

Towards a V4 Position on the Future of Europe

Report of the Polish Institute of International Affairs



WARSAW
DECEMBER 2012

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THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

TOWARDS A V4 POSITION
ON THE FUTURE OF EUROPE

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Warsaw, December 2012

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Copy editor
Anthony Casey, Brien Barnett BDB

Technical editor and cover designer
Dorota Dołęgowska

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The publication is co-financed by the Minister of Foreign Affairs of the Republic of Poland
within the framework of the Polish Presidency of the Visegrad Group.

ISBN 978-83-62453-47-4

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Executive Summary

- The Visegrad Four platform was established in the run-up to accession to NATO and the EU, at a time when the Visegrad partners had a clear set of common goals and their policy agenda was being elaborated in tandem with two powerful external organisations. Since joining the EU, the potential of that platform has not diminished. Quite the contrary, it has increased, with the four countries enjoying full membership rights.
- So far, the V4 has principally focused on cooperating on those policy areas where they might be expected to have natural shared interests: their experience of EU accession, successful democratic and market economy transformation, and relatively similar geographical and economic positions. These natural commonalities have facilitated the emergence of a shared agenda on issues such as EU enlargement, Eastern policy and energy security, as well as forming the heart of the “Friends of Cohesion” in the Multiannual Financial Framework negotiations.
- The sovereign debt crisis however, has demanded that the V4 achieve common positions on issues not of their choosing. The shift to inter-governmental decision-making, and the emergence of small groups of states that can dominate decision-making, means that the V4 have a stronger rationale for cooperation than ever before. In fact, a common position achieved between just such groupings of governments with divergent positions can exert a high degree of influence at the EU level. The V4 have, however, struggled to cooperate on core issues of the EU’s functioning, preferring to avoid questions such as the future of the European Project due to differences on European policy, different patterns of membership in a “multi-speed” Europe and different degrees of domestic politicisation surrounding EU affairs.
- That said, even though the V4 members’ positions on the various proposals for differentiated integration within the EU, particularly those concerning the completion of the EMU, might often be divergent, the four are increasingly aware of the prospect of their being marginalised in the emergent EU setup. This sensibility is providing a new perspective for cooperation. The threat of EU fragmentation and of being labelled as second class members is in fact an opportunity for expanding V4 cooperation to new policy areas.

In order to facilitate cooperation among the V4 on these difficult issues and reduce the incidence of unilateralism on the European Union level, it is necessary to boost this cooperation format more generally through:

- Reinforcement of common projects that are not in the mainstream of EU affairs, such as infrastructure and transport projects as well as parliamentary, cultural and educational exchanges. This gives the V4 members a stake in each other’s development. This will make the V4 format too important to be jeopardised by the short-term pursuit of unilateral interests at the EU level.
- Strengthening the joint ideational dimension of cooperation. Through common think tank projects and meetings between their policy planning staff, the V4 can explore new approaches to EU issues beyond fields such as transformation or EU accession, in which they share a natural expertise and affinity. This would facilitate the V4 attempts to set agendas cooperatively and, most importantly, would improve their capacity to follow and react to events at a European and global level.
- Greater attention to the broader politico-institutional setup at the EU level. On some occasions, the EU will indeed expect the V4 to act as natural platform for regional cooperation. The Visegrad Group as a relative newcomer to the EU will have a natural stake in defending some of the EU’s integration achievements such as Schengen or the

single market since their benefits, which tend to be forgotten by some of the older member states, are easily recognised by the V4.

- A search for alliances. This might be with the “Community institutions”, especially the European Commission and Parliament, based on a defence of the EU’s achievements and political integrity. Moreover, any trend towards sidelining non-eurozone members in the EU decision-making process, and any serious threat to the integrity of the EU 27 (soon 28), could potentially facilitate the process of establishing broader alliances, not just with EU institutions but also other non-eurozone states. Third countries, too, might be invited to cooperate on EU affairs within the V4 Plus format.

Introduction

The deepening of eurozone integration, an essential building block in establishing sound EU economic governance and necessary for improving the EU's resistance to any crisis in the future, has excited domestic discussions within the Visegrad Group (V4) members, the Czech Republic, Hungary, Poland and the Slovak Republic. Resolving the sovereign debt crisis and improving the eurozone's health is in the interests not only of the Slovak Republic as part of the euro club, but of the whole V4 group, which has been affected by the eurozone downturn and turmoil in the financial sector. However, the growing repertoire of EU measures to fight the crisis poses questions about the acceptable scope of the transfer of competencies to the EU level, and raises inevitable questions about the consequences of a two-tier or even multi-speed Europe. The integrity of the EU is at stake and, with three of the V4 still outside the eurozone, these developments affect not only their place in the Union but also their capacity to cooperate on this defining issue of integration.

By drawing upon the experiences of the V4 countries in the run-up to and during the ongoing sovereign debt crisis, this report aims to reveal the basis for a possible common V4 position towards the future shape of the European Union. Having demonstrated the cooperative characteristics of the V4 format and the impact of the changing EU context on this regional cooperation (Chapter 1), this report explores the commonalities and differences between the V4 with regards to Economic Policy (Chapter 2), the putative political union (Chapter 3), and enlargement policy, in which the four may be expected to have common political interests, as recent accession states likely to be acutely affected by any further widening of the EU, and deep expertise (Chapter 4). Chapter 5 examines that other area of "multi-speed" integration, the Schengen area, of which all four V4 states are now integral members. To that end, we have brought together authors from Poland (Janusz Gąciarz and Rafał Trzaskowski), Hungary (László Sinka), the Czech Republic (David Král) and the Slovak Republic (Radovan Kavický).

In so doing, this report contributes to the wider debate initiated by the project "*The Visegrad Group in a Post-Lisbon EU: Getting Closer to Move Further*" supported by the International Visegrad Fund and encompassing the following V4 think tanks: The Institute of International Relations in Prague, the Polish Institute of International Affairs in Warsaw, the Hungarian Institute of International Affairs in Budapest, and the Research Center of the Slovak Foreign Policy Association in Bratislava.¹ It also marks the continuation of a discussion between V4 representatives who gathered on 19th October in Warsaw at a conference co-organized with the Konrad Adenauer Foundation's Poland Office and under the aegis of the Polish Ministry of Foreign Affairs and the Polish presidency of the V4, with the aim of tackling the political dilemmas facing the V4 with regards to the process of reshaping the EU setup, and whose ideas helped shape our own conclusions and recommendations at the end of this volume. President of the European Commission José Manuel Barroso set the parameters for this debate in his State of the Union address of September 2012, as did European Council President Herman Van Rompuy, in an interim report entitled *Towards a Genuine Economic and Monetary Union*.² The observations made by both presidents will provide food for thought for the current Polish presidency of the Visegrad Group, which has set itself the task of strengthening the region's voice at the EU level and its influence in EU decision-making.³

¹ For more information about the project, please see: www.pism.pl/research/projects/Visegrad-Group-in-the_Post-Lisbon-Eu_eng.

² European Council, "Towards a Genuine Economic and Monetary Union—Interim Report", Brussels, 12 October 2012; "State of the Union", address by José Manuel Barroso, President of the European Commission to the European Parliament, 12 September 2012.

³ "Programme of the Polish Presidency of the Visegrad Group", July 2012–June 2013, *Visegrad 4 for Integration and Cohesion*, Warsaw, 1 July 2012.

The goal of the report, then, is to shift the terms of the debate between the V4. The Visegrad format has too often been presented as a *natural* platform for cooperation between four governments with a common geography, political history and economic setup. And, indeed, László Sinka suggests that this can be the case, proving notably optimistic about Visegrad cooperation, but this is probably because the enlargement policy belongs to the well-defined regional interests of the Visegrad members. The geographical proximity to candidate countries, as well as to other states with European aspirations, combined with a common understanding of the benefits arising from EU membership and a strong interest in ensuring the stabilisation of neighbouring regions, constitute perfect grounds for cooperation as regards enlargement policy. Yet, if the V4 is to advance to its full political potential, its members must cooperate on those points on which they disagree or ostensibly have little in common.

As Janusz Gąciarz points out in the context of Schengen cooperation—where the V4 members' geographic similarities might be expected to play a positive role—the group is in fact subject to rather different immigration pressures, as well as enjoying different relations with their neighbours outside the EU. Radovan Kavický goes even further by suggesting that, in an EU environment dominated by the inter-governmental approach to decision-making, Central Europe has failed to achieve recognition as a single region of shared interests, tradition and culture that could offer a rebalance for key Member States' bilateral relations. Rafał Trzaskowski, backed by David Král, even begins his analysis with the reservation that presenting the common V4 position concerning the further economic and political development of the EU is an uphill battle due to the wide range of views on European integration and, more specifically, the common currency. In this difficult context, however, all the authors identify a strong potential and new basis for cooperation within the V4.

The V4 members are being forced to react to an agenda not of their choice or making, but one which often highlights differences in their European policies and readiness to commit to the EU, as witnessed by Prague's decision not to participate in the fiscal compact.⁴ Moreover, the economic crisis has given added political weight to a small number of governments, notably Berlin and Paris, which are not necessarily prepared to wait until regional groupings formulate common positions—and which may indeed look upon a format such as the V4 manoeuvring as evidence of an unfortunate fragmentation and regionalisation as regards decision-making. Discussions, such as those on the EU Multiannual Financial Framework also give other Member States an incentive to undermine the cohesion of the V4, and to attempt to pick them off one by one in pursuit of their own national gains.

It is precisely in such matters that the authors identify the potential of the V4 format. Cooperative, inter-governmental formats capable of following fast-paced EU developments, potentially providing new ideas for the process, and above all reaching compromises that span the national differences reflected more broadly at the EU level, carry much weight in the current round of summit-driven decision-making. It is therefore, imperative that the V4 governments make the format something worth defending, so that they recognise the need to stick together even when issues arise that may make it attractive to pursue their interests unilaterally.

Inevitably, perhaps, general readers interested in the development of the European political union, the Multiannual Financial Framework, or the deepening of the EMU, will overlook a volume such as this, deeming it parochial and most concerned with a regional format that is still struggling to play a role in defining the bigger European issues. That would be a mistake. Each one of the contributions to this volume stands alone as an analysis of the current state of the Union. The first chapter, by Radovan Kavický, offers an extensive analysis of the visible shifts in the EU decision-making process, tracing the effects of the prevalence of the inter-governmental approach and the European Council's dominance in the inter-institutional dialogue. Kavický's analysis is complemented by Rafał Trzaskowski, who as a deputy to the

⁴ The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the so called fiscal compact).

European Parliament and a member of the Constitutional Affairs Committee (AFCO), can easily sum up the complexity of EU decision-making. Few people are better placed to reflect upon the institutional mood surrounding the ideas threatening the EU's integrity and the increasing gap between the euro area members and the rest of the EU. His reflections concerning ever closer economic union are followed by an analysis of the current state of the political union, provided by David Král. By mapping the individual member states' positions regarding political union, Král paints a picture of a patchy Visegrad stance towards the EU's future, which after all does not bode well for coordinating these matters on the EU forum. László Sinka then offers a comprehensive overview of the factors, rooted both in the EU and the candidate countries, which pose a risk to EU enlargement policy. And, finally, in his analysis of Schengen cooperation, Janusz Gąciarz presents a cogent argument that the current implementation gaps and problems of fragmentation and free-riding are not—as so many others have claimed—an inevitable byproduct of vanguard cooperation, but rather are indicative of deeper changes to European welfare systems.

