

Visegrad states' trade and economic relations with Russia: Before and after EU membership

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INTRODUCTION

This paper focuses on economic relations between Russia and the 'small' Visegrad countries - Czech Republic Hungary and Slovakia. It emphasises changes and continuities, both between the communist and post-communist eras and also between the EU pre-accession and post-accession periods. The period between the abolition of the Council for Mutual Economic Assistance (CMEA) in 1991 and 2003 was a protracted phase of stagnation of trade with Russia. Yet since 2004 Russia has become an increasingly important and dynamic export destination. In all three cases their exports have outpaced the expansion of overall EU sales to Russia. Slovakia's exports to Russia, for example, grew by 973% between 2004 and 2012, about four times the rate of growth of total EU exports. EU entry therefore at least marked a decisive turning point in the small VG states' trade with Russia. Few if any scholars have paid any attention to these developments even though they give rise to a number of important questions. What factors lie behind this surge in trade with Russia and has EU membership in itself has been simply coincidental or has somehow played a key role? What, if any, bilateral instruments are in place to promote trade and economic cooperation between Russia and the three? How does the growing importance of trade with Russia affect the attitudes of the political elite in the 'three' and the way that

political and commercial relations with Russia are conducted, with respect especially to those political parties which have traditionally been Russia-cautious or Russia-hostile? To what extent are there still continuities between the contemporary economic relations and socialist era interconnections when the economies of both Russia (then part of the USSR of course) and the three were closely integrated in the Council for Mutual Economic Assistance (CMEA).

The paper will attempt to throw some light on the above questions. It has two main parts. The first focuses on the long period of transition in relations between Russia and the three between 1993 and 2003. It covers the main trends in trade, the role of post-CMEA regional integration processes (specifically the Central European free Trade Agreement – CEFTA) and the impact of political perspectives on Russia on development of economic relations. The second section is on the post-2004 period and therefore looks at trade and economic cooperation with Russia in the context of EU membership. It highlights: post-2004 trade trends and their main determinants; bilateral instruments for trade and economic cooperation between Russia and each of the three; key energy sector partnerships with Russia which are the most visible remnant of CMEA-era integration; the relationship between the political complexion of governments and approaches to economic relations with Russia.

It is also important to add that a better understanding of Russia's economic relations, not only with the three but all new EU member states that are ex-CMEA members, has additional resonance at the current time. This is due to not only the very latest events in Ukraine but Russia's both persuasive and punitive use of economic statecraft in the months leading up to the crisis of early March. In January 2014 it was announced that the Hungarian and Russian governments have agreed that Russia will loan Hungary Euro 10 billion to finance construction of two new reactors at Hungary's Paks nuclear energy plant. Following Moscow's 'bailout' loan agreements with Ukraine (Euro 15 billion in November 2013) and Belarus (Euro 15 billion in December 2013), the loan to Hungary has been described as "the latest in a series of Russian moves to use its energy and financial clout to restore influence in eastern Europe" (Financial Times, 15/1/14). Russia's economic relations with former Soviet states have been under very close scrutiny lately due to claims that it is using its economic tools as part of a determined effort to hold and amplify its influence in the region it assumes a privileged position. For a while now, Russia has been building and pushing alternative integration possibilities to EU integration for former Soviet states, notably "the grand scheme of a Eurasian Union, an economic sphere reaching from Europe to the Pacific coast (which) is a clear attempt to build a framework that would once again hinge on Moscow" (Financial Times, 11 February 2014). The economic pressure it put on former Soviet Republics that were in the frame to sign Association Agreements at the November 2013 Vilnius Eastern Partnership (EaP) Summit was an undoubted drama in and escalation of what some see as a geopolitical struggle between the EU and

Russia. Russian trade embargoes, customs blockades and other sanctions failed to prevent Georgia and Moldova signing EU agreements but Armenia u-turned in favour of closer links with Russia and Ukraine of course also failed to sign and took a \$15 billion loan from Russia along with gas price concessions and removal of serious further threats to Ukraine's exports to Russia. Of course there can be no suggestion of a parallel process when it comes to Russia's economic relations with former CMEA states now in the EU but there is the question of how to interpret the significance of growing economic interdependence with Russia, increased involvement of Russia in their economies (especially in energy), offer and acceptance of Russian loans and the growing importance of bilateral intergovernmental economic and trade cooperation with Russia. Certainly internal debates within the three about relations with Russia have always stressed the dangers as well as the opportunities of too much trade and economic interconnections with Russia.¹

2. ECONOMIC RELATIONS WITH RUSSIA DURING THE EU PRE-ACCESSION YEARS.

Key Challenges: Structural Deficits and Stagnant Exports

As is well known, the end of communism precipitated a huge adjustment in the external trade of all the ex-CMEA countries and resulted in a dramatic reduction of their mutual trade. For all the central and eastern European (CEE) CMEA states this trade collapse centred mainly on the USSR and began in 1990 even before the key 'switchover' to use of world market prices and settlement in convertible currency. In 1990 the USSR cut oil deliveries to CEE by 30% and the CEE states responded with equivalent cuts in their own exports to the USSR. The disruption accelerated spectacularly in early 1991 and "Soviet imports from the CEE declined by as much as 60 per cent and exports by 50 per cent during the first quarter of 1991 compared with the same period in 1990" (Dangerfield 2000, 17).

Once the USSR and all the attendant ideological and 'imperial' baggage had gone, Hungary and the newly independent Czech and Slovak Republics had to develop their relations with Russia – also a newly independent state – in conditions that were fundamentally different from, but nevertheless involved a substantial legacy of, the Soviet era. As far as economic relations were concerned, the three faced some common key challenges in their relations with Russia throughout the 1990s and early 2000s. These included: to ensure stable energy supplies in the context of total supply dependency on Russia; put in place a large number of bilateral agreements covering a whole variety of issues; to tackle large trade imbalances that quickly emerged as an established feature of their residual trade with Russia and which

¹ Readers please note that this paper was completed before the current crisis in Ukraine began to unfold so represents the state of play beforehand.

mainly reflected the energy import bill; to raise the level of exports to Russia and make trade relations less asymmetrical (for economic reasons and because of feelings of vulnerability); to resolve Soviet-era ‘transferable rouble’ debts that Russia inherited, which needed agreement on how they would be paid, what the convertible currency value would be and how costs of Russian troop withdrawal would be offset. The amounts involved were \$1.6bn owed to Slovakia, \$1.7bn to Hungary and \$3.7bn to the Czech Republic.

