern Partnership Summit, which would prevent the restriction of the national minorities' existing rights in Ukraine (Kárpátaljalap.net, 2017j). Finally, Hungary would also like to put the issue of new Ukrainian Education Law on the agenda of the next EU-Ukraine Association Summit in December this year (Kormány.hu, 2017).

Consequently, we can see that no action has yet been made for a unified and joint diplomatic action towards Brussels regarding the new Ukrainian Education Law. Therefore, we are trying to find out whether it has economic reasons through an analysis of the foreign trade of goods and stocks of foreign direct investments in the relations between the V4 countries and Ukraine.

4.2 V4 – Ukraine: economic relations

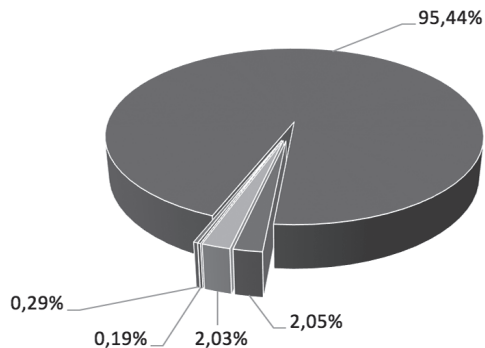
TABLE 1 UKRAINE'S FOREIGN TRADE OF GOODS BETWEEN 2012 AND 2016, MILLION USD
(STATE STATISTICAL SERVICE OF UKRAINE, 2017B)

Ukraine's foreign trade of goods between 2012 and 2016, million USD					
	2012	2013	2014	2015	2016
Export	68809,8	63312,0	53901,7	38127,1	36361,7
Import	84658,1	76964,0	54428,7	37516,4	39249,8
Foreign trade turnover (EX+IM)	153 467,9	140 276,0	108 330,4	75 643,6	75 611,5
Balance of foreign trade (EX-IM)	-15848,2	-13651,9	-527,0	610,7	-2888,1

According to the data of the State Statistics Service of Ukraine between 2012 and 2016, Ukraine's foreign trade of goods was reduced by more than half during these five years, from 153 million USD to 75 million USD. The most significant decline of the Ukrainian economy was in the period between 2014 and 2015, after the demonstrations of the Euromaidan, the annexation of the Autonomous Republic of Crimea and the start of the Eastern Ukrainian armed conflict. These events played a

FIGURE 2 THE DISTRIBUTION OF THE FDI STOCK IN UKRAINE ON 1ST OF JULY, 2017, %
(STATE STATISTICAL SERVICE OF UKRAINE, 2017C)

The distribution of the FDI stock in Ukraine, % (1st of July 2017.)



crucial role in the decrease of the foreign trade of goods, because the data from 2014 does not include the measures of the Autonomous Republic of Crimea and the city of Sevastopol, and the data from 2015 and 2016 does not contain the foreign trade turnovers of the Eastern Ukrainian anti-terrorist operation zones besides the Crimea



and Sevastopol. If we examine the data from *Table 1*, we can see that import decreased much more than the export in the period under scrutiny; as a result, the previously negative balance of foreign trade decreased until 2016, while it was positive in 2015.

UKRAINE'S FOREIGN TRADE OF GOODS (2016), MILLION USD
TABLE 2 UKRAINE'S FOREIGN TRADE OF GOODS IN 2016, MILLION USD
 (STATE STATISTICAL SERVICE OF UKRAINE, 2017B)

	Partner country	Export	Import	Foreign trade turnover (EX+IM)	Balance of foreign trade (EX-IM)
1.	Russian Federation	3 592,9	5 149,3	8 742,2	-1 556,4
2.	China	1 832,5	4 687,7	6 520,2	-2 855,2
3.	Germany	1 423,7	4 318,4	5 742,2	-2 894,7
4.	Poland	2 200,0	2 693,3	4 893,3	-493,3
5.	Belarus	903,2	2 777,8	3 681,0	-1 874,6
...
12.	Hungary	1 053,1	802,0	1 855,1	251,1
...
15.	Czech Republic	560,8	654,8	1 215,6	-94,1
...
19.	Slovakia	471,4	434,9	906,2	36,5
	V4	4 285,2	4 585,0	8 870,2	-299,8
	Total	36 361,7	39 249,8	75 611,5	-2 888,1

Based on the data of State Statistics Service of Ukraine, *Table 2* includes the most important foreign trade partners of Ukraine in 2016 (without the measures of the Autonomous Republic of Crimea, the city of Sevastopol and the Eastern Ukrainian anti-terrorist operation zones). If we examine the data, we can see that the neighboring countries are included in the group of the most important trade partners of Ukraine, and as we know Ukraine has common borders with 3 countries – Poland, Slovakia and Hungary – from the Visegrad Group. The most important foreign trade partner of Ukraine from the V4 is Poland (4,89 billion USD foreign trade turnover of goods), followed by Hungary (1,85 billion USD), the Czech Republic (1,21 billion USD) and Slovakia (0,9 billion USD). The proportion of the V4 countries (Figure 1) together in Ukraine's whole foreign trade turnover of goods was 11,73% in 2016. Logically, it is the same in the case of export (11,78%) and import (11,68%) as well, and Poland was the third biggest export market of Ukrainian goods after the Russian Federation and Egypt, measuring up to 2,2 billion USD. However, the balance of the trade of goods was negative between Ukraine and the V4 countries from Ukraine's viewpoint, but not significantly.

If we examine the foreign trade of goods from the viewpoint of the V4 countries (Table 3), we can observe that Ukraine played a much smaller role in the foreign trade of these countries (in export and import), than vice versa. In the three years under scrutiny (2014-2016), in the cases of Slovakia and the Czech Republic, the proportion of export/import of goods to/from Ukraine did not reach the one percent of the whole Slovak and Czech export/import, but Ukraine is not a significant partner of Hungary and Poland either, because in these countries the proportion of export/import with Ukraine was only 1 or 2%. Consequently, we can notice a certain asymmetric interdependence in the trade relations between the V4 countries and Ukraine. According to the data provided by the Statistical Offices of Poland and Hungary, these two countries count on Ukraine as an export market, and particularly Poland reached a sufficient amount of foreign trade year after year in the trade of goods with Ukraine (more than 1,6 billion Euros in 2016).