Finally, it is worth noting that perceptions of the V4 members' respective European policies are different even among the four themselves. If this report thus occasionally provides different interpretations of the same domestic developments, this only underlines the need for cross-border dialogue amongst V4 societies on European policy, which would also facilitate V4 members' actions to fight harmful stereotypes concerning the V4 vision of Europe.

Chapter 1

Is V4 Cooperation a Safe Haven in Turbulent Times?

Radovan Kavický¹

Introduction

The EU Member States are running around in circles, and no one seems to have the right solution to the immediate crisis let alone to ensure long-term growth. More than fifty high-level summits have taken place during the last few years and the results have always been the same: we're still on the brink of fundamental change, but without any clear definition of possible alternatives or a decision about which way to go.

One possible route is through closer integration, with the idea of fiscal union having been mooted in response to the economic problems of Greece. The fiscal compact is just one step in this direction, and the EFSF/EFSM/ESM measures were put together to resolve current problems and stabilise the monetary union. The attempt to create a fiscal pillar for the EMU led to the creation of the European Semester, the Euro-Plus Pact, the "six pack" and so on, but these are yet to have much effect.

What is the role of the V4 in this difficult situation? Could the group of four Central European countries significantly influence the decision-making of the EU, and do these nations have any potential to offer a solution or alternative? To find the answers to these questions we should look at the whole problem in more detail. The relationship between different groupings of countries is very unbalanced and unclear.

This paper looks beyond the current situation and focuses on the promising potential of the V4. After defining the problems currently undermining V4 cooperation, the paper will set out opportunities for resolving these issues, providing arguments in favour of strengthening the group.

Challenges for V4 Cooperation

The V4 (before the break-up of Czechoslovakia, the V3) was established in 1991 as a regional grouping. It thus preceded the Maastricht Treaty and the creation of the EU.² Today, however, its rationale is to foster cooperation between the four countries, within the context of European Union. But at the same time the EU does not recognise the V4 as an independent and separate group of countries with an own opinion and position on EU issues. The V4 is viewed as an "informal discussion club"—a platform to define and occasionally pursue joint positions. The EU does not mention the Visegrad Group in any of its key documents at all, at least not as a distinct political entity. It is argued³ that the V4, especially after the accession of all four members to the EU and NATO, has ceased to be functional. It is said that the domain in which there is common consent for enhanced cooperation has shrunk, and now encompasses only a few minor issues.

¹ Radovan Kavický is an analyst at M.E.S.A. 10—Center for Economic and Social Analyses in Bratislava, Slovakia.

² The Treaty on the European Union (TEU) entered into force on 1 November 1993. It enabled "variable cooperation" in the EU for the first time, by enshrining British and Danish opt-outs and permitting a group of Member States to move towards a monetary union provided they first meet the necessary macro-economic criteria.

³ R. Drulakova, *Visegrad Group within the EU—a Stable or Diluted Coalition*, Prague, 2007.

In regional policy, for instance, the European Union supports many initiatives, but most attention is focused on regions as defined by the NUTS terminology—this means regions within individual member states rather than transnational areas. The idea of nation-states cooperating to form higher political units or macro-regions below the EU level is simply absent from this area of policy. Consequently, the V4-format does not receive any formal attention under EU regional policy, and Central Europe as a region is still not sufficiently motivated to formulate common opinions and actions on regional spending. Regarding the division of EU funds in each programming period, countries are motivated to fight mainly for their national interests and obtain enough EU funding for the development of their sub-national regions; as a result, there is no unified view of Central Europe as a single region with its own interests, business relations and cultural traditions.

Another phenomenon confronting the V4 is the idea of a “multi-speed” Europe, which classifies Member States according to the degree of their participation in the integration process. This concept allows some members to progress towards commonly-defined policies more rapidly than others. The faster-moving group of states remains open to new members, provided they can keep up with the pace. It is a concept which suggests that those countries which are able to do so should forge ahead, while the rest of the EU would provide assistance for the lagging states to catch up. Fears that this kind of “multi-speed” Europe might lead not to a common union but to a permanent “two-tier” Europe, mean that there is currently considerable opposition to this concept. This situation has influenced the V4 countries, with Slovakia in the eurozone due to its “stick close to Germany” strategy, Poland as a clear regional leader with the biggest economy but remaining outside the eurozone, the Czech Republic clearly refusing to participate in the fiscal compact, and Hungary now very hesitant as regards fiscal integration.

The fiscal compact of March provides a case-study of these dilemmas. The European Council played a significant role in negotiating the compact, and the European Commission (despite its formal role as initiator of legislative changes) remained largely in the background. The community method was clearly relegated, and the number of inter-governmental meetings increased significantly.⁴ The main core of the EU, the monetary union, is as a result now co-governed by an unprecedented combination of a classic community method and what German Chancellor Angela Merkel has called the “union method”. V4 countries must rise to new challenges if they want to participate in this new “vision of Europe”. The V4 countries can now simply agree with these new rules and arrangements (only the position of Slovakia, as part of the eurozone, allows full participation) or formulate counter-proposals and offer the EU their own vision of cooperation within Europe.

It is also strongly in the interests of the V4 countries to coordinate their positions during the negotiations of the Multiannual Financial Framework (MFF) 2014–2020. Different opinions among the countries still exist (concerning the details of the MFF allocations, the strategic viewpoint, and the purposes that should be served by the EU budget), which presents a problem since these disagreements can easily be used by other countries to counteract attempts to negotiate a substantial increase in funds for all V4 countries.

In regard to the common interests of the V4 countries, some argue⁵ that: “Like every other country taking part in the negotiations, the V4 members wish to optimise their net positions. The current economic status of these countries makes them natural supporters of cohesion policy. This is because they gain from structural funds in two aspects: they are net beneficiaries of this policy and they are able to narrow the competitiveness gap with

⁴ There has also been an increase in the number of official and unofficial “summits” between Germany and France before every planned summit.

⁵ D. Kałan, P. Tokarski, P. Toporowski: “Visegrad’s Winding Road to the EU Multiannual Financial Framework 2014–2020”, *PISM Policy Paper No. 39*, The Polish Institute of International Affairs, October 2012, p. 1.

knowledge-based economies by such things as upgrading labour skills, boosting human capital and improving infrastructure.”

Different opinions are still apparent⁶ mainly in these areas: “In short, the V4’s positions should coalesce logically around two issues, with the first being cohesion policy. The overall net position of the Visegrad Countries depends mainly on the magnitude of the structural funds and the other items linked with cohesion policy. Reductions in these budget lines would do most harm to their net positions, whilst cuts in other items would bring significantly fewer losses. The second, although somewhat distant to cohesion policy, is the Financial Transactions Tax (FTT).”

If V4 countries learn how to cooperate and form and maintain a common position, they will also be able to negotiate an arrangement that is most beneficial to all of them. But if one or two V4 countries give priority to individual interests in order to achieve a better national position, everyone else in V4 will probably lose.

So, today, the V4 countries are faced with an important decision. In the past, the V4 demonstrated the potential benefits of regional coordination and proved that this approach can bring significant returns to a region not traditionally counted among the richest or most powerful. Currently, however, the V4 is failing to realise Central Europe’s potential to establish itself firmly as a significant pillar of Europe by creating and promoting its own interests. If the V4 states want to be taken seriously, they should adopt a strategic, long-term approach to current European challenges. To achieve this, the V4 countries must formalise their cooperation. The V4 is still very fragile and lacks a formal structure. From the international point of view, it appears to be a very unstable alliance. The V4 is only tied by a form of loose inter-governmental cooperation and there is no clear mandate, institution, representative body or permanent representation, so neither is there any commitment to stand up for common positions. Each country has the possibility to assert its own position towards the EU in key areas.

Opportunities for the V4

The EU will always have some economically strong members, whilst others will struggle to keep up with the core members. But creating a “two-speed” Europe in response to this is counter-productive and against the basic ideas of European integration. It is already leading to disintegration and unnecessary tensions. Unfortunately, the idea that partnership and cooperation should bind the participating political units in their bid to act as a stabilising force in international politics has been pushed into the background. Politics in Europe is mainly about individual states and their national interests, rather than regional cooperation. As for the decision-making process, we are now in a situation where each state is concerned principally with its own gains and losses rather than common good.

The fact that the V4 could affect EU decisions and have a significant impact on regional development therefore provides strong grounds for maintaining the principle of the group and investing in the V4 format. A group of small states could provoke a discussion on key issues and help ensure an institutional balance that is fair to states of all sizes. The decision to redefine the current approach to EU integration could be the key element in the revitalisation of the V4 format. But there are many other reasons why Europe should consider other forms of variable cooperation as alternatives to the “multi-speed” model. The Lisbon Treaty left the EU’s development options open, offering a variety of means to adopt an integrationist, as well as inter-governmental policy.

Robert Kron provides a possible starting point for this rethink.⁷ Speaking of the V4, he said: “First and foremost, they need to create and cultivate a culture of trust, a currency

⁶ *Ibidem*, p. 4.

⁷ R. Kron, *Thoughts on the Visegrád Group: A View from the Potomac*, 2012.

traditionally scarce in the region. And, more often than not, it is the lack of trust that acts as the greatest inhibitor to more robust Visegrad cooperation. The key here rests with starting small, identifying non-controversial pockets of opportunity where convergence of interests is high and netting small victories that reinforce confidence for larger projects down the line. The way ahead for the Visegrad Group will be difficult. To succeed, it will require a corollary renaissance of the kind of vision, determination and strategic foresight that characterised Central European capitals in the 1990s." But if this necessary precondition has been met, how should the coalition be formed? And on what should it be based? The V4 has so far acted together mainly as a demonstration that it can agree on at least a few issues, and therefore also its actions have often been ineffective. Moreover, it has failed to progress from this modest basis.

The importance of agreement is linked to the necessity to cooperate in order to impose a distinct V4 vision on European issues, because each country has very little chance to promote its solutions by acting unilaterally. When common V4 arguments really do convince others, and the countries remain united, the V4 could raise a common voice either in the European Parliament or in the Council. Poland is a clear regional leader, but without cooperation with its natural regional partners, the V4 will not be as successful within European issues as it could be. In this context, there are many areas where agreement is not only possible, but necessary. For example, the V4 play a very important role in the Western Balkans, trying to support regional stability and economic development, which is also an EU priority. The most important areas of support are the rule of law, economic reforms and regional cooperation.

Conclusions

Less than a decade ago, all Central European countries were eager to "return to Europe" and therefore accepted unconditionally its norms and policies. These norms and policies are now changing and clearly not all V4 members are willing to accept German leadership in Europe fully, without making their own voices heard. Therefore, the key macro-economic and political question is whether the V4 as a group is going to be on the German side regarding the key elements of the German-French vision of a "New Europe", or whether it will formulate and offer its own vision.

