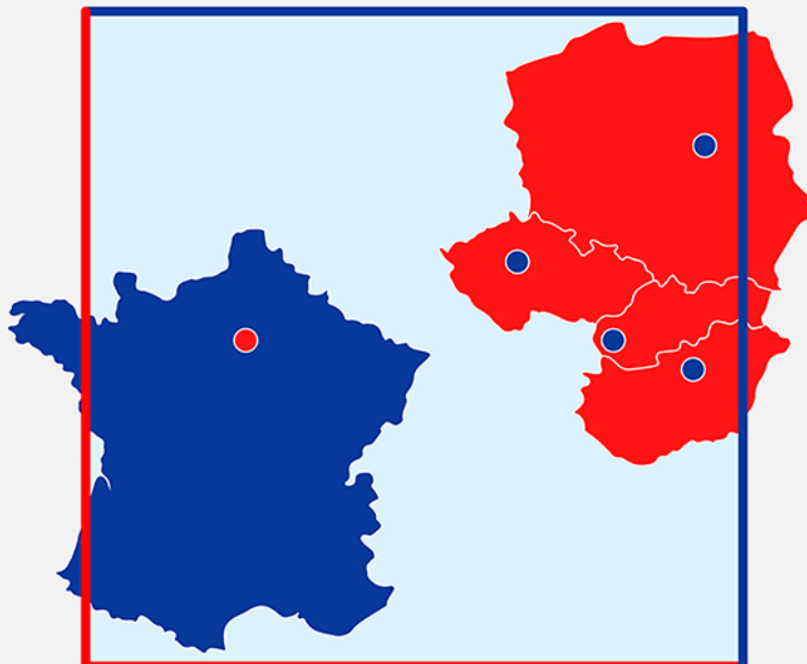


POLICY PAPER

Infrastructure development in the V4

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- **One of the most obvious goals of Visegrad Cooperation ever since its foundation was to strengthen regional identity by improving the connectivity of the region.**
- **Leaders of the four countries realized that regional cohesion, trade relations and competitiveness could only be improved if the most important infrastructure networks of the four countries are well connected, meaning energy grids, pipelines, road and train networks.**



Political background

The importance of the development of regional infrastructure listed among the key points of the strategic documents of the V4, such as the Kroměříž Declaration¹. However there are some further fields where cooperation could boost economic development and existing infrastructure mainly on the field of soft infrastructure at the border regions of the member states (such as telecommunications, postal services or health infrastructure). V4 countries also failed to prepare to the challenges of the 21st century, many of them linked to the climate change, that will have a strong impact on Central Europe, but also a common approach to protect critical infrastructure, through strengthening cyber security first and foremost, is by far not efficient yet.

Unfortunately improving V4, or North-South, connectivity, became a priority only following EU accession, which describes well why connecting networks are from from complete. Until 2004, countries were primarily focusing on gaining access to EU markets, which meant they have concentrated on East-West connectivity and infrastructural development.

Following 2004, a number of initiatives focusing on infrastructural development were launched early on in V4 format, but later as an important field of V4+ initiatives. Obviously EU financing, through the Cohesion Funds was the driving force behind such cooperation. As TEN-T networks were not designed according to regional groupings, the V4 initiated a project to harmonize its policies in a broader format.

The development of these projects mainly includes Romania and Bulgaria, while in key projects such as Via Carpatia² the Baltic States are included as well (although Via Carpatia only includes Lithuania, it would be connected further via the via Via Baltica). Energy projects, mainly connecting gas infrastructure increasingly involve Croatia

and Romania as energy security can be increased most effectively with the Romanian LNG and potential Croatian LNG terminals. It has to be highlighted that these recent developments are questioning the future of infrastructure projects under the Visegrad umbrella, as the recently launched Three Seas Initiative (TSI) mainly focuses on this field as well. Poland, which elevated the TSI concept to the top of the political agenda, is lobbying hard to transfer much of the infrastructural agenda to the framework of this new cooperation. Seemingly, this can be a good news for Paris, as the involvement of its traditional ally, Romania, can open new doors to the region even if current bilateral relations are at a historic low with Bucharest, but have slowly improved in the second half of 2019.

Key fields

Gas pipelines

While the issue of connecting regional infrastructure networks was on the agenda, some external pressure was essential to materialize plans. The gas crises of 2006 initiated the improved energy cooperation on a V4 level, with member states liberalizing their gas markets and deciding to build interconnectors. Meanwhile, member states developed their own infrastructure. Hungary increased its storage capacity, while Poland created its LNG terminal in Świnoujście. In the Declaration of the Budapest V4+ Energy Security Summit in 2010, member states decided to develop reverse flow capabilities. The first phase of the Hungarian-Slovak interconnector was finalized in 2014, and its capacity was recently extended. As the interconnectors between Austria and Czech Republic, Hungary and Slovakia were developed and the Czech-Polish interconnector is also functional, it is only the Polish-Slovak interconnector which represents the remaining part of the backbone of an operational North/South energy corridor, which is set to be put into operation in 2019/2020. Romania long delayed its reverse flow developments, however recent shale gas investments led to a strategic deal with Hungary.