TABLE 3 THE V4 COUNTRIES' FOREIGN TRADE OF GOODS WITH UKRAINE, 2014-2016, MILLION EUR AND % (KSH.HU, 2017; CENTRAL STATISTICAL OFFICE OF POLAND, 2015, 2016 AND 2017; CZECH STATISTICAL OFFICE, 2015, 2016 AND 2017; STATISTICAL OFFICE OF THE SR, 2016 AND 2017)

The V4 countries' foreign trade of goods with Ukraine, 2014-2016						
	2014		2015		2016	
Hungary	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine
Export	1 567,1	1,85%	1 261,6	1,39%	1 386,8	1,49%
Import	1 277,7	1,63%	1 021,1	1,25%	1 100,8	1,32%
Foreign trade	2 844,8	1,75%	2 282,7	1,32%	2 487,6	1,41%
Poland	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine
Export	3 140,6	1,89%	2 977,2	1,66%	3 461,7	1,87%
Import	1 697,0	1,01%	1 529,9	0,86%	1 829,7	1,01%
Foreign trade	4 837,6	1,45%	4 507,0	1,26%	5 291,5	1,45%
Slovakia	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine
Export	326,0	0,50%	312,4	0,46%	372,0	0,53%
Import	555,8	0,93%	469,4	0,73%	448,0	0,67%
Foreign trade	881,8	0,71%	781,9	0,59%	820,0	0,60%



The V4 countries' foreign trade of goods with Ukraine, 2014-2016						
	2014		2015		2016	
The Czech Republic	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine	Volume (million euro)	Share of Ukraine
Export	748	0,57%	561	0,39%	805	0,55%
Import	870	0,75%	758	0,59%	737	0,57%
Foreign trade	1 618	0,65%	1 319	0,49%	1 542	0,56%

However, it is very important to notice during the evaluation of foreign trade of goods that the data of the particular countries' statistical offices differ from each other (sometimes the differences are significant), mainly due to the different statistical methodology. This is the reason why the Ukrainian and Hungarian balances of foreign trade of goods in this trade relation are positive in both countries' points of view, but based on the data of the Polish statistical office, the export surplus of Poland in the trade relation with Ukraine is larger compared to the data of the Ukrainian statistical office. However, this slightly distorts our analysis, but we would like to primarily prove the importance of the foreign trade of goods in the economic relations between the V4 countries and Ukraine; therefore the comparison of the rates is, in our opinion, sufficient.

Figure 2 shows the distribution of the stock of Foreign Direct Investments (FDI) and the share of the V4 countries in Ukraine. Based on the data of the State Statistical Service of Ukraine, the stock of the FDI was around 38 billion USD on July 1st 2017, and the countries possessing the biggest shares were Cyprus (9,9 billion USD), The Netherlands (6,3 billion USD) and the Russian Federation (4,4 billion USD). Out of the V4 countries, Poland and Hungary have the largest amount of FDI (approx. 0,8-0,8 billion USD), but as we can see on the chart their shares barely exceed the 2% rate within the total FDI stock of Ukraine. The V4 countries altogether possess 1,78 billion USD FDI in Ukraine, and their share is 4,56%.

Overall, we can thus conclude that the V4 countries play a crucial role in the foreign trade relations of Ukraine and we can observe a certain asymmetry for the benefit of the V4 countries in this relation. Although the diversity of data provided by different statistical offices can slightly distort the results of our research, we can see that Ukraine is a very important export market for Poland, and this trade relation produces a significant export surplus for Poland. Therefore – besides the security issues – it could explain the calm reaction of Warsaw regarding the new Ukrainian Educational Law. Consequently, despite the fact that the importance of the V4 countries in Ukraine's foreign trade of goods would allow the opportunity to put a common economic

pressure on the Ukrainian government, it seems that the economic interests of some countries (primarily Poland) are more important. Therefore, in our opinion, common actions taken in Brussels against Ukraine would fail, and the V4 countries would prefer a separate diplomatic pressure on Ukraine, where Hungary's pressure remains the most powerful one among the Visegrad Group.

5. OPINIONS OF NON VISEGRAD COUNTRIES

Many Western and Eastern media dealt with the Ukrainian Education Law since its announcement.

The EU Observer transmitted Liliya Hrynevych's (Minister of Education and Science of Ukraine) opinion about the given law. She stated that the Law is EU-conform, any schools of Polish, Hungarian or Romanian minorities won't be closed after its coming into force. She wrote about the multiculturalism as an idea which is the "heart of the Ukrainian state" (Hrynevych, 2017). It is really interesting that the Ukrainian students don't have to study the language of the minority with whom they live together.

At the end of September, the Washington Post informed their readers about the Law – perhaps for the first time in the American media. It analyzed the situation and cited the pro and against opinions of both sides (Wood, 2017).

The Eastern neighbor reacted to the Educational Law immediately. As the opinion of the Russian Foreign Ministry was published by Foxnews, they emphasized the idea that the law "forcefully establishes a mono-ethnic language regime in a multi-national state" (Foxnews, 2017). Of course, all Russian media – for instance the most important ones such as Ria Novosti, Russkiy Mir – condemned the Ukrainian decision (Russkiy Mir, 2017).

The Romanian media also stuck up for their own minority in Ukraine. Next to Hungary and Russia, Bucharest was the loudest in asking for the suspension of the Educational Law and asked the Ukrainian government to start negotiations with Bucharest and Budapest regarding the Parliamentary Assembly of the Council of Europe's suggestion (Matei, 2017). Klaus Iohannis, the President of the Romanian Republic cancelled his visit to Kyiv after the birth of the Law (Agepress, 2017)

6. SUMMARY

In conclusion, Ukraine's new and widely controversial Education Law will undoubtedly bring a new wave of changes into the lives of national minorities; however, it does not seem to be enough for the neighboring countries to create a strong cooperation against this legislation.



Within the Visegrad Group, it is the different interests of the member countries that seem to “tear apart” a possible cooperation. The reasons behind these different interests are in fact the diverse social, economic and political bilateral relations which determine the countries’ attitudes concerning the new law in question.

In the case of the Czech Republic and Slovakia we cannot speak about significant minorities. Their relations with Ukraine are more or less limited to the economic cooperation. Therefore, it would be completely uncalled for from their part to engage in an international/bilateral conflict.

