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East-Central Europe between German Semi-Hegemony and Brexit

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Christian Schweiger

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Abstract: The paper examines the prospects for the East-Central region in the European Union (EU) in terms of their ability to actively contribute towards the EU's policy agenda given Germany's current dominant position and the forthcoming British exit from the EU (Brexit). The East-Central member states have struggled to emerge from the predominantly passive policy-taker position they adopted after EU accession towards a more active role. The paper examines to what extent this ambition is undermined by the trend towards democratic backsliding in the region and the more recent positioning of the Visegrad Group (V4) in opposition to their traditional close ally Germany.

Keywords: Brexit, European Union, East-Central Europe, Germany, Visegrad

Introduction

The term East-Central Europe (ECE) is a more recent conceptualization of the region that stretches from the eastern part of Central Europe to the former countries of the Soviet Union (USSR) at the borders of Russia.¹ Since the fall of the Iron Curtain, the ECE member states of the EU have undergone a process of substantial political, economic, social and cultural transformation. To a greater or lesser extent, all countries in the region continue to be preoccupied with the challenges related to this process. Overall, ECE continues to remain a peripheral region in the EU due to the persistent development gap between the countries in the region and the EU average. The paper examines how

1 M. Filipowicz, 'The idea of East-Central Europe and its role in shaping the logic behind Eastern Partnership', *Yearbook of the Institute of East-Central Europe*, Vol. 14, No. 6, 2016, p. 72.

the member states in the ECE have been affected by the changing internal and external dynamics of the EU under almost permanent crisis conditions. In the past decade, the EU has not only been facing a systemic crisis in the eurozone because of the global financial crisis but also a major migration crisis and the decision of the third largest member state to quit the bloc by 2019. Brexit removes an important strategic partner in the EU for the ECE countries at a time when they have started to question the efficiency and purpose of Germany's quasi-hegemonial leadership. The paper examines the key question whether the ECE region risks remaining in not only an economically and socially peripheral position but also increasingly in a politically isolated political one in the post-Brexit EU-27. The first part of the paper outlines the background for this peripheralization of the ECE region in the EU because of the strict conditionality they were facing in terms of their application for membership of both the Union and the eurozone. In the second part, the effects of the transformation of Germany's leadership role from hegemonic stabilizer towards self-righteous hegemon under the EU's mounting crisis conditions is considered in terms of the effects on the strategic interests of the ECE countries. The final section analyses the prospects for the ECE region to emerge from its persistent peripheral position towards a more active role at the center of the EU under the difficult conditions of constantly shifting, and hence unpredictable, internal and external dynamics.

1. The Eternal Periphery? ● The ECE under Constant Transformation

EU Accession under Strict Conditionality

The ongoing transformation in the ECE occurs against the background of a plethora of internal and external challenges facing the EU. Internally, the growing legitimacy crisis and resulting decline of the permissive consensus between the general public and political elites is threatening the long-term viability of the Union. The lingering effects of the triple economic, banking sector and sovereign debt crises in the aftermath of the global financial crisis has put the future of the eurozone in jeopardy and poses fundamental challenges to cohesion of the Single Market. Moreover, with the impending Brexit, the EU

faces the unprecedented prospect of losing not only its third-largest member state but also a vibrant economy and a significant contributor to its defense and security capabilities. Member states in the ECE have been affected by these developments to varying degrees. The economic peripheralization of the region has been as diverse as its political dimension.

At the time of accession to the EU in 2004, the first group of eight ECE countries (Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Slovakia and Slovenia) were widely regarded as passive policy-takers. This was due to their joint aspiration to provide a smooth transition towards EU membership and to subsequently adopt the role of “good Europeans.”² The ECE-8 group faced much tougher conditionality during the accession process than previous candidates. This was the result of numerous concerns the EU-15 countries had about the historic “big bang” enlargement,³ most of all in political terms. “Good governance” hence became a priority for the EU-15 in the assessment of the ability of the ECE-8’s readiness to join under the newly established Copenhagen membership criteria.⁴ This explains why Romania and Bulgaria were excluded from the initial accession group and could only join in 2007 after the European Commission voiced substantial concerns about the two countries’ readiness to join, mainly because of corruption and weak state structures.⁵ Even in economic terms, strict conditionality was applied. Slovenia was therefore the first country from the ECE-8 to join the eurozone, but only in 2007. The EU-15 countries were most of all concerned about the potential economic, budgetary and social impact of accession of the new member states from the ECE. Their prime concerns were the budgetary costs to support the new members in their transition efforts and the potential impact of a mass influx of workers from the ECE to EU-15 domes-

- 2 V. Dimitrov, ‘The Central and East European Countries: From Weak Latecomers to Good Citizens of the Union’, in: J. Hayward, R. Wurzel (eds.), *European Disunion: Between Sovereignty and Solidarity*, Basingstoke: Palgrave MacMillan, 2012, p. 308.
- 3 K.H. Goetz, ‘The New Member States and the EU: Responding to Europe’, in: S. Bulmer, C. Lequesne (eds.), *The Member States of the European Union*, Oxford: Oxford University Press, 2005, p. 256.
- 4 U. Sedelmeier, ‘Enlargement: Constituent Policy and Tools for External Governance’, in: H. Wallace, M.A. Pollack, A.R. Young (eds.), *Policy-Making in the European Union*, Oxford: University Press, 2015, p. 427.
- 5 V.D. Bojkov, ‘Neither here, nor there: Bulgaria and Romania in current European politics’, *Communist and Post-Communist Studies*, Vol. 37, No. 4, 2004, p. 518.

tic labor markets.⁶ The background to this was the noticeable gap in Gross Domestic Product (GDP) per capita between the ECE-8 (and after 2007, the ECE-10) accession candidates and the EU-15 average. Apart from Czech Republic, Slovenia and Hungary, the ECE candidates remained below 60 percent of GDP per capita of the EU-15 average, and in some cases only around 30 percent, as in the case of Bulgaria and Romania.⁷ This was also reflected in the levels of unemployment amongst the ECE accession group, which had reached double figures in Bulgaria, Estonia, Latvia, Lithuania, Poland and Slovakia in 2000. A particular case of concern was Poland, where unemployment was steadily rising and had substantially increased between 2000 and 2004 (Fig. 1).