Trade relations with Russia settled down into the same broad pattern for all three countries and remained more or less stable over the 1993-2003 period. With Russia having inherited the Soviet role of monopoly supplier of gas and oil, imports were largely consisting of fossil fuels, delivered via the pipeline infrastructures constructed during the CMEA era. Russia maintained the Soviet reputation as a reliable supplier after the end of the CMEA. There were no supply disruptions during the EU pre-accession period, even during testy phases in political relations and perceived instability in Russia. Slovakia and Hungary kept their traditional levels of dependency on Russian supplies and further integration, while the Czech Republic was able to follow a diversification policy thanks to its advantageous geographical location easing the logistical task of building up other supply sources. By 2001 its dependence on Russian oil and gas had dropped by around 25% and 30% respectively (Votápek, 2003, 98).² Energy trade was the core determinant of structural trade deficit with Russia. Another key similarity was the inability to correct this imbalance with export growth. With some modest fluctuations along the way, the \$ values of Czech and Slovak exports to Russia were the same in 2003 as 1993 meaning a substantial fall in real terms. Hungary’s situation was even less favourable, with a huge fall in the nominal value of exports to Russia with the 2003 \$ value only 58% of the 1992 total. Steadily increasing import bills meant that all three countries’ deficits grew strongly, with a 255% increase in the case of the Czech Republic, 218% for Slovakia (1993-2003), and 408% for Hungary between 1992 and 2003. Table 1 contains data on the three’s trade with Russia between 1992 and 2003.

Numerous factors, well documented at the time, accounted for these post-CMEA trade patterns between Russia and the three. Clearly one important reason was to do with the nature of CMEA exchanges which included large scale exchange of CEE ‘soft goods’ for Soviet ‘hard goods’ (essentially energy and other raw materials). Thus a considerable portion of CEE exports to the USSR were not viable after 1990. Second, general chaos and weak demand in the Soviet and subsequently in the Russian market, coupled with Russia’s own strategic westward orientation during the Yeltsin period were also important. As Votápek (2003, 99), with respect to the Czech Republic, noted, a basic problem was “the

² Nevertheless, the Czech Republic remained more or less the same as Hungary and Slovakia in terms of the basic structure and asymmetry in trade with Russia.

undercapitalisation of Czech exporters and consequently a higher sensitivity to risks that trading with Russia poses: the failure of Russian counterparts to fulfil contracts and difficulties in retrieving receivables”. Third was the large scale reorientation of trade to the West (see Table 2) that the three underwent, encouraged by economic necessity as well as security imperatives. The signing of Europe Agreements with rapid moves to free trade with the EU obviously stimulated further growth of trade with Western Europe and consolidated the strategic reorientation.

Table 1: Czech, Hungarian and Slovak Trade with Russia 1992-2003 (US\$ millions)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Czech Exports	N/A	593	548	630	694	767	650	379	385	490	517	584
Czech Imports	N/A	1280	1264	1876	2004	1851	1579	1388	2074	2001	1844	2339
Czech Balance	N/A	(687)	(715)	(1246)	(1310)	(1084)	(929)	(1009)	(1689)	(1511)	(1327)	(1755)
Hung. Exports	1133	945	807	822	776	968	661	356	455	472	455	653
Hung. Imports	1674	2399	1746	1840	2021	1963	1666	1631	2589	2369	2284	2859
Hung. Balance	(541)	(1454)	(939)	(1018)	(1245)	(995)	(1005)	(1275)	(2134)	(1897)	(1829)	(2206)
Slovak Exports	N/A	256	278	331	308	333	203	103	106	130	143	267
Slovak Imports	N/A	1236	1199	1456	1934	1619	1357	1347	2156	2171	2083	2408
Slovak Balance	N/A	(980)	(921)	(1125)	(1626)	(1286)	(1154)	(1244)	(2050)	(2041)	(1940)	(2141)

Sources: National Statistical Office of Hungary; National Statistical Office of Slovakia; National Statistical Office of the Czech Republic

Table 2: Reorientation of CEE-6 trade: exports, 1989-95 (%)

CEE-6 exports to:	1989	1995
Former CMEA	47	23
EU-15	35	63
USA	2	2
Japan	1	1

Rest of the world	15	11
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Source: Reproduced from Grabbe and Hughes (1998, 13)

Post-CMEA Integration without Russia - CEFTA

The Central European Free Trade Agreement (CEFTA) was undoubtedly a pertinent factor in the post-CMEA development of economic relations with Russia. This is not only because of its probable impact on prospects for revival of that trade. CEFTA was a regional integration initiative founded exclusively by and for CEE and, as such, was the closest thing to a revival of sorts of the CMEA grouping. Under pressure from the European Commission, the then three Visegrad Group states - Czechoslovakia, Hungary and Poland - agreed to begin mutual trade liberalisation with the signing of the Cracow Treaty in December 1992. By the time CEFTA began operation (1 March 1993) there were four members. The accessions of Bulgaria (1997) and Romania (1999) completed the ex-CMEA contingent, with Slovenia having entered in 1996. The prime objective of CEFTA was to completely liberalise trade in industrial products by 2001 and substantially liberalise agricultural trade. Though initial expectations were low, and the VG leaders were keen to play down its significance and encourage a 'shady' existence for CEFTA (in order to pre-empt any talk that this could become an alternative to EU membership), CEFTA achieved very positive results. Between 1993 and 1998 intra-CEFTA trade grew fast: Czech exports to CEFTA increased by 365% over that period. Hungarian, Polish and Slovak exports to CEFTA grew by 442%, 298% and 304% respectively (see Dangerfield, 2000). Indeed, by 1997 the level of intra-CEFTA trade was in stark contrast to the Soviet domination of intra-CMEA trade and marginal role of trade among the 'six': Czech exports to CEFTA were eight times greater than exports to Russia, Hungary's three times greater and Slovakia's sixteen times greater.