As for Poland and their potential support for Hungary concerning the Education Law, there are several factors that make the “question” more complex and complicated. First of all, although there is a large number of Polish people – in other words, a Polish minority – living in Ukraine, their territorial population “density” within the country is quite low. That means that there is no specific area where the minority “accumulates”; they live various regions of the country. This results in the fact that the Polish minority does not represent/(have) a political and economic community as strong as – for instance – the Hungarian minority. Warsaw and the Polish people in Ukraine do not have such a powerful connection and cooperation like Budapest and the Transcarpathian (Ukrainian) Hungarians. Furthermore, since Poland leads a determinant economic relationship with Ukraine – compared to the other V4 countries, including Hungary – their loss of the huge amount/volume of export products going to Ukraine is not worth starting a bilateral conflict. Besides, another reason for why they would not risk their relationship with Ukraine is that Poland most definitely wants to secure its good relationship with one of its most important allies, the United States. The United States thinks of Ukraine as a “transit”/ “intermediary” country between Europe and Russia, and therefore believes that its stability and integrity is essential. It is then completely against Poland’s aim – as one of the most important Eastern European ally of the USA – to induce a political conflict like that. In the case of Hungary – in respect to its very practical relationship with Russia – the USA does not hold any influence.

Ironically, the only – not V4 member but neighbor – country that could be a supporter of Hungary in the protest against the new Education Law is Romania. That is because Romania – similarly to Hungary – has a fundamental minority living in Ukraine and the new Law would affect their lives dramatically as well, which would cause tensions in Bucharest, just like it did in Budapest.

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ENDNOTES

- 1 It includes the number of population of the Autonomous Republic of Crimea and Sevastopol.
- 2 „*Paragraph 5 of Article 53 as to the guarantees for citizens who belong to national minorities in accordance with the law, the right to receive education in their mother tongue, or to study their native language in state and communal educational establishments and through national cultural societies.*” (KMKSZ, 2017)

ANOMALIES OF THE INTERNAL MARKET IN THE INSURANCE AND BANKING SECTOR FROM THE PERSPECTIVE OF THE VISEGRAD COUNTRIES

SÁNDOR GYULA NAGY - VIKTÓRIA ENDRÓDI-KOVÁCS – KRISZTINA ANNA FEKETE

ABSTRACT

The service sector and financial services are very relevant components of the EU's economy. The goal of the European Commission is to liberalize trans-border financial services in order to boost economies and competitiveness. Besides, several deficiencies and challenges can be observed in the functioning of the internal market, which affect the Visegrad (V4) countries. The aim of this paper is to analyze the extent to which the financial (banking and insurance) services are important for the European Union, particularly for the Visegrad countries, how liberalization has been realized in these countries and what kind of problems can be observed related to it. The paper focuses on the case of Astra as a systematic problem of the internal market, which scandal affected the Hungarian and Slovakian customers and the general problems of the banking sector. Moreover, through other European cases, the paper offers possible solutions for V4 countries on how to handle such a problem on a V4 level. The possible solutions are based on literature analysis, case studies and the existing best practices and interviews with experts of these sectors.

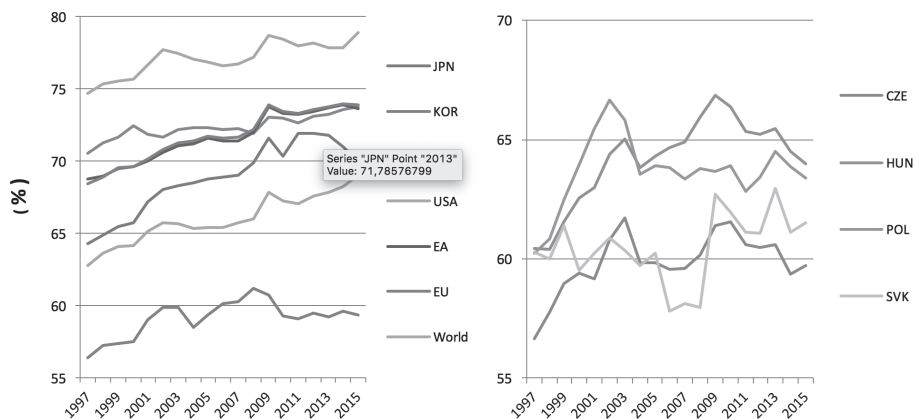
INTRODUCTION

The idea of '**service economies**' appeared in the 21st century.¹ Services became the most important components of modern, developed economies. It can be analyzed by the sector's value-added contribution to the gross domestic product (GDP) or the share of its workforce in case of employment. If the services constitute the majority of value-added of the GDP, the economy should be classified as a developed '**service economy**'. In Figure 1, the service sector's contribution is presented by the United States (USA), Japan (JPN), the Republic of



Korea (KOR), Switzerland (CHE), the European Union (EU) and the Euro Area (EA). There is a steady growth in the ratio of the service sector in all countries and in the integration as well. According to the OECD² and the World Bank³ database, from the above listed countries and areas, the United States', Japan's, Switzerland's, the European Union's and the Euro Area's indicators exceed the world average rate level. The United States has preserved its leading position with an almost 80% share of its service sector. The Republic of Korea has achieved a significantly strong development with an approximately 60% share. Indicators of the European Union and the Euro Area move correspondingly.

FIGURE 14,⁵
SERVICE SECTOR VALUE ADDED TO THE GDP (%)



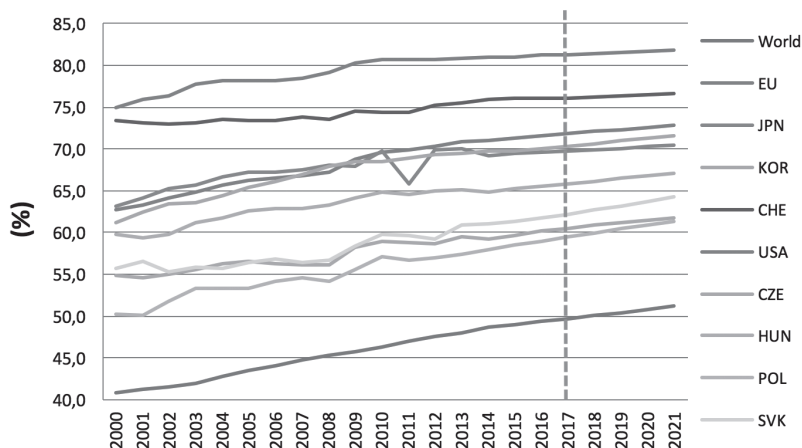
As it is shown (Figure 1), there is a significant divergence between the EU's average share of the services' contribution to the GDP, which is around 75%. The shares held by the Visegrad countries (Hungary (HUN), Poland (POL), Czech Republic (CZE), Slovakia (SVK)) are notably lower, around 60–65%.