These figures resulted in a profound discussion amongst the EU-15 countries whether the ECE accession candidates should be brought into the EU as a larger group or stage by stage in smaller groups, in line with their economic and social levels of development.⁸ Consensus on allowing a bigger group to join as part of a “big bang” enlargement could only be reached on the basis of clearly determined budget restrictions for the eastward enlargement and the introduction of transitional periods for the free movement of workers from the ECE members. Particularly the German government led by Social Democratic Chancellor Gerhard Schröder insisted on the latter to counter mounting public concerns in Germany about the potential adverse effects of the eastward enlargement on the domestic labor market. The German position reflected the overall concerns in the EU-15 about a potential race to the bottom regarding labor market standards after the accession of a group of new countries whose wage levels remained substantially below the EU-15 average.⁹

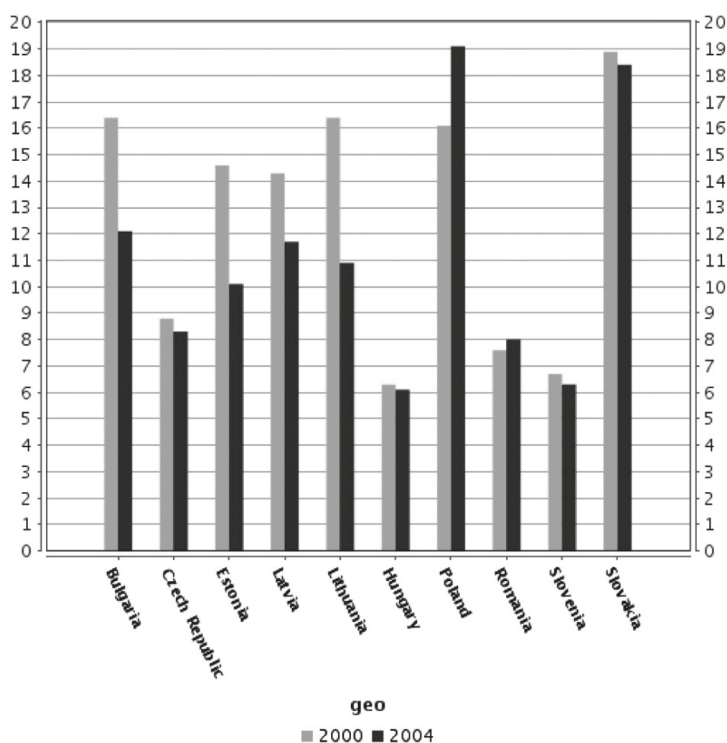
6 H. Grabbe, K. Barysch, ‘Who’s Ready for EU enlargement?’, *Policy Analysis*, 2012, Centre for European Reform, p. 26.

7 J. Kvist, ‘Does EU enlargement start a race to the bottom? Strategic interaction among EU member states in social policy’, *Journal of European Social Policy*, Vol. 14, No. 3, 2004, pp. 301-318.

8 U. Sedelmeier, *op. cit.*, p. 427.

9 K. Barysch, ‘East versus West? The EU economy after enlargement’, *Policy Analysis*, 2006, Centre for European Reform, p. 1.

**Figure 1: Total unemployment rate in the ECE-10 accession candidates
(2000 and 2004 data, percentage of active population)**



Source: Eurostat, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdec450&plug in=1> [2017-07-14].

The EU-15 ultimately agreed to go ahead with the “big bang” eastward enlargement by allowing eight states from the ECE to join in May 2004, but based only on the strict application of the Copenhagen criteria. The ECE new member state candidates consequently faced firm conditionality in the assessment of their application.¹⁰ In the case of Bulgaria and Romania, this resulted in the delay of their entry due to Commission concerns about the ability of their public administrations, in which inefficiency and corruption was commonplace, to manage the integration of the EU *acquis*.¹¹ Beyond strict accession conditionality, the ECE-8, which joined the EU in May 2004, faced restrictions

¹⁰ K.H. Goetz, *op. cit.*, pp. 254-285.

¹¹ V.D. Bojkov, *op. cit.*, pp. 509-522.

on access to EU structural funds and to the labor markets of the EU-15 countries, with the exception of the United Kingdom (UK), Ireland and Sweden. In the years following accession, the 2004 group, including the two Southern European countries Cyprus and Malta, received on average as little as €21 million (for Malta) and as much as just over €4 billion (for Poland). The stark contrast between what Poland as the largest accession country in the ECE-8 group received between 2004 and 2006 and what was granted to Spain (€12 billion)¹² illustrated that the EU-15 had allocated substantially less support for the eastward enlargement than it had for previous accession rounds. The *Agenda 2000* compromise struck at the EU Council summit in Berlin in March 1999 under the German presidency led by the Schroder government¹³ determined that the EU-15 would allocate a total of €18.7 billion for pre-accession support for the period between 2000 and 2006 for the 10 accession candidates that were bound to join in 2004.¹⁴ In addition, the EU-15 allocated €58 billion for structural fund payments to the new member states.¹⁵ By comparison, the EU had spent 168 billion ECUs on structural and cohesion funds between 1994 and 1999, 42.4 billion of which went to Spain, 21.7 billion to Italy, 18.2 billion to Portugal and 17.7 billion to Greece.¹⁶ The Southern European countries had for more than two decades been beneficiaries of massive financial support from EC/EU cohesion funds. Even in the previous budgetary round (1989-1993) for structural and cohesion funds, the Southern European countries had received between 8.2 and 14.2 billion ECUs.¹⁷ The East-Central European member states only received a substantial financial boost after 2007, when the EU allocated €67.3 billion to Po-

12 European Commission, 'The Cohesion Fund at a Glance', 2015, http://ec.europa.eu/regional_policy/archive/funds/procf/cf_en.htm [2017-07-22].

13 L. Csaba, 'Double Talk—The Political Economy of the Eastward Enlargement of the EU', *INTER-ECONOMICS*, September/October, 2001, p. 235.

14 European Commission, 'Enlargement of the European Union: A Historic Opportunity', 2001, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/archives/pdf/press_corner/publications/corpus_en.pdf, p. 14, [2017-07-22].

15 *Ibid.*, p. 26.

16 European Commission, 'European Cohesion Policy 1988-2008', *inforegio panorama*, 26 June 2008, http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26_en.pdf, p. 18, [2017-07-22].