The gravitational pull of preferential trade within CEFTA was clearly not a positive influence on prospects for trade growth with Russia. As for Russia's omission, three factors were of particular importance. First, CEFTA's creation and early existence was against the backdrop of the so-called 'CMEA syndrome' which basically meant a reluctance to participate in integration organisations with any ex-CMEA partner, but especially Russia. Second, as well as the absence of any agenda to include it, Russia itself showed no interest in CEFTA either in terms of membership or desire to influence it in any way, not even after Ukraine expressed membership aspirations in 1995. Third, Russia was *de jure* excluded because of the specific character of CEFTA as an actual part of the EU pre-accession process. CEFTA became increasingly acknowledged as a device for future EU members to foster their mutual integration en route to the EU. Its enlargement criteria, established in Brno during the second annual summit of CEFTA Prime Ministers in September 1995, stipulated that prospective CEFTA members must have accomplished the following: membership of the World Trade Organisation (WTO); have signed a

Europe Agreement with the EU; have signed bilateral free trade agreements with all existing CEFTA members. At this point the identity of CEFTA was clarified as a 'club' for those post-communist states committed to Euro-Atlantic integration and acknowledged by the EU as future members.

Domestic Politics and Strategic Relations with Russia: Impact on Trade Dynamics

Between 1990 and 2004 the main trends in trade with Russia were broadly the same in all three countries despite some notable differences in governmental attitudes and level of cordiality in political relations with Moscow both between and within the three countries at different times. The three tackled the same set of broad issues – political and economic - during this period but developed specific patterns in their individual relations with Russia. After the 'velvet divorce' Czech and Slovak relations with Russia moved in opposite directions. The strong Czech pre-occupation with the NATO and EU membership endeavour, coupled with the convenient geopolitical position of the Czech Republic - it no longer bordered any ex-Soviet states – meant that foreign policy towards Russia was characterised by disinterest and lack of engagement. As Kratochvil and Kuchýnova, (2009, 63) put it, "Russia disappeared from the cognitive map of both the Czech political elite and the population at large". A residual fear of Russia remained, however. Opposition to NATO entry was read as evidence of Russian ambitions to retain a strong influence in central Europe and underscored the importance of joining NATO and the EU. Otherwise, over this period, which endured until 1999, Czech interest was focused on economic issues, in particular the security of gas and oil supplies, striving for progress on the repayment of Russia's debt to the Czech Republic and achieving a more productive framework for economic cooperation. Trade and integration with the EU (and to some extent CEFTA) were, however, the undisputed strategic priorities.

Slovakia, by contrast, became increasingly disenfranchised from Euro-Atlantic integration due to the authoritarian tendencies of the government led by Vladimir Mečiar. Slovakia therefore followed a distinct eastern agenda based on notions of a special relationship with Russia, centred on close economic relations that aspired to maintain the levels of trade that characterised the CMEA era. Even before the split of Czechoslovakia and collapse of the USSR Mečiar revealed his clear ambition to rescue the Slovak military industrial complex which was at the core of Slovakia's high level of exposure to the Soviet market. In 1991 Mečiar stated that "(o)ur diagnosis is not complicated. If we manage to remain oriented on the eastern market and preserve trade with the USSR, we shall have lower unemployment...the Soviets have given us general approval for the export of weapons produced under their licence". (Duleba, 2003, 146). Despite close political links with Russia and the signing of various bilateral agreements on economic cooperation – including progress towards a Slovak-Russia free trade agreement in 1996 -

Slovak ambitions to revive their economy via demand from Russia were not realised. As Table 1 shows exports did not grow at all and the main trend was an alarmingly deterioration in Slovakia's balance of trade due to fast rising oil and gas import costs.

Slovak and Czech relations with Russia converged after Mikuláš Dzurinda replaced Mečiar in September 1998. Slovakia immediately renewed its commitment to EU and NATO accession with repercussions for the relationship with Russia. This did not entail an unfriendly tone in political relations with Russia but, as official government announcements in October 1998 stressed, the objective was “to have ‘correct’, ‘balanced’, ‘partner-like’ and ‘mutually advantageous’ with Russia... (and) that Russia remains an important economic partner for Slovakia, particularly with regards to imports of strategic energy resources” (Duleba, 2009, 16). Czech relations with Russia seemed to ease also after the final confirmation in 1997 that NATO enlargement would go ahead. Official Czech attitudes to Russia also changed in this period. Votapek (2003, 97) noted that “there was an ever more positive view of the mutual relations in the Czech Republic, too. In the summer of 1998, when the minority Social Democratic cabinet took office, it declared the development of relations with Russia as one of its foreign policy priorities”.

Turning now to Hungary, official political attitudes to Russia and stress on the importance of economic ties tended to oscillate. Póti (2003) identifies four main phases in relations with Russia relations after 1990. Following the ‘divorce’ phase, ‘peaceful co-existence’ characterised the 1992-94 period in which – with the USSR and with it the ‘ideological content’ of tensions with Hungary now gone – relations between Russia and Hungary gradually stabilised. Nonetheless, “there was a surviving element of distrust and fear of instability (on the Hungarian side) and growing opposition (on the issue of NATO enlargement) on the Russian side” (Póti, 2003, 79). The subsequent 1994-1998 period of ‘normality’ was interesting because the election of a leftist leaning government under Gyula Horn led to more emphasis on relations with Russia, including a high priority for the Russian market. Several issues caused relations to deteriorate after 1998, culminating in Russia's decision to cancel Prime Minister Kasyanov's planned official visit to Budapest in early 2001.³ Government change in Hungary played an important role with the new centre-right Fidesz/MDF government led by Viktor Orbán, both in its rhetoric and policy choices, inclined to a far more cautious and suspicious stance on Russia. The “general attitude of the Orbán government towards Russia was characterised by the perception of a kind of cultural supremacy, a combined anti-communism/Russianism that still associated Moscow with the past, the fear of Russia's

³ Several issues caused bilateral problems. For example, in April 1999, Hungarian border guards held up a joint Russia/Belarus convoy of humanitarian aid destined for Belgrade for many hours, alleging it breached the UN embargo on Yugoslavia. Also, the Hungarian government abruptly reversed a decision to upgrade its Mig-24 fighter planes by a joint Russian- German company in favour of a leasing deal for Swedish-British F-16s.

imperial resurgence, its lack of diplomatic style and the fashionable trend of neglecting Russia” (Póti, 2003, 83). ‘Distancing’ prevailed until the Hungarian Socialist Party (MSZP), in its longstanding alliance with the Alliance of Free Democrats – Hungarian Liberal Party(SZDSZ), won the 2002 elections in Hungary. In the context of Putin’s changed approach to central Europe noted above, the centre-left government, led by Péter Medgyesi, again reversed course and declared the need to ‘reset’ relations with Russia, especially for trading reasons.