The increasing importance of the service sector is the necessary consequence of economic development. The economy goes through a structural development, a so-called tertiarization.^{6,7} The OECD countries, 2000-2001, were examined by the strength of the connection between their GDP per capita, service sector value-added to the GDP and its share within employment. The result showed a strong connection between the indicators.⁸ The test was repeated a few years later and the strength of the connection was weakened. The reason was the limit of the share of the service sector as a contributor to the GDP.⁹

The service sector contribution to the economic growth (Figure 1) and job-creation (Figure 2) in the developed countries is higher than any other sectors. In the cases of Switzerland and the United States, the employment rate in the service sector is between 75–85%, while in the EU, Japan and the Republic of Korea, the rate is around 70%.¹⁰

The drop in the employment in the case of Japan in 2011 can be explained by the consequences of the financial crisis, the slow economic recovery, the rapidly ageing population and the increasing financial pressure through the Great East Japan Earthquake.^{11,12}

FIGURE 2¹³
EMPLOYMENT IN THE SERVICES SECTOR (%)



Based on the scholarly literature^{14,15,16} and the two presented indicators, these countries can be considered as highly developed nations. According to the estimation of the European Commission¹⁷, the services sector accounts for about 75% of the GDP of the EU and more than 75% of the jobs. However, within the EU there are differences between the countries' performance. In the case of the Visegrad countries, the employment rate in the service sector is around 60%, which is below the EU average. Catching-up to the average of the EU should be very important for the Visegrad countries, since this is one way to develop and gain higher economic growth. However, one thing is generally true for the whole EU and within each country, the importance of financial (insurance and banking) services are outstanding among the services.

FREE MOVEMENT OF INSURANCE SERVICES

2.1 General aspects

The liberalization of the financial sector is an essential goal of the European Union together with introducing the Euro and implementing the Economic and Monetary Union. The European financial system is based on the sources, provided by banks, compared to the American or English system, which place a higher dependence on



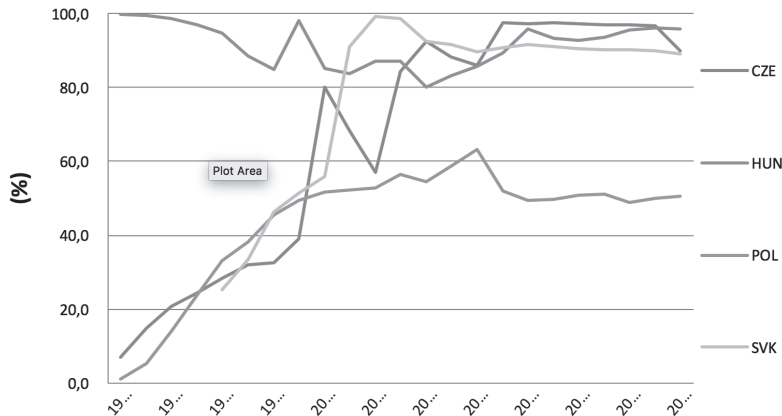
bonds and stocks. The bank based financing system is suitable for a long-run planning distribution and decreasing the risk. This method is in line with the diverse economic performance of the Member States. Through the globalization, the disintermediation and virtualization of the financial sector was enhanced; furthermore, new products such as financial conglomerates, and new technologies were created.¹⁸

Bringing globalization under regulation by the service sector is a complex process. In 1972, in the Second Report on Competition Policy of the European Coal and Steel Community, the Commission stated that the EU competition rules apply to the insurance industry.¹⁹ In addition, the European Commission established several groups of experts, appointed by the Member States, charged to mediate between the preparation and the potential future risks.²⁰ In 2009 the European Union adopted the Solvency II Directive²¹, which was replaced by the Directive 2014/51/EU²² of the European Parliament. In 2015, the Delegated Regulation (EU) 2015/35²³ was implemented to coordinate rules related to the supervision of insurance groups. These directives state that the national authority has a 'supervisory authority' to supervise insurance or reinsurance undertakings.²⁴

Buying and selling insurance in the EU is governed by national contract laws.²⁵ In all EU Member States there are national deposit guarantee schemes (deposits for banks) and investor compensation schemes (for security paper investors) based on the EU law. The protection of policyholder claims, however, has not yet been regulated at the EU level.²⁶ The European Commission proposes a Common European Sales Law, which allows firms to use the same contract law wherever they sell in an EU country. This law will not substitute national rules, and its use is optional. It would make the transactions cheaper, safer and easier for both parties.²⁷ The increased cross-border trade offers promising opportunities for growth in the insurance sector, through the free movement of services and capital. However, some barriers have remained and their liberalization is a more complex process than in the goods markets. The aim is to create a secure financial sector, integrated and independent financial institutions with well-designed regulations and an easily accessible financial market.²⁸ The European Commission set the Single Market Act I²⁹ and II³⁰ to achieve a stronger, economy-boosting single market.