Either way, the V4 is still playing an important role as a promoter of the common European integration experience, for example, by helping the Western Balkan region to build a closer relationship with the EU. Previous changes in the international system and in Europe have increased the demands for cooperation with the EU and also within V4. Due to the effects of the current eurozone crisis, all of the regional groupings (such as the V4 and the Baltic states) will play an important role within Europe, and future EU enlargement will depend greatly on their relations with neighbourhood countries.

Let's hope that the V4 will accept the challenge and also secure the position of smaller countries on the political map of the European Union.

Chapter 2

A Closer Economic Union with V4 Members on Board?

Rafał Trzaskowski¹

Introduction

Any institutional debate within the European Union is played out in the context of the current economic crisis within the eurozone. As a result, it is hard to speak of a common Visegrad Group view of the current predicament because of the simple fact that Slovakia is part of the eurozone, and the other three governments have quite differing views on both the common currency and the whole direction of European integration. All the states which were part of the recent EU enlargement are obliged to join the eurozone by virtue of their respective accession treaties, but only Poland is preparing actively to do so, although the date of transition to the euro remains unclear. Both the Czech Republic and Hungary chose to postpone the adoption of the common currency for the foreseeable future. The openly Euro-sceptical government of the Czech Republic is more likely to form alliances with London, and has been doing so in recent years, shifting allegiance from the European People's Party to the Conservative political family. The Czech Republic was also the only Member State, apart from the United Kingdom, that did not join the fiscal compact. The resolute stance of Hungary's Prime Minister Viktor Orbán sets this nation apart from both the Slovak and Polish approaches to European policy-making. Poland's European ambitions, its uninterrupted economic growth, and the unequivocally pro-European attitude of Polish society, make it a special case amongst the V4. Energised by its recent presidency of the EU Council, Warsaw is the most ambitious of the four capitals in taking a pro-active role in ongoing discussions and trying to influence decisions that, after all, concern the eurozone, a club to which it does not yet belong.

Poland's role in the Visegrad Group is an interesting case in point. In the 1990s Warsaw was vociferous in its aim to become a regional political leader—and failed spectacularly to do so. Nevertheless, it is now becoming one. During the accession negotiations everyone played unilaterally. Today, Poland's weight, reputation and clear European vocation, put it in a privileged position in the region, and it is a position, which is acknowledged by its partners, who willingly allow Warsaw to take the lead in the ongoing institutional negotiations. This trend was also reinforced by a timely coincidence—Poland's presidency of the Visegrad Group comes when most fundamental decisions about Europe's future direction are being taken in Brussels. Regardless of the different attitudes towards the whole exercise, all four Visegrad countries have been the biggest beneficiaries of the EU's common policies in the last decade. Therefore, faced with decisions that could fundamentally change the course of European integration and the role of those countries in it, they take an active interest in coordinating their position.

Is the V4 United Against Permanent EU Fragmentation?

The greatest challenge facing the Union today is the danger of permanent fragmentation. A "multi-speed" Europe is nothing new. However, up to now, when some Member States have decided to integrate even further, such processes have taken place within the same, integral institutional framework, with the undivided European Commission enjoying its exclusive right

¹ Rafał Trzaskowski is a deputy to the European Parliament, member of the Constitutional Affairs Committee and on the Delegation for relations with the United States, seated in the Group of the European People's Party.

of initiative, and under the democratic scrutiny performed by the European Parliament (however imperfect it might be). The EU's institutional setup has been based so far on the principle that everyone, i.e. all the Commissioners and certainly all the Members of the European Parliament (MEPs), are involved in the decision-making process, even when it concerns projects in which not all Member States are able or willing to take part (such as the euro, Schengen, and the European Patent). Even the fiscal compact, which after all is not part of the *acquis communautaire*, has not threatened the integrity of the Union, thanks to the joint efforts of the European Parliament and the Polish Government. There have been three reasons for this. Firstly, despite the wishes of some governments, the fiscal compact has not created any new institutions outside the EU framework, and the so called Euro Area Summits always take place after the European Council meetings. Secondly, those Member States which are not part of the eurozone do have some influence, albeit limited, over the decisions taken within the format of the Euro-Plus Pact. And finally, as enshrined in the treaty's sunset clause, the fiscal compact will after five years become part of the legal framework of the EU, while its implementation is already taking place to a high degree through the community method, with all EU institutions involved accordingly. Moreover, the compact remains open to the two outsiders, Great Britain and the Czech Republic, without the double lock of ratification procedures (as proposed initially).

However, the threat of permanent fragmentation of the European Union currently seems more real than ever. It is clear that not all of the Member States are willing to join either the fiscal or banking union. Members of the euro are under pressure to integrate still closer, and institutions such as the European Central Bank, where only countries of the common currency decide, grow in power and influence which obviously reaches beyond the borders of the eurozone. The most pertinent question for countries such as Poland and other non-euro Visegrad countries is, at the time of writing, under what conditions, if ever, they should consider joining the so-called banking union. Staying outside could result in being left behind mainstream European integration, with no influence over decisions that will have a direct impact on the banking sectors of the host countries, whether they like it or not.

The decision to construct the banking union on the basis of the ECB makes it very difficult for the non-euro countries to have a meaningful impact on decision-making, a fact recently confirmed by the leaked legal opinion of the Council's legal service. Moreover, endowing the ECB with an independent supervisory role may be quite difficult without changing the treaties. The V4 members have a common interest in clarifying that situation (Slovakia, after all, needs allies in the banking union). Moreover, they stand together on changing the voting modalities in the EBA (so that the host countries can have some influence over the decision-making), on fair relations between EBA and ECB, and on safeguarding the rights of national supervisors (especially from outside the eurozone).

A Separate Eurozone Budget:

A Threat to the V4's Bargaining Position in the MFF Negotiations

A more general threat is, however, appearing on the horizon. More and more serious ideas on how to build a form of vanguard within the Union have been circulating in Brussels and other European capitals lately. The most radical of all is to establish a sort of union within the Union, together with new, separate institutions including a new parliamentary chamber, composed of members from national parliaments, and a secretariat assigned exclusively to deal with the euro. This proposal is supported by some members of the French political elite, but has little chance of being accepted by a substantial number of Member States. However, some elements of this vision have appeared more successful and have unfortunately attracted broader attention. From the Polish point of view, the most dangerous ideas are to create a new separate budget devoted only to the eurozone and to bring the European Stability Mechanism immediately under the remit of the EU institutions. These two proposals deserve reflection, but

the timing is, to say the least, most unfortunate, as they may undermine negotiations on the Multiannual Financial Framework for 2014–2020.

The idea to endow the eurozone with additional fiscal capacity appeared simultaneously in the European Council and the European Parliament. It was included, albeit in a softer form—thanks to the Polish members of the European Parliament—in its formal position for negotiations led by the European Council's President Herman Van Rompuy on the next steps toward completing the EMU² (in which the European Parliament's sherpas take part as observers). Fiscal capacity is seen in Berlin as an alternative to mutualisation of debt, a concept which is anathema to Germany, but also as a way to meet the requirements of the German Constitutional Court. Such a scenario would create the illusion of a much more ample EU budget composed of three parts. These would be the traditional part (today's MFF), fiscal capacity for the eurozone, and guarantees based on the ESM. With a budget construed in such a way (3% of the EU's GDP), it would be much easier to introduce cuts in the first, traditional part. It could also dismantle the coalition of the so-called Friends of Cohesion, an alliance forged largely by Poland, which supports maintaining a high level of financing for cohesion policy. For southern countries, the stabilisation of their financial systems would understandably be much more important than overcoming development discrepancies between the European regions. It is inevitable that such solutions would not only weaken the negotiating positions of countries such as Poland and other non-euro cohesion beneficiaries, but also result in a much lower multiannual budget and may even mark the beginning of the end of cohesion policy in general. Even the reassurances of the October European Council, that the new budget will not influence the MFF negotiations, sound hollow. The two may be formally separate, and the new budget may be a project of no direct, immediate concern during MFF negotiations (as it is unclear how it would be constructed and whether it would necessitate a change to the treaty) but even if these hypotheses are true, the need to procure even more money in the future will remain a lingering concern. This kind of separate budget may, moreover, lead to permanent fragmentation of EU budgetary policy.

All MEPs Are Equal, but Some Are More Equal than Others

Questions about the integrity of the European Parliament are circulating in parallel. These are, to say the least, equally disturbing. It is obvious that Member States are growing impatient with the ever more assertive European Parliament, which, according to them, has a tendency to over-interpret the treaties and extend its prerogatives. This impatience has become even clearer with the choice of Article 127 (6) of the treaties as the basis for the banking union, which merely gives the European Parliament the right to be consulted. Members of the eurozone do not want parliamentarians coming from countries that do not wish to be bound by these rules to speak on questions of a closer economic or fiscal integration (this may or may not concern those representing electorates of the signatories of the fiscal compact). They do not want those members to take decisions on such questions and therefore propose, for example, to establish within the European Parliament a special eurozone sub-committee (the fact that the Economic and Monetary Affairs Committee is nowadays chaired by a British Liberal certainly spices up the situation).

So far, this has been the exclusive idea of the Socialists. Lately, however, it has won support from prominent German and French Christian-Democrats. It is said that it is the price to be paid for avoiding the establishment of a completely separate chamber composed of national parliamentarians. According to this thinking, the special sub-committee would be granted only scrutiny powers, as opposed to full legislative prerogatives, allowing it to supervise the banking union, and its members would be drawn from the Euro Plus countries. Leaving all legal and organisational problems aside, implementing such a scenario would constitute a dangerous and

² "Towards a real Economic and Monetary Union. Building capacity to decide", a reflection paper by the representatives of the European Parliament, Brussels, 1 October 2012.

unprecedented breach of the European Parliament's integrity. One could ask why other decisions, for example about Schengen, should be then taken by all members. The European Parliament, in its most recent report on the future of the EMU (by Marianne Thyssen)³ has taken a very clear stand in defence of its integrity and its role as the parliamentary body of the euro—again, thanks to the deep involvement of Polish and Hungarian MEPs. However, this does not change the fact that ideas which could lead to further divisions in the EU's institutional setup are gaining currency.

Following the same logic, when discussing the potential institutional consequences of any decision on the Banking Union and the EMU taken now, one must keep in mind that ideas which were previously supported only by the French, of a pact for competitiveness involving closer integration of both fiscal and social policies, are currently being considered by other powerful Member States. Without everybody on board, such decisions would inevitably lead to a permanent fragmentation of the Union, which clearly runs against the *raison d'état* of every single member of the Visegrad Group. This is precisely why they have after all found common ground on which they coordinate their respective positions.

Conclusions

Failure to stabilise the euro is in no one's interest, nor is the fragmentation of the internal market. These are the two fundamentals that bring Visegrad countries together. Even if not all of them share the same opinions to signing up to the stabilisation measures both taken and planned for the eurozone, they do care about their potential influence on the whole Union and its integrity. Polish doubts over what potentially negative effects the decision on the ever-closer Economic and Monetary Union could have on the rest of the Union are similar for all non-euro Members in the region. Even Slovakia, a euro country, shares Polish fears over the fragmentation that the banking union could bring to the internal market. With other Visegrad countries outside the euro and its decision-making circles, Bratislava admits to be missing its natural allies within the Eurogroup. Regardless of their status, the V4 countries find, surprisingly, that they have more in common than a superficial glance would suggest.