It is interesting to note that despite the differences in official political attitudes to Russia and variations in the extent to which there were attempts to cultivate closer economic relations, the results in terms of actual levels and patterns of exports to Russia were very similar. In fact there were no real perceptible differences in the experiences of each of the countries. The case of Slovakia in the 1994-1998 period, where the revival of CMEA-era levels of trade with Russia was the core economic (and foreign policy) strategy, was the most notable evidence that stagnation of export trade with Russia was not governed by the state of political ties.

3. ECONOMIC RELATIONS WITH RUSSIA AFTER EU ACCESSION

Trade with Russia after EU Accession – New Trends

As noted above, during the pre-accession period exports of the three to Russia lacked dynamism, either stagnating or shrinking. By contrast, since EU accession exports to Russia have shown very strong growth. Between 2004 and 2012 Czech exports had increased by 618%, Hungarian by 347% and Slovak by 973% (see Tables 3 and 4). In 2012 Czech exports to Russia accounted for 20.4% of total extra-EU exports, compared to 10.8% in 2004. For Hungary 13.1% in 2012 compared to 9.8% and for Slovakia 25.6% and 9.1% respectively. In terms of the commodity structure of trade, Czech exports to Russia are in a wide range of manufactured industrial goods and mainly machinery and transport equipment (especially cars), chemicals, food products and construction materials. Slovakia’s main export lines to Russia are machinery and transport equipment (especially cars), chemical and allied products, other industrial goods and fabrics. Hungary’s most important exports to Russia are in machinery and transport equipment, mobile phones, pharmaceuticals, chemical and allied products and foodstuffs. As for imports from Russia, in all three countries these are dominated by raw materials and oil and gas, which accounted for 84%, 90%, and 90% of the imports of the Czech Republic, Slovakia and Hungary respectively in 2010. As for the main reasons for the post-2004 export surge, an obvious question concerns the influence

of actual EU membership and of factors connected to EU entry on trade with Russia. It seems that there is no strong evidence that EU entry *per se* was the key cause of the observed trade growth since trading arrangements with Russia were not drastically changed and there no major new opportunities for access to the Russian market. Certain economic consequences of EU entry have played a major role however in terms of the economic development and changing capacities experienced by the three. The large inflows of foreign direct investment that accompanied integration with the EU (which started in earnest in the mid 1990s with the free trade provisions of Europe Agreements) have built up crucial export capacity. This has included the sectors that are now most important in overall EU exports to Russia and which have experienced rapid growth in recent years, e.g. passenger cars/road vehicles and medicinal and pharmaceutical products which accounted for 11% and 7% respectively of total EU exports to Russia in 2010 (Eurostat, 2011). As Hungarian academician Zsuzsa Ludvig told the Hungarian newspaper *Nepszabadsag* in 2004: “Our 2004 EU accession benefited relations. This probably explains why there have been structural changes in our exports: the leading role has been assumed by multinational companies with Hungarian interests, and they strike their deals with their Russian partners directly, practically without the intervention of the Hungarian state” (Wikileaks, 2012).

Table 3: Czech, Hungarian and Slovak Trade with Russia 2004-2012 (Euro millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	Index 2012/ 2004
<i>Czech Exports</i>	770	1132	1504	2081	2911	1877	2672	3759	4760	618
<i>Czech Imports</i>	2184	3392	4224	3930	5987	3721	4885	5235	5820	266
<i>Czech Balance</i>	(1414)	(2260)	(2720)	(1849)	(3076)	(1844)	(2213)	(1476)	(1024)	72
<i>Hungary Exports</i>	738	943	1617	2229	2666	2124	2583	2586	2567	347
<i>Hungary Imports</i>	2875	3962	5118	4793	6651	4091	5196	6379	6447	224
<i>Hungary Balance</i>	(2137)	(3019)	(3501)	(2564)	(3985)	(1967)	(2613)	(3793)	(3880)	181
<i>Slovakia Exports</i>	271	398	549	959	1811	1416	1933	2090	2638	973
<i>Slovakia Imports</i>	2207	2980	4029	4017	5258	3473	4679	6212	5884	266
<i>Slovakia Balance</i>	(1936)	(2582)	(3480)	(3058)	(3447)	(2057)	(2746)	(4122)	(3245)	167

Source: Eurostat

Table 4: Czech, Hungarian and Slovak Trade with Russia 2004-2012 as % of total Extra-EU Trade

Exports	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Czech Republic</i>	10.8	12.5	13.9	15.8	19.4	15.2	16.7	18.4	20.4
<i>Hungary</i>	9.8	9.8	13.0	15.2	16.6	16.8	15.6	13.4	13.1
<i>Slovakia</i>	9.1	12.1	12.5	17.0	25.6	24.9	25.4	23.9	25.6
<i>EU27</i>	4.8	5.4	6.2	7.2	7.9	6.0	6.3	6.9	7.3
Imports	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Czech Republic</i>	19.7	29.7	29.2	22.9	26.8	22.5	20.4	14.8	15.8
<i>Hungary</i>	18.8	24.7	27.6	22.5	28.2	23.4	24.2	28.3	29.1
<i>Slovakia</i>	43.5	48.2	45.2	35.8	38.9	34.6	34.0	40.4	37.1
<i>EU27</i>	8.2	9.5	10.3	10.0	11.3	9.6	10.5	11.6	11.9

Source: Eurostat

The rapid growth of exports to Russia reflects changing capacity in each of the three, though developments in the Russian market have been equally important. Following a decade of economic turmoil and stagnation of development, Russia's economy entered a period of rapid expansion and rising demand after 2000. Strong economic growth and the Russian state's use of buoyant oil revenues to significantly raise household incomes (particularly in Moscow and St Petersburg) fuelled consumer spending. The relative lack of reform and restructuring of the Russian economy mean that a significant proportion of this spending was directed abroad and a huge expansion of imports occurred. According to official Russian statistics, between 2005 and 2010 the value of Russia's imports more than doubled from US\$ 79,712 million to US\$ 197,472 million, having reached a pre-crisis peak of US\$ 230494 million in 2008.⁴ Thus the changing capacity of the three enabled them to ultimately join many other EU states in benefiting from the 'boom' in Russian imports that took off after 2000. Overall EU sales to the Russian market more than doubled in the first half of the 2000s, growing from Euro 22.7 billion in 2000 to 56.6 in 2005. Strong expansion continued to occur and by 2011 EU exports to Russia were worth Euro 108.3 billion. Most EU states experienced strong growth in their exports to Russia, demonstrating that the growth of the three's exports was mainly part of a wider trend, though it was more powerful than the average EU performance. Other ex-CMEA states followed the overall pattern too, with Poland's exports growing by 211 per cent between 2004 and 2010, those of Romania by 528 per cent and Bulgaria by 224 per cent.⁵

⁴ Data on Russian growth, consumer spending and imports from the *Federal State Statistics Service of the Russian Federation*

⁵ Eurostat.