17 *Ibid.*, p. 13.

land, €26.7 billion to the Czech Republic and €25.3 billion to Hungary under a substantially enhanced total cohesion budget of €347 billion.¹⁸

The eastward enlargement was strongly supported by the German government led by Schroder and by the British Labour government of Tony Blair, who continued the long-standing British tradition to prioritize the widening of the Union over the deepening of political cooperation. Schroder's government called the enlargement of the EU towards the ECE a "historic chance" to finally bring an end to the more than four decades of artificial division of the European continent during the Cold War.¹⁹ This was the reflection of the widely shared domestic sentiment in Germany that eastward enlargement represented a "moral duty" to return the countries in the region to their rightful place at the heart of Europe.²⁰ At the same time, the Schroder government's European policy was characterized by a new realism. Schroder was hence not reluctant to openly voice Germany's perceived national interests. One such concern was the freedom of movement of workers from the acceding low-wage member states in the ECE. Schroder consequently demanded a transition period after the accession of the new member states, during which their access to the labor markets of the EU-15 would be restricted. He justified this with the widespread domestic public concerns in Germany about the impact of large-scale labor migration from low-wage countries in the ECE: "We need identification with the enlargement process (...) Without this identification and without transitional periods it will be really difficult to find the necessary consent."²¹ The German government was supported in this by all EU governments except for Ireland, Sweden and the UK, which all opened their labor markets unconditionally to the 10 new members that joined in January 2004. The ability to impose transitional restrictions on the new member states for up to seven years af-

18 Ibid., p. 25.

19 SPD/Bündnis90-DieGrünen Coalition Agreement, October 20, 1998, https://www.spd.de/fileadmin/Dokumente/Beschluesse/Bundesparteitag/koalitionsvertrag_bundesparteitag_bonn_1998.pdf, p. 42, [2017-07-22].

20 A. Hyde-Price, *Germany and European Order: Enlarging NATO and the EU*, Manchester: Manchester University Press, 2000, p. 182.

21 G. Schroder, *Statement on the Nice European Council*, 19 January 2001.

ter their accession to the EU²², which Germany negotiated with the European Commission, had never occurred during previous rounds of enlargement. In stark contrast to previous accession candidates, the post-communist countries in the ECE consequently entered the EU in the position of passive policy-takers adamant to prove that they had earned the right to join the established club of Western European nations.²³ The strict conditionality for the 2004 ECE-8 group, and even more so for the late joiners Bulgaria and Romania in 2007, became even more obvious in relation to their widespread ambition to join the eurozone. Germany and France had permitted the fragile Southern European economies, including Greece, to join the founding group of the eurozone in 2002. This occurred even though especially Italy and Greece entered the euro with large budget deficits of over 100 percent of GDP. They were consequently in clear breach of the budgetary criteria Germany had insisted on as a precondition for entering the economic and monetary union but which was subsequently operated as a soft “gentleman’s agreement.”²⁴

Moreover, Greece’s and Italy’s domestic political culture was riddled by clientelism, corruption, tax evasion²⁵ and, in the Italian case, even organized crime in the southern half of the country.²⁶ The acceptance of the Southern European economies into the eurozone on predominantly political grounds stood in stark contrast with the strict conditionality the ECE applicants faced. In the case of the Southern Europeans, economic concerns were outweighed by the overall ambition to engage them in a prolonged process of coercive “Europeanisation,”²⁷ which would ensure their long-term economic, political and social

22 European Commission, ‘The Transitional Arrangement or the Free Movement of Workers from the New Member States Following Enlargement of the European Union on 1 May 2004’, 2004, <http://ec.europa.eu/social/BlobServlet?docId=144&langId=en> [2017-07-22].

23 V. Dimitrov, *op. cit.*, p. 298.

24 C. Schweiger, *The EU and the Global Financial Crisis: New Varieties of Capitalism*, Cheltenham: Edward Elgar, 2014, p. 68.

25 J. Manolopoulos, *Greece’s ‘Odious’ Debt: The Looting of the Hellenic Republic by the Euro, the Political Elite and the Investment Community*, London: Anthem Press, 2011, p. 82.

26 P. Pinotti, ‘The Economic Costs of Organised Crime: Evidence from Southern Italy’, *The Economic Journal*, Vol. 125, No. 586 (August), 2012, pp. F203-F232.

27 T.A. Borzel, ‘Europeanization: How the European Interacts with its Member States’, in: S. Bulmer, C. Lequesne (eds.), *The Member States of the European Union*, Oxford: Oxford University Press, 2005, pp. 25-44.

modernization. Membership of the core project of the monetary union was hence considered to be indispensable to avoid the peripheralization of the southern region and to embed them into a monetary union that was supposed to be driven by collective responsibility.²⁸ The failure to strictly apply conditionality by enforcing the Stability and Growth Pact (SGP) criteria and to define overall membership principles, especially in the area of good governance, allowed Southern Europeans to adopt a free-rider position with predominantly superficial levels of Europeanisation.²⁹ The ECE members were not granted this flexibility. In their case, all the SGP criteria, including inflationary targets, were rigorously assessed by the European Central Bank (ECB) before the green light for entry was given. This came in addition to the determination of the precise political and economic entry preconditions under the 1993 Copenhagen membership criteria. Overall, the combination of these factors makes it justified to classify their treatment as that of second-class members.³⁰ This term illustrates the political reality with which the new ECE members were confronted with, even after they had already joined the EU.

The Transformation Process: The Patchy Success of Conditionality

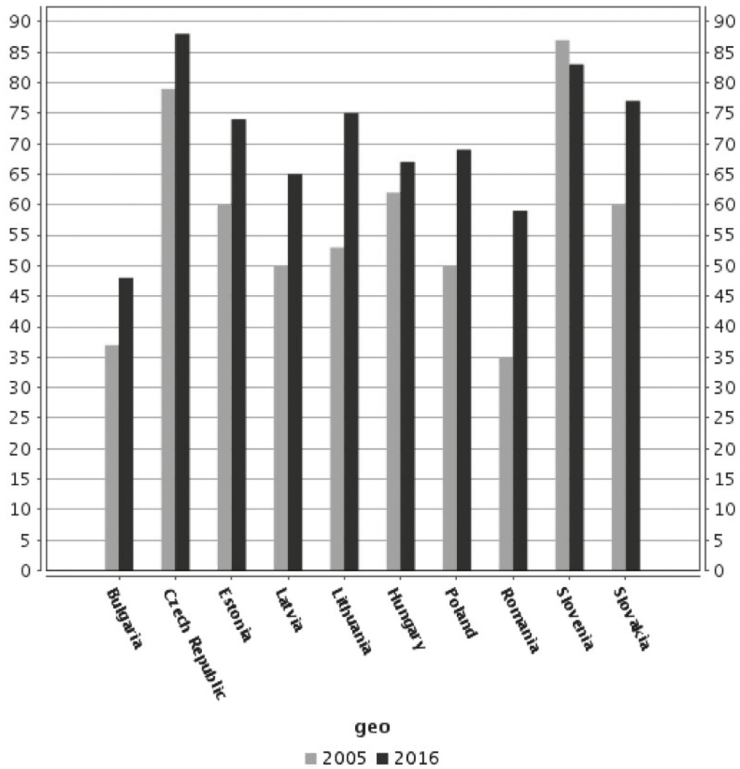
The stricter conditionality applied towards the ECE members can be counted as at least a partial success when it comes to the overall economic transformation process. All member states, apart from Slovenia, managed to increase their GDP per capita in the decade since their accession to the EU. In Slovenia's case, the GDP per capita only declined slightly from a relatively high position. Substantial increases in comparison to the 2005 figures are noticeable for Bulgaria, Estonia, Latvia, Lithuania, Poland, Romania and Slovakia (Fig. 2). In Poland, GDP per capita increased by almost 20 percent, and in Romania, even by more than 20 percent.

