





Cite this article as: Sabbaghian, A., & Singh, R. (2022). Neofunctionalism Theory Put to Test in Central and Eastern Europe. *Journal of World Sociopolitical Studies*, 6(4), pp. 705-742
<https://doi.org/10.22059/wsps.2023.363063.1368>

Neofunctionalism Theory Put to Test in Central and Eastern Europe*

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(Received: Jul. 30, 2022 Revised: Aug. 14, 2022 Accepted: Sep. 15, 2022)

Abstract

The Three Seas Initiative harks back as another version of strategic integration in the Central and Eastern Europe. Based on the Neofunctionalism, a functional-based regionalism is expected to take roots in the region with the spillover effect into the political and institutional levels; therefore, the main question of the research study is: what is the effect of the EU on the regionalism in the Central and Eastern Europe? The hypothesis of this research states that the EU's highly developed institutional arrangement has led to a specific type of regional arrangement to take place in the CEE under the Three Seas Initiative, which lacks highly supranational institutionalism, even though it maintains high functional and political dimensions. The main research question was investigated using the qualitative method, namely descriptive method within the theoretical framework of Neofunctionalism. Results indicate that while Central European regionalism is under the effect of political and functional spillover as well as spill-around in institutionalization, the divide between Central European conservative and Western liberal values has been used by Eurosceptic parties to accelerate the process.

Keywords: Central and Eastern Europe, Institutionalization, Liberal Values, Neofunctionalism, Regionalism, Three Seas Initiative

* The authors have no affiliation with any organization with a direct or indirect financial interest in the subject matter discussed in this manuscript.



1. Introduction

Why is it that certain regional arrangements fail, while others survive? There are many examples of such failed regional initiatives in Central and Eastern Europe (henceforth CEE), such as Black Sea Forum for Dialogue and Partnership. On the other hand, there are successful regional initiatives, whereof the best example is the EU itself. While there are many theories capturing part of the integration process, scholars are largely in agreement that Neofunctionalism can explain the way in which the EU integration process began as well as the steps necessary in the integration journey of different countries. However, Neofunctionalism has been less successful in describing the same process elsewhere, to the extent that some people call it a European-specific theory. Our contribution consists of examining the Neofunctionalism in another European geographic area, though still very different compared to the European community initial members, i.e. the CEE. The subject of this study is the Three Seas Initiative as a regional integration initiative in the CEE. While the Western European powers were the initial engine of the EU integration process, in CEE Poland and Hungary, members of the Visegrad group are the initiators of such arrangement in the East. Considering the widening gulf between the CEE and Western Europe, even in values and norms, as this can be observed in different commission initiated court challenges to national populist governments in the CEE, it is important to investigate to what extent the regionalism in the CEE works based on the logic upon which the EU was built. Interestingly, similar external circumstances reign today, as in the Cold War era, for the European integration process: while the Western Europe during the Cold War had a clear threat in the East—the Soviet Union—CEE countries face the threatening Russia in the East; the US was a

staunch supporter of Western regionalism at the time in the form of the European Community; the country is now doing the same for the CEE regionalism under the Three Seas Initiative. The main question of this research consists of the following: What is the effect of the EU on the regionalism in the Central and Eastern Europe? The hypothesis of this research states that the EU's highly developed institutional arrangement has led to a specific type of regional arrangement to take place in the CEE, under the Three Seas Initiative, which lacks highly supranational institutionalism but maintains high functional and political dimensions. In the following sections, first, the related literature is explored, then the theoretical framework of Neofunctionalism is discussed, and finally, the initial causes and the formation of the Three Seas initiative are examined and the conclusion is made.