Intergovernmental Cooperation on Trade and Economic Relations

Bilateral cooperation between Russia and the governments of the three is a further factor in what have undoubtedly been burgeoning trade and economic relations more broadly. In 2004 the Czechs and Russians established the *Czech-Russian Intergovernmental Commission for Economic, Industrial and Scientific Cooperation* (C-RICEISC). The *Hungarian-Russian Intergovernmental Committee for Economic Cooperation* (H-RICEC) was established in ????. The *Slovak-Russian Intergovernmental Commission on Cooperation in the Economy, Science and Technology* (S-RICCEST) has a longer history having been set up in the aftermath of the collapse of the CMEA and then the USSR in an attempt to salvage the viable parts of mutual trade and handle various practical aspects of post-CMEA/post-USSR economic relations with Russia. The S-RICCEST played useful initial roles to do with bilateral trade arrangements and negotiations to resolve transferable rouble debts. It gradually faded from view, however, and by the time of EU accession seemed to have fulfilled its purpose. Duleba (2009) observed that the Slovak Commission “sank into oblivion and became an example of the narrowing of the bilateral tools of Slovak foreign policy in relations with East European countries in the field of foreign trade” and was abolished by the Dzurinda government in 2002. It was revived three years later in 2005. The Czech, Hungarian and Slovak bilateral intergovernmental commissions with Russia bring together leading politicians, civil servants, regional actors and industrialists for extended meetings that can cover specific contracts and map out medium and long-term economic cooperation.⁶ As well as sectoral cooperation and promotion of business links, the commissions are currently working with political authorities in regions outside the main centres of Moscow and St. Petersburg.⁷

The intergovernmental commissions are undoubtedly increasingly seen as valuable instruments to actively promote exports to Russia and further develop the business/economic partnership. They now appear to be firmly entrusted with the task of promoting trade and various aspects of economic cooperation between Russia and each of the three. Though an assessment of the precise impact of these bodies is not within the scope of this paper some observations are as follows. First, they illustrate that contrary to CEE states initial assumptions, EU entry did not in fact mean that all competence on economic and trade relations with Russia was now gone (to the Brussels level) and many possible avenues for productive bilateral cooperation on trade and economic relations were actually still open. Second, official

⁶ The legacy of Czechoslovakia means that there are strong enduring ties between Czech and Slovak companies and business associations that also cooperate, both with each other and with their Russian ones, in order to promote their mutual commercial interests in Russia. For example a business fair to promote Czech and Slovak companies in Russia was held in October 2009 in Moscow. The list of participants in the ‘Days of Czech and Slovak Businesses’ included “Business Council for Cooperation with the Czech Republic, the Business Council for Cooperation with Slovakia, the Business Council of entrepreneurs of the Czech Republic for Cooperation with Russia, and the Slovakia-Russia Business Council. The Russian Chamber of Commerce and Industry was actively involved in the event organization” (premier.gov.ru/eng/events/pressconferences/8257)

⁷ See Appendix One for a list of field of cooperation covered by the current S-RICCEST Action Plan.

statements seem to affirm that these bilateral bodies are regarded positively and can be good vehicles for trade development and other forms of economic cooperation and have been described as bodies “responsible for ‘oiling’ economic ties, and taking strategic decisions” (Wikileaks, 2012). The C-RICEISC has been credited with “some success in removing trade barriers” (Wikileaks, 2008). They can be regarded also as useful channels for intergovernmental communication and dialogue even during times when relations at the politic-diplomatic level may be strained. Some examples of positive rhetoric are as follows. The meeting of the H-RICEC that took place in Moscow during March 2011 discussed “cooperation opportunities in the field of energy, agriculture, finances and transport” and signed a ‘joint declaration of modernisation and partnership’ that “outlines the long-term cooperation opportunities for business organisations, and creates a framework for cooperation between the two governments in modernisation, research and development”⁸ At the September 18 2013 meeting in Budapest Russian agricultural minister Nikolai Fyodorov “stressed that a new impetus should be given to bilateral economic relations” (Hungarian Ambience, 2013). The October 2010 Moscow meeting of C-RICEISC involved two days of bilateral talks and expressed “support for important Czech-Russian projects or the utilisation of the possibilities offered by the EU-RF initiative Partnership for Modernisation and Cooperation” (Vlček, 2010). In a press statement during his 2009 visit to Bratislava Vladimir Putin remarked that the S-RICCEST had an important role in “expanding business connections, investment partnerships, and cooperation in high-technology industries”.⁹

Finally, tempting as it would be to assert that the Intergovernmental Commissions actually represent some kind of continuity with CMEA-type relations, these bodies are actually not exclusive to ex-CMEA states. Many states (EU, non-EU and non-European) actually have similarly named intergovernmental cooperation bodies with Russia.¹⁰ The relevant question would be whether there is anything distinct about the Commissions of the ex-CMEA states. Clearly the emphasis on cooperation in certain sectors – nuclear electricity, military sector – certainly suggests some enduring legacy of the era of socialist integration. Moreover, the main areas of cooperation in the current action plan of the S-RICCEST actually correspond with the traditional areas of cooperation with the USSR which would seem to be an avenue for further exploration in this respect.