28 J. Stiglitz, *The Euro and its Threat to the Future of Europe*, London: Penguin, 2016, p. 42.

29 J.M. Magone, 'From "superficial" to "Coercive" Europeanization in Southern Europe: The Lack of Ownership of National Reforms', in: J.M. Magone, B. Laffan, C. Schweiger (eds.), *Core-Periphery Relations in the European Union: Power and Conflict in a Dualist Political Economy*, Oxon: Routledge, 2016, pp. 92-93.

30 A. Aslund, *The Last shall be the First: The East European Financial Crisis*, Washington: Peter G. Peterson Institute for International Economics, 2010, p. 8.

Figure 2: GDP per capita in PPS (Index EU28=100)



Source: Eurostat, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00114&plugin=1> [17-07-23].

This occurred because of annual GDP growth rates in the ECE that surpassed those of the EU-15 average. Before the onset of the global financial crisis, all ECE member countries grew by more than 2 percent annually, except for Hungary. Baltic states Estonia, Latvia and Lithuania recorded substantial growth rates of between 7 and 11 percent between 2004 and 2007. Among the EU-15, this was only matched by Ireland, which recorded similar Foreign Direct Investment (FDI) as the Baltic states and the wider ECE region. Like the Irish “Celtic Tiger” economy, the overall economic transition of the ECE was one of dependent industrialization. In the case of the Baltics, this was characterized by openness towards financial services investment, particu-

larly from Sweden.³¹ In the case of the Visegrad countries, dependence on the German manufacturing chain became the prominent feature of the process of catching-up economically based on the “externally financed growth model.”³² The background to the attraction of external finance was the low-wage culture in the ECE countries,³³ which they have persistently maintained as part of their perceived competitive advantage, despite the noticeable adverse effects in terms of the failure to achieve greater levels of social cohesion. The low-wage culture also must be considered in combination with budgetary austerity in many countries, which was implemented to meet budgetary criteria in preparation for eurozone entry. This has resulted in low levels of social expenditures in the region. The latest Annual Semester assessment of the impact of social transfers on reducing poverty in the EU reveals all ECE member states are part of the group of countries that have low levels of welfare spending (excluding pensions). Romania, Bulgaria, Estonia and Latvia are positioned at the very bottom of the scale, both in terms of spending levels and overall poverty reduction.³⁴

Economic growth and budgetary austerity became preconditions for the successful entry of five new ECE member states into the eurozone between 2007 and 2015 (Slovenia, Slovakia, Estonia, Latvia and Lithuania). This was remarkable as it occurred during a period when budgetary crises in existing member states in Southern Europe were threatening the future of the euro. As a result of the eurozone crisis, the desire to join it has waned considerably among the current ECE euro outsiders, especially Poland, Hungary and the Czech Republic. The latter has a long-standing Eurosceptic tradition shaped during the era of nationalist Czech President Vaclav Klaus. For the group of five countries that joined during the peak of the crisis, concerns about potential limitations of their economic sovereignty and apprehension

- 31 A. Arrak, ‘Estonia: From a Bubble to Austerity’, in: V. Novotny (ed.), *From Reform to Growth: Managing Economic Crisis in Europe*, Brussels: Centre for European Studies, 2013, p. 138.
- 32 B. Galgoczi, ‘Boom and bust in Central and Eastern Europe: Lessons on the sustainability of an externally financed growth model’, *Journal of Contemporary European Research*, Vol. 5, No. 4, 2009, pp. 614-625.
- 33 B. Galgoczi, ‘The Tale of Two Peripheries in a Divided Europe’, *Perspectives on European Politics and Society*, Vol. 15, No. 3, 2014, p. 367.
- 34 European Commission, ‘European Semester Thematic Factsheet: Social Inclusion’, 2016, https://ec.europa.eu/info/sites/info/files/european-semester_thematic-factsheet_social_inclusion_en.pdf, p. 6, [2017-07-22].

about having to contribute to the financial support system of the European Stability Mechanism (ESM) were outweighed by the overall the anticipated positive economic and political effects of joining the EU's core project.³⁵

Thirteen years on from the “big bang” enlargement, the ECE region consequently continues to be considered on both the economic and social periphery of the EU. Economically, the peripheralization of the region lies in the lack of indigenous fundamentals for long-term economic competitiveness and the strong reliance on externally financed growth, even though the origin and scope of the FDI in individual cases has gradually become more diverse.³⁶ In social terms, the region has never managed to emerge from its peripheral status and has persistently recorded lower standards of living and higher poverty levels than the EU average. In recent years, the ECE countries have in this respect only been surpassed by the crisis countries in Southern Europe.

Fig. 3 shows that the levels of people who are at risk of poverty are above the EU-28 average in most ECE member states, apart from the Czech Republic, Hungary and Slovenia. Moreover, Bulgaria, Romania, Hungary, Latvia, Lithuania and Slovakia have noticeably high percentages of their total population classified as being severely materially deprived. Eurostat describes this as a situation of abject poverty in which the individuals affected lack core elements of a decent standard of living such as being able to live in good-standard housing and can afford to heat their dwelling and eat a meal containing meat or fish every second day.³⁷ In Slovakia, around 8 percent of the population are currently classified as severely materially deprived, in Latvia and Lithuania, around 12.5 percent, in Hungary, 16 percent. In Romania, these figures stand at a staggering 23 percent, and in Bulgaria, even at 31 percent.³⁸

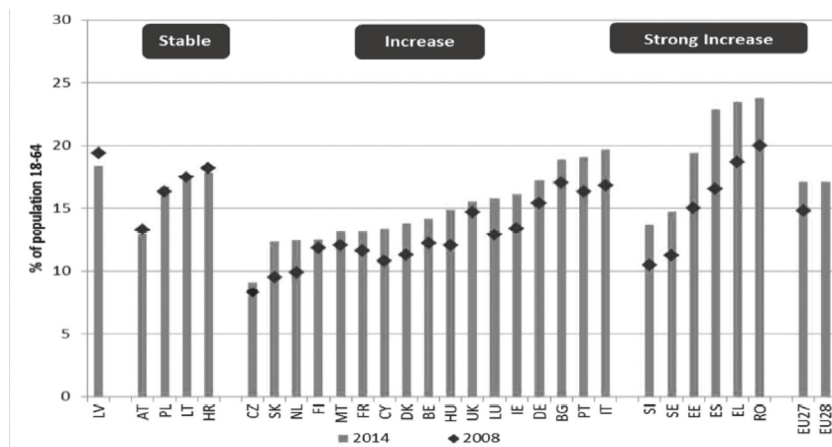
35 T. Haughton, 'Central and Eastern Europe: The Sacrifices of Solidarity, the Discomfort of Diversity, and the Vexations of Vulnerabilities', in: D. Dinan, N. Nugent, W.E. Paterson (eds.), *The European Union in Crisis*, Basingstoke: Palgrave, 2016, p. 257.

