Prospects of the Visegrad cooperation in changing economic, political and social conditions – identifying converging and diverging factors

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Visegrad cooperation as an instrument of the articulation of common interests

In the last two decades, the Visegrad cooperation proved its grounds. In 2011, when the agreement celebrated its 20th anniversary, against all sceptic voices the cooperation among Poland, the Czech Republic, Slovakia and Hungary was in good shape. In spite of the weak institutionalisation – until now the International Visegrad Fund is the only joint institution – Visegrad cooperation exists and is visible, meaning we can talk about a successful agreement that was established in 1991.[2] It is an important political interface to elaborate strategies based on common interests or to discuss about bilateral problems without any constraints.

Due to the fact that cooperation is done among independent and sovereign countries, a number of different and similar interests can be articulated, so there are issues that weaken and others that strengthen the agreement. The interrelations of the four countries

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[3] Hamberger (2010)

have a historical determination to weaken the integration.[3] Disagreement was tangible during the history of the cooperation, because of different political strategies in the member states; thus there were successful and less successful periods.[4] It also works against the cooperation that most of the current issues of the Visegrad Group are not being discussed systematically but are dealt with on an ad hoc basis.[5] Nonetheless, the cooperation had to face new and formerly non-existing challenges during its recent history, that put the agreement to the test, but cohesive forces seem to prevail among the V4 in the long term. In spite of some historically rooted conflicts, the similar history and the geographical location[6] connect these states on several points. The perspective of the alliance can be seen as determined by the necessity of closer cooperation in the social and cultural fields, as well as of the articulation of common interests on internal and external issues.[7]

2004 was a turning point for the V4, as the strategic goals of these countries have been achieved, namely successfully joining NATO and the European Union. Soon it seemed that the cooperation would lose its relevance (by becoming a multilateral forum without any special target). It seemed that the agreement was to become empty and powerless, and many thought that the V4's continued existence was obsolete.[8] Despite the political will to inject new aims into the cooperation, there was a diverging force that Poland, the largest member of the agreement, because of its' size played a more significant role in the European Union than its Central European partners.[9] It was perceptible at the Ukrainian orange revolution in 2004 and the east Ukrainian conflict in 2014, when Poland had a leading role within the Visegrad countries (V4). But after a few years of EU membership – partly due to some disillusionment and realisation that being a member means a never ending compliance procedure – representation of national and common regional interests came to the fore. Further en-

4 Šoth (2010); Strážay (2013); Walsch (2014)
5 Marek (2011)
6 Zelenická (2009); Brazova et al. (2013)
7 see more: Hamberger (2010); Walsh (2014)
8 Hamberger (2010)
9 Marek (2011)

largement, new initiatives within the EU and the reform of the Union's common policies/structures gave new impetus to the V4 countries to cooperate.

Despite political turbulences, the agreement fulfilled its role: it was the main forum for political dialogue and bilateral relations between its member states. Similar or even better perspectives may await the cooperation if its members recognise the benefits of joint actions. There are two dimensions of the Visegrad cooperation after EU accession.[10] On the one hand, the internal dimension means joint internal programs (economic, infrastructure, trade, energy, investment, cultural and educational programs) and on the other hand, the articulating of common interests in the EU decision-making mechanisms as well as towards third countries. Concerning the latter aspect, it was a significant progress after 2004, that the V4 engaged in transferring membership experiences to the Western Balkan countries. Regarding the EU issues, at the debate of the 2014-2020 budget, Visegrad countries were successful in establishing a large and thus influential "friends of cohesion" group[11] successful in preserving most of the acquis and financial background of cohesion policy. However, a weak point of the cooperation is the lack of regular pre-discussion of national positions prior to Council negotiations, as these countries prefer to enter ad hoc coalitions within the Union.[12] An example of this behaviour was the reform of the common agriculture policy where the Visegrad countries were not able to agree on a united approach.[13]

All in all, the balance of the Visegrad cooperation is on the one side a success story, on the other side – because of the weak institutionalisation – it has its limits. However, lack of institutions means more flexibility to respond to internal and external challenges.[14] Therefore this regional alliance has a unique opportunity – via coordination of national politics – to create a more visible and more competitive Central European region in the international context. Based on the history

[10] Walsh (2014)
[11] Vida (2012); Walsh (2014)
[12] Köles (2011); Marek (2011); Vida (2012)
[13] Šoth (2010)
[14] Strážay (2013)

of the Visegrad cooperation we can see that the operation and prospects of this agreement should be examined in the context of the regional and international issues. This research attempted to analyse the effects of the changing internal and external environment and to identify the main threats, challenges and possibilities regarding V4 cooperation.

Aims of the research

The significance of the Visegrad cooperation has led to countless interpretations (both academic papers and other articles) which are mainly preoccupied by the opportunities it provides. Merely the bibliography that was published at the 20th anniversary of the cooperation, contains approximately 1400 selected articles, books and academic papers between 1991 and 2011 about the Visegrad.

For researchers the following questions can be articulated in this framework. How successful is the agreement in the context of changing economic circumstances with special regard to the anti-crisis strategies and the post-crisis period? What are the main challenges and tasks of the decision-makers? How can the political changes inside the EU and the V4 influence the future prospects of the agreement? How can the V4 cooperation be influenced by such ideas as a two speed Europe with a federal core area, and a confederal outer band (non-euro countries)? What are the major challenges for the region in terms of social circumstances or trends? How do these trends influence the competitiveness and sustainable catching up process including productivity, human and physical infrastructure in these countries?

The main assumption is that dynamics and scope of the Visegrad cooperation have been determined by the *political, economic* and *social development* not only of the individual countries but of the EU as the main anchor, as well as the changing global political and economic environment. Our goal was next to draw up the main challenges facing the V4 countries and to find *similarities and differences* regarding the *economic, political and social issues.* We did it because in the last two decades the history of the Visegrad cooperation proved that it was driven by identified common interests.[15] **Therefore the main aim of this research was to reveal in this frame of reference those cohesive (or centripetal) forces which drive towards more cohesion and lead to deeper cooperation.** At the same time, we also attempted to uncover those diverging (or centrifugal) forces which might weaken or halt cooperation. During the research we kept in mind the practical use of our results therefore we put forward recommendations for enhancing cooperation and overcoming difficulties, solving arising problems.

The research has three angles built on our basic concept. The first angle of the project focuses on economic issues. The questions to be answered are as follows:
- How can Visegrad countries reach a sustainable development, and increase their competitiveness given the current external circumstances?
- Is there a change as regards the basis for further economic development in the post-crisis period?
- Have public finances been stabilised in a sustainable manner or will further pressures come to the surface?

The second research angle tries to catch the crucial political fields for the future cooperation among V4 countries.
- How can the V4 represent and enforce its interests vis-à-vis the general developments of the European Union (e.g. two-speed Europe, common EU budget, etc.)?
- What is the potential for the Visegrad group to represent national and common regional interests in the EU's decision-making processes?

The third issue deals with the social challenges facing the V4. Sufficient quantity and quality of labour, and ageing society are among the major challenges for the whole Europe. Adequate social development is one of the key prerequisites of sustainable economic development and public finances (taxes, social insurance etc.).

[15] See among others: Pastwa (2014); Rácz (2014)

– How can sustainable social structures be built up and enhance overall competitiveness in the Visegrad countries?

First we summarise the main results of the country studies highlighting the main similarities and differences in order to show the possible cooperation linkages between the V4 countries. For all pillars we completed a SWOT analysis based on the main internal and external trends. Finally, we draw up the prospective future direction of the cooperation and formulate recommendations to the decision-makers.