⁸See ‘Hungarian-Russian Negotiations Concluded by Signature of Modernisation Declaration’. Available at: <http://www.kormany.hu/en/ministry-of-national-development/news/hungarian-russian-negotiations-concluded-by-signature-of-modernisation-declaration>

⁹http://www.pchrb.ru/en/press_center/news/index.php/index.php?id4=429

¹⁰ See: http://eximbank.ru/en/profile/intergovernmental_group/

Energy Sector

Energy relations are a major dimension of overall economic relations with Russia and are of course of huge political as well security significance as well. CMEA era interconnections are still present in economic relations in the form of Russia's role – inherited from the USSR - as the main supplier of oil and gas. Deep integration of the energy sector had been among the few notable successes of socialist economic integration and not so easy to undo as other communist-era linkages. The physical infrastructure for oil and gas supply and transit is still very much operational and vital today. Trends in the three's imports from Russia largely reflect the overall EU experience in that they consist predominantly of primary goods and especially energy. Growth of imports from Russia has not matched that of exports with changes in the value of imports largely reflecting movements in the world prices of commodities received from Russia, with oil prices the key driver. As far as energy security/dependency issues since EU entry are concerned, the biggest questions are focused on gas. Dependency on Russia is high in all three cases but does vary. In 2009, Russia provided 83 per cent of Hungary's total gas imports and 70 per cent of total gas consumption. For Slovakia the amounts were 94.5 per cent and 100 per cent respectively, and 69 per cent and 81 per cent for the Czech Republic. Hungary and Slovakia are supplied primarily by pipelines coming through Ukraine from Russia. Around 30 per cent of Czech gas imports come from Norway via the Olbernhau border transfer station.¹¹ Supply contracts are negotiated by the main gas transmission system operators in each country - RWE Transgas Net in the Czech Republic, FGSZ Ltd in Hungary and Slovensky Plynarsky Priemysel, a.s in Slovakia – all of which work on the basis of long term deals with Gazexport. Gas supply became an increasingly 'hot topic' after Russia's disputes with Ukraine disrupted supplies, first in 2007 and again in 2009. The 2009 crisis, which occurred at the coldest time of year and caused public anxiety about energy security to increase considerably, shifted diversification of gas supply to the forefront of the energy policy agenda (see Nosko and Lang 2010). Some developments in energy sector cooperation within the Visegrad Group have gathered pace recently, mainly to do with developing safeguards in the event of gas supply disruptions rather than diversification per se. The current Ukrainian crisis is of course leading to a major assessment of energy relations with Russia but is beyond the scope of this paper to explore further.

Shortly after the 2009 crisis the Czech Republic and Slovakia both declared their official support for the Nabucco gas pipeline project backed by the EU (see Topolanek 2009 and Duleba 2009). Hungary of course was already an established proponent of Nabucco. Diversification is however, not a short term game due to infrastructure issues and also because 'pipeline politics' are rather complex. Commercial

¹¹ Gas statistics are taken from the Energy Delta Institute (EDI) database. Available at: <http://www.energydelta.org/mainmenu/edi-intelligence-2/our-services/Country-gas-profiles>

interests of the main energy companies play a key role, including transit fees (another remnant of CMEA-era arrangements). Also, at least up until the events of February/March 2014, dependency on Russian gas coming through Ukraine may be construed as the issue rather than dependency on Russian gas per se. Hence Hungary's concomitant support for and involvement in Russia's South Stream pipeline and former Hungarian Prime Minister Gyurcsány's 2009 statement that 'Hungary is interested in having as many pipelines as possible' (Euractive 2009). In April 2012, Hungarian energy and oil company MOL announced its withdrawal from the Nabucco project. Despite speculation that this reflected Hungary's stand-off with the EU over various controversial political reforms, Orbán stated that Hungary was switching allegiance to Russia's South Stream alternative for 'very simple economic reasons' (Chazan 2012). Moreover, the Nabucco project has been flagging for some time and other major stakeholders had already expressed major doubts, including RWE of Germany (Hromadko, Hinkel and Torello 2012). Either way, diversification strategies are also fluid, with economic and political motivations not always easy to disentangle. Oil and gas dependence on Russia is clearly the most visible and significant remnant of CMEA-era integration and the question of whether EU membership has unleashed a strong dynamic for further diversification and a longer term strategy of disengagement from dependency on Russia remains rather ambiguous .

Nuclear electricity generation is another important, albeit lower profile, aspect of energy relations with Russia. As with oil and gas supply this another significant leftover from intra-CMEA integration. Nuclear power is a significant part of the energy mix in all three countries, accounting for 33% of domestic electricity supply in the Czech Republic and Hungary and over half (55%) in Slovakia. This comes from six reactors in the Czech Republic and four each in Hungary and Slovakia (Nuclear Energy Agency, 2010a, 2010b, 2010c). All the reactors are Soviet-era, commissioned and constructed by Soviet partners and these days the Russian nuclear energy giant Rosatom is a key partner. Rosatom subsidiary TVEL is the exclusive supplier of nuclear fuel for the Czech Republic, Hungary and Slovakia. Russia has also in past received spent fuel for processing on its territory. Rosatom also plays a key role in the supply of spare parts for reactors and maintenance schedules and has also been involved in certain crisis operations. In Hungary, for example, following a serious incident in April 2003 in which water contamination from the fuel rod cleaning system occurred, specialists from TVEL carried out the decontamination work with their Hungarian counterparts. As with pipeline systems, changes to this part of the energy infrastructure cannot be made except in the longer term and would be very expensive. In any case, the nuclear energy relationship has been both lower profile and more stable and secure in that there have been no comparable debates about diversification and or any weaning off from this partnership with the Russian nuclear energy industry. Rather, up until current events at least, there seems to be strong commitment to continue

with current arrangements and even possibly expand Russian involvement. In 2010, TVEL replaced Westinghouse as supplier of fuel for the Czech Temelin plant until 2020. In 2009 Russia and Slovakia signed a long term deal in nuclear power engineering that involved, amongst other things, Slovakia's "support for the participation of Russian companies in modernizing Slovakia's reactors".¹² The Rosatom subsidiary Atomstroyexport is in one of the consortia currently bidding to build two new reactors at the Temelin plant in the Czech Republic. However, in early March 2014 it was looking as though Rosatom's chances of winning this contract were a casualty of the Ukrainian crisis and Russia's occupation of Crimea in particular. On March 3 2014 Radio Prague reported that Czech Defence Minister Martin Stropnický said that he found it "difficult to imagine that Russian firms would complete new units at the Czech Republic's Temelín nuclear power plant in light of Russia's military intervention in Ukraine", while "(f)ellow minister in government Jiří Dienstbier expressed a similar view, saying that while it was only his personal opinion, he could not imagine Russian companies taking part in the tender, stressing that a country that resorted to military aggression represented a security risk" (Radio Prague, 2014). During 2011 Russia and Hungary held talks on Russian companies' involvement in the planned modernisation of Hungary's PAKS nuclear facility and, as noted earlier in the paper Russia has agreed to loan Euro 10 billion for construction of new reactors on that site. It remains to be seen how the fear of significant Russian presence within strategic sectors will affect the future developments of nuclear power capacity. Yet future Russian involvement in the nuclear energy sector, be it as a source of finance for construction or commissioning Rosatom to build new facilities, has to be taken in context. The involvement of Russian companies has strong internal support and for now, the nuclear energy partnership is a longstanding important, stable and trouble-free (i.e. has not suffered from any equivalent of the gas crises) dimension of bilateral relations with Russia.