36 B. Hancke, 'Varieties of European Capitalism and their Transformation', in: E. Jones, P.M. Heywood, M. Rhodes, U. Sedelmeier (eds.), *Developments in European Politics 2*, Basingstoke: Palgrave MacMillan, 2nd edition, 2011, p. 169.

37 Eurostat Definition, 'Severely materially deprived people', 2016, <http://ec.europa.eu/eurostat/tgm/web/table/description.jsp> [2017-07-24].

38 Ibid.

Figure 3: Share of working population at risk of poverty (%), 2008-2014



Source: European Commission, European Semester Thematic Fiche: Poverty and Social Exclusion, 2016, p. 9, http://ec.europa.eu/europe2020/pdf/themes/2016/poverty_social_exclusion_201605.pdf [17-07-23].

In most cases, the relative success in catching-up in terms of economic growth has therefore not been matched by equal progress toward higher levels of social cohesion in the ECE member states. Overall, the region continues to be part of the EU's social periphery, with a distinctive low-wage culture and high levels of social deprivation.³⁹ These conditions have started to spill over into the political arena, where the new trend of “democratic backsliding”⁴⁰ has slowly been encroaching on the region. This phenomenon has its roots in the growing public desire to deviate from the political mainstream of the EU and its inherent values of economic and political liberalization.⁴¹ In this respect, the ECE region follows the overall trend in Europe, which has witnessed a noticeable rise in support for populist and Eurosceptic parties that promote protectionist economic nationalism. This was most noticeable in the UK, where the majority support for Brexit was grounded in a mixture of concerns about national sover-

39 A. Agh, 'The Increasing Core-Periphery Divide and New Member States: Diverging from the European Union's Mainstream Developments', in: J.M. Magone, B. Laffan, C. Schweiger (eds.), *Core-Periphery Relations in the European Union*, Oxon: Routledge, 2016, p. 121.

40 A. Agh, 'Ten Years of Catching-Up Story in the European Union: Differentiated Integration and Multilevel Governance in ECE', in: A. Agh, T. Kaiser, B. Koller (eds.), *10 Years After: Multi-Level Governance and Differentiated Integration in the EU*, Budapest: Blue Ribbon Research Centre, 2014, p. 35.

41 Loc. cit.

eignty and economic deprivation in the predominantly English regions that voted to leave the EU.⁴² In the ECE member states, the relatively shallow democratization processes have been widely documented. The 2016 Economist Intelligence Unit (EIU) Democratisation Index classifies the ECE region as displaying “hybrid/authoritarian” tendencies or even “flawed democracies,”⁴³ which have a democratization index of less than 6 percent. The overall index consists of an assessment of how well electoral processes and pluralism, government, and political participation function and to what extent political culture and civil liberties are guaranteed.⁴⁴ In this respect, the EIU report points out that “some of the region’s most politically developed nations, such as Hungary, Poland, the Czech Republic and Slovenia, have failed to establish a democratic political culture or encourage broad political participation.”⁴⁵

The Progress Report on the first two decades of social and political development in the ECE member states highlights in this respect that the recent tendency to backslide from an already superficial democratization towards a new authoritarianism in countries such as Hungary and Poland has its origins in the negative social effects of globalization, which was initially particularly embraced in the ECE region. The openness to FDI and resulting modest to strong economic growth in the region has been accompanied by an overall “negative social process” that failed to create more inclusive societies.⁴⁶ Since the onset of the global financial crisis, the adverse social effects of the ECE region’s embrace of the Washington consensus have resulted in the increasingly obvious desire of the new member states to evolve from their role as passive policy-takers. Under economic crisis conditions, the EU’s established political agenda has come under increasing scrutiny because of the breakdown of the permissive consensus be-

42 Lord Ashcroft Polls, ‘How the United Kingdom Voted on Thursday ... and Why’, 24 June 2016, <http://lordashcrofthpolls.com/2016/06/how-the-united-kingdom-voted-and-why/> [2017-07-24].

43 Economist Intelligence Unit (EIU), ‘Democracy Index 2016: Revenge of the “Deplorables”’, http://www.eiu.com/public/thankyou_download.aspx?activity=download&campaignid=DemocracyIndex2016 [2017-07-24].

44 Ibid.

45 Ibid.

46 A. Agh, ‘Progress Report on the New Member States: 20 Years of Social and Political Developments’, *College of Communication and Business*, 2013, p. 59.

tween the public and political elites.⁴⁷ ECE governments have tried to use this opportunity to take a more active role in reshaping the EU's policies,⁴⁸ which has more recently positioned them in opposition to their traditional close ally, Germany. This includes challenging the purpose of the eurozone SGP criteria, which has contributed to the process of backsliding on the overall reform process.⁴⁹ The financial crisis has, hence, enhanced the already existing differentiation of the ECE region from the EU's core led by Germany, which keeps promoting liberal economic and social values. Instead, the ECE's peripheral economic and social position in the EU risks turning it into a new political periphery that increasingly questions the liberal political status quo. This is symbolized by the Visegrad states' recent firm and united opposition to Germany's liberal migration policy. This has opened a new and potentially dangerous cleavage in the EU, one that could tear apart the fabric of the traditionally close partnership between Germany and the ECE at a time when the EU urgently needs cooperation in anticipation of the UK's exit.

2. The Changing Relationship with Germany: From Hegemonic Stabilizer Towards Hegemonic Self-Righteousness

The relationship with Germany continues to be crucial for the ECE member states, both in economic and political terms. Germany has been a long-standing, close economic and political ally of the countries in the ECE region. The origins of the close relationship go way back to the period of the Cold War and the *Ostpolitik* of the 1970s, which was significantly shaped by Social Democratic Chancellor Willy Brandt, who promoted change through cooperation. After reunification, the larger Germany maintained its role as mediator between West-Central and East-Central European interests. For the aspiring

47 C. Schweiger, *Exploring the EU's Legitimacy Crisis: The Dark Heart of Europe*, Cheltenham: Edward Elgar, 2016, p. 26.