Economic pillar

Convergence and sustainable catching up process – partially successful

In today's global economy the emergence of the countries depends even more on the opportunities from their external economic relations as well as on their internal adaptability to respond to external challenges. In this context, regarding the economic ties, the changing global environment provides the framework. In the case of the Visegrad region this phenomenon is even more important, because the *three smaller countries are highly open economies* (Czech Republic, Hungary and Slovakia) with 75-95% of exports to GDP ratio, reflecting a greater vulnerability to external market developments. Poland with its big domestic market has less than 50% export to GDP ratio, which plays a key role in the differences among the V4 countries. The V4 have been showing significant development in their foreign trade: *while between 1990 and 2012 the volume of world trade has tripled, the external trade turnover of the Visegrad countries was ten times bigger.*

While the V4 countries are far (by 15-20 percentage points) more integrated into the EU market than the EU average (61.8% in 2013)[16], some geographical **reorientation** of exports has been taken place in the V4, too, especially since the crisis (mainly in the direction of Russia, Ukraine, China and Turkey).

[16] Vida (2015b)

According to the statistical data, the **economic development** of the Visegrad countries in the last ten years was mainly determined by the impact of EU accession, the effect of the financial and economic crisis, and the outcome of crisis management. In analysing the economic situation of the V4, three stages of development could be identified: the *post-accession and pre-crisis years* (2004-2008) of diverging but mostly improving macroeconomic trends, especially in Poland, the Czech Republic and Slovakia; *the crisis years* (2009-2013) of recession, stagnation or low growth, and finally the post-crisis years (2014 and beyond) marked by harmonious converging trends. As regards GDP figures, in spite of diverging growth rates right after accession and in the years of the crisis, by 2014 the growth rates of V4 have converged to around 2-3%. Though in the *coming years the high pre-crisis dynamism will not return to the region,* a continuation of catching up to the EU could be envisaged due to the above-EU-average expected growth rates (2.2-3.8% vs. 1.3-1.9% until 2019).[17] The main drivers of growth will be (remain) domestic demand (especially investment, and public and private consumption to a certain degree), net exports (especially in the smaller countries) and EU funds equalling 135 billion euro in the 2014-2020 period. As the Visegrad countries' economy highly depends on the EU, especially in the field of foreign trade and financial resources (FDI, funds, remittances), their *future economic trends cannot be separated that of the EU.*

Catching up at **regional level** shows a similar picture to national performances: *the most spectacular development took place in NUTS-2 regions of Slovakia and Poland, while the Czech and especially the Hungarian regions did not experience a similar closing up.* However, in all countries there is a huge discrepancy in development levels between the central regions (reaching well above 100% of EU average) and the rest being below 75%.[18] This problem is the gravest in the smallest but the most dynamically catching up country (Slovakia), confirming the trade-off theory of convergence.

As regards the convergence of **living standards** measured by per capita GDP, both the beta and sigma convergence theories were val-

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[17] Vida (2015b)
[18] Vida (2015b)

idated by our research results: poorer countries (like Slovakia) managed to reach higher growth rates, consequently the *gap narrowed among the Visegrad countries* as well as between the V4 and the EU average. As a consequence of **wage** convergence, by 2012 the net annual earnings of the V4 average (6,350 euro) reached one third of the EU average instead of one fourth in the year of accession.[19] However, **price** convergence happened significantly faster.

All in all, the V4 countries did **converge to each** other and to the EU, *mainly due to the very quick catching up of the less developed countries, namely Slovakia and Poland.* While at the accession the Slovak GDP per capita in PPS stood at 57% of the EU average, by 2013 it reached 75%. The same figures for Poland were 48% and 67%, respectively. In contrast to the 18-19 percentage point convergence of the two less developed countries, the two more developed countries' convergence was only 3 percentage point in the case of the Czech Republic and 4 percentage point in the case of Hungary, that is these countries performed below their potential. The convergence within the Visegrad group is proved by the fact that while at accession the difference between the most and the least developed country in term of GDP per capita in PPS was around 30 percentage point, by 2013 this difference has halved.[20] As a consequence of the above convergence, the ranking of the countries changed: though the Czech Republic managed to keep its leading position, Slovakia and even Poland overtook Hungary due to the diverse economic structures and the different impact of the economic crisis. *It looks like that divergence within the V4 will slow down, however it will be a long way to bring all countries and all regions at least to the 75% of the EU.*

Apart from quantitative changes, remarkable qualitative **i.e. structural changes** could be revealed: while in the 1990s Visegrad countries were mainly competitive in labour intensive industries and had disadvantages in technology-driven industries, during the last decade the share of *high-technology products in total exports has increased significantly, showing a catching-up to the developed*

[19] Vida (2015b)
[20] Bartovic (2015)

countries. The Czech Republic and Hungary are in a leading position with 15.0 and 16.1% shares (2013), respectively, while Slovakia and Poland are lagging behind with 9.6% and 6.7% shares.[21] As in the case of Slovakia, Poland and the Czech Republic high technology exports grew more dynamically than total exports, in Hungary high-tech export growth was below the overall export dynamics due to multinational-network reorganisations, signalling that corporate decisions affect the external performance of the countries. *The increasing share of the V4 in the global value chain means that in the 21st century national competitiveness cannot be separated from the competitiveness of transnational firms.*

Cleaning up public finances – consolidation without real structural changes

Public finances in the post-crisis period are being successfully stabilised, however consolidation was not accompanied by thorough structural reform of the national budgets. Sound public finances are not only an obligation under the Maastricht criteria but also building blocks of a country's competitiveness.[22] The Visegrad countries entered the EU with differing levels of **budget deficit**. While the improving trends of the Czech Republic, Slovakia and Poland were disrupted by the crisis, Hungary was hit by it in the middle of fiscal policy ‘repair’. Thus Hungary was the first to leave the excessive deficit procedure in 2013 (after ten years of being under EDP), followed by the Czech Republic and Slovakia. Regarding Poland, as neither the 2012 nor the 2014 deadline were kept, a new deadline was set up for 2015.[23] The promising consolidation processes in all four countries seem to keep budget deficits under 3% also in the medium run, while the public debt ratios remained below 60% in three of them, and the high Hungarian rate has been converging towards the Maastricht threshold in the recent years.

While the V4 countries have been focusing on decreasing their deficits, no major structural reforms were adopted. This is especially

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[21] Túry (2014)
[22] Vida (2015b)
[23] Kawecka-Wyrzykowska (2014), pp. 7-8.

true in the case of Hungary and Slovakia where public revenues increased, and expenditures were not cut back.

Table 1. Total general government revenues and expenditures as percentage of gross domestic product (GDP)

Revenues			
	2004	2010	2004-2013 in pp.
European Union (27 countries)	43.8	44.1	2.0
Czech Republic	40.4	39.1	0.5
Hungary	42.6	45.6	5.1
Poland	37.2	37.5	0.3
Slovakia	35.3	32.3	0.6
Expenditures			
	2004	**2010**	**2004-2013 in pp.**
European Union (27 countries)	46.7	50.6	2.4
Czech Republic	43.3	43.7	-1.0
Hungary	49.1	50.0	0.9
Poland	42.6	45.4	-0.7
Slovakia	37.7	39.8	1.0

Source: Eurostat

Looking at the **monetary** developments since accession, after divergences in the pre-crisis years, *very promising converging trends can be detected in the post-crisis period.* There is recently a clear convergence of both inflation rates (forecasted to be around 1-3% in the medium run) and of long-term interest rates (thanks to systematic base rate cuts in Poland and Hungary) Stabilising public finances, keeping the rules on fiscal discipline, approaching to and sustaining nominal and real convergence plus implementing some structural reforms (e.g. in the field of the labour market, business environment, transport infrastructure, innovation etc.) may result in the **introduction of the euro** at the beginning of the next decade in the case of the three bigger Visegrad countries. *A common joining would be desirable, however, the societies should be prepared for the change, also public and political support should be strengthened.*

The **SWOT analysis based** on the main macroeconomic trends in the Visegrad countries for the time horizon of 2022[24] shows that the **common strengths** of the V4 countries are: growth, low inflation, interest rate convergence, consolidated public finances, strong attraction of FDI, good trade performance and current account balance. Future **opportunities** are provided by continued convergence to EU averages, harmonious development at V4 level, rising domestic demand, attraction of FDI, good manufacturing and export potential, diversification of export markets and use of EU funds. The main **weaknesses** are in the field of investment, productivity, innovation and regional development. Potential **threats** are partly external, such as low growth of main export partners, and partly internal such as the exchange rate vulnerability with the exception of Slovakia, or the net income outflows.