Table 5: Energy Security – Dependence On Russian Natural Gas (Imports from Russia as % total gas imports in 2009) of 2004 and 2007 new EU members

Czech Republic	69%
Hungary	83%
Slovakia	94.5%

¹² See '[Russia, Slovakia sign long-term nuclear power deal](http://en.rian.ru/russia/20091117/156872704.html)'. Available at [www.http://en.rian.ru/russia/20091117/156872704.html](http://en.rian.ru/russia/20091117/156872704.html)

Poland	82%
Bulgaria	92%
Romania	27%
Slovenia	52%
Estonia	100%
Latvia	100%
Lithuania	100%

Source: Samson et al (2010), p.

Table 6: Nuclear Electricity Generation in the Czech Republic, Hungary and Slovakia

	No. of Soviet-built reactors	Nuclear power as % of domestic electricity generation
Czech Republic	6	33%
Hungary	4	33%
Slovakia	4	55%

Source: Dangerfield (2013a)

Alternative Perspectives on Russia and Economic and Business Relations

The main political parties in the three have been prone to different rhetoric on relations with Russia, although the differences revealed by political rhetoric are not always so apparent when it comes to preferences on economic relations, at least when it comes to the question of selling products to Russia. Centre-left parties tend to fall into the Russia-friendly category and are inclined to prioritise economic relations with Russia. This is partially due to the significance of CMEA/socialist era networks of government officials, with the leaders of left-leaning parties usually ex ‘reform socialists’ who were USSR-educated and comfortable in Moscow able enjoy close and friendly relations with their Russian

counterparts. Centre-right parties, with leaderships not from this background, tend to be Russia-cautious or Russia-hostile and view economic relations with Russia as much threat as opportunity. This categorisation was certainly a reliable assumption during the EU pre-accession period. As the post-accession period has developed it remains more or less valid as a rule of thumb but the reality has become increasingly complex and nuanced as a consequence of the growing importance of Russia as a trade partner. This seems to have mainly affected the consistency and stability of the views/rhetoric and actions of the centre-right parties. It should also be said that there seems to be a noticeable difference between Slovakia on the one hand and the Czech Republic and Hungary on the other, which is why several points below mention the latter. Indeed, Slovakia has been labelled “a ‘quasi-Russophile’ country and party variations are somewhat milder in that no major party could be classed as anti-Russia. Both major parties, for example, support close economic ties with Russia, but the centre left tends to be somewhat more accommodating and supportive of Russia’s security and foreign policy concerns. Hence in October 2009 ‘Slovak prime minister Fico pinpointed that as long as he acts in the capacity of prime minister, the United States will not be allowed to deploy the anti-missile system in Slovakia’ (Dangerfield, 2013, 181). Thus only a tentative set of observations is attempted here about government attitudes and the conduct of economic relations with Russia, some of which illustrate very well the complicated nature and fluidity of the issue. The main points are as follows.

First, when it comes to positions on Russia, divisions within parties/governments have complicated the picture, for example many statements and actions of former Czech President Klaus did not reflect the Russia-cautious attitude of the Civic Democratic Party led government of the time. Indeed, Klaus led various Czech trade and economic cooperation delegations to Russia that were organised in the framework of the C-RICEISC. As Kratochvil (2010) wrote, Klaus’s “role was prominent especially in 2007, in connection with his visit to Moscow accompanied by a delegation of Czech businessmen, and in 2009, when he assumed the position of representative of the presidency country at the EU-Russia summit in Khabarovsk”.

The second point is that, regardless of parties’ political rhetoric about Russia it is clear that the growing significance of economic relations with Russia obviously contributes to the current situation where pragmatism outweighs, or at least is not too compromised by, ideological or values-based foreign policy stances on Russia. In the case of the Czech Republic the political tensions of recent years – including the ramifications of the proposal to locate part of the US Ballistic Missile Defence system in the Czech Republic and Poland and various criticisms of the Russia state (over its democracy and human rights records, actions in Georgia etc.) that came from the Ministry of Foreign Affairs - did not prevent a largely ‘business as usual’ approach in the economic and business sphere. An important role in this was

played by the Czech Ministry of Industry and Trade, whose influence on Czech relations with Russia has grown, as Kratochvil (2009, 206) informs us, “in direct proportion with the increasing importance of Czech-Russian relations. Contrasting with the problematic political relations (especially during 2007 and 2008) the representatives of the Ministry of Industry and Trade strived to separate the political and economic dimension of the mutual relations”. The Czech Ministry of Industry and Trade, of course, have responsibility for the C-RICEISC.

Third, while the growth of trade with – and especially exports to – Russia underlies the shift to a more pragmatic political engagement with Russia, the situation is more nuanced when it comes to inward investments from Russia, especially when it comes to large scale ‘strategic’ investments. In Hungary, the right wing Fidesz party’s traditional position has been similar. In November 2010, just after winning the election, Orbán said that “any kind of partnership with Russia was dangerous. He complained that more and more EU countries were initiating economic cooperation with Russia and that this would lead to a dangerous economic and political penetration of Russia into the West” (Hungarian Spectrum, 2013). Kratochvil (2009, 205) notes that in 2009 Aeroflot was disqualified from the competition to privatise Czech Airlines, possibly because of unpublished ‘security’ threats. This fits with the content of a Wikileaks release of a 2008 document that stated that the “ODS-led government, however, is very concerned about Russian investment in the Czech Republic, especially in the energy and media sectors, and regularly intervenes to prevent Czech assets from falling into Russian hands”.

Fourth, the case of Hungary over the last few years has shown that even parties prone to particularly strong anti-Russia rhetoric, when they get into power, can rapidly learn the need to be pragmatic about the need to avoid jeopardising economic links with Russia. After the election in April 2010, various meetings of important bilateral economic cooperation committees were cancelled by the Russian side and Orbán’s first meeting with Putin in November 2010 was unproductive with ‘the Kremlin’s mistrust and Hungary’s lack of interesting assets’ having had a very negative impact on the talks (Ugrosdy: 2011). In this context, soon after what was the ‘standard’ expression of attitudes as mentioned above, the government of Victor Orbán seemed to rapidly jettison its anti-Russia credentials. Racz (2012) noted that the Orbán government refrained from any criticism of the 2011 Russian parliamentary elections, no doubt mindful of the serious effects provocative rhetoric can have on Russia’s willingness to do business. The Orbán administration is certainly not constraining the work of the H-RICEC – quite the opposite in fact. Also, the current Hungarian enthusiasm for participation in the South Stream gas pipeline is somewhat at odds with comments made by Orbán in 2008 when he accused Gyurcsany of ‘treason’ for signing the agreement on Hungary’s participation. Moreover, as noted earlier, the Hungarian government seems to

have gone even further with the January 2014 deal to accept a Russian loan to finance new reactors and other generating project at the Paks nuclear site. These days, critical voices in Hungary even speak of the ‘Putinisation’ of the Hungarian Prime Minister.