In the case of the EU, insurance and banking services dominate the financial services. The European insurance market is the biggest in the world, with a 32% share of the global insurance market. Its contribution to the GDP is the biggest within the service sector. However, the labor productivity is lower and it is growing just slower than other developed economies.³¹ The insurance service was the biggest institutional investor in the EU in 2015, with almost €9 800bn assets. This amount was invested in a diversified portfolio mainly for bonds (48% in 2014) and investments funds (32% in 2014). The total direct gross written premiums increased until 2015 with €1 200bn and the average amount, which was spent on insurance, was €2 010 per capita in 2015. The most important area is life insurance, followed by the

FIGURE 3³³
MARKET SHARE OF 'FOREIGN CONTROLLED UNDERTAKINGS' (%)



non-life insurance and finally the health insurance. The non-life insurance's main business line is motor insurance with 38%; it grew 1,0% in 2015 to €132bn.³²

In the case of the V4 countries, the insurers' investment portfolio share of the GDP was under the EU average in 2015. It was €37,3bn in Poland, €14,3bn in the Czech Republic, €6,9bn in Hungary and their share of the GDP was around 8%. In 2015, the gross written premium was €2,7bn in Hungary, €2,2bn in Slovakia. In Poland and in the Czech Republic this amount was greater with €12,5bn and €5,2bn. Life insurance dominates in Slovakia, Hungary and Poland with rates almost equivalent to the non-life insurance. Meanwhile, in the Czech Republic, the non-life insurance dominated in 2015. In the same year, the premium per capita was around €300 in the Czech Republic and it was under €200 in the three other countries.³⁴ Through economic stabilization, convergence to the EU average, liberalization and the increasing importance of the market economy, the four countries developed a potential target for the insurance sector.³⁵

However, there are severe systematic problems which should be solved in order to reveal the economic opportunities of the single market in the Visegrad countries. In the following, we are going to introduce the case of Astra, which reveals some problems in the EU legislation, the problem of different procedures; it can be identified as a systematic problem related to the free movement of insurance services.

2.2 The Astra case

A systematic problem

The Romanian Astra Insurance Company opened its Hungarian branch office in October 2010 to support and implement the sales network development process of the company. The main reason for this territorial expansion was that the Hungarian market



shared certain similarities with the Romanian one. The Hungarian market had/has certain advantages, including the prices and the high degree of penetration. The degree of penetration on the property segment was 80% in Hungary, compared to only 20% in Romania. At that time, the ASTRA Asigurari company was the market leader of the Romanian insurance market on the aviation, property and vehicle liability insurance segments and it registered a net accounting profit of RON 11.363.128 with an 83% increase compared to S1/2009 during the first 6 months of 2010.³⁶ It also had a branch in Slovakia since January 2013, but it mainly focused on non-life insurances and universal (non-life and life) insurances.³⁷ The company mainly offered motor third-party liabilities (MTPL) and home insurance to the Hungarian clients and universal insurance to the Slovakian clients until 2015. According to the decision of the Romanian FGA (Fondul de Garantarea Asiguratilor) in accordance with KPMG – which determined the end of the financial recovery - on August 27th 2015 insolvency was declared, thus triggering bankruptcy proceedings and the withdrawal of the license of Astra.³⁸ The FGA made this decision after Astra failed to attract €95 million worth of new capital needed to rebalance its financial position. Until 2013, Astra was the market leader in Romania, in 2013 with over €206 million in revenues and an 11,3% market share. In 2014, Astra Asigurari was the third largest insurance company in Romania with gross written premiums of €173 million and a 9,5% market share. The company had solvency problems since the beginning of 2014 and failed to adapt the restructuring plan of KPMG, which had been the company's special administrator in this period.³⁹ Astra ceased its operations in September 2015. No claims were subsequently paid. There are 200.000 contracts with Astra in Hungary, 170.000 are MTPL related, while the rest are home insurances. Slovakia is also involved, approximately with 10.000 MTPLs customers. Other differences are that in Slovakia Astra paid contributions to the Slovakian Insurance Guarantee Fund but the progress of claim enforcement was moderate.⁴⁰

The Astra case directly involves Slovakia and Hungary, but indirectly (through cross-border claims) all Visegrad countries. The main lesson which can be learnt from this case is that different legislations and procedures exist in different Member States, which are not harmonized at the level of the European Union, causing problems in paying compensations for clients if a 'foreign' insurance company goes bankrupt.

As the root of problem, we can state that since – according to the prevalent interpretation – the relevant court decision has to be final and legally binding, the guaranteed obligation of the competent Romanian FGA could not be activated immediately after the withdrawal of the operating license or the first-instance decision, just only several months later. Moreover, without harmonization, there are differences in procedures and legislations and conditions triggering the obligation of Guarantee Funds to pay compensation. The operating license of the insurer is valid for all Member States, including FOS/FOE activities, but the supervisory authorities (in Hungary, the National Bank of Hungary) have no right to deny registration of the branch office and according to the 'home country

control' principles they have no prudential supervision rights. Instead, they can only protect the consumers. In this case there are no ad-hoc agreements regulating the bilateral relations of the different Guarantee Funds (like the one that the Hungarian GF signed with the FGA, without receiving any kind of assistance from European or other organizations.) These are not signatories to the relevant agreements in force in the International Green Card System. The legal environment defining the final debtor is completely unclear, especially in the case of double contributions made to Guarantee Funds operating in different countries (like Astra Hungary).⁴¹ A 'negative collision' (when none of the Guarantee Funds are obliged to collect contribution) can also constitute a problem.

However, while the branch operated in Budapest, the relevant decisions were made in Bucharest without proper consultation. At the European Insurance and Occupational Pensions Authority (EIOPA), the supervision and legislation roles are not divided and not working effectively.⁴² That is why the European and national legislation are not in line with each other; the European regulation is thus unsatisfactory.

POSSIBLE SOLUTIONS

As an ad-hoc solution, the Hungarian Guarantee Fund reached an agreement with the Romanian FGA: it compensates any involved former client of Astra up to the limit of €100.000 (RON 450.000 per incident), which is determined by Romanian law. There are some administrative burdens - e.g. data exchange or claims must be presented in the Romanian language.⁴³ However, there is an EU directive (concerning winding-up procedures), which states that the claims should be possible presented in the national language where the company provided its services - in this case, in Hungarian.

To avoid or to handle similar cases we can draw up several recommendations. First, there should turn to self-regulation through Insurance Guarantee Schemes (IGS). IGS effectively provide a **last-resort protection** for consumers when insurance companies are unable to fulfill their arising contractual commitments. Consequently, they protect people against the risk that claims would not be met if their insurer becomes insolvent. There may be different issues with this solution.⁴⁴ One concern can be that only a few EU countries have insurance guarantee schemes in place for the time being, e.g. the UK, Ireland, Denmark, Malta, Romania, France and Spain⁴⁵, although there are specific EU directives for the banking and securities sectors (EU directive 94/19/EC⁴⁶ (deposit-guarantee schemes), EU directive 97/9/EC⁴⁷ (investor-compensation schemes)). Another concern can be that these guarantees necessitate compulsory capital requirements. Finally, the guarantees are not viable for insurance companies.