Political pillar

Western linkages – the European environment

Governance issues have always been on the agenda of European integration, just like the *permanent struggle between the federalists and the intergovernmentalists.* From the early 1990s onwards – starting with the Maastricht treaty, through the Amsterdam and Nice treaties – up until the entry into force of the Lisbon treaty in 2009, *governance modes became increasingly complex and less transparent.* A great challenge was the historical enlargement and the fact that not all member states were willing and/or able to participate in all projects of European integration. *As a response, innovative ideas on a two-tier EU and the re-emergence of federalism came into the fore.*

Governance issues became recently intertwined with the **tackling of the global crisis.** In 2009 the most serious financial and economic crisis ever hit the European Union. The crisis has actually been exercising two parallel impacts on the integration: *a centripetal one, pushing for deeper cooperation* and a centrifugal one, *working in the other direction* i.e. finding other types of breaking points to ensure economic growth. In practice, the EU applied mixed methods and instru-

[24] Vida (2015b)

ments to tackle the crisis and there has been a boom of new institutions, legislation and financial tools proposed/created. The centripetal and centrifugal forces became visible. On the one hand, all the *member states were united to manage the crisis and work together* (e.g. European Semester, Europe 2020 Strategy, Six-pack, Two-pack, Deposit Guarantee Scheme), *while on the other hand, there were initiatives not supported by all member states* (Euro Plus Pact, Fiscal Compact) *and not involving everybody* (European Stability Mechanism Treaty, Single Surveillance Mechanism).

The measures are an obvious mixture and patchwork of the Community and the so-called Union methods leading to less transparency and accountability, and making the economic and fiscal policy governance extremely complex and bureaucratic. Based on the introduced measures and advocated proposals, and taking into account the actual political and economic situation and citizens' perception, Vida (2015a) distinguishes four possible scenarios for EU governance. A *federation of states* with clearer delimitation of competences and more subsidiarity. The *two-tier* EU for the euro area would be further institutionalised within the EU institutions and also within the financing system. The third scenario could be s*treamlined and flexible* EU; in some areas the way competences are exercised would be revised. The last scenario is the p*reserving of the current status quo.*

Visegrads' different positions

In several fields the Visegrad countries have a shared position (e.g. in cohesion policy financing, interconnection of transport and energy networks, Eastern partnership, increasing competitiveness, fostering economic growth, energy security etc.), however in other areas they have *different attitudes determined by their economic and political situation.*

Poland – which weathered the crisis well thanks to responsive domestic economic policy – *has been supportive for all anti-crisis measures taken by the EU* (like European Semester, Euro plus Pact, the Stability and Growth Pact (Six-pack), Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG)), *while favouring a strengthened economic governance and deeper in-*

tegration. As the country's main endeavour is to avoid any “second-class” membership, to accede to the inner circle of EU decision-making and to become a big player, Poland acceded to all new institutions and instruments.

Poland signed the Euro plus Pact in order to *prevent the further deepening of a two-speed European integration,* to be part of the changes and to cooperate with eurozone members. Concerning the Six-pack – which was adopted under Polish presidency in November 2011 – Poland supported SGP reform, however, it opted for “more flexible” way to achieve the SGP requirements and strongly opposed the Commission's proposal of fines for non-euro members breaching SGP rules in the form of withholding EU funds.[25]

Poland position is that there is *a need to deepen integration, to make European institutions stronger and to complete the EMU via steps towards a full banking, economic, fiscal and political union.* However, there is a fear that the different EU actions might result in fragmentation of the EU or in several speeds of the EU.[26]

In the **Czech Republic** there was a nation-wide consensus on full political support to becoming a member of the European Union. Support for EU membership was the highest during the Czech presidency in 2009, then it started to drop quickly as a consequence of crisis in the EU and the euro area. Nowadays the Czech Republic is considered to be a eurosceptic country and an unpredictable and irresponsible partner (see the example of the long delay in ratifying the Lisbon Treaty), *finding itself in the position of an outsider.*[27] Regarding the EU relations of the Czech Republic – pro or against deepening integration – we can observe a clear correlation with different political directions, at the level of both, ruling parties and the president of the country. The Czech Republic has been *sceptical about the EU’s new crisis management methods and the further deepening of the integration process, especially under the centre-right government.* This *passive wait and see strategy,* accompanied by the outright eurosceptic view

[25] Kawecka-Wyrzykowska (2014)
[26] Kawecka-Wyrzykowska (2014)
[27] Bartovic (2014)

of the former president, Mr. Vaclav Klaus, marginalised the Czech Republic in the EU and resulted in the country's abstention from both the Euro Plus Pact in 2011 and the Fiscal Compact in 2012. The new coalition government appointed in January 2014 declared a pro-EU policy and adopted a new EU strategy with an aim to become a fixed part of the EU. The current Czech president, Miloš Zeman considers himself a "European federalist", he pledges for quick introduction of the euro and for the country's participation in core Europe. As a sign of change, the *new government signed the Fiscal Compact and sent it to the parliament for ratification.*

The Czech position towards changes in the EU governance means *"a gradual acceptance of the multi-speed or even multi-level model of EU integration on the condition of relative openness of the eurozone towards other EU member states".*[28]

Slovakia, as a euro-member since 2009, *does not have any choice but to join all new structures and instrument of the Economic and Monetary Union.* The Fiscal Compact came into force in January 2013 and the newly established Council for Budget Responsibility is dealing with overall fiscal health, including the issue of budget deficit and public debt. In order to comply with the Fiscal Compact, Slovakia continues fiscal consolidation and makes efforts to fight against tax evasion, improve VAT collection and broaden the tax base. The *primary focus of the Euro Plus Pact,* namely competitiveness, employment, sustainability of public finances, financial stability and coordination of tax policies, *are particularly important for Slovakia.*

Concerning the *fiscal union,* Slovakia emphasises its clear objections. *Lack of coordination and political will* are weakening the legitimacy of the agreement. *The fiscal union is almost solely driven by the expenditure side of public finances,* the revenue side (like taxes) is underrepresented. Slovakia is for a gradual tax harmonisation, as recently the differing tax rates and separate levies at national levels are functioning as an element of "fiscal competition".[29] Finally Slovakia finds that there are *institutional problems with enforcement of*

[28] Bartovic (2014), p. 18.
[29] Hošoff (2014a)

rules, and the collective guarantees for debts have many risks. All in all, Slovakia strives to maintain the country's place in the mainstream of the EU.

Hungary *has so far had a mixed approach.* The country is fully in favour of the Six-pack and Two-pack, and has always been committed to all the reforms taken in the framework of the existing treaties and institutions. At the same time, Hungary is more cautious about any new measures outside the Treaty framework. *Hungary did not sign the Euro Plus Pac*t (along with the Czech Republic, Great Britain and Sweden) *because of its references to tax harmonisation, while Budapest is willing to join the coordination on the other aspects of the Pact.* This step however was in line with the government's slogan of national independence and emphasis on national sovereignty. However, in order to avoid a reinforced outsider position and to show commitment to sound public finances, *Hungary actually signed the Fiscal Compact* (but most of its provisions will be binding only upon its accession to the eurozone).