³ "Towards a genuine Economic and Monetary Union", European Parliament, A7-0339/2012.

Chapter 3

Are We There Yet?

The Road to a Political Union through the Eyes of the V4 Members

David Král¹

Introduction

One could hardly imagine a more controversial EU-related issue for the Visegrad countries than that of political union. It is tricky, not only because the contours of the current debate are blurred and the proposals on the table rather vague. None of the Visegrad countries has yet developed particularly strong strategic thinking vis-à-vis the future of European integration. For the Visegrad countries, the EU is still mainly about the single market and cohesion policy, and they have preferred to engage in solving practical problems relating to their functioning. On the other hand, the V4 countries perceive debating the political union as institutional engineering underpinned with ideas they do not necessarily share. Therefore, raising the issue of political union evokes a certain anxiety in at least two of the V4 capitals, because of fears of dominance by Germany or other powerful Member States, a further surrender of sovereignty and competences to Brussels, and the threat of national institutions and the national policy-making framework becoming weaker in favour of the European super state. A political union is an extremely divisive issue in the Czech Republic and is thus hardly ever alluded to. In Slovakia, on the contrary, it is almost a non-issue, because of the country's membership in the eurozone, relatively strong consensus for it, and the need to go with the mainstream at almost any cost. In Hungary, it is also largely a non-issue, but for different reasons: the polarisation of the domestic context has not led to the politicisation of EU affairs, regardless of perceptions of euro-bashing. Only Poland seems to be able to keep up with the current pace of European debates and to bring to the table quite specific visions as to what the political union could entail as viewed from the banks of the Vistula.

Political Union—for the Eurozone or the Whole EU?

At the European level, it is difficult to discern the current mainstream perception of a political union. Rather, it is often used as an empty phrase intended to signal to European citizens that, in the current economic turmoil, when unpopular measures are taken hastily at EU level, leaders have to think about the political legitimacy of such decisions for the future. It is also unclear whether the current debate on the political union refers mainly to the further reshuffle of the policy framework within the eurozone (possibly with some willing non-eurozone countries on board), or whether it is meant as a grand re-design of the EU architecture as a whole. In fact, the proposals currently on the table reflect both of these approaches.

The notion of the political union has been developed recently, in the Commission President's State of the Union address in September. Some guidance can also be found in two major strategic documents published lately, Herman Van Rompuy's paper and the Westerwelle

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group report.² For José Manuel Barroso, president of the European Commission, the political union is a federation of nation-states, not a European super-state. It is a political space with a stronger foreign policy. The concrete proposals contain elements such as a strengthened position for European political parties which contest the European Parliament elections with their candidate for Commission President, more robust European foreign policy, and effective sharing of competence between the Member States and the EU along with strong scrutiny by national parliaments. Barroso argues explicitly for a new treaty to enable this grand re-design, but also stresses the need to maintain the unity of the Union's institutional and legal framework, thus sticking to the current method of treaty revision by unanimity.

Van Rompuy's paper deals more with the future strengthening of the economic union rather than with the notion of a political union. The need for stronger involvement by national parliaments is highlighted in the wake of a stronger EU role in banking supervision and fiscal and economic policy. Unlike Barroso's speech, Van Rompuy's paper does not deem any change in the current EU framework necessary in this respect, referring explicitly to Protocol 1 of the TFEU. However, although more technical in nature, Van Rompuy's plan is actually much more political, but for the eurozone rather than for the EU as a whole. Proposals such as integrated banking supervision, a European deposit insurance scheme, the establishment of a European Treasury and common debt issuance are actually commensurate with the federalisation of the eurozone.

The Westerwelle group's report combines elements of Barroso's speech and Van Rompuy's report by balancing the need to address short-term challenges (overcoming the current crisis) as well as long-term ones (improving the overall functioning of the Union); yet it also reflects much more on the likely disagreements among Member States. Elements of the political union can be traced in both parts of the document. In the first part (which takes on board most of the "Gang of Four" proposals) regarding the further development of the EMU, the group stresses the need to involve the European Parliament more intensely with possible differentiation of eurozone and non-eurozone parliamentarians. Regarding the long-term governance structure of the eurozone, proposals such as a directly elected President of the European Commission and the evolution of the Commission into a "European government", a simplified ratification procedure (by a super-qualified majority of Member States), a two-chambered European Parliament or merger of the President of the European Council and the European Commission are singled out—although most of these were not endorsed by the group as a whole. The extent to which these proposals really pave the way toward the political union is questionable. They bring almost nothing new to the debate, and most of them were already on the table some 10 years ago during the Convention on the Future of Europe, which led to the draft Constitutional Treaty. That said, they are now being debated much more openly and in a very different context.

Where do Visegrad Countries Stand in the Current Debate?

Sensing the current UK government's likely opposition to a grand re-design scenario in the EU-27 format, the functionalist approach to political union through enhanced—and to some extent inevitable—further integration at the level of the eurozone-17 is perhaps most likely. This would be a more comfortable position for the Visegrad countries, given their approach, with the exception of Poland, to European integration through practical measures and step-by-step decisions rather than through projecting grand strategic visions. However, for three of the Visegrad countries—Poland, the Czech Republic and Hungary—it raises the questions of whether and when they want to become part of the EMU, and to what degree they are willing to

² See: "Towards a Genuine Economic and Monetary Union", a report by President of the European Council Herman Van Rompuy, EUCO 120/12 of 26 June 2012; "Final report of the Future of Europe Group of 12 September 2012" (Westerwelle group); "State of the Union", address by José Manuel Barroso, President of the European Commission to the European Parliament, 12 September 2012.

engage in the debates before this becomes the case. At the same time, unlike in the case of Slovakia, it does not confront them with pressing, immediate decisions, but rather it opens up space for a wait-and-see strategy, or even freeloading.

Poland—Showing the Way Not Only for the V4 but for the Whole EU?

Poland arguably feels comfortable with the notion of a political union, and has been the only member of the group unafraid of articulating some of its visions specifically. This might reflect Poland's overall comfortable position in the EU thanks to a strong economic performance underpinned with the sound macroeconomic policies of Tusk's government, a population hugely supportive of the EU despite the crisis, the fresh memory of a successful EU presidency and the ability to be taken seriously by an increasing number of Member States. The strongest message, referring to many elements of the political union, was delivered in Foreign Minister Radosław Sikorski's speech in Berlin in November 2011. Not only was this probably the most specific reference to a political union made by any EU leader since the outbreak of the crisis, but the sense of urgency and the fact that the speaker was not one of the usual suspects earned the speech a lot of attention across Europe. Whether it reflects the overall sense of the future of the current Polish government, political elite and society, it shows that Poland does have a broader strategic approach to the future of European integration. It calls openly for a strong, small and politically accountable Commission, a stronger European Parliament controlling the Commission in the exercise of its enhanced economic competences (especially in cases of breach of fiscal discipline), creating political space through common lists for European elections, combining the posts of the President of the European Council and Commission, keeping certain competences at the national level "forever", and last but not least calling for unity of the institutional and legal framework of the Union. Interestingly enough, the speech alludes explicitly to the word "federal" and draws lessons from the federations of the past. But it also leaves no doubt that Poland, supporting many elements of the political union from outside of the eurozone, does see certain risks in institutionally de-coupling the EU-17 from the EU-10. For this reason, Sikorski argued strongly for an inclusive approach towards non-eurozone members and made a strong commitment to join the single currency.

One should, however, be somewhat careful not to overestimate Poland's current enthusiasm for turning the EU into a federal structure. It was not so long ago that Poland was viewed as the black sheep of the European family, when under the Kaczyński government it was taking a firm negotiating position in debates on the new institutional deal leading eventually to the Lisbon Treaty.

Slovakia—Navigating Safely Within the Mainstream

Despite the economic turmoil, both the EU and euro remain hugely popular among Slovaks (unlike in the Czech Republic and Hungary). And unlike Poland, Slovakia is already in the eurozone, which makes the issue more pressing, especially when it comes to building a political union through the functional integration of the eurozone. Although EU issues were at the core of the collapse of the previous government of Iveta Radičová, the majority of the political elite are comfortable with a further pooling of sovereignty which might be entailed by political union. Unlike in the Czech and the Polish cases, the Slovak positions are less well articulated; but they are not less legible. As a small, competitive and relatively fast-growing country in the eurozone, Slovakia has no inherent problem with deeper integration necessitated by sustaining the eurozone, because of the belief that it is in the long-term, strategic interest of the country, even if it entails short-term costs.

This is also underlined by the support of Prime Minister Robert Fico, for a stronger role for the supranational institutions and the "community method" in general, which is believed to play out in favour of smaller countries. The Commission is perceived to be the engine of

European integration. “More Europe, and deeper integration of higher quality” is seen as a way out of the current crisis.

The Czech Republic—A Mix of Pragmatism and Ideology

Czech attitudes towards the EU have, since joining, been largely pragmatic and founded on simple cost-benefit analyses. For this reason, the Czechs felt rather more comfortable in practical day-to-day EU decision-making in which they were able to assess and articulate their positions clearly, than in future-oriented strategic debates. At the same time, however, the Czech political scene is more polarised on broad EU issues (community vs. intergovernmental method, more Europe vs. less Europe, single market vs. stronger economic coordination, etc.) than it is in the other V4 countries, and in this sense the main political parties’ approach to Europe is strongly ideological.

Thus Czech attitudes towards political union are not based solely on either cost-benefit analysis or ideology, but are a mixture of the two. The question is intricately linked to the current political composition of the government, as well as to the question of whether the political union is built functionally or through a comprehensive, institutional treaty-based reset. The pragmatic approach would probably prevail as regards the domestic political make up, as it would enable the Czech Republic to assess its attitudes towards deeper integration within the eurozone. At the moment, for instance, Prague would probably be opposed to any common debt issuance at EU level, as the premium on its government bonds is at a record low. But this could easily change if Czech bonds were to cease being considered a safe haven. Should the political union be framed through a new treaty, it would be much more difficult to assess its long-term impact, and thus the ideological approach would prevail, and inter-party differences would come much more to the fore.

The ambivalence of the Czech position was reflected in a speech by Prime Minister Petr Nečas in April. Nečas noted that he saw no inherent discrepancy between economic and political integration. At the same time, he clearly favoured an inter-governmental approach to further integration (coordination rather than the further transfer of competences to the EU, a key role of the European Council), which runs contrary to the idea of political union as it is usually perceived. He also seemed to be little worried by the prospect of differentiated integration, arguing that the eurozone needed to integrate more closely in terms of fiscal and economic coordination. His scepticism towards political union was most clearly articulated by assertions that the EU cannot be viewed through the prism of a state, that the Commission has to remain an administrative body, and that the European Parliament cannot be the main legitimiser of European political processes.

Hungary—A Puzzle Yet to Be Solved?

Hungarian attitudes towards political union are likewise not so easily discerned. Both the population and the political class are thought to have undergone a U-turn in their attitudes towards the EU, swinging from great enthusiasm for the European project in the accession period to a tone of apathy that can be sensed towards the European agenda. The economic crisis and internal political controversies seem to have played a role in this shift, despite Hungary holding the EU presidency in 2011. The relations between Prime Minister Viktor Orbán and the rest of the EU have been far from warm since he came to power in 2010. And yet, Eurobarometer statistics give a very unclear picture about the degree of popular scepticism about the benefits of membership, with most growth in the category of those who find it neither good nor bad.³

³ Eurobarometer surveys, 2011, http://ec.europa.eu/public_opinion/cf/showchart_column.cfm?keyID=5&nationID=22,&startdate=2004.10&enddate=2011.05.