48 B. Koller, 'Unity in a "Different Way" or the New Logic of EU Integration: The Special Focus on the Post-Enlargement Period of ECE Countries', in: A. Agh, T. Kaiser, B. Koller (eds.), *10 Years After: Multi-Level Governance and Differentiated Integration in the EU*, Budapest: Blue Ribbon Research Centre, p. 74.

49 A. Visvizi, P. Tokarski, 'Poland and the Euro: Between Lock-In and Unfinished Transition', *Society and Economy*, Vol. 36, No. 4, 2014, p. 461.

EU members in the region, Germany became the focal point of economic and political contact. It became the prime promoter of eastward enlargement, not simply because its leaders considered enlargement towards the ECE region to be an inevitable act of historic reparation for the horrors caused by the Second World War. German leaders, especially the Schroder government (1998-2005), also spoke openly of the economic opportunity eastward enlargement would present for Germany's export-oriented economy. Schroder's Green foreign minister, Joschka Fischer, emphasized this in his landmark speech on the future of the EU at Humboldt University in Berlin in May 2000: "Enlargement will bring tremendous benefits for German companies and for employment. Germany must therefore continue its advocacy of rapid Eastern enlargement."⁵⁰

Germany consequently almost naturally turned into the main investor in the ECE after the accession of the ECE member states,⁵¹ which was part of a strategy in which Germany successfully exported its "institutional and regulatory structures"⁵² to the ECE. For the ECE, Germany became the "hegemonic stabilizer"⁵³ of the region. This hegemony was perceived positively by Berlin's partners in the region since it was essentially "cooperative" in nature.⁵⁴ The closeness of the relationship with Germany in the ECE was reflected by Germany's engagement in the establishment of trilateral cooperation with Poland and France in 1991. This showed that in the enlarged EU, where it had become harder for Germany to set the agenda based on the bilateral cooperation with France, Poland had potentially become an important strategic partner.⁵⁵ It was also shown by the generally positive attitude towards German leadership in the EU displayed by ECE leaders, even

50 J. Fischer, 'From Confederacy to Federation: Thoughts on the Finality of European Integration', 12 May 2000, <http://ec.europa.eu/dorie/fileDownload.do?docId=192161&cardId=192161> [2017-07-25].

51 B. Galgoczi, op. cit., p. 367.

52 S. Bulmer, C. Jeffery and W.E. Paterson, *Germany's European diplomacy: Shaping the regional milieu*, Manchester: Manchester University Press, 2000, p. 114.

53 S. Bulmer, W.E. Paterson, 'Germany as the EU's Reluctant Hegemon? Of Economic Strength and Political Constraints', *Journal of European Public Policy*, Vol. 20, No. 10, 2013, p. 1392.

54 H. Kundani, *The Paradox of German Power*, London: C. Hurst & Co., 2014, p. 110.

55 W.E. Paterson, 'Germany and the European Union', in: S. Padgett, W.E. Paterson, R. Zohnhöfer (eds.), *Developments in German Politics 4*, Basingstoke: Palgrave MacMillan, 2014, p. 182.

during the eurozone crisis when Germany's leading role became increasingly contested.

The eurozone crisis pushed Germany into the role of "reluctant hegemon."⁵⁶ Based on the country's long-standing stabilizing role in the EU, the eurozone countries expected Germany to use its economic resources to support the crisis countries on the southern periphery. This was particularly true for the ECE members, which expected Germany to lead the eurozone out of a potentially systemic crisis.⁵⁷ In contrast to the mounting criticism directed towards the leadership of Chancellor Angela Merkel's government that particularly emerged from the Southern European countries, the East-Central Europeans stood firmly with Berlin. The Polish foreign minister, Radoslaw Sikorski, publicly warned in his widely noticed speech on Poland's role in the EU in Berlin in 2011 of the potential negative effects of the absence of German leadership at a time of profound economic crisis.⁵⁸ His Slovak counterpart, Miroslav Lajcak, stated at the 2013 GLOBSEC summit that he was relaxed about his country being part of the extended economic area, in his words, "the greater Germany."⁵⁹ This was not only the reflection of the importance of the close economic and political ties with Germany but based on genuine support for Germany's ordoliberal reform strategy for the EU and in particular the eurozone. The ECE members uniformly backed Chancellor Merkel's uncompromising conditionality towards the debtor countries in the eurozone. Given the strict conditionality they had faced in the assessment of their own application for entry into the EU and subsequently the EU, the ECE states refused to grant their Southern European counterparts a free ride. From the ECE perspective, Southern Europe had lived above its means for decades before the financial crisis and now needed to engage in fundamental structural reforms similar to

56 W.E. Paterson, 'The Reluctant Hegemon? Germany Moves Centre Stage in the European Union', *Journal of Common Market Studies*, Vol. 49, Annual Review, 2011, p. 73.

57 S. Bulmer, W. E. Paterson, op. cit., p. 1397.

58 R. Sikorski, 'Poland and the Future of the European Union', *Speech delivered in Berlin, 28 November 2011*, <http://www.mfa.gov.pl/resource/33ce6061-ec12-4da1-a145-01e2995c6302:JCR> [2017-07-25].

59 K. Mikulova, 'Central Europe's pivot to Germany: What does the U.S stand to gain', *Huffington Post*, 1 May 2013, http://www.huffingtonpost.com/kristina-mikulova/central-europes-pivot-to-_b_3194342.html [2017-07-25].

their own.⁶⁰ The opposition to financially support what was considered to be an unsustainable Southern economic and social model culminated in the temporary refusal of the center-right government led by Prime Minister Iveta Radicova to back the financial support program for Greece under the newly created European Financial Stability Mechanism (EFSF).⁶¹

As much as the ECE countries supported Chancellor Merkel's uncompromising stance in the eurozone crisis, they actively started to oppose German leadership when Merkel adopted the same approach to the resolution of the mass-migration crisis that hit the EU in the summer of 2015. Merkel's moral imperative, with which she attempted to implement binding migration distribution quotas in the EU, significantly changed the ECE perception of German leadership, which was increasingly seen as "self-righteous"⁶² and uncooperative. Merkel's uncompromising and increasingly unilateral leadership style consequently has drawn a new political dividing line between Western Europe and the ECE that is now no longer limited to the economic and social core-periphery division discussed earlier. The positive perception of German hegemony as an essentially stabilizing force in the EU under multiple crisis conditions is waning. It is being replaced by the more negative view of German power as an ever more constraining force that is predominantly oriented towards the imposition of the German domestic values system onto the rest of the EU.⁶³ The firm and unified opposition of the V4 against Germany's migration policy⁶⁴ has instilled a new sense of unity into regional cooperation in the ECE, which has in the past overall been patchy and frequently disunited.⁶⁵

⁶⁰ T. Haughton, *op. cit.*, p. 258.