¹ Guidelines on the Future Areas of Visegrad Cooperation <http://www.visegradgroup.eu/cooperation/guidelines-on-the-future-110412>

² Via Carpatia: <http://www.viacarpatia.eu/via-carpatia-kozlekedesi-folyoso>

Romania will meet the technical requirements for gas exports to Hungary in 2020, according to an agreement signed by the foreign ministers of two countries. By 2022, Romania will play an important role in reducing the share of Russian gas in the region.

This development was highly important as Hungary was initially among the supporters of the Nord Stream 2 development. This has silently changed in the last years. Nord Stream 2 was a timed bomb in the V4 cooperation, as Poland has long spoken out vocally against the project.

France lost a historic opportunity to improve relations with Poland and Romania by flipping its policy on this question. The French decision undermined the credibility of Paris in those political arguments that are focusing on the region by referring to European values. It has strengthened those supporting sovereignty of Central European states and referring to double standards within the EU.

Electricity

Power grids were much less in the focus of regional infrastructure developments as market conditions were already good and dependency was minimal. When implementing EU regulations, the V4 had a minimum number of consultations related to the Trans-European energy infrastructure. The most important fields North-South electricity interconnections in CEE (NSI), smart grids deployment, electricity highways and cross border CO2 networks. As electricity demand is rapidly growing in the heavily industrialized Central Europe, this is one of the only regions of Europe where nuclear power plant developments are often discussed. Participation of French companies in recent developments or coordination in policy matters, having in mind the general anti-nuclear energy atmosphere in the EU, is an obvious topic to cooperate on with France.

Rail infrastructure

As regards rail transport, the current situation is much worse than 15 years ago. Cross-border passenger transport disappeared at many border crossings. For example, between Poland and Slovakia, only one out of three border crossings is used for passenger transport, with the trains operating through that point only serving local transport.

The existing V4 rail connection cannot be developed further, since due to the existing traffic these routes are unable to accommodate high-speed lines and trains.

In the past years, developing this issue has become relevant on the political agenda and was discussed a number of times at the meetings of the prime ministers. Transport ministers of the Visegrád Group have agreed to draw up a feasibility study for the construction of an express railway connecting their countries in September 2018 in Krynica. The planned railway would connect Budapest, Bratislava, Brno and Warsaw, and due to the high traffic on the current lines, would require the development of new lines. At this point a connective and operational infrastructure can be best developed in cooperation with Austria, as previous projects focused rather on connecting Budapest, Bratislava and Prague with Vienna. Therefore, the Slovak V4 Presidency program stressed the importance of the inclusion of Austria into the planned developments. There is here a huge potential for the French companies to join these developments in the early phase of the project.

Road infrastructure

Transport connection in the V4 countries is often discussed through the TEN-T network perspective. The most important topic ministers usually discuss is the project of corridors of transport and improvement of the efficiency of spending the EU funds for the development of transport infrastructure within the Connecting Europe Facility (CEF). From a regional perspective, the most important project is the Via Carpatia that would connect Lithuania with Greece, through Poland, Slovakia, Hungary, Romania and Bulgaria. As the EU is completely missing its North-South corridors in its eastern member states, the project could have a serious economic impact.

The real problem of the road infrastructure programs is the uneven costs and benefits. In the case of the Czech Republic this fact is obvious. The planned roads would have no or limited impact on the Czech competitiveness, while it would strengthen its geographically closest competitors by a better access to the markets. In a lesser extent this is true in case of Slovakia. While the planned developments would not connect major Slovak cities, the most important

elements of the planned north-south highways are within the territory of Slovakia as all of these roads have to cross the Carpathian mountains.

Soft infrastructure

While in the V4 public discussion focuses on the traditional fields of infrastructure development, there are number of fields where cooperation has a huge, untapped potential. The most important one is linked to the low level of R&D and the underdeveloped research infrastructure. Representative of national research associations agreed to launch projects on the joint use of the research infrastructure³. The joint platform of researchers already harmonized positions of the member states in EU framework programs.

Key weaknesses

One of the biggest threats for regional infrastructure development are the planned cuts of the Cohesion Funds in the upcoming Financial Framework of the European Union. The planned changes raised a number of concerns at the V4 member states as it is highlighted in the „Joint Declaration of Ministers Responsible for Transport, Development and EU Funds Concerning the Future of Transport Financing in the 2021–2027 Financial Perspective”.⁴

The document points out that the development of transport infrastructure and the improvement of passenger and freight services is necessary in the eastern member states, not only because it directly contributes to increasing the competitiveness of the EU, but also that because of the current imbalance in European infrastructure, the proper functioning of the European Single Market is at risk.

Potential cooperation with France

From a political perspective the right moment for tightening relations comes following the European Parliamentary elections and the new Commission starting its work in late December 2019. The outcomes of the elections will have a huge impact on the nature of the discussion. If S&D, Renew Europe and EPP form a great coalition to secure the majority in European Parliament, the ongoing disputes might become more silent. The economic benefits of a potential cooperation still have to be defined, at least from the French perspective. So far, France has played a limited role in infrastructure development, letting Austrian and German firms dominate the market. However the potential size of the business linked to the planned high-speed train developments could be the momentum for French politicians to rediscover the region.



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³ V4 cooperation to jointly utilise research infrastructure and promote the expert evaluation of programmes <https://nkfih.gov.hu/english-2017/hungarian-and/v4-cooperation-to>

⁴ <http://www.visegradgroup.eu/calendar/2018/joint-declaration-of-181213>