It can be concluded that the attitudes of the **Visegrad countries** in connection with the key anti-crisis instruments *are different and non-homogenous.* While the Europe 2020 Strategy, the European Semester, the Six-pack, the Two-pack, and the EU wide institutions for monitoring financial markets (e.g. the European Banking Authority) were accepted by all V4 countries, the Fiscal Compact was signed only by Hungary, Poland and Slovakia. The Euro Plus Pact was accepted by Poland and Slovakia, while the European Stability Mechanism was signed by Slovakia only, as a member of the eurozone.[30]

Eastern linkages – Russian relations

The Central European countries can be defined geopolitically by their relations to Western Europe and by Eastern Europe's (i.e. Russia's) interests towards them.[31] Therefore the future cooperation of the Visegrad countries depends not only on their position in the European Union but on their relation with Russia and its interests. It makes

[30] For details see Vida (2015a)
[31] Huntington (1996)

the situation complex that the relations of Central Europe and Russia have a quite turbulent past.[32] Nowadays, the strategic leverages of Russia over the whole region are smaller than they were in the Soviet times. With the Soviet Union falling apart, Central Europe has no common border with Russia, the Red Army was withdrawn, the Warsaw Pact ceased to exist, the Visegrad countries have joined and integrated into the NATO and the EU, the pro-Moscow elites were ousted from power and there are no significant ethnic Russian minorities living in Central Europe. In the post-1989 period Central Europe needed to be concerned only of the soft power potential of Russia (used in the case of energy business), but not of any direct hard security threat. This period came to a quick end by the Russian occupation of the Crimea in March 2014.

Though the Visegrad countries share a common interest related to Ukraine as a neighbouring country, they *are very much divided on Russia.* Both normative and policy differences are discernible. *Speaking about the normative differences, Poland has a traditionally very strong Trans-Atlantic commitment, taking hard stance on Russia. The very Russia-critical position of the Czech Republic is based on its focus on human rights. Slovakia and Hungary are much more pragmatic. Besides, Hungary under the Prime Minister Viktor Orbán, is continuing its eurosceptic, more East-oriented policy track.*

In military terms, though the Russian troops are fighting a war in Ukraine, there is no any direct military threat to the Visegrad region, which is protected by the NATO membership. *Regarding energy security, all countries are highly dependent on Russian gas supply to varying degrees.* The Czech Republic is the least dependent with a 66% share in all gas imports. Hungary and Poland receive 81% and 83% of their gas imports from Russia, while the ratio for Slovakia is 93%. Both Poland and Slovakia are key transit countries, and the Czech Republic also plays a transit role. Hence, these countries are protected by their transit position, while Hungary is perhaps the most vulnerable country. *Visegrad countries are jointly pursuing a number*

[32] Rácz (2014)

of energy projects. As none of them are completed, they could not provide an umbrella against unwanted supply breaks or punitive measures of Russia. In economic terms Poland has the most to lose if Russia reacts with economic counter-measures to EU sanctions. However, the other three Visegrad countries are engaged in a number of large politically-driven projects which might be at stake.

As a result of the above mentioned differences, the Visegrad group has been unable to adopt a common position on Russia. The V4 is very much divided about how to react to Russia's actions in Ukraine (take the example of EU sanctions). However, one should not forget that increasing intra-Visegrad tensions belongs to the tactics of the Russian foreign and security policy aimed at weakening the EU and NATO.[33] According to one of the possible scenarios, if the Visegrad countries could be able to form a common position on Ukraine and Russia, *their visibility and prestige would be boosted.* A *common Visegrad voice* could be better heard in the EU, as the four countries have the same 58 votes in the Council like Germany and France have together. Moreover, a coherent Visegrad position on Russia could turn the V4 into a more valuable and reliable partner of the USA. *However, differences between the V4 are far deeper than occasional, hence it is unlikely that a common Visegrad position could be formed.*

Another theoretical – though unlikely – option is that due to the deepening lack of trust between the countries, the cooperation gets halted or suspended. The most likely scenario is that the *V4 will remain unable to form a common position about Russia,* however, cooperation will continue due to the "art of disagreeing" rule, meaning that if consensus cannot be reached on a certain issue, then the problem is put aside and cooperation continues on those areas where a joint position can be agreed on. The existence and the activity of the International Visegrad Fund as the primary foreign policy arm of the V4 cooperation might be a guarantee for not suspending cooperation.

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[33] "A small Central European country can never be more for Russia than a useful weak point inside the EU and NATO, and also in the Visegrad co-operation." Rácz (2014) p. 15.

Social pillar

Social changes occur at a slower pace than economic changes. However, they provide a basis for the competitiveness of each economy and its ability to develop. Therefore it is vital to give a clear picture about the present situation, to identify possible risks and challenges in order to prepare appropriate responses and policy-oriented actions.

Europe 2020, the European Union strategy for growth and employment, was adopted in 2010. It emphasizes smart, sustainable and inclusive growth with special regard to social inclusion aiming at fostering job creation and poverty reduction. Apart from these two measures the social situation and living standards of the V4 countries are determined by demographic trends, real wages, income distribution, education, health care, pensions, social protection, migration etc. To meet the overall EU targets, member states have set up their own national targets in their national reform programmes. Therefore the structure of the country reports focuses on this development strategy.

Demographic trends

The **demographic trends** of the Visegrad *countries are quite similar to those of the EU countries*. The V4are also characterized by *declining and/or negative population growth rates* caused by decreasing fertility rates and changing reproductive behaviours. If *trends continue the population of the Visegrad countries will actually decrease, unless large-scale immigration is not considered* (envisaged). Because of population decrease **migration trends** have a significant role in the Visegrad countries. In the case of *Poland and Hungary migration is dominated by an increasing trend motivated mostly by economic reasons*. The result of emigration is the inflow of remittances and compensations which can improve the current account balance of the countries; however, emigration might cause labour shortages in certain occupations. In contrast to this, the migration trend in the *Czech Republic is dominated by immigration, resulting in a positive migration balance*. The V4 countries are not destinations for each other with the exception of the Czech Republic for the highly educated segment of the Slovak workforce. In the future there will be an increasing need in all the **Visegrad countries to promote immigration for counterbalancing natural population decline and the ageing of the society**.

Life expectancy is increasing due to decreasing mortality rates, higher living standards, better nutrition and easier access to health services. The consequences are: *progressive ageing, decreasing working-age population and an increasing dependency ratio. The main associated challenge is the sustainability of the pension and health care systems.*

The 38 million-strong **Polish** population is also slowly declining and is expected to be 32 million in 2050 if current trends do not change. The negative population growth rate is due to a low birth rate – caused by a low fertility rate – and continued emigration of young people. Emigration from Poland has increased significantly since accession: from 1 million to above 2.1 million in 2012. Around 78% of emigrants stayed abroad 12 months or longer. Large number of emigrants have also had a positive effect on the current account balance of the country, because Poland is the third biggest EU country in terms of workers' remittance inflows. However, one should not forget the negative impact of emigration, namely wage pressure and labour shortage in specific fields, i.e., construction, health care and retail trade.[34]

Life expectancy is continuously increasing: nonetheless there is a vast gap in life expectancy between Poland and western EU countries. The Polish population is aging fast: by 2060 34.5% of Poles will be aged 65 or more. This means that a decreasing number of workers will have to care for an increasing number of pensioners, with a detrimental effect on the pension system. As a solution, Poland would have to have an inflow of at least *5 million immigrants* by 2050, though the country is not ready to become a non-homogenous society.[35]

In 2014 the **Czech Republic** had a population of 10.5 million, the highest number since the country's independence in 1993, largely *due to the positive migration balance*. Between 2002 and 2013 net migration amounted to 353 thousand, which is 3.4% of the total population. The strong influx of immigrants was mostly the result of the country's accession to the EU, entry to the Schengen zone and strong economic

[34] Kawecka-Wyrzykowska (2015)
[35] Kawecka-Wyrzykowska (2015)

growth causing labour force shortages. Despite the positive figures, according to projections[36] a significant population decrease is expected until 2100, resulting in a population between 6.1 and 9.1 million. The negative population trends can be counterbalanced by the country's positive migration balance. *According to projections, the proportion of the working age population will fall until the end of the century*. In the meantime there will be progressive ageing as the share of persons aged 65 and above will increase from today's one-sixth to one-third of the population. The dependency ratio will reach 100 per cent in mid-century: this means that the number of those in the productive population (20-64 years) will equal the sum of the number of people under 20 and above 65.Increasingthe retirement age would affect this trend.