2. Literature Review

Central European countries' relations with Western European powers and the new impetus for regional integration have been explored in a number of studies. In the article "An ad hoc regionalism? the Visegrád four in the "post-liberal" age", Aliaski Kazharski investigates the illiberal turn of the Visegrád Group, consisting of the Central European states, regionalism; it is suggested that the despite the dividing lines between Central and Western Europe, highlighted by the 2015 collective maneuvering of V4 against the EU system of migration quotas, the V4's occasional posture as an opposition bloc inside the European Union depends on the continued presence of the Western European powers, which support a liberal form of hegemonic stability in Central Europe through security binding and public goods that would otherwise be unavailable to the region due to the lack of

cohesion among the Central European countries (Kazharski, 2020). In the article “The foreign policy of populists in power: Contesting liberalism in Poland and Hungary”, the author investigates the way in which the ruling right-wing populist parties in Central Europe have abruptly changed foreign policies and advanced criticism against core values of the Western European powers, enshrined in the EU treaties. The article concludes that such anti-EU and anti-German sentiments (especially in Poland and Hungary) build well-established worldviews of the Polish and Hungarian right wing and their success in altering threat perceptions by casting these confrontations as fundamental disagreements with the EU due to different value orientations (Varga & Buzogány, 2021). In the article “Between EU’s aspiring saint and disillusioned rebel: hegemonic narrative and counter-narrative production in Poland”, the divide between the Central and Western European powers through the use of different hegemonic narratives is examined and it is argued that systemic features of the EU’s field of power induce Central European elites to develop an adaptive and a much stronger rebel counter-narrative (Cianciara, 2022). In the article “Consensus against all odds: explaining the persistence of EU sanctions on Russia”, the persistence of consensus among EU member states on the sanctions on Russia is investigated and it is argued that the presence of at least one domestic group with preferences opposing to the prevailing one has been the key element in broadening their win-set, thereby enabling consensus on Russia (Portela et al., 2021). In the article “The attitude of the Visegrad Group Countries towards Russian Infrastructural Projects in the gas sector”, the authors investigate the determining factors that influence the attitudes of the Central European states towards infrastructural projects in the natural gas sector undertaken by Russia’s Gazprom; it is concluded that in case of Poland and Baltic countries such gas

pipelines are treated based on the long-standing foreign policy of hindering the Russo-German cooperation in the Central Europe (Jirušek, 2020). In the article “The Three Seas Initiative as a new model of regional cooperation in Central Europe: A Polish perspective”, the Polish foreign policy attitude towards the Three Seas Initiative is investigated and it is concluded that the Three Seas Initiative is part of the traditions of Polish political activity in the region of Central and Eastern Europe, viewed as a diversification strategy (Lewkowicz, 2020). In the article “The changing dynamics of regionalism in Central and Eastern Europe: The case of the Three Seas Initiative”, the vibrancy of subregional cooperation initiatives in Central Europe is investigated and the findings suggest that from a functionalist perspective, such initiatives complement the EU agenda (Grgic, 2021). While the mentioned studies highlight the complex relations of Central European states with Western Europe and Russia, there is a gap regarding the explaining factors for the new regional impetus in Central Europe, which this study intends to bridge.

3. Theoretical Framework and Methodology

Ernst B. Haas’s seminal work “The Uniting of Europe: Political, Social and Economic Forces, 1950–1957” is considered the first work outlining the main idea and features of Neofunctionalism; the central building block of Neofunctionalism is the concept of spillover, which refers to the process in which integration in one area ultimately leads to integration in other functionally related areas (Kim, 2014, p. 378). Three types of spillover are identified: (1) Functional spillover pressures come about when an original objective is achievable only by taking further integrative actions and the basis for the development of these pressures is the

interdependence of policy sectors and issue areas; (2) Political spillover is referred to the process whereby national elites realize that problems of substantial interest cannot be effectively addressed at the domestic level, leading to a gradual learning process whereby elites shift their expectations, political activities and loyalties to a new supranational center; (3) cultivated spillover pressure regards the role of supranational institutions that once established; these institutions become agents of integration or simply policy entrepreneurs (Niemann & Ioannou, 2015, pp. 4-6). While the end product of such process is an open-ended question, actors begin shifting in the identification from national to the regional level. It is about the relationship between relatively low-profile economic cooperation and political integration at the level of high politics; Neofunctionalism highlights the expansive dynamics and dimension of certain economic issues, the power of domestic actors and internal politics, and the coordinating role played by central institutions (Wang, 2022, p. 142). Influenced by pluralism and functionalism, it envisages the state as an arena in which societal actors operate to realize their interests, and regards international relations as the interplay of societal actors (Hooghe & Marks, 2019, p. 1114). The path of integration therefore is expected to be jagged and fraught with crises that may delay or even retard integration. The causal path is characterized by path dependence, i.e. the timing and sequence of prior integration matters; however, the sunk costs of integration make the reversal or a path to disintegration more difficult (Hooghe & Marks, 2019, p. 1115). Neofunctionalism privileges changes in elite attitudes rather than popular support as interest-driven national and supranational elites learn from the benefits of regional policies. The role of socialization processes is an important feature, which results in the rise of bureaucratic interpenetration (Niemann, 2021).