The second recommendation to handle similar cases is constructive and proactive, which includes cooperation among supervisory authorities, providing and sharing more information with each other.



Another solution may be to establish a European Joint Guarantee Fund, which is now unlikely to materialize because of the differences in national regulatory frameworks. Alternatively, it may be necessary to prepare national legislations to handle such complicated cross-border insolvency situations. If national laws were enough to cope with these situations, the Hungarian GF would not have been forced to sign complex agreements with the Romanian FGA, nor would these be necessary in the systems of international claims handling operating in the framework of the Council of Bureaux.⁴⁸⁴⁹ Furthermore, if a Member State is hosting insurance undertakings operating under FOS from more countries, the regulations of the host country would need to be harmonized with the regulations of the other Member States, which would obviously be impossible.

A possible amendment of the Motor Insurance Directive (MID) could solve only a tiny fraction of these problems, since it could not handle all the aspects of winding-up, insurance contract law and civil law procedures, which are very much connected to the whole problem, and are at least as important obstacles as the lack of financial assets itself. In some countries (such as Romania or the UK) the guarantee funds also cover other branches of insurance (life insurance, property insurance, etc.) which again exceeds the scope of the MID.⁵⁰

The EIOPA must be an effective coordinating body of both the national supervisory authorities and the markets concerned with the bankruptcy situation. The Guarantee Funds of the affected countries must be authorized to communicate with the EIOPA (or the competent European body) directly concerning: 1) All information leading to the smooth handling of the claims of the injured party; 2) All proposals, which could protect the clients of the insolvent insurance company, and Guarantee Funds from further financial impacts of such a situation.⁵¹ This solution is a very radical solution. For that reason, without clear regulation it is not recommended, because of the potential cross-border MTPL prohibition.

The case of Astra is not a unique problem in the EU, similar cases can be found. Therefore, in the following, we briefly introduce the two main important cases: the case of the Ineas Insurance Agency BV and the Enterprise Insurance Company.

2.3 Similar European cases

2.3.1 The Ineas Insurance Agency BV case

The first European online insurance company, Ineas Insurance Agency BV, was founded in the Netherlands, in 1997 with the aim of providing low-cost insurance products. Its headquarters was in Amsterdam and it had offices in Cologne, Barcelona and Metz Tessa. The company dealt with motor insurances, associated services and distributed general insurance products.⁵² Its main product was motor liability insurance, which was sold in the Netherlands, but with around 90%, outside of the country, in Germany, Spain and France.^{53,54} In 2010, the company had fiscal and liquidity difficulties and its bankruptcy

proceedings had begun, which ended in bankruptcy in 2016.⁵⁵ The process affected 100.000 contracts and 7.000 open claims.

Under the liquidation process, these portfolios were transferred and covered by the Dutch Guarantee Fund, while at the international level, the signed agreements were normative.⁵⁶

2.3.2 The Enterprise Insurance Company case

The Gibraltar Enterprise Insurance Company was founded in 2001 and was regulated by the Gibraltar Financial Services Commission (GFSC), which aimed to synchronize its regulation with the UK regulations and legislation in the case of the insurance industry. The company provided cross-board services (motor insurance) issued in the United Kingdom, the Republic of Ireland, France, Italy and Greece. In July, 2016, the Supreme Court of Gibraltar appointed a liquidator to manage the company cases, while it had a prospective balance sheet deficit of £96 million.⁵⁷ The communication of the insolvency was directed mainly by the GFSC, who informed the EIOPA and the relevant financial services regulators and compensation schemes in France, Greece, Italy, Norway, Ireland and the UK.⁵⁸

After the liquidation announcement, in late July–August, brokers who sold Enterprise Insurance Company products were advised to inform policyholders about the insolvency of the company. The GFSC issued a webpage 'enterpriseinsuranceclaim.com' to inform the public.⁵⁹ Additionally, the Financial Services Compensation Scheme⁶⁰ opened a Q&A section about the Enterprise Insurance Company PLC. In October 2016, the Company's motor insurance policies were no longer valid. For that reason, the policyholders in the United Kingdom were transferred with their claims to Gallagher Bassett International Limited.^{61,62} In France, the policyholders had to notify Eurodommages, while in Italy the valid claims were processed according to the Italian regulations. Around 14.000 policyholders in the Republic of Ireland were covered by the Wrightway Underwriting Ltd.⁶³ Finally, in Greece, the Enterprise Insurance Company Plc (in liquidation) was the responsible body.⁶⁴ In December 2016, the liquidator cancelled 200.000 Motorway Direct policies and 6.000 NCI Roadside Assistance policies, which were transferred to new insurers.⁶⁵

2.4 Lessons at the Visegrad level

2.4.1 Existing Visegrad cooperation

The privatization process attracts strategy foreign investors, who initially invest in the banking or insurance sector and thus gaining notable FDI inflow for the hosting country. Furthermore, usually horizontal services are offered by the financial sector in the home and host countries.⁶⁶ Therefore, the joint cooperation in this field for the V4 countries could be a key issue.

In the *Czech presidency* (June 2007–June 2008) the idea of experience sharing was set in the field of bearers of insurance in/between V4 countries and the comparison



of the achieved success of the insurance contribution collection.⁶⁷ The last *Polish presidency* (July 1st 2016 – June 30th 2017) set the cooperation in the financial sector as a key element. According to the goal, a frequent meeting should be organized by experts to scrutinize the European Deposits Insurance Scheme and Deposit Guarantee Scheme.⁶⁸ Finally, the congress has to discover innovative solutions for financial and insurance sectors.⁶⁹

2.4.2 Existing best practices useful to the Visegrad countries

There are existing best practices, which can contribute to the convergence and handling of situations such as the Astra case. For instance, MABISZ (Association of Hungarian Insurance Companies) introduced an online fee calculation system for MTPL (called '*Díjnavigátor*').⁷⁰ Using this system, consumers can learn about the current active domestic compulsory motor liability insurance market and reach the insurers' offers and discounts. A similar platform could be introduced in the V4 countries.

Another existing benchmark could be the Annual Cost Rate, which was created by MABISZ as well, in 2009, in order for consumers to easily compare the unit-linked life insurance products. This way, the insurers' offers are more transparent and comparable.⁷¹ This Annual Cost Rate method became part of the PRIIPs (Packaged retail and insurance-based investment products) regulation at the EU level.