The **Slovak** population size is around 5.4 million and is moving lightly upwards due to an increasing birth rate and a stagnating death rate. However, the size of the population is projected to decrease below 4 million by 2070 should sizeable immigration and/or a strong pro-family policy not occur. Slovakia is the only country from the V4 where migration did not play a significant role: it affects only some ten thousand persons. Slovakia is the only Visegrad country where immigration has always exceeded emigration, which was curbed by the crisis in the EU. However, the health sector suffers from the emigration of professionals. Between 2004 and 2009 2.800 doctors moved abroad, which is 15% of the total staff. While emigration is not currently an issue in Slovakia, in the future the country could rely more on immigrants as a substitute for the decreasing domestic labour supply.

Increasing life expectancy leads to an ageing society and an increasing dependency ratio. Recently Slovakia had the lowest dependency ratio in the whole EU (below 20%). However, there will a dramatic shift in the coming decades resulting in the highest dependency ratio (almost 70%) by 2080.

The **Hungarian** population has been decreasing for decades by 35-40 thousand persons per year due mainly to the decreasing birth rate and declining number of marriages. In 2014 the Hungarian population dropped below 10 million and is expected to be 7.33 million in 2060. *Hungary does not attract enough foreigners to counterbal-*

[36] Bartovic (2015)

ance population decrease. Emigration outnumbers immigration, though there is no reliable data on the former. According to official statistics for the first quarter of 2014 only 95 thousand persons left the country, though unofficial sources speak of between 300 and 500 thousand. In accordance with the general migration trend, mainly young educated people leave the country, hence leading to labour shortages in certain professions, especially in the heath care sector.

Labour market trends

Though the **labour market situation** has improved in the V4 countries since the crisis, *unemployment – with special regard to youth and long term unemployment – is still a challenge for all the countries with the exception of the Czech Republic*. A special common problem is the *high unemployment of the unskilled labour force* and *unemployment in less developed regions*. Another general problem for Hungary, Poland and Slovakia is the low employment and activity rate (63.2%, 64.9% and 65.0%, respectively in 2013), especially in the case of women. In order to handle the above problems, active labour market measures should be adopted and the adjustment of the educational systems to labour market demands is required.

One of the indicators for inclusive growth is the employment rate. According to Europe 2020[37] the headline target for the whole EU was set at 75% of the population aged 20-64. The **Polish** target is 71%, while the actual figure for 2013 was around 65%, compared to the EU average of 68.5%. In the **Czech Republic** the employment rate (73.5% in 2014) is the highest among the Visegrad countries and is well above the EU average: the 2020 target is 75%. The **Slovak** target is 72%, which is very ambitious as the current figure is around 65%. **Hungary** has the lowest figures among the V4 countries with its 62.5%: the 2020 target number is 75%.

As regards **employment figures** between accession and the crisis in the Czech Republic, Slovakia and Poland, employment went up and unemployment fell to historically low levels, while the Hungarian figures went into the opposite direction due to mismanagement of the economy. Though the crisis broke the positive trends in the three

[37] http://ec.europa.eu/europe2020/pdf/themes/18_employment_target.pdf

former countries, labour market recovery has already started and unemployment rates show a converging trend. By 2016 only Slovakia is expected to have a two-digit unemployment rate.

The **unemployment rate** in **Poland** was 10.3% at the end of 2013, which is very close to the EU average. The long term unemployment rate decreased substantially between 2004 and 2012 (from 10.3% to 4.1%) compared to the EU average of around 10%.[38] In the beginning of 2015 the unemployment rate in the **Czech Republic** was 5.5%, which is the third lowest in the EU after Germany and Austria. Consequently, unemployment does not mean a burden for the Czech economy: it is mainly a regional problem and affects primarily non-qualified workers and certain disadvantaged groups of society.

In **Slovakia** unemployment is one of the most significant challenges, requiring reform of active labour market policies. The employment situation is strongly influenced by the level of attained education. Between 2000 and 2013 the highest unemployment rate (between 40-50%) was prevalent in the case of people with primary or less than primary education, and the Roma population. The employability of people with upper-secondary and post-secondary education improved, especially after accession, while the unemployment rate for people with higher education increased, like in Poland and Hungary, entailing a mismatch between education and employability. Though long-term unemployment rates decreased after accession, in 2013 it was around 10%, the same as the EU average, with significant regional differences caused by uneven development among regions.

In **Hungary** the number of active unemployed increased considerably after accession (from 252 thousand to 449 thousand by 2013) and the unemployment rate stood at 10.2% in 2013 as opposed to 6.1% in 2004. The number of young (under 25 years of age) unemployed reached 84 thousand in 2013 while it was 56 thousand in 2004. In May 2014 the labour market situation significantly improved: the unemployment rate dropped to 7.9% (355 thousand) and the number of unemployed youth was 65 thousand. At the same time the share of long-term unemployed in total unemployment was 49.5%, which is higher than the EU average.

[38] Kawecka-Wyrzykowska (2015)

Education

The smart growth objective of the Europe 2020 strategy is closely related to education, which is one of the most important investments individuals and societies can make in the future. To assess the state of education four quantitative indicators were used.[39] The most important concerns keeping students in the educational system, therefore the first goal is to reduce the rate of *early school leaving*. Increasing the number/ratio of students in *secondary education* and *tertiary education* is also a target. Increasing the number of the students and giving them competitive knowledge entails investigating input into the education system in the form of *public expenditure on education*. On the output side PISA test scores were taken for qualitative assessment.

The performance of the **V4 countries** in the field of education varies. The share of early school leavers is below the EU average in the *Czech Republic* (5.4%), *Poland* (5.6%) and *Slovakia* (6.4%). *Early school leaving is of particular importance as this phenomenon negatively affects productivity and competitiveness and contributes to poverty and social exclusion*.

In the case of **secondary education**, the percentage of the population that has attained at least upper-secondary education was higher than the EU average in all V4 countries.[40] *Slovakia* is above 90% and *Poland* and the *Czech Republic* are around 90% while *Hungary* has the lowest figures (83.5%)

The proportion of population aged 30-34 with **tertiary education** is highest in *Poland* (40.5%) and lowest in the *Czech Republic* and *Slovakia*. As regards tertiary education in 2010, in the EU-27 19.8 million students, that is 62.7% of all persons aged 20-24, are enrolled in higher education. According to the Europe 2020 strategy by 2020 the share of 30-34 year olds with tertiary educational attainment should be at least 40% in the EU compared to 35.8% in 2012. In Poland this indicator was 39.1% in 2012, while the national target is 45%. Slovakia

[39] http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_2020_indicators_-_education

[40] http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Upper_secondary_or_tertiary_educational_attainment_and_early_leavers_from_education_and_training,_2007_and_2012_%281%29_%28%25%29_YB14_I.png

is among the worst performers with around a 20% share. In Poland in 2010 more than 2 million students were registered, which is one of the highest figures in the EU. The overall *Polish* and *Czech* achievements are generally better and above the EU average. In the field of education, achievements by Poland are in general better than the EU-27 average, especially in the case of early school leavers and tertiary educational attainment.[41] While *Slovakia* is catching up, the *Hungarian* situation is deteriorating. In all countries there is an urgent need for rethinking the profile of higher education in order to better meet the labour market demands and to boost lifelong learning. Regarding **expenditure on education**[42] Slovakia has the worst figures. With the spending of the 4.06% of the GDP in 2011 is the weakest position among the V4 and the far away from the EU figures (5.25%). Poland earmarks 4.94%, followed by Hungary at 4.71% and the Czech Republic at 4.51%. Regarding trends of government spending on education, *Hungary* is considerably lower than the EU average and more than 1.0 percentage point lower than at the time of accession. Hungary is one of the two member states (the other country is Portugal) which spent less money on education in 2012 than in 2004.