Facing adverse empirical developments, the theory has been revised in the 60s and 70s and the most known revised version is that of Schmitter, who rejects the automaticity of spillover assumption with the following strategic responses: (a) “spill-around,” the proliferation of functionally specialized independent and intergovernmental institutions; (b) “build-up,” the concession by Member States of greater authority to the supranational organization without broadening the scope of its mandate; (c) “spill-back”, the withdrawal from previous commitments by member states. Another feature is transforming cycle, which denotes the end of the potentialities for functionally integrating economies and the emphasis put on the integration of polities (Niemann, 2021, p. 121).

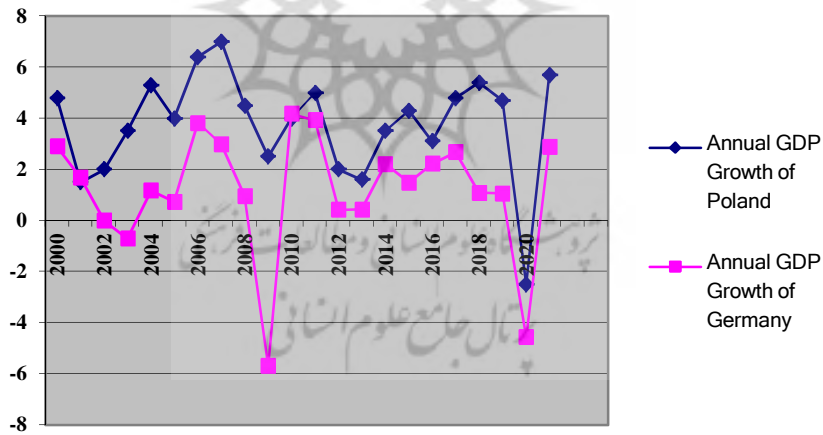
This contribution will apply the neofunctional logic of integration in the Central Europe in the context of Three Seas Initiative. Regarding the methodology, due to the novelty of the study, we adopt a qualitative approach, as it allows to explore in detail the views of the elites and governmental officials. In particular, through the analysis of a variety of statistical reports, issued by both the European Union and the Three Seas Initiative digital platform; raw data were collected and analyzed. The data were supplemented by secondary data from a wide range of sources, including government reports and media coverage to extend contextual understanding.

4. Poland and Hungary: Engine of CEE Integration

Being members of EU, NATO, founding members of the Visegrad Group and several other regional initiatives, Poland and Hungary have a growing clout in CEE political and economic landscape.

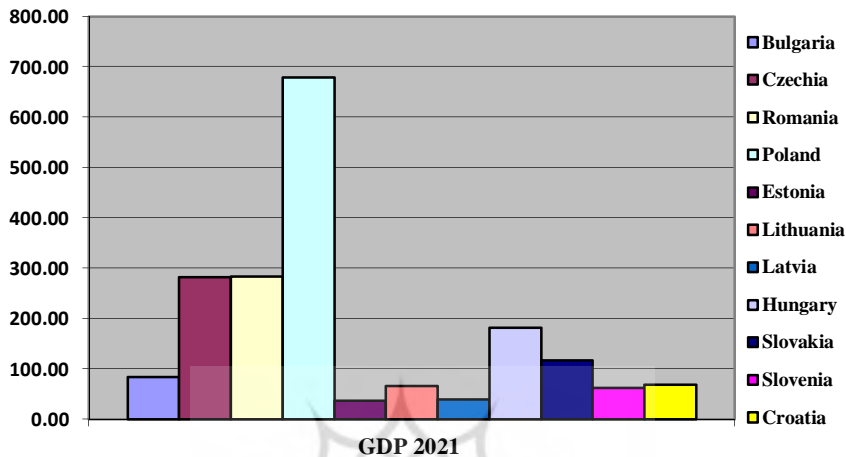