Until a common EU regulation (oversight, guarantee fund) is adopted, it is worth to consider using the 'place of business activity' rule, i.e. the service providers (including insurance companies) should be controlled (financial and prudential oversight by responsible national authorities) in the state where they do business including the branch offices of foreign companies. They have to be part of the national guarantee schemes as well (including obligatory contributions to the guarantee fund, if such exist.)

ISSUES OF THE BANKING SECTOR

3.1 General aspects and problems

The legislation and supervision of the bank industry is very strong on an international and European level. The 2008-2009 global crisis highlighted the shortage of regulation of the financial and banking sector and new regulations were introduced in order to avoid a similar crisis. On the international level, the Basel Committee on Banking Supervision developed Basel III, which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. The goals of the measures are 1) to improve the banking sector's ability to absorb shocks arising from financial and economic stress; 2) to improve risk management and governance and 3) to strengthen the banks' transparency and disclosures.⁷²

On the EU level, there are several regulations on e.g. over-the-counter (OTC) derivatives, on settlement and central securities depositories, on venture capital funds etc. EU regulations are directly applicable in all EU countries and the European Commission monitors the adoption and correctness of the relevant national measures.⁷³ As the result of the financial crisis, Euro Area banks have substantially strengthened their solvency ratios by raising significant amounts of capital. The average common equity tier 1 capital (CET1) increased from 7% in 2007 to 14% for 2017. According to the Vice President of the ECB, the solvency position of European banks is robust. Nowadays, the main concern is the low profitability of the European banks in an international comparison. The structural challenges of the European banking sector include customers' difficulties, such as the hardship of opening an account, because of the need for a local/national place of residence/home address, the poor exchange rates offered by the banks or the high fees of transferring money.⁷⁴ The main issue is the large stock of non-performing loans (NPLs) as a legacy of the 2008 financial crisis, cost inefficiency and excess capacity.⁷⁵

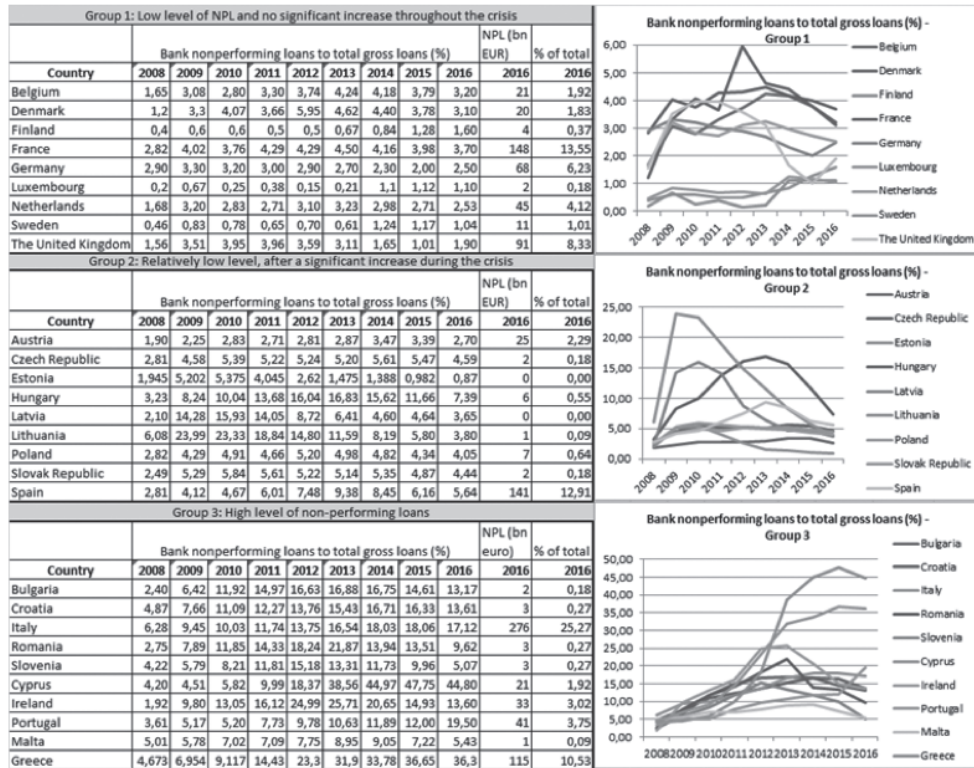
In the EU, the average rate of non-performing loans was 5,1% in December 2016, which shows a slowly decreasing trend in comparison with 6,5% in December 2014 and 5,7% in December 2015, but it is higher than in 2008 or in other major developed countries.⁷⁶ In 2008, the average NPL ratio in the EU and the EA was 2,8%, which increased respectively to 6,41 and 7,89% by 2013. After this peak, a decreasing trend can be observed until nowadays.⁷⁷ In comparison, the *World Bank*⁷⁸ reported NPL ratios of about 1,5% for the United States and Japan at the end of 2016, which are about one-third of the EU level. There are huge differences among the Member States, which can be divided into three groups: 1) countries with historically low NPL ratios without any increase during the crisis; 2) countries with significantly increasing NPL ratios during and after the crisis; and 3) countries with a generally high level of NPLs.

As it is shown in Figure 4, all of the Visegrad countries were classified into Group 2, where the NPL ratio is quite low, but significantly increased during the crisis. The NPL ratios in Hungary and Poland are higher than the EU average but they are decreasing. In sum, the V4 countries have €17bn worth of non-performing loans, which is just about 2% of the total in the EU (including the United Kingdom). The peak was in 2013; since then, the NPL ratio has been decreasing in these countries. Similar trends can be observed in the whole of the EU. However, these NPL ratios are close to the EU average (with the exception of Hungary); these should be further decreased in order to increase the profitability of the banking sector. In general, an increased NPL level is a risk for banks, countries and the banking sector as well. A high or increasing NPL level is directly correlated with low profitability and inefficient capital allocation at a general economy level, thereby hindering economic recovery and/or growth.⁷⁹