Income distribution and poverty

Income distribution does not show a uniform picture in the V4. The most egalitarian countries are Slovakia and the Czech Republic, Poland occupies a middle position with an improving tendency, while the Hungarian situation is deteriorating.

In **Poland** income distribution, as measured by the Gini index, *is relatively equal and shows a decreasing tendency* (from 35.6 in 2005 to 30.9 in 2012) due to the fast growth of the lowest salaries and the fact that the richest citizens earn more but pay more taxes. Poland occupies a middle position among the EU countries.[43] In the **Czech Republic** income distribution is very even in comparison with other EU countries. The Gini coefficient was 24.6 in 2013, which is the *third lowest in the EU after Slovenia and Slovakia*. The **Slovak** Republic

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[41] Kawecka-Wyrzykowska (2015)
[42] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=educ_figdp&lang=en
[43] Kawecka-Wyrzykowska (2015)

has the lowest dispersion of national income among the Visegrad countries and the declining Gini coefficient is lower than the EU average (below 25% in 2013). *Income differences are closely related to attained level of education* (the higher the level of education, the higher the income) *and the location* of the workplace reflects increasing regional differences. In **Hungary** the Gini coefficient reached 28 in 2013, entailing an unequal distribution.[44] *Between 2010 and 2013 the upper 10% of the population had gained the most: income distribution became more unequal*.

The risk of poverty and social exclusion *decreased in all V4 countries with the exception of Hungary, where it increased since the crisis*. The most significant decline occurred in **Poland**, while the **Slovak** and especially the **Czech** rates are below the EU average and among the lowest in the EU. However, even in these well-performing countries certain strata of society, i.e., uneducated and unemployed inhabitants, Roma population, children and single persons are still vulnerable. *Altogether in the V4 in 2013 15.6 million people, that is 12.7% of the EU28 population were at risk of poverty.*

Regarding the trends of the social marginalization, the situation in **Poland** has been improving uninterruptedly (even in the years of crisis) along all indicators; *consequently the social exclusion rate decreased substantially*. With a rate of 26.7% in 2012 it is still a bit above the EU average and concerns around 10 million people. *Women and young people experience a greater risk of poverty*. The goal for Poland is to reduce the number of people at risk of poverty by 1.5 million compared to 2008. As regards monetary poverty, Poland was one the worst performing EU countries in 2012 with a rate of 17.1%, in contrast to the Czech Republic where the relevant rate was 9.8%. The high monetary poverty rate is due to the fact that a relatively small part (9%) of gross public transfers paid to households goes to the poorest citizens. Despite a significant decrease, in 2012 5.1 million people, 13.5% of the Polish population was still severely materially deprived and almost 7% were living in households with very low work intensity.[45]

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[44] Artner (2014)
[45] Kawecka-Wyrzykowska (2015)

In the **Czech Republic** the percentage of population at the risk of *poverty and social exclusion decreased* to 14.6 per cent by 2013, which is the *lowest figure in the EU*. However, people with lower education, without jobs and family, let alone the Roma-populated communities have higher risks of poverty. The poverty rate is significantly influenced by social transfers. In 2011 the Czech government adopted the Social Inclusion Strategy 2014-2020 with a main aim of fighting against poverty.

In **Slovakia** the social exclusion rate decreased significantly, from 32% in 2005 to 19.8% in 2013, which is below the EU average of 24.7%. The situation is not so bright in the case of children below the age of 6 years and the Roma population (8% of Slovak population). Monetary poverty improved after accession and then worsened as a consequence of the crisis, though with a 13% rate it is still a bit better than in Poland. In **Hungary** in 2013 *one-third of the population, that is 3.285 million people were at risk of poverty, which is amongst the highest rates in the EU and higher than it was in 2005*. Children under 6 years of age are even more affected: the rate in 2013 was 42.4%, the highest since 2005 and the third highest rate in the EU after Bulgaria and Romania. As regards material poverty, while the risk of poverty rate before social transfers decreased from 29.4% to 26.3% between 2005 and 2013, the poverty rate after social transfers increased from 13.5% to 14.3%. Consequently, the share of the population whom social policy lifts out of material poverty in 2013 was the lowest since 2005. The number of severely materially deprived people increased from 2.3 million in 2005 to 2.6 million in 2013.

Social welfare – social protection and social spending

A common issue for all V4 countries is how to eradicate poverty, to support socially excluded strata and to finance social systems with special regard to pensions and health care. *In all the V4 countries social expenditures as a percentage of GDP are below the EU average of around 20%, the lowest being in Slovakia (12%) and the Czech Republic (13.8%).* The main dilemma is how to increase social expenditures while keeping public deficit under the threshold of 3% of the GDP. Though retirement age is gradually increasing in all countries, further steps are required to ensure the sustainability of the pension systems.

In **Poland expenditure on social protection** increased during the crisis and in 2011 it stood at 19.2% of GDP and almost 36.7% of total government expenditure compared to the 29% and 40% averages of the EU27. The main sources of funding of social protection at the EU27 level were social contributions (57.5%) and general government contributions (38.2%). The same figures for Poland were 42.8% and 34.6%, respectively.

In the **Czech Republic** budgetary expenditures on social protection were 13.8% of the GDP in 2012 compared to the EU average of 19.9%. *It is the second-lowest share in the Visegrad group*. However, if the calculation is made based on purchasing power standards, the Czech Republic is in first place, providing the highest old age pension among the Visegrad countries: in 2012 it was 1.649 euro (PPS) monthly, while the EU average was 2.532 (PPS).

In **Slovakia** a decreasing share of GDP is spent on social protection (12% in 2012), indicating the lower engagement of the government and providing an impetus for *more efficient and targeted social protection programmes*. Rising health care expenditures (6% of GDP in 2012) correspond to the long-term trend of an ageing population. The number of health care facilities (hospitals, out-patient care units, etc.) increased since accession. By contrast the number of beds available decreased along with the number of patients, consequently the beds per patient ratio increased a bit. The health care system is struggling with a shortage of professionals, a deteriorating age structure due to demographic reasons, lack of graduates and immigration to the Czech Republic for higher salaries and better working conditions.

In **Hungary** social protection expenditures were equal to 17.1% of the GDP in 2012, which is the lowest since 2006 and substantially lower than the EU27 average of 19.9% in 2012. Since 2004 the structure of social protection expenditures has changed at the expense of the poorest people. While expenditures on pensions increased, the amount devoted to sickness, disability, family and children, housing, unemployment and social protection decreased.

As regards the **healthcare system** in **Poland,** citizens are granted free access to publicly financed health facilities. In 2011 6.39% of the GDP was *spent on health, which is one of the lowest shares in the EU*. 70% of expenditures was financed by the public sector and

30% by the private sector. As regards the number of practicing physicians and nurses per 100,000 inhabitants, Poland was the only EU country with a negative growth rate for doctors and very low figures compared to the EU average due to emigration, which causes shortages of health care professionals. The situation with the number of hospital beds is better.[46]

The **Czech Republic** is among those countries with lowest **healthcare expenditure** in the EU and it is in third place after Hungary and Slovakia in the Visegrad group. Expenditures on health care have increased gradually and reached 7.55% of the GDP. Public insurance is compulsory for everybody with permanent residence, while private spending on health care is increasing. However, the Czech Republic is among those countries (even in the Visegrad group) with the lowest rate of private spending. Despite the fact that expenditure on healthcare is among the lowest in the EU, people assess the quality of healthcare positively. In some indicators (like doctors and beds per inhabitants) the country exceeds the average EU level.