⁶¹ S. Auer, 'Will the centre hold?: Germany, Ireland and Slovakia and the crisis of the European project', in: J.M. Magone, B. Laffan, C. Schweiger (eds.), *Core-Periphery Relations in the European Union: Power and Conflict in a Dualist Political Economy*, Oxon: Routledge, 2016, p. 82.

⁶² W. Streeck, 'Scenario for a Wonderful Tomorrow', *London Review of Books*, Vol. 38, No. 7, 31 March 2016, pp. 7-10, <https://www.lrb.co.uk/v38/no7/wolfgang-streeck/scenario-for-a-wonderful-tomorrow> [2017-07-10].

⁶³ S. Bulmer and W.E. Paterson, 'Germany and the Crisis: Asset or Liability?', in: D. Dinan, N. Nugent, W.E. Paterson (eds.), *The European Union in Crisis*, Basingstoke: Palgrave MacMillan, 2017, p. 229.

⁶⁴ C. Schweiger, *Exploring the EU's Legitimacy Crisis...*, *op. cit.*, p. 116.

⁶⁵ C. Toro, E. Butler, K. Gruber, 'Visegrad: The evolving pattern of coordination and partnership after EU enlargement', *Europe-Asia Studies*, Vol. 66, No. 3, 2014, pp. 364-394.

That this deepening of cooperation occurs in opposition to what is perceived as the mainstream liberal political status quo of the EU as determined by Germany is highly problematic for the future of the EU, which faces the daunting task of having to regroup in anticipation of the UK's exit by 2019. The emerging split between Germany and its former close allies in the ECE is predominantly the result of the growing doubts about the German capacity to offer inclusive and stabilizing leadership in the face of the emergence of multiple internal divisions under crisis conditions.⁶⁶ The growing electoral support for anti-EU populism in ECE countries, most noticeably in Hungary and Poland, has been enhanced by anti-German overtones. In his recent speeches, Hungarian Prime Minister Viktor Orban has pushed his generally Eurosceptic rhetoric to new limits by comparing the 1956 Hungarian uprising against the Soviet dictatorship to the electoral successes for populist parties, which he claimed were based on an “uprising” of civil society against the liberal European agenda, which excessively promoted “political correctness” and economic liberalization.⁶⁷ Orban's case could gain increasing support in the region if Germany positions itself in open opposition to the ECE members by threatening to impose financial penalties on them in case of non-compliance over the migration quotas.

Future cooperation between Germany and the ECE countries would then become unlikely, especially in crucial areas such as defense and security. Here particularly the V4 has been an active promoter of deeper cooperation through its recent joint battlegroup.⁶⁸ This crucial policy area has in recent years been substantially neglected by the German government as it focused predominantly on managing the eurozone crisis. The ECE countries, most of all Poland, have made several attempts to regain Germany's attention to this matter, all to little fruition.⁶⁹ With the UK unlikely to play any future role in the EU's defense and security pillar, cooperation between the remaining big play-

66 D. Webber, 'Can the EU Survive', in: D. Dinan, N. Nugent, W.E. Paterson (eds.), *The European Union in Crisis*, Basingstoke: Palgrave MacMillan, 2017, p. 353.

67 V. Orban, *State of the Union Address*, 10 February 2017 [2017-07-26].

68 M. Suplanta, 'The Visegrad battlegroup: Building new capabilities for the region', *Policy Brief*, 2013, Central European Policy Institute Bratislava (CEPI).

69 V. Handl, W.E. Paterson, 'The continuing relevance of Germany's engine for CEE and the EU', *Communist and Post-Communist Studies*, Vol. 46, No. 2013, p. 333.

ers Germany, France and Poland will be indispensable to ensure that the EU matches its capabilities to the mounting external challenges. Here the trilateral Weimar cooperation format could potentially play a crucial role, but it is in a dire state at a time when it most needed. The Polish government under Beata Szydło prioritizes engagement in NATO and the V4 in defense and security and has been more than lukewarm towards considering Berlin and Paris as partners in this area.⁷⁰ The Weimar Triangle hence has turned into a “sleeping beauty”⁷¹ rather than a realistic vehicle for instilling a new drive into the EU’s ailing leadership agenda. The election of Emmanuel Macron as France’s new president has so far received a lukewarm reception from the ECE countries. Macron’s attempt to promote the EU migration quotas fell on deaf ears during his meeting with the Visegrad Group at his first EU summit on 23 June 2017. The V4 governments highlighted for Macron that they would refuse to be lectured on the issue of solidarity within the EU and demanded that the French president “abandon” his support for German “stereotyping” of the region.⁷² It is consequently unlikely that Macron will be able to revive the Weimar Triangle and or even if he would want to, given France’s traditionally limited interest in the region.

3. From Backsliders to Permanent Outsiders?

The persistent status of the region as the EU’s periphery, one “lagging behind in the new, more sophisticated terms of human investment, good governance and social progress,”⁷³ has also pushed it towards political peripheralization. On the positive side, the increased skepticism in the ECE towards the EU’s political agenda currently remains in the form of an “insider” Euroscepticism. This means that in-

70 V. Dostal, ‘New ‘Intermarium’: What Poland wants from Visegrad?’, *Policy*, 5 June 2016, GLOBSEC Policy Institute, <http://www.cepolicy.org/publications/new-intermarium-what-poland-wants-visegrad> [2017-07-26].

71 J. Janning, ‘What Future for the Weimar Triangle?’, *Research Note*, 11 February 2016, European Council on Foreign Relations, http://www.ecfr.eu/article/commentary_what_future_for_the_weimar_triangle5097 [2017-07-26].

72 N. Vinocur and M. De La Baume, ‘Macron’s EU charm offensive stops at Eastern Europe’, *Politico*, 23 June 2017, <http://www.politico.eu/article/france-president-emmanuel-macrons-eu-charm-offensive-stops-at-eastern-europe-visegrad/> [2017-08-11].