FIGURE 4^{80, 81, 82, 83}

NPL RATIOS IN MEMBER STATES AS OF DECEMBER 2016



3.2 Polish cases

Poland has suffered from several financial scandals, such as Rentier DK, Skyline, Galicyjski Trust Kapitałowo-Inwestycyjny, Fundusz Obsługi Zadłużenia Zagranicznego (FOZZ) and Amber Gold.⁸⁴ The problem was the pyramid scheme in each case. In the case of FOZZ, established in 1989 with the aim of paying back the Polish national debt, but the money was transferred to companies in tax heavens. More than 50% of its actions ended with loss, which created PLN 334 million deficit for the Polish Treasury.⁸⁵ Amber Gold was promising extraordinary high annual return through investment in precious metal.⁸⁶ Instead of investing the new clients' payments, the company paid off the older clients.⁸⁷ The largest amount, which was invested from one client, was PLN 3.2 million; 67 individuals invested around PLN 500.000 and 1.170 people invested more than PLN 62 000.⁸⁸ Between 2009–2012, around 19.000 clients were involved with € 200 million, and only 1/3 was recovered.⁹⁰ Similar cases may happen in any Visegrad countries and can affect clients from different countries. In this case, we can ask – who supervised these companies and why couldn't any authority do anything?

3.3 Existing best practices useful for Visegrad countries

Besides the challenges of the banking sector, there are existing best practices in the world/EU, which should be adopted at a EU level or extended to the V4 countries in order to increase the efficiency of the operation of the banking sectors.

In general, SMEs face more problems than the big companies as some banks (the majority of foreign owned banks operating in Poland⁹¹) do not offer services for small firms (or the fees are too high). The creation of a website that compares the offers of banks would be a helpful solution and ensure transparency and access to information, which is a critical factor for effective competition.

It is worthwhile to create a website on the V4 level, which can compare the offers of banks in the involved countries. Similar solutions already exist, the Australian Infochoice⁹² or the American Credio⁹³, within the V4 countries, the Hungarian Bankváltás.⁹⁴

Moreover, the functioning of the GIRO system (Hungarian clearing house) could be a benchmark on a V4 or even on an EU level, which may be helpful in the harmonization of the sector and would increase the quality (rapidness) of cross-border services. Unfortunately, nowadays there is no specific interest in deepening cross-border supervision or European oversight, the interest lies in consumer protection and quality services.⁹⁵

Another existing good practice to improve the operation of the European banking system is the introduction of a new law that enables the creation of the central database of bank account numbers that should facilitate the fight against tax evasion. A similar law was introduced in the Czech Republic recently⁹⁶, which should serve as a basis for the further expansion of the Visegrad and then EU level.

CONCLUSIONS

This paper aimed to examine the role of the financial sector and its potential difficulties within the internal market, focusing on the Visegrad Countries. One of the main indicators of development is the share of services, more precisely the financial services. This is the sector in which case the share of the services in the EU and the Eurozone is greater than the world average, while in the case of the Visegrad countries it is notably lower. Its added-value appears in the high employment rate as well. However, there is a significant difference in the employment rate of the sectors between the EU and the V4 countries, which shows further room for potential improvement.

As it was shown, through the diverse economic performance and development, some deficiencies could be observed in the functioning of the internal market in the EU, especially in the insurance sector. To reduce the potential risk of trading with



financial services within the internal market, the EU issued a complex regulation framework (Second Report on Competition Policy, Solvency II Directive, Directive 2014/51/EU, Delegated Regulation (EU) 2015/35.) The EU delegated the 'supervisory authority' to national authorities by using the national contract laws during the insurance trading process. Furthermore, it is compelled to set a national deposit guarantee scheme.

While the EU has the biggest insurance market in the world, its efficiency is a key issue. In the Visegrad countries, the shares of foreign-controlled undertakings are notable. This fact brings the Romanian Astra, the Dutch Ineas Insurance Agency BV and the Gibraltar Enterprise Insurance Company cases into the focus of this paper. These cases draw attention to the problems of the system. These insurer companies provided cross-border insurances, mainly MTPL, and finally they became insolvent and declared bankruptcy. These processes show that the leading position and the great annual revenues are not sufficient indicators of the companies. During the "foreign" companies' insolvency processes, the different legislations complicated and prolonged the compensation process of the clients.

At the V4 levels, the need of joint cooperation is recognized. In the last decade, different presidencies drew attention to the issue of experience sharing, cooperation and involvement in the field of European Deposits Insurance Scheme and Deposit Guarantee Scheme and innovative solutions.

However, the legislation and the supervision are stronger and more transparent in the banking sector than in the insurance sector; the recent financial crises drew attention to some shortcomings. The Basel III reforms were introduced to strengthen the legislative processes and the risk management. The banking sector has to absorb shocks, which is why strong transparency and deliberate governance are needed. In the case of the EU, the regulation system is harmonized through the rule of direct applicability for the Member States. Although the solvency position of the banks is stable, their profitability is lower in the international stage. This is caused by the structural challenges of the European banking sector, the difficulties of account opening, money transfer, but mainly the respectively increasing ratio of non-performing loans. The Visegrad countries' NPLs ratio increased significantly during and after the crisis and it has a key importance to stabilize their decrease to further convergence.

RECOMMENDATIONS

Our recommendations based on the research on the insurance market, which was done in this field, are as follows: The EU should place greater emphasis on regulating the framework of policyholders' claims and focus on creating the Common

European Sales Law. Visegrad countries should urge this. By this movement, the different legislations and procedures in the Member States can be reduced or even abolished. Furthermore, the guarantee obligation of national Guarantee Funds to pay compensation should be harmonized, which can reduce the duration of the pending processes and increase efficiency. Another recommendation is that the national supervisory authorities should receive supervision rights over “foreign” companies. Other key points are that a harmonized concern (such as the self-regulation role) should be achieved in the case of the Insurance Guarantee Schemes (IGS) combined with setting up a Motor Insurance Directive (MID) and a smooth communication with the EIOPA. Finally, an online fee calculation system, annual cost rate system and, in the case of liquidation problems, an information webpage should be created at least on a V4 level and the Visegrad countries may urge the creation a similar on an EU level.

In the case of the banking sector, a webpage should be set up at an EU or V4 level, where the different banking offers can be compared. Through the increased transparency, the ratio of cross-border banking services could increase and the SMEs could easily obtain information about their potential financial investors. Finally, the use of an EU level GIRO system and / or a central database of bank account numbers would support the increase of the efficiency in the banking sector.

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ENDNOTES

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