Although the Hungarian government is composed of a single party, it seems to give out mixed signals about the political union. Orbán ranks as an EU sceptic, although he is perhaps not sending as strong or ideologically substantiated signals to Brussels as is Nečas. His rhetoric tends to express a strong belief in Hungarian sovereignty, and he has asserted that Hungary has to “find its own way”, criticising the EU for intruding upon domestic developments in Hungary. In his public statements, he also seems to dismiss the federal model as unrealistic and views the EU mainly as a battlefield for the interests of the Member States. It is possible that he does not see the EU as Hungary’s destiny, but as one of the options in the rapidly changing new world order in which the EU’s influence will decline, thus requiring Hungary to search for additional alliances. With respect to the eurozone, Hungary has sent strong signals that it does not plan to adopt the single currency anytime soon, given that the criteria have not been fulfilled.

And yet, Orbán’s behaviour in Brussels has been described as surprisingly consensual and even supportive of the Community method. Official documents also seem to be in favour of closer integration. For instance, Hungary’s foreign policy document following its EU presidency⁴ asserts that Hungary supports steps towards political integration, although it does not say what this should entail. The paper says that decision-making should be based on the community method and sees the current recourse to inter-governmentalism as only a transitory solution necessitated by the crisis.

The mixed signals about the Hungarian vision of a political union make it hard to discern whether the country could support individual steps towards political union or the grand redesign scenario. This makes Hungary probably the most unpredictable actor in this respect within the Visegrad Group, at least for this author. Nevertheless, one can hardly expect Hungary to be a strong proponent, or at least not a vocal one, of a political union under its current political leadership.

Conclusions

It is obvious that the positions of Visegrad countries regarding political union diverge widely, although similarities can be observed in the positions of Poland and Slovakia on one hand, and the Czech Republic and Hungary on the other. The Poles and Slovaks generally support the idea of a political union in the long run, because they believe that, with certain safeguards, the further pooling of sovereignty at the EU level works in their favour. The Slovaks are drawn into this debate by default, given that most of the discussions are centred around the eurozone, of which they are already a part, while Poles are concerned mostly with their inclusion in the debates before they join the euro, and they among all V4 members were able to formulate their future visions most precisely. The Czech Republic and Hungary, on the contrary, are not convinced that steps towards political union will work in their favour. They feel more comfortable in the current swing to inter-governmental bargaining and muddling through rather than a grand redistribution of power and further surrender of power to Brussels. They might support small steps if the cost-benefit balance works in their favour, but they cannot be expected to be leaders of such initiatives. In the Czech case, things might alter with a change in political leadership, which is more likely to come soon than in the Hungarian case, given the large majority currently enjoyed by FIDESZ. In any case, given the strong divisions within the V4, it is unlikely that there will be Visegrad leadership in the debates on the political union in the near future. The Visegrad co-operation is thus far more likely to work on practical sectoral issues of regional interest, such as the Eastern partnership, defence (as evidenced by the joint V4 battle group) or energy security. But when it comes to the strategic issues of the EU’s future in general and political union in particular, it will be much harder to find a strong internal consensus within the group.

⁴ “Hungary’s Foreign Policy after the Hungarian presidency of the Council of the European Union”, Ministry of Foreign Affairs of Hungary, 2011, p. 28.

Chapter 4

Widening or Deepening the EU? The V4 Perspective on Enlargement

László Sinka¹

Introduction

Enlargement policy is one of the most significant policy areas in the EU. It derives from the very foundations of European integration, of a vision of unity, peace and stability on a continent that has been at war more than at peace, and of a concept that emerged after the Second World War to establish procedures for reconciliation based on shared rather than divisive interests.

However, the policy has, since the fifth enlargement round, hit shaky ground. There are many reasons for this, and it cannot be said that the present lack of dynamism is solely a consequence of the 2004 and 2007 enlargements. Why is it so then? Has the interest in enlargement simply faded?

First, it is necessary to acknowledge that the economic and financial crisis is a determining factor whenever we talk about EU policies in general, and enlargement policy in particular. The economic crisis limits the room for manoeuvre available for policy makers, and the EU is struggling to find the right solution for the euro-crisis. The achievements so far—"six pack", "two pack", fiscal compact—are all necessary parts of the response, but do not amount to a solution. Further and significant moves are needed. Governments are trying to find a route to sustainable prosperity, but this objective is currently a moving target and nobody knows where the new equilibrium can be found.

This means that individual Member States have, for the time being, their own problems. Sometimes, Member States do not even have the time or capacity to listen to the concerns of other Member States. In this context, enlargement policy is necessarily constrained. For the friends of the enlargement process, such as the Visegrad countries, the principle task should be to find ways to overcome these limits. It should be stated that the crisis is not solely a phenomenon related to the eurozone. The countries that wish to join to the EU are also affected by the crisis. Turkey is confidently marching forward with a positive growth rate that is unique in Europe. Iceland, after the recovery, has a good chance to consolidate its economy. Then there are the countries of the Western Balkans, where the worst of the crisis is not yet over. For all these countries the crisis is a barrier that makes the accession process more difficult, for different reasons. For the supporters of the enlargement process, such as the V4 countries, the task is to emphasize the basic principles behind the enlargement process. Being relatively new Member States we know exactly how important a tool this policy is for reforming the main structures of society. We should also keep in mind and remind others of the long-term character of the enlargement policy; it is vital for the post-crisis future of the EU. We should be careful that an agenda dominated by short and medium term measures do not put such a tool at risk.

Secondly, when talking about the enlargement process we should stress that the crisis is not merely economic in nature. Unfortunately, it is much more than that. It is also a political crisis, a crisis of confidence. The enlargement process is built on trust, and EU Member States must have confidence that the newcomers will adjust their systems to fit those of the Union, while these newcomers should respect the values of the EU. If this trust is lacking the enlargement process cannot move forward. It is clear that the crisis in trust has had a negative impact on the enlargement process. We should counter-balance this phenomenon by providing credible procedures, which would build up trust in both the Member States and the countries wishing to join.

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Thirdly, the discussions on the Multiannual Financial Framework (MFF) are ongoing, thus the uncertainty will continue to have an impact on a whole range of policies. The MFF affects enlargement policy in two ways. For one thing, the actual amount of money allocated to the candidates and potential candidates will have an effect on their ability to catch up and make the necessary reforms. The IPA funds are necessary in order to foster change in areas where national players would act slowly. The MFF negotiations may also hinder the willingness of Member States to move forward with the enlargement. To put it simply, the later the MFF deal is struck, the later that enlargement can return to the agenda.

As regards the enlargement processes currently underway, the willingness of Member States to move ahead is also influenced by the cooperation in migration policy and visa waiver. This affects the accession aspirations of Turkey and the Western Balkans. The Member States are keen to keep a close eye on the performance of candidates and potential candidates in managing migratory flows just as much as visa liberalisation is important for the countries that wish to join the EU. In outline, the present surge in bogus asylum-seekers that put the visa waiver at risk in some countries is a dangerous development. In these countries, visa waiver is the most tangible result of EU integration so far. If this cannot be maintained because of developments beyond the control of individual nations, this could have a far-reaching effect on the pace of integration.

Finally, domestic political developments might also have an effect on enlargement policy. European policies have become part of the domestic political agenda both in the Member States and in the countries wishing to join. Domestic elections, internal political responses to the crisis, and unwelcome developments on national political scenes might all influence the prospects of further enlargement.

Bearing in mind all these factors, one can see that moving the EU's enlargement forward poses a more than challenging task. Progress is only possible if we proceed with caution and try to comprehend all the sensitivities of the Member States and candidates. It is against this background that the V4 might be able to provide answers.

The Latest Developments in Enlargement Policy

Lessons drawn from the experience of previous accession processes mean the current enlargement process has become more conditionality-based, with more thorough and strict monitoring. In order to secure the cohesion of the Union, the Member States want to ensure that the countries joining the EU are fully prepared. This was expressed in the enlargement compromise of 2006² that gave a further boost to the enlargement process and still provides the engine of the accession talks today. The consensus actually meant that the enlargement process could go forward if a much stricter conditionality applies.

The latest enlargement rounds have provided further experience still. The accession of Romania and Bulgaria and the subsequent monitoring process (the Cooperation and Verification Mechanism) taught us not to leave unfinished business. The direct consequence is that closer attention is now paid to questions of the rule of law and fundamental rights, with special focus on the independence of the judiciary, anti-corruption, and tackling organised crime. The demand for stepping up efforts in order to produce a solid track record in these fields has been clearly established and is being monitored closely during the accession process. Administrative capacity-building has become a key factor, since it is required for the sufficient functioning of both the rule of law and the free market economy. An adequate institutional structure is a basic precondition before prospective EU members can make use of the pre-accession instruments and, at a later stage, EU funds channelled to Member States. Acceding states should prepare to act as fully-fledged members of the EU, which does not only mean influencing decisions on an equal footing, but also increased responsibility in deciding on the level of integration. The countries of the V4 can serve as good examples here. They went through the same procedure and learnt what it meant to act as responsible Member States. This experience is an asset that the V4 countries can offer prospective new members, to help them adapt to requirements.

² "Presidency Conclusions", European Council, 14/15 December 2006.

Widening Versus Deepening: The Wrong Question

In periods of crisis, the interdependence of the countries of the European continent is even stronger. It is imperative to find a common, European answer to the challenges that we face today. In this regard, the European perspective can be used as a soft policy tool to contribute to the solution to many crucial issues on the EU agenda (such as economic recovery and sustainable growth, Europe 2020, and energy security), as was stated in the enlargement package of the Commission in 2011 and confirmed this year. There are a number of EU policies that have a cross border character and are impossible to manage correctly without cooperation with neighbouring countries. Major infrastructure networks are good examples of this. Therefore, deepening and widening the European Union should go hand in hand in the V4's approach, strengthening each other.

Enlargement policy is not only a policy that helps the EU to grow bigger. It is a sophisticated instrument that can achieve what no other policies can, as it is the single most effective foreign policy tool in the EU that can guarantee that the neighbourhood of the EU is stable, cooperative and progressively shares the same values that the EU does. By establishing similar structures, a new level of cooperation can be reached. Enlargement policy thus has its own *raison d'être* in the process of European integration, exerting its own positive effect on the development of the EU. This is why the enlargement policy was decisive in granting a Nobel Prize to the EU. In this sense, to ask whether to choose wider or deeper integration is to view the issue from the wrong perspective.

Deeper integration and enlargement do not exist without each other. Or at least, they should not. The history of the EU shows that deeper integration has followed each enlargement round. The same will apply after the most recent round of accessions. The crisis will be a determining factor in the pace and content of these changes. But the debate today is also about how to adjust decision-making and institutions in order to make an EU numbering 28 members more efficient. In this respect, the crisis is an interlocutor, an accelerator for the reforms that were needed anyway. And the cycle goes on: the new neighbours get closer to the EU, they adapt, they join, and consolidation takes place at a new level. Therefore, the misinterpretation of enlargement and deeper integration as two distinct phenomena hides the inter-dependent nature of the different aspects of the European architecture. Widening and deepening are two parts of same process, and this is the key to the flexibility and sustainability of the European project because, after each round of accession, the EU has to renew itself and adapt to both its new structure and to the new challenges of globalisation.