73 A. Agh, ‘The Increasing Core-Periphery Divide...’, *op. cit.*, p. 125.

dividual EU policies, such as the migration quotas are scrutinized and ultimately opposed by the public, but without questioning the legitimacy of the EU as an organization.⁷⁴ Despite this, a by-product of the increased scrutiny of EU policies has been that Brussels is frequently used as a political scapegoat. This can once again be witnessed in the current anti-EU campaign initiated by the Hungarian government. In the run-up to the 2018 national elections in Hungary, Orban started the controversial “Let’s Stop Brussels” letterbox campaign that asks Hungarians to comment on issues deemed to threaten Hungary’s national sovereignty, such as the EU’s migration policy. This echoes the anti-EU propaganda of the Polish Law and Justice government in Poland, which has published a national defense plan for Poland. The domestic debate on the plan was framed by Prime Minister Szydło’s re-emphasis of her opposition towards migration quotas based on nationalist “us vs. them” rhetoric: “We will not participate in any folly of Brussels elites.”⁷⁵

On the positive side, it should be noticed that the sharpening anti-EU rhetoric in Budapest and Warsaw has still had a relatively modest impact on the public view of the EU in Hungary and Poland. Moreover, the wider ECE region remains fundamentally in favor of EU membership. Recent Eurobarometer opinion poll data show there is currently little risk that any of the ECE members will follow the UK in its path towards an EU exit. In Poland, 37 percent of the public think their country could have a better future outside the EU, while in the Czech Republic, it is 41 percent, in Romania, 42 percent, and in Slovenia, even 50 percent.⁷⁶ In the remaining ECE member states, the majority of the public (between 51 percent in Bulgaria and 68 percent in Estonia and Lithuania) object to this idea.⁷⁷

74 M. Bruter, ‘The Difficult Emergence of a European People’, in: J. Hayward, R. Wurzel (eds.), *European Disunion: Between Sovereignty and Solidarity*, Basingstoke: Palgrave Macmillan, 2012, pp. 17-31.

75 K. Zbytewska, ‘Trans-Europe Express: The Foundations of Fortress’, *EURACTIV*, 26 May 2017, <http://www.euractiv.com/section/all/news/trans-europe-express-the-foundations-of-fortress-poland/> [2017-07-26].

76 European Commission, *Standard Eurobarometer 86 Autumn 2016: Public Opinion in the European Union*, December 2016, p. 81, <http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/ResultDoc/download/DocumentKy/79408> [2017-07-24]

77 Ibid.

The risk that the current predominantly policy-oriented insider Euroscepticism in the ECE could be transformed into fundamentalist Euroscepticism, which questions the purpose of EU membership, is nevertheless real. This is even more likely if Germany continues to pursue the leadership style that was accurately described by Antony Giddens as a permanent informal presidency of the EU.⁷⁸ In this context, Giddens pointed out that under Chancellor Merkel, Germany has increasingly abandoned collective decision-making in the EU Council in favor of forming ad hoc intergovernmental leadership coalitions.⁷⁹ This selective mode of governance has deepened divisions in the EU and has particularly marginalized the ECE member states that have been pushed to the political sidelines over their stance on the migration crisis. This comes at a time when the appeal of German leadership in the EU is waning⁸⁰ and the legitimacy of the policy solutions that emerge under Germany's selective intergovernmental mode of governance remains weak. Germany's preference for the formation of a core group of countries within the EU that moves towards deeper political integration⁸¹ has pushed member states that put greater emphasis on national policy autonomy towards the sidelines. In the case of the UK, this resulted in the decision to head for the exit, and there is a realistic risk that others could follow if the EU is not led by a more inclusive leadership constellation after Brexit.

Unfortunately for the future of the EU, it currently looks as if the divide between Germany and the ECE member states is growing ever deeper. The war of words between German political elites and the ECE governments over the implementation of refugee quotas has more recently escalated towards concrete threats from Berlin to cut the ECE countries off from EU structural funds if they do not abide by the EU proposals. Based on the recent European Court of Justice ruling that the quotas are justified,⁸² Merkel's SPD challenger, Martin Schulz, for

78 A. Giddens, *Turbulent and Mighty Continent: What Future for Europe?*, Cambridge: Cambridge University Press, 2014, p. 19.

79 Ibid.

80 N. Nugent, 'The Crisis and the EU's Institutions, Political Actors, and Processes', in: D. Dinan, N. Nugent, W.E. Paterson (eds.), *The European Union in Crisis*, London: Palgrave, 2017, p. 183.

81 S. Bulmer and W.E. Paterson, 'Germany and the Crisis...' op. cit., pp. 228-229.

82 Court of Justice of the European Union, *Press Release No 88/17*, 26 July 2017, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2017-07/cp170088en.pdf> [2017-07-28].

the September 2017 national elections in Germany announced that as chancellor he would advocate financial penalties against non-conforming ECE countries.

Since the onset of the 2015 migration crisis, the V4 governments have issued a series of statements in which they reiterated their determination to stand firm against mandatory migration quotas. In their latest joint statement on migration, the V4 call for a collective effort to protect the EU borders and set up migration centers in Libya. Once again, they reject the criticism from the EU Commission and particularly Germany that they fail to show solidarity:

“We need a sustainable European solution with the long-term objective of a proactive involvement of the EU and its Member States (...) At the same time, we refuse any unfounded allegation that rejecting the mandatory relocation could be regarded as a lack of solidarity.”⁸³

The demands for the establishment of migration centers in Libya to handle asylum applications there have been echoed by French President Macron. He announced that such centers would be set up by France in due course to put an end to the dangerous human trafficking in the Mediterranean.⁸⁴ Macron’s plan puts him fundamentally at odds with both Merkel and Schulz, who are united in their support for a system of permanent distribution of migrants in the EU.

Conclusion

Macron’s approach offers the ECE countries the potential opportunity to engage constructively in the process of determining a collective approach to the migration challenge. This, however, requires that especially Budapest and Warsaw put an end to their practice of using the EU as a scapegoat to score domestic political points. The ECE governments also need to maintain an intensive dialogue with Germany, which despite the political differences remains an indispensable eco-

83 Visegrad Group, *Joint Statement by the Prime Ministers of the V4 Countries on Migration*, Budapest, 19 July 2017, <http://www.visegradgroup.eu/calendar/v4-declaration-on> [2017-07-28].

84 Elysee, *Déclaration d’Emmanuel Macron—recontre Libye*, 26 July 2017, <http://www.elysee.fr/declarations/article/declaration-d-emmanuel-macron-rencontre-libye/> [2017-07-28].

conomic and political partner for their region. At the same time, whoever governs in Berlin after 2 September 2017, cannot afford to leave the ECE members in their current peripheral political, economic and social position. Given the mounting challenges the EU is facing, neither Germany nor the ECEs can risk putting their traditionally close partnership in jeopardy at a time when cooperation is most needed. To what extent the ECE region can be brought back into the EU's core will depend as much on the actions of their governments as on Germany's and France's willingness to offer a more inclusive policy agenda given the conditions of an impending Brexit. The success or failure of bringing the ECEs back into the heart of Europe will ultimately not just determine the future of the ECE but also the EU.

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