The biggest challenge for **Slovakia** is how to finance health care and pension systems amidst the consolidation of its public finances and keeping the public deficit under the threshold of 3% of GDP. There is a pressing need for a comprehensive reform of the social systems with special regard to pensions and health care. The rising share of health care expenditures corresponds with the long-term trend of an ageing population in Slovakia and highlights the need for efficiency measures to be taken with regard to over-capacities and standardisation of procedures.[47]

Because of the ageing society the biggest challenge for the V4 countries is how to finance their **pension systems**. In **Poland** 58% (in the EU27 46%) of total social benefits (that is 11.6% of GDP) is spent on pensions while the proportion of older people grows, all while the number of persons of working age decreases. *Recently Poland introduced several reforms for mitigating long-term problems and increasing financial stability.* It was decided to gradually increase statutory retirement age as of January 1, 2013 and to introduce a uni-

[46] Kawecka-Wyrzykowska (2015)
[47] Hošoff (2014b)

form retirement age of 67 years. This decision is expected to increase the labour supply and improve the balance of the public pension fund. Other decisions were the radical change of the private pension fund sector and the increase of the length of service for cases of early retirement.

One of the biggest challenges for the future in the **Czech Republic** is the sustainability of the pension system. The capital pension pillar is voluntary and the state is not doing enough to motivate people to use it extensively for securing their pensions. The on-going pension system is already in deficit, whereby its revenues are lower than expenditures. Sustainability of the pension system is also a problem in the case of **Slovakia**. It has a need for comprehensive reform of the pension system, because the Slovak Republic will became the fastest ageing country in the EU. These trends signal a rather short life for Slovak pensioners after retirement in comparison to other European countries, highlighting the urgent *need for proper development and funding for health-care and social care for elderly systems*.[48]

Unfavourable tendency, that because of the cutting government expenditures in **Hungary** – which is a result of government expenditure cuts – has seen expenditure on old age pensions decrease. *Renationalisation of the assets of the private pension funds provided short-term sustainability to the system, but in the long term it has caused unsustainability of the current level of the monthly allowances*.

The cohesive and diverging forces of the Visegrad cooperation – main conclusion and recommendations

After EU accession – as one of the strategic goals of the V4 was fulfilled – the need for Visegrad cooperation was questioned. The impact of the 2008 financial and economic crisis – what has its effects until now – brought to the surface the formerly existing structural problems in the V4 countries. These issues and the debate on the future of European integration give us the question what are the perspectives of this regional cooperation.

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[48] Hošoff (2014)

Table 2. SWOT analysis of the V4 countries' social situation

	Strengths	Weaknesses	Opportunities	Threats
Poland	Relatively young population, low share of elderly; decreasing unemployment; significant improvement in social inclusion; outstanding performance in early school leaving + tertiary education + PISA test; relatively equal income distribution, decreasing Gini index; net recipient of remittances; increasing expenditure on social protection; free access to health care + high coverage	Low fertility rate, declining + low population growth rate, decreasing population, lagging behind life expectancy, low life expectancy after retirement; low employment rate, low labour force participation, high youth unemployment, high unemployment rate for people with higher education; 10 million people are poor, high poverty among women and young, high monetary poverty rate; regional income disparities; emigration overpasses immigration; below EU expenditure on social protection and health care; shortage of health care professionals	Dynamic population; high employment rate target; further poverty reduction; ambitious target for tertiary education; increasing minimum wage; remittances - revenue for families, contribution to current account balance; reforming the pension system; promoting immigration	Ageing society, low labour supply, labour shortage, massive emigration; youth unemployment; lack of access of the poorest to public transfers; regional differences; brain drain; wage pressure; financing social protection and pension system; impact of immigration
Czech Republic	Relatively high convergence to the EU average in GDP per capita, the highest employment rate in V4, very low unemployment, extremely low long term unemployment (the lowest in the EU), well functioning social protection – the lowest level of population at risk of poverty and social exclusion in the EU, highest old age pension in V4, even distribution of income, positive migration balance, low level of early school leaving, lowest infant mortality in the world, good quality of healthcare, growing life expectancy	Low fertility rate, natural decrease of population, gender inequality in labour issues, lack of childcare facilities, weak economic growth, low share of people with tertiary education, high number of students per teacher in primary education, existence of socially excluded strata and communities, low health care expenditures, low private spending on health care	Positive migration flows, higher labour activity of women, increasing retirement age, space for increase of private spending on healthcare system, increasing number of inhabitants with tertiary education, lifelong learning and skills development, space for increase of public spending on social protection	Stronger natural decrease of population, ageing society, decreasing working age population, growing dependency ratio, sustainability of the pension system, shortage of skilled labour force, negative effects of migration, growing number of socially excluded communities

Table 2. SWOT analysis of the V4 countries' social situation

	Strengths	Weaknesses	Opportunities	Threats
Slovakia	Increasing/ stagnating population, increasing working age population; immigration exceeds emigration, migration is negligible; below average risk of poverty in old age; increasing number of health care facilities, increasing health care efficiency, elimination of overcapacities; high participation in early education, decreasing ratio of students to teachers, declining average class size, good PISA-test results; relatively low Gini coefficient; low and decreasing social exclusion rate; increasing health care expenditures	Decreasing young population, low fertility rate; unemployment + high unemployment rate for people with higher education + high regional differences; high long term unemployment; no positive remittance balance; low life expectancy after retirement; decreasing number of hospital beds + deteriorating age structure in health care; drop in primary school attendance + decreasing student number in tertiary education; situation of the Roma population; decreasing social expenditures	Labour force supply depends on immigration; fertility rate can be increased via pro-family policy; immigration can be promoted; retirement age can be increased; cross-border cooperation may decrease unemployment and regional differences; wages can be increased for retaining labour force; studying abroad might decrease youth unemployment; reforming social protection system (health care and pension)	Decreasing population size without immigration; fastest ageing society - increasing dependency ratio; low retirement age; lack of young people; decreasing productive population; labour shortage; mismatch between education and employability; regional differences in unemployment; shortage of health care professionals; brain drain; financing social protection systems (pensions + health care)
Hungary	Improving labour market indicators, decreasing unemployment in the last years, high participation rate in education, slightly increasing students to teachers ratio, below EU average early school leavers rate	Decreasing population, declining birth rate, high share of long term unemployment, rising youth unemployment, cutting budget on unemployment benefits, decreasing consumption and income, "perverse redistribution" of income, high rate of poverty, especially among children; low social protection expenditures, decreasing government spending on education	Improving labour market situation, active labour market measures can be strengthened, remittances can improve current account balance + family revenue, promoting immigration might counterbalance population decrease, training and education of unemployed	Ageing society, increasing employment via public work programmes, decreasing number of job seekers, cutting unemployment (social) benefits, lack of active labour market measures, flat income tax favours the highest wage earners, one third of the population is poor, increasing inequalities, brain drain, worsening conditions in education and health care, shortage of health care professionals

The main objective of our research was to analyse the main political, economic and social trends in order to attempt to reveal those cohesive forces that lead to deeper cooperation and to uncover those diverging forces that might weaken cooperation. Due to the complexity of the problem it was not an easy task. Based on the history of the cooperation it can be stated that the shared problems or tasks (EU and NATO accession, energy policy, infrastructure development) strengthen the cohesive forces and push the V4 to deepen the cooperation. On the other side, lack of financial funding, joint programs and week institutionalisation can only result in articulating some common interests (e.g. North-South infrastructure corridor).

There are three "levels" of the cooperation. The most visible is the political side because common statements are always high on the agenda. However, the global financial and economic crisis brought such opportunities and problems to the surface that bring a new dimension into the cooperation. The most robust **centrifugal forces have derived from the crisis, the national and EU-level crisis management.** In order to overcome the crisis, Poland continued and the other three Visegrad countries started to follow an **inward looking** economic policy which works against enhanced cooperation. It became obvious that because of its large internal market, Poland has more possibilities to sustain and create economic development. The other three V4 countries are highly dependent on external markets, mainly on the demand of the EU countries – despite the fact that through the global value chain their exports are being re-exported to the global markets – therefore the recession in the whole EU has forced them to find individual ways to sell their products.