The issue of deepening also raises the question of the attractiveness of the EU to those countries wishing to join. In a period of crisis this is a fundamental question. The pace and dynamism of the enlargement process is largely dependent on countries' willingness to join. Therefore the "absorption capacity" of the EU, defined in the consensus of 2006 is not the only determining factor. The path that is taken determines the moves of the enlargement countries.

It is apparent today that the weakened euro and the structural problems within the EU raise questions in some countries participating in the enlargement process. In this regard, Turkey and Iceland are of crucial importance because economic growth and the prospects of new regional roles might have an effect on the attractiveness of the accession process. In some countries, however, enlargement is still the driving force behind major reforms. This is the case in the Western Balkans. The fact that a wide range of demanding, sensitive and difficult measures are taken in the aspiring countries proves how attracted they still are to the EU and to accession as the ultimate goal.

Meanwhile, on the EU side the significant developments in the last two years—signing the accession treaty with Croatia, granting Serbia candidate status, starting accession negotiations with Montenegro—show that, despite the turmoil in the economy and EU decision-making, the Member States remain committed to and interested in the undertakings even in difficult times. The reason for this is that enlargement offers an efficient tool to tackle

some of the core problems the EU is facing now. It contributes to stability, strengthens long-term competitiveness, and offers a better business environment in the neighbourhood of the EU.

The attractiveness of the enlargement process also lies in the fact that no real foreign policy alternatives exist as tools by which the EU could make an impact of similar magnitude. The latest initiatives launched by the Commission, namely the positive agenda for Turkey and the high-level accession dialogue in Macedonia are very useful tools, but they are not replacements for the enlargement process. There are also a number of foreign-policy formats in many other policy fields, such as energy security. However, these cannot and should not be substitutes for the accession process. The accession process should be the framework for bringing these countries closer to the EU with the aim of eventual accession.

Conclusions: What Is the Role of the V4 in the Enlargement Process?

The EU is not united over enlargement. There are some countries that are more supportive than others. An understanding of the enlargement process and attitudes towards it are determined by many factors. Usually, countries geographically closer to prospective members, those that joined later, are more sensitive about questions of enlargement. It is the task of the pro-enlargement countries to explain to the others why the enlargement process is still important, and why the dynamism should be maintained.

Hungary is deeply committed to enlargement. Its long history, during which many links with the Western Balkans and with Turkey have been established, gives a certain understanding of the region, and Hungary's geographical proximity places it in the front row when changes take place in these regions.

Finding allies in the Visegrad Group which share this commitment has been a welcome development for Hungary. Indeed, the accession process of the Western Balkans has actually given new impetus to the V4, and today the enlargement policy is a significant driving force behind the cooperation between Poland, Hungary, the Czech Republic and Slovakia. It is enough to refer to the recent meeting between the foreign ministers of the V4 countries and the ministers of the Western Balkans countries to demonstrate this.

The Visegrad Group is a success story with huge potential. The V4's recipe for success is the same as that of the EU—to find areas of cooperation in which underlying interests connect rather than divide. And the number of these areas, including enlargement, is growing. The V4 has the potential to become as strong a regional format as the Benelux or the Nordic cooperation.

When it comes to enlargement issues, the V4 has an important role to play. The V4 can become a real partner in assisting the countries of the Western Balkans in their endeavour to bring their systems into line with EU requirements. In this regard, the experience of the V4 countries in managing changes, and the techniques that they applied during their own accession, are valuable assets. They can deliver what the Member States at large expect from the candidate and potential candidate countries, i.e., technical assistance that helps these countries to set up the structures that enable them to cope with the challenges of the enlargement process. In many of the countries that wish to join the EU in the foreseeable future, the shortcomings in administrative capacity pose a real problem. On the top of this, they need guidance from those with experience on tackling the accession talks. The V4 can provide them with both. In this regard, initiatives such as judicial expert networks can promote the accession of the countries of the region significantly.

All in all, the enlargement process will continue and will remain one of the most significant policies of the EU in the future. If we use it smartly, we all, members and candidates, will benefit from the possibilities that enlargement offers. Member States' regional initiatives will be most welcome when it comes to sharing the positive experiences of the enlargement process. The V4 will play a strong role in this respect.

Chapter 5

Vanguard Cooperation in the Eyes of the V4: Lessons from Schengen Cooperation

Janusz Gąciarz¹

Introduction

The Schengen *acquis* is an example of the successful deepening of the EU legal framework and a mechanism for operational cooperation by means of prior close cooperation between a small group of states and within the framework of a traditional international treaty only later integrated into the legal institutions established under European Community law. This method has been applied twice to put in place mechanisms related to the founding of the Area of Freedom, Security and Justice in Europe. The first time was when the Schengen Agreement (1985) was incorporated into the Amsterdam Treaty (1997), and the second was when core elements of the Prüm Convention (2005)—sometimes known as the Schengen III Agreement—were picked up by Council Decision 2008/615/JHA on 23 June 2008, on the stepping up of cross-border cooperation, particularly in combating terrorism and cross-border crime.

However, the broad success in extending the enhanced cooperation framework over almost the entire area of the EU as well as associated states cannot obscure the difficulties and limitations in the practical operation of the system, which have emerged as one outcome of this specific method of cooperation. Some of these will be analysed below, with special attention to the problems that arise for the V4 at the current stage of Schengen's development. The key challenge for Schengen cooperation, as for all forms of cooperation, is to extend mechanisms originally established for a small number of participants to a relatively large number of countries. The elitism of the Schengen club has been embedded in a deep commitment to common values, shared interpretations of their practical consequences, and above all in a sense of responsibility for full compliance with the rules. To make the Schengen area operational and sustainable, the adoption and implementation of a set of legal acts is, therefore, not sufficient. A distinct background culture is also necessary.

The Schengen area, the area of free movement that involves 25 European countries, is founded on a few simple principles. The basic idea is to abolish permanent border controls at internal borders. To counterbalance the risks to national security that might arise from the disappearance of internal border controls, the second basic principle is to share responsibility for the control of common external borders. Every single Member State protects its section of the external EU border, whether this is a physical frontier or an international airport, in the name of shared responsibility for the common security. Freedom of movement is recognised as a self-evident right (although sometimes also as a privilege) for the citizens and residents of the countries involved. But, over the last two years, the functioning of the Schengen area has become the subject of intense debate in which a number of its crucial rules have been questioned.

Subsequent attempts to restrict the free movement of persons should mobilise the V4 countries to seek actively to maintain the main achievements of the Schengen area. There are two reasons for such a reaction. Firstly, the V4 citizens and economies are great beneficiaries of freedom of movement, and secondly, the V4 countries are credible partners in the implementation of the Schengen *acquis*—those sections of the external border that are under

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their protection are safe and do not in any way constitute a threat to internal security of other Member States. This gives the V4 the legitimacy to advocate the spirit of Schengen rules vigorously.

However, it should be noted that the V4 countries by their natures have different interests relating to the functioning of the Schengen zone. Poland is responsible for protecting the second longest section of the EU's external land border, and performs this task very effectively. Further development of any kind of mechanisms to strengthen solidarity in the protection of the external land border (including burden sharing) is evidently in Poland's interest. In this respect Hungary's interests are quite similar. Due to the recently increased illegal migration from and via the Western Balkans, which made Hungary a transit country for illegal migrants from the south-east, these conditions have become even clearer. But Hungary is in a slightly different position, because elimination of channels of illegal migration, in particular networks of facilitators and traffickers, is much more important than physical protection of borders. Slovakia does not have particular problems either with protection of the external land border or with the airports. The Czech Republic has no external land border and manages border traffic at airports well, so is much more interested in coping with secondary migratory movements that emerge as a result of abolishing internal border controls. Nevertheless there is a clear common denominator for interests of the V4 states, which is to maintain the relatively good situation on the borders with East European neighbours that provides a solid basis for achieving the objectives of the Eastern Partnership.

Problems in the Schengen Area: Systemic or Provisional?

There are several reasons why many parties are undermining the architecture and founding principles of Schengen cooperation in the current debate. To understand this adequately, we should look at the origins of the confusion around the functioning of the Schengen area. These include Greece's migration and asylum crisis, migratory pressure in the southern Mediterranean after the Arab Spring, the negative impact on the asylum situation in several Member States following EU visa liberalisation with the Western Balkans and the stalemate on the decision on Bulgaria's and Romania's full membership in the Schengen area.

There are two main factors common to these processes—increased migratory pressure, and concerns regarding its impact on the social welfare systems of the affected countries. What is important for the future of the Schengen discussion is that no-one views such problems as insuperable threats to the internal security and public order of the Member States. They may affect the situation temporarily in some Member States or European regions, but are manageable in the long run. Statistical data provided by the European Commission and FRONTEX proves that migratory pressure has already slackened in 2012. This shows the fluid impact of political and economic changes in the neighbouring countries, as well as in some more remote regions in Africa and Asia. But the key lesson learnt from the Greek and south Mediterranean cases is that the only way to solve the problem is to strengthen the shared capacity to protect the external border and make cooperation with neighbouring countries more effective. EU efforts should focus on consolidating the entire system, in particular on tightening the external border, instead of looking for more sophisticated measures for rebuilding internal walls separating Member States from each other. In this context, the Bulgarian and Romanian cases highlight important issues: a general scepticism about these countries' abilities to follow the principles of the rule of law, and about the integrity of their law enforcement systems. This indicates very clearly that Schengen cooperation is exposed to broader political, social and cultural factors. Despite all efforts to lend a purely technical character to cooperation, it is inevitable that political problems arise in times of political and social turmoil or economic crisis.

This identification of two key sets of problems leads logically to the question of the nature of the present debate on the Schengen area. Are we witnessing provisional difficulties, a long-term crisis, or a disease fatal to the entire Schengen system? Bearing in mind all the available evidence related to migration flows and knowledge of the patterns of migration trends, one may assume that present situation is of provisional character. To set the current problems in context, it is enough to recall that in the 1990s, particularly during the civil war in former Yugoslavia, the influx of asylum seekers to the EU was periodically much higher than in recent years. In objective terms, these countries' capacities to solve the problems of migration and asylum have not become significantly worse. What has actually changed is the general attitude of societies towards these phenomena—indeed the shift in the approach of politicians is even deeper and more radical. There have been attempts to connect this political shift with the existence of Schengen cooperation—to the loss of control associated with the lifting of internal border controls, and to the emergence of expectations of fairness and solidarity between Member States. The genuine cause for this shift in attitudes is not, however, connected to Schengen cooperation, but lies with the growing burden on social welfare systems and their reduced capacity to respond to demands for support from migrants. It means that the Schengen area is inevitably exposed to the consequences of great differentiation in wealth and living standards between the Member States, i.e., a high level of economic and social inconsistency still exists, and this cannot be solved solely by means of Schengen cooperation. The only contribution that Schengen cooperation makes to the resolution of these problems is to maintain freedom of movement of persons, which will, in the long term, facilitate the economic and social development of all Member States and may result in equalisation of welfare levels.