Fifth, it is interesting to note that the revival of the Intergovernmental Commissions after EU accession was, in all three states, undertaken by left-leaning governments of the time (SMER in Slovakia, ČSSD in the Czech republic and MSZP in Hungary) all of which represent the Russia-friendly wing of the (polarised on the question of relations with Russia) political spectrum in each country. Following its return to office in 2010, the current SMER government in Slovakia, for example, made the S-RICCEST a high priority. It has been investing quite heavily in increasing its role and effectiveness, and in 2012 shifted responsibility for the S-RICCEST from the Ministry for Economy to the Ministry of Foreign Affairs. In 2010 former (ČSSD) Prime Minister Jiri Paroubek was critical of the ODS governments efforts on bilateral economic cooperation with Russia when he said that “under a left-leaning government, officials “would be looking for ways to improve relations, namely of a business nature, with large neighbours to the east, especially Russia” (Dangerfield, 2013, 181). At the same time, there is no rule that Centre-right parties neglect the bilateral commissions. There is no doubt the current Hungarian government give their commission a high priority. In 2013 Orbán moved his deputy (Szijjártó) to what he saw as the key post of Chairman of the H-RICEC and it is worth noting that emphasis on trade relations with Russia is a key part of Hungary’s broader project of ‘Eastern Opening’. In May 2013 Szijjártó’s spokeswoman said that “economic cooperation with the former Soviet member states are the foundation pillars of the government’s strategy of the Eastern Opening”. Szijjártó had also just been appointed Chairman of the Hungarian-Belarussian, Hungarian-Turkmen and Hungarian-Uzbek bilateral economic commissions.

CONCLUSIONS

The post-1991 economic relations of Russia’s economic relations with former CMEA members has been a rather neglected topic. The changing fortunes of their exports to Russia after the 2004 EU enlargement has not been the subject of any detailed analysis. Though this is only a preliminary investigation and provides some details for only three of the ex-CMEA contingent of current EU members, it seems clear enough that that though EU accession per se was not the key factor that ignited a rapid growth in Visegrad countries’ exports to Russia, changing capacities in export-oriented industries based on inward

investment during and after the EU pre-accession period have eventually fed into trade relations with Russia. This has been in the context of a surge in Russia's economic growth and an accompanying import boom and growth of an increasingly financially empowered consumer society in Russia. As far as ongoing energy dependence is concerned, there is no strong evidence that EU membership itself inevitably led the Visegrad 'three' to follow a deliberate strategy of eroding the energy relationship with Russia though diversification narratives did strengthen after the 2009 natural gas supply crisis. Measures to safeguard against disruptions in supply have been visible in Visegrad cooperation, for example, with the development of the so-called VG 'gas cluster' based on new interconnectors and reverse flow technology.¹³ For the three nuclear power is actually another, but much lower profile, strand of the CMEA-era energy relationship and appears to be a stable and maybe even developing aspect of the energy partnership with Russia. Bilateral cooperation with Russia in trade and economic cooperation has been given new impetus since EU accessions with the resurrection of intergovernmental commissions initially set up in the immediate post-CMEA period. As Russia has such arrangements with many countries they should not be seen as some kind of legacy of the CMEA, but further research may show that the experience of the socialist era may be relevant for the particular scope and operation of bilateral cooperation between Russia and ex-CMEA countries. There is a clear legacy of the socialist period, however, when it comes to political perspectives on economic relations with Russia. Present-day left-leaning politicians who were once 'reform communists' are clearly *natural* strong supporters of close economic ties with Russia, which have been important parts of the economic and trade policy agendas during their terms in government. At the same time, the significance of the latter may not be so great nowadays because of the sheer pragmatism that currently prevails. This is due to the dramatically increased importance of trade ties with Russia, which, in the period coinciding with EU membership, have rendered the political complexion of governments less relevant when it comes to enthusiasm for promotion of trade and appetite for institutionalised state-led bilateral activism to facilitate deeper trade and economic cooperation. The role and effectiveness of the bilateral commissions for economic and trade relations with Russia is certainly a topic that merits further study and will be the focus of the next stage of the authors research. Are these entities significantly enhancing trade development and if so are there any significant country differences at present? For example is there any connection with the fact that Hungary's exports to Russia rather stagnated after 2010 whereas Czech and Slovak exports continued strong growth? This is but one of many questions that merit further research into this topic.

¹³ The other Visegrad partner, Poland, is relying on shale gas and development of a nuclear energy programme (it has no nuclear power stations at present) precisely to reduce its dependence on Russian gas. See: World Nuclear Association, (2012) 'Nuclear Power in Poland', Available at: http://www.world-nuclear.org/info/inf132_poland.html

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APPENDIX ONE

FIELDS OF COOPERATION WITHIN THE *SLOVAK-RUSSIAN INTERGOVERNMENTAL COMMISSION FOR ECONOMIC, SCIENTIFIC AND TECHNOLOGICAL COOPERATION*

FIELDS OF COOPERATION INCLUDED IN CURRENT ACTION PLAN INCLUDE:

- **ENERGY (INCLUDING NUCLEAR)**
- **TRANSPORT**
- **INDUSTRY (ENERGY AND TRANSPORT ENGINEERING; TYRES; WOOD PROCESSING; PHARMACEUTICAL AND CHEMICAL INDUSTRIES; MEDICAL EQUIPMENT)**
- **SCIENTIFIC-TECHNICAL COOPERATION**
- **MILITARY-TECHNICAL COOPERATION**
- **FINANCIAL AND BANKING SECTOR**
- **TOURISM**

ALSO COOPERATION AGREEMENT BETWEEN REGIONS OF ZLIN AND YARSLAVL OBLAST

- **TOURISM**
- **SPA BUSINESS**
- **AGRICULTURE**
- **INDUSTRY**
- **JOB CREATION**