This **reorientation** of their **external relations** (towards e.g. Russia, Ukraine, China and Turkey) beyond the boundaries of the EU **loosened their internal trade relations.** Also, the economic crisis led to decreasing demand, and **competition** for the shrinking **markets** became keener within the EU and among the V4 countries; strengthening the centrifugal forces among the V4 countries. Furthermore, there is a competition for foreign direct investment that had a declining trend during the crisis, triggering a strong **competition** in this field among the resource-poor V4 countries. On the political side, the differences are more visible and detectable than on the economic side. Not only currently, but in the long term too, the debate about the future of the EU and the relations with Russia could weaken the cohesion among the V4 countries. The differing position of the V4 is determined by their economic and political situation along with their national, regional and EU-level aspirations. First of all, as regards the EU level, the Union has initiated a great number of **crisis management** methods and instruments which were not supported by all the V4 countries and/or not all the V4 countries were involved. One can see that the four countries had different attitudes towards these steps, consequently there was not much cooperation among them when formulating their position. The same is true in connection with the **future of the EU** too, with due regard to economic governance and deepening the integration. While Poland is for strengthening economic governance and for full economic, monetary and political union, the Czech Republic and Hungary are rather (euro) sceptical/critical, whereas Slovakia as a eurozone member is already deeper integrated. Also, there is no consensus among the three non-eurozone Visegrad countries about the introduction of the euro either, even though coordinated preparations and joint introduction of the single currency would be clearly beneficial for the regional economic and trade relations.

Due to their different development levels and challenges, the V4 countries pursue different development strategies. That could be seen in the debate about the future of the cohesion policy and agricultural subsidies (even if they were united in the ‘friends of cohesion’ group). Regarding the decision-making on different EU issues and policies, the V4 countries make alliances not by their geographical position – i.e. Central European countries – but according to shared interests in given topics with any EU member states concerned. This can also be perceived as a factor weakening the agreement. Regarding global issues, increasing **Russian** interests could redraw the balance of power in the former socialist block countries as well as in the V4. Recently, the V4 countries are mostly divided by their foreign policy vis-à-vis Russia with special regard to the present conflict in

Ukraine: Poland has a strong Trans-Atlantic commitment, the Czech Republic is very critical, while Hungary and Slovakia have a pragmatic approach. No common position on Russia is expected due to the V4 countries' differing history, interests and energy supply vulnerability.

Table 3. Factors that strengthen and weaken the V4 cooperation

Converging (strengthening) factors	Diverging (weakening) factors
Harmonious post-crisis growth trends	
Narrowing of the development gap among V4	Non-adherence to the euro area by PL, CZ, HU
Public finance stabilisation, convergence of monetary indicators	Different approaches/attitudes vis-à-vis EU governance changes
Post-crisis improvement of several macroeconomic indicators	Different interests/attitudes vis-à-vis Russia
Openness of the four economies	Different levels of exposure to external markets
Deepening integration into global value chains	Insufficient interconnectedness of infrastructure networks
Representation of some common interests at the EU level (e.g. cohesion policy, energy issues)	Lack of mechanisms for harmonising positions on key EU issues
Potential to coordinate parts of the 135 billion euro EU assistance flowing into the region between 2014-2020	Lack of platforms for regularly exchanging best practices on public finance consolidation or EU funds absorption, etc.

It seems that the social situation and trends are the least visible in the case of the regional cooperation. However, in the 21st century, social conflicts do not stay within the state borders (see the illegal immigration trend into the EU). Social welfare is also a key to a sustainable and competitive socio-economic development. Just to mention the most challenging ones: declining population and ageing society, long-term sustainability of the social and welfare systems (pension, health care and other social care) or the lack of workforce in maintaining the economic development. Organised immigration may be a key factor for all V4 countries. Other competitiveness factors such as activity rate and educational systems are also important for a successful catching-up. This issue drew our attention to another important problem, namely that without a redesigned social welfare system the region will lag behind. Furthermore, the V4 countries have to tackle the gaps in regional unemployment and focus efforts on regions struggling with high joblessness. In connection to this, the current situation of the Roma minority anticipates increasing social tensions and migration problems as well.

While the above summarised **centrifugal forces** do deteriorate V4 cooperation, some emerging centripetal forces might work in the other direction. It is obvious from the list, that the factors pushing for a stronger cooperation are shorter than the diverging factors. The ground for further cooperation is provided by the Visegrad countries' continued **convergence** to the EU based on which they should be able to articulate and represent common interests more systematically. Good examples of shared positions in **some EU policies** include the already mentioned cohesion policy, interconnection of transport and energy networks, Eastern partnership, increasing competitiveness, job creation, fostering economic growth, energy security, or the Europe 2020 Strategy.

At this point we have to ask, do we want more from the Visegrad cooperation besides strengthening the political and cultural cohesion? Without any joint instrument (except for the International Visegrad Fund), an independent and supranational organisation, and without any common budget all economic cooperation will be only under the umbrella of the funds of the European Union. Therefore the **future of Visegrad cooperation** will be shaped by – beside the interplay of the above mentioned centripetal and centrifugal forces – the institutionalisation of the agreement. A firm ground for cooperation is provided by the continued convergence to EU averages, recovering from the crisis and harmonious development at V4 level. In order to **enhance cooperation, national interests should be harmonised with regional, V4 level ones with due regard to the developments of the EU.** Our recommendations regarding the main fields of enhanced cooperation should be the following:

a) In relation to the EU, the V4 should be able to formulate at least the principal common guidelines vis-à-vis the future governance structures. A basis for V4 cooperation in shaping the future of European integration should be the closing of the EU's legitimacy gap via strengthening both input and output legitimacy. Reinforcing input legitimacy means the strengthening of the democratic aspects and fostering the emergence of a European demos via bringing the EU closer to its citizens. Strengthening output legitimacy entails the reinforced use of subsidiarity, that is, the EU should focus on policy areas which really matter for citizens (mostly issues of a cross-border dimension). It could be a good strategy for the V4 countries to push for more input and output legitimacy before any treaty change is put in the agenda..

b) In relation to high politics, the Visegrad platform should be used for exchanging ideas and coordinating their positions in some international problems (such as migration, conflict in Ukraine).
c) The three bigger countries should harmonise their strategies to joining together the euro area. They should use the Visegrad platform for exchanging best practices as regards both nominal and real convergence.
d) The V4 should coordinate investment projects and public procurements linked to EU funds, in order to expand the possible (cross-border) cooperation. To this end, some harmonisation of major objectives of their national development programmes might be useful.
e) Finding solutions to common economic and social problems and exchanging best practices thereof would also be important. Here the issues to be covered could include increasing competitiveness and productivity, financing innovation, decreasing regional differences, accelerating EU funds' absorption, curbing corruption, combating tax evasion, attempting at some tax harmonisation, whitening black and grey economies, increasing youth employment, promoting labour force mobility, reforming pension and health care systems while keeping public deficit under the 3% threshold, stopping population decline primarily via pro-family policies, strengthening social inclusion.
f) In a policy-based approach, major fields of substantive cooperation could be: energy security (e.g. building transmission infrastructure), transport and infrastructure (building international rail freight corridors and road infrastructure within the Trans-European

Transport Network, construction of joined waterways), environment, food safety, innovation (establishment of a "V4 innovation centre"), cross-border cooperation and migration.

Even if all the obstacles to enhanced cooperation are eliminated and all possibilities are utilised, the V4 will still remain only a supplement to the EU as the main anchor of development. However, if the cooperation is used to its full potential, it can contribute to the successful EU membership of the countries concerned.

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