In the vast majority of Member States there has been a decrease of reception capabilities (which actually means an atrophy of willingness), which will certainly affect their sensitivity to the appearance of turbulence in the smooth functioning of Schengen cooperation in the medium term. This should not, however, produce a critical backlash that destroys the entire system. Recent developments in the search for an adequate and effective response to migratory pressure, i.e., the implementation of the action paper entitled "EU Action on Migratory Pressure—A Strategic Response", adopted in April by the JHA Council to ensure a coherent EU response to continued migratory pressures, prove that these issues may be handled effectively without breaching the basic rules of the Schengen area. Therefore, it is justified to assume that migratory pressure will cause only a short-term crisis related to the credibility of Schengen mechanisms. However, this pressure is in its own way systemic. Due to the very nature of migration pressure, it is more than probable that we will be facing transient and recurrent crises of this order, although not of such a magnitude that it poses a serious threat to the Member States.

Political Threats to Free Movement

There have been persistent attempts to limit the freedom of movement of persons and to reintroduce some elements of controls on internal borders in the past two years. A permanent video-camera surveillance system has been installed by the Dutch authorities on the roads linking Germany and the Netherlands, and constant custom patrols have been deployed by the Danish authorities in the border zones with Germany and Sweden. What is actually at stake in this case? On the one hand, we have a key achievement of the EU which is extremely important for citizens and which has made a contribution to the development of the single market and a competitive European economy to an extent that can hardly be overestimated. On the other hand, we see troubles caused by an increase of ordinary criminality in some regions, the facilitation of types of cross-border crime, and again a growing burden for welfare systems in some Member States due to unemployment, homelessness and other forms of vulnerability that affect immigrants from other Member States. Although it is not proven that these phenomena are more burdensome and dangerous than their homegrown equivalents, they provide a very convenient argument for all those who are reluctant to maintain the openness of European

societies and economies. In these circumstances, an affirmation of the advantages of Schengen area is in order. It is very difficult to challenge the argument that Schengen cooperation provides Member States and the EU institutions with the most efficient instruments of police and judicial cooperation in criminal matters (e.g., SIS, and Prüm decision instruments). The very nature of the present crisis around the Schengen area does not lie in a lack of sufficient mechanisms of cooperation, but in a limited ability to use them actively and effectively. These limitations have a political background, and are, in the final analysis, embedded in some of the social changes that have affected the attitudes of European societies.

This situation poses a particular challenge for the V4 countries because their citizens might become victims of possible restrictions to freedom of movement. Migrants from the V4 are very often accused of abuse of social welfare systems in some Member States (the most famous example is the Party of Freedom campaign in the Netherlands), as well as of forming criminal networks endangering public safety. The V4 countries' response should focus on two aspects:

- On pointing out everywhere and by all possible means the fact that dismantling the Schengen area would have inconceivable economic and social costs; this could result in far-reaching economic losses that would significantly outweigh the transition costs borne nowadays due to the high level of differentiation in national wealth and living standards; nevertheless we have to be aware that inconsistencies between social welfare systems and a high level of inequality within the EU will have a destructive impact on a fair perception of migratory movements within the EU in the long-term perspective.
- On contributing to the further development of operational police cooperation and strengthening joint efforts aimed at better protection of external borders: since the very beginning of the V4 presence in the Schengen mechanisms, these countries have been credible partners in all dimensions of cooperation related to enhancing internal security, and this legitimises their active role in making the Schengen mechanisms function well.

The latter element is of exceptional importance, because the key source of scepticism about the further development of Schengen cooperation is a deficit of mutual trust between the Member States in the area of internal security. The root cause for such mistrust lies in the social welfare changes set out above, but politicians have preferred to point to the wide range of deficiencies in the implementation of the *acquis*. Such deficiencies are not inevitable for the Schengen mode of cooperation, and that means that they can be remedied, if only the political will is there. For many years these deficiencies have had a persistent character in several Member States, and a lack of improvement in the situation has become a source of growing frustration. Nowadays, we seek innovations that might provide a sustainable resolution of this situation. What are the key weaknesses of the implementation of the Schengen *acquis* that have to be addressed? Without pretending to draw up a complete list, one can point to the following factors: imperfect controls at airports and sea ports, imperfect surveillance of green and blue borders, inefficient use of existing tools of police cooperation, irresponsible implementation of visa policy, and misalignment of migration practices with increased migration pressure.

How may we respond to these challenges? The response should comprise two steps. The first is to develop a proper diagnostic system, which should meet several criteria. It should discredit all proposals founded on bias and groundless precautions, in other words those which are not founded on facts and data; it should identify those administrative incapacities at Member State level and inefficiencies amongst the EU institutions, which may generate failures in the operation of the whole Schengen system; it should identify the root causes of the problems instead of pointing out superficial reasons for troubles (e.g., the underlying demand for irregular employment, limitations of management of legal migration, etc.). The second step is to find adequate responses to the key problems. In this respect, the crucial requirement would be to develop evidence-based policy, rather than a policy that responds to the expectations created

by the conventional ways of policy-making and rigid bureaucratic division of tasks within the governments and the EU institutions (e.g., it is necessary to pay more attention to fact that so-called visa-overstayers are the main source of irregular migration, not those illegally crossing land or sea borders). Furthermore, the transparency of the system should be improved, including making public some parts of the evaluation of Member States' adherence to the Schengen *acquis* and strengthening democratic control over the way that powers stemming from the Schengen provisions are exercised.

Conclusions: A V4 Solution to Schengen's Structural Problems?

It is thus necessary to acknowledge that Schengen cooperation does have certain structural problems, arising from its roots in inter-governmental cooperation between a small group of states. However, it is important to state that these problems are neither inevitable nor insuperable. In particular, the current practice of Schengen evaluation by government officials may be described in short as a hidden culture of tolerance for misconduct. To some extent, the peer-to-peer evaluation system has eroded into corrupt practice where trade-offs and deals between parties prevail over the primary objective of the system. The reprehensible face of this practice is a lack of courage to point out errors and omissions to "mighty" and "influential" Member States, particularly those that founded Schengen cooperation. The necessity to establish an objective and independent Schengen evaluation mechanism has become apparent and urgent. Another important challenge that has to be addressed effectively is the lack of practical solidarity with those Member States that have fallen into troubles due either to exposure to extraordinary migratory pressures or to some critical shortages in capacities of the relevant agencies and services.

Legislation developed recently (amendments to the Schengen Border Code and new regulation on the Schengen evaluation mechanism) may provide some remedies for these current drawbacks. The legislation is supposed to set transparent procedures for evaluation, and more precise criteria and implementation standards for the Schengen *acquis*. The first step towards establishing public control mechanisms on the functioning of the Schengen area—whereby the Commission will prepare regular, annual reports on the state of the Schengen area and on their basis the JHA Council will hold regular debates on this matter—has already been taken. But there are still several issues to be addressed, and one of them is the question of how to raise public awareness of common interests and the mutual advantages of the stable functioning of the Schengen area.

In all these processes the V4 can and should play an active role as a facilitator of pro-Schengen decisions. The key premises that predispose these countries to perform such a role are that all V4 countries successfully and fully adopted Schengen requirements, they are effective in exercising protection of their sections of the EU external borders and cooperating with internal and external neighbours to maintain internal security and counteract illegal migration, trans-border organised crime and other serious threats to public order. In the interest of their own citizens and economies, the V4 countries should form the heart of a coalition to advocate the maintenance of the basic principles of Schengen cooperation.

It would be both possible and desirable for the V4 countries to contribute to the strengthening of the functioning of the Schengen area by such activities as dissemination of the lessons learnt from their own experiences of implementing the Schengen *acquis*, sharing best practices of local police cooperation between EU countries, and sharing best practices of cooperation with neighbouring third countries in the area of border protection and readmission. When applying for membership of the Schengen area, all the V4 countries were obliged to implement strictly observed procedures of adopting entire border and migration management systems, and to adapt large areas of police cooperation mechanisms to the requirements of the Schengen *acquis*. That these countries accomplished these objectives successfully is one of

the main assets of the V4 states in the current situation, when the EU is facing serious problems with irregular migration and effective protection of the external border.

A stable and fully standardised implementation of Schengen provisions, and the constant maintenance of administrative capacities on an appropriate level, are missing from the current functioning of the Schengen mechanisms. This is a key lesson that emerged from the V4 experience during accession to the Schengen area. This lesson shows that the Schengen rules are correct and profitable when properly applied, and that every attempt to make them a scapegoat because of their own particular shortages and imperfections is a symptom of political shortsightedness, which allows domestic politics to obscure far-reaching pan-European objectives.

Conclusions: A Mixed Record in the Current Crisis

The prospect for the Visegrad members' integration into the European Communities and NATO following the Autumn of Nations provided a rationale for the early Visegrad cooperation. In some ways, of course, the V4 (following the split of the Czech Republic and Slovakia) felt that they were in competition with one another. However, they did at least have a commonality of purpose, and only a small group of partners to influence. Since then, circumstances have changed. The V4 members have joined the EU and NATO, and exercise full membership rights. European affairs continue to provide some rationale for Visegrad cooperation, and the EU decision-making process provides perhaps one of the most obvious policy areas in which the V4 can work out a common position. But it also sheds cruel light on those areas where the V4's interests are diverging and where consensus is currently beyond their reach.

Although it is the defining issue of the day, and the current decision-making setup is clearly weighted towards inter-governmentalism, the V4 governments have, for instance, avoided putting highly sensitive and complex topics such as the political discussion on the future shape of the EU on their agenda. The V4 group has not yet developed a common vision of the final architecture of Economic and Monetary Union. Similarly, the acceptance of the measures planned to stabilise the eurozone, and the scope of the competency transfer to the EU level in such matters as budgetary policies is not coherent within the V4. What unites them, indeed, is this shared lack of clarity: the question of eurozone membership is unresolved for the Czech Republic, Poland and Hungary, with the Czech Republic the most vocal on its hesitance towards a common currency project. But here, of course, there is also an exception, in the form of Slovakia, already a eurozone member.

Of all the V4 members, Poland is clearly the most proactive in the EU discussions on the future shape of the Economic and Monetary Union and its impact on EU integrity. Its obvious opposition to further EU fragmentation was expressed during the negotiation of the fiscal compact. In alliance with the European Parliament's representatives, Poland and other non-eurozone members managed to guarantee that the fiscal compact was more coherent with EU law. Poland's actions in turn provide a basis for EU-related cooperation amongst the V4, and even provides the material necessary for them to take an agenda-setting role at the European level.

Expecting agreement on these complex political issues is, however, to set the bar high. The V4's economic interests might more realistically be expected to provide a potential basis for cooperation. Despite obvious differences resulting not only from the size of their respective economies but also from high-profile differences in the governments' stances on European economic integration, there are nevertheless some noticeable similarities between the V4, particularly when placed in an EU-wide context. The V4 countries enjoy relatively high levels of FDI and witness comparable GDP per capita levels in Purchasing Power Standard which are around €16,000 to €20,000. Together with a similar history of transition to a market economy and linguistic familiarities, such factors might facilitate business between V4 entrepreneurs. And yet, without proper cooperation, these similarities might equally well result in increased competition between the four governments, with each vying to attract foreign investments that might otherwise go to any one of the V4 economies.

This commonality of purpose is currently being put to the test. Their similar economic status provides a common denominator for the V4 in the negotiations on the EU Multiannual Financial Framework, where the allocations for, amongst other things, EU cohesion policy in the period 2014–2020 are under discussion.¹ The MFF negotiations are certainly an example of where common interests can be found and where the V4 members' positions are coordinated. Although the Czech Republic in particular has aligned itself with those states in favour of a smaller EU budget, a shared awareness of the benefits arising from the structural funds' allocation for the V4 economies seems to unite the V4 members in the negotiations and, if

¹ D. Kałan, P. Tokarski, P. Toporowski, "Visegrad's Winding Road to the EU Multiannual Financial Framework 2014-2020", *PISM Policy Paper* No. 39, October 2012, p. 1.

further cuts from the European Commission's initial proposal are indeed inevitable, the V4 can act together in order to ensure that these cuts also fall in other areas of EU spending.²

What about involvement with EU achievements such as the internal market or Schengen area? Might this also cement the V4 as a cooperation platform? The success of the Visegrad countries in recently outperforming the "old EU members" in terms of economic growth would certainly not have been possible if it wasn't for the single market. Thus, it is surprising that the V4 is not always vocal about the deepening of the single market agenda, or at least is not visible at a higher political level. The recent eurozone attempts to introduce a banking union, along with suggestions concerning a separate eurozone budget could threaten the single market, particularly in the scope of financial services, and as such should be identified as a priority for V4 discussions.

There is a similarly mixed record as regards the Schengen area, and the potential moves towards the reversal of the free movement of persons. Lifting the EU's internal border controls has had a positive influence on V4 economies and societies and provides its members with a strong incentive to defend Schengen. Schengen cooperation also provides parallels to the big issues of the day, such as economic and political union. Initiated in the 1980s apart from the EU legal order, and despite the existence of Commission proposals to the same end, Schengen cooperation provides a case study of differentiated integration based on international law. Before the Schengen *acquis* was integrated into the EU treaties, the attractiveness of this form of cooperation lay in the possibilities to apply the "pick and choose" attitude in establishing new governance forms for a certain vanguard of member states. However, the V4 members have not yet acted together to defend the Schengen area, even though they have the potential to constitute a credible voice in the debate on its future.

Despite sharing common borders, and cooperating closely with one another on a technical level, the V4 have yet to translate their commonalities on Schengen-related matters, enlargement or energy policy into broader political cooperation. However, even though the positions on the recently discussed single supervisory mechanism or separate eurozone budget might diverge, awareness among the V4 members of the potential consequences of these projects on EU integrity is increasing, and thus might constitute a significant incentive for expanding cooperation to new policy areas. Being sidelined in the decision-making process seems to be perceived as a serious threat by all members of the V4.

At this level of cooperation it nevertheless would be a challenge for the Visegrad Group to formulate a common, coherent vision towards the political union of the EU. This is due not only to a differentiated V4 stance on economic and monetary integration but also because a political union is hardly popular in domestic discourse in most V4 countries, and thus has also remained a non-issue on the V4 platform. The striking contrasts in the concepts of the necessary building blocks of a political union between the V4 members, and little interest for EU institutional affairs expressed by Visegrad Group deputies in the European Parliament³ would in any case make it difficult to find an active consensus.

The current crisis situation may shed a harsh light on the differences between the V4 states, but this also has a useful effect, concentrating minds and encouraging a new consensus-building exercise amongst the V4. With the prospect of the three non-eurozone V4 members being sidelined in decision-making, and a political gap opening between them and the Slovak Republic as a member of the eurozone, the V4 have gained a new perspective for cooperation. This has led to a positive sense of urgency amongst the four governments, to reinvigorate this useful platform for cooperation.

² During the European Council summit of 22–23 November 2012, the V4 maintained a coherent position towards allocations from cohesion policy in the wider group of Friends of Cohesion Policy.

³ In the Constitutional Affairs committee, the Polish and Hungarian deputies seem to be much more active than the other deputies from the V4. While Hungarian Deputy Zita Gurmai has been in charge of drafting the report on the proposal for a regulation by the European Parliament and the Council on the citizens' initiative, Rafał Trzaskowski has been co-drafting, together with Roberto Gualtieri, a report on the "Constitutional problems of multi-tier governance in the European Union".

Recommendations for the Visegrad Group: Institutions Are the Key

The problems that the V4 encounter on EU affairs are most clearly illustrated in the EU's ongoing budgetary negotiations. The V4 have sufficient economic interests to stand together in the MFF negotiations, with respect to the allocation of the cohesion policy for the years 2014-2020. However, net budget payers hold the strings—they give the lion's share of resources—and their cohesion is thus greater. One by one, they can pick off the net receivers, of which the V4 forms the core, offering them individually better deals if they cross sides. This is the classic prisoner's dilemma, whereby the group together can achieve the greatest gains, but no one knows if its partners will stick to the common line.¹ The solution, then, is to strengthen the institutional ties between the V4, so that its members risk jeopardising a greater good should they abandon the cooperation format in favour of individual national interests.

There are a number of means of achieving this, but they need to be pursued systematically, which has not always been the case with the V4. The first is to invest in the relationship between the V4 members outside of the mainstream of EU affairs, targeting issues such as joint infrastructure and transport projects or cultural and political exchanges. This would build a web of links that the members would be reluctant to jeopardise by pursuing narrow national interests in other cooperative forums such as at the EU level.

The second is to increase the effectiveness of the V4 by developing its joint ideational capacity, either building on those areas in which they have a natural expertise, such as transformation or EU accession, or investing further in think tank projects that allow the members to present common ideas and exercise influence at an EU level beyond their voting weight. In an advanced form, the V4 might hope to set agendas cooperatively, or, more modestly, simply to react in a timely manner to trends from outside.

The third is to keep a close watch on the kind of cooperation among the V4 that would be rewarded by the broader politico-institutional setup at the EU level. The EU sometimes looks to the V4 to act as the natural platform for regional cooperation that its members often claim it to be. This is the case in European neighbourhood policy, where a strong southern lobby demands an Eastern counterbalance, and the onus naturally falls on the V4. Similarly, the V4 as relative newcomers to the EU have a natural stake in some of the bloc's goods (the internal market or the Schengen area), which some of the older members do not feel as keenly. This position as status quo players strengthens their hand. This would also strengthen the V4 links with the "community institutions" such as the European Commission and Parliament. In contrast, there are other policy areas in which the EU may demand that the V4 members reach a compromise in precisely those areas in which they differ strongly: the V4 would, say, serve as a means to bind a sceptical Czech Republic or Hungary to the EU on questions of economic policy coordination and financial regulation. Fourthly, the V4 can look to allies amongst the other EU members and influential third countries, as part of the V4 Plus format, or with the EU institutions themselves.

The nature of the eurozone sovereign debt crisis and the growing expectations of the financial markets have pushed political decisions to the highest political level, making the inter-governmental method, and so called summitry in particular, a default decision-making tool. In light of increased role of the European Council in the EU decision-making process, and the legitimisation of cooperation at a governmental level, a common willingness among V4 members, to consult each other before each European Council meeting, gains legitimacy. Once the fiscal compact enters into force and is ratified by Hungary and Poland, the V4 could consider widening these practices to the Euro summits, in which they would take part under the terms of that agreement. Such consultations would enjoy added weight if they succeeded in re-engaging the Czech Republic, which abstained from joining the compact in the discussions on completing the Economic and Monetary Union.

¹ D. Kałan, P. Tokarski, P. Toporowski, "Visegrad's Winding Road to the EU Multiannual Financial Framework 2014–2020", *PISM Policy Paper* No. 39, October 2012, p. 9.

As for those areas where the V4 enjoys special expertise, the stagnating EU enlargement process, and the recent reversals in the attempts to liberalise the EU's visa regime with the Western Balkans, play to their strengths. The V4 countries, with their broad experience arising from the accession negotiations, including the screening process, could provide a consultation platform and technical assistance not only for the Western Balkans, which need to harmonise their administration with EU requirements, but also for the Eastern Partnership countries. Moreover, sharing V4 experiences arising from building up local self-government could constitute a good basis for developing civil society, both within the Western Balkans and in the Eastern Partnership countries. Since the V4 members were not subject to post-accession anti-corruption conditions as were Romania and Bulgaria, and because they will bear the brunt of the negative effects of instability in the region, they enjoy a natural authority and credibility in these matters.

A redoubling of efforts to build up expertise may come in handy in other areas too. The putative political union, for instance, has not attracted much attention from the V4 countries so far, mainly due to their divergent positions on the EU's future. This might change in light of the increased public debate about the EU's shortcomings and lack of effectiveness—a debate lately joined also by the EU institutions, legitimising the discussion on the EU level. Already, the V4 members should be ready for a fundamental treaty revision scenario involving the Convention method sometime in the future, and analysing their potential common expectations from the future EU institutional set up. The usual official exchange of views could be enlarged to include the European affairs think tanks, facilitating the discussion about the V4's influence in a changing EU institutional architecture.

As for the V4's potential role as defenders of the EU's common achievements, the Schengen area is exposed to the consequences of great differentiation in wealth and living standards between the Member States, additionally enhanced by the sovereign debt crisis. The changing attitude of European societies to migration flows influences some Member States' radical actions aiming to limit the freedom of movement. In this context, the V4 members should reaffirm to their partners that Schengen cooperation does not face any long-term crisis, while dismantling Schengen would entail higher economic and social costs. Additionally, the V4—having accomplished the demands arising from Schengen membership—could act as a promoter of a strengthening of the Schengen area. They could share experiences from the implementation process of the Schengen *acquis* as well as best practice arising from local police cooperation and from cooperation with neighbouring countries.

This dismantling of common goods is apparent in other ways and in other policy areas. The single supervisory mechanism that is currently under inter-institutional negotiations is a recent example of a broader set of crisis-management tools that might result in reinforcing the differentiation between eurozone and non-eurozone members. The upcoming negotiations constitute an opportunity for the V4 members to join forces in safeguarding the interests of the bank subsidiaries of the big banking groups in the eurozone located in the Czech Republic, Hungary and Poland, its domestic banking supervisors, and fair voting rules in the European Banking Authority. Sharing similar interests could potentially facilitate the process of establishing a broader Member States' alliance against sidelining the non-eurozone members in the EU decision-making process.

This role as defenders of the EU's common achievements improves the prospects of the V4 gaining powerful new allies. In the negotiations on the single supervisory mechanism, or in the discussions on a separate eurozone budget, both potentially deepening the EU fragmentation, V4 members could probe the possibilities of a partnership with the European Parliament, an EU co-legislator. The V4, with their acute concerns about the creation of a Union made up of insiders and outsiders, have a natural ally in the "Community institutions", established in order to pursue the good of the 27. In exchange for European Parliament support in fighting for EU cohesion and the democratic legitimisation of the EU decision-making process, V4 members, and the Slovak Republic in particular, should defend the supranational character of the European Parliament and its role in representing the citizens of both eurozone and non-eurozone Member States, thus undermining the floating proposals which threaten the Parliament's integrity.

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ISBN 978-83-89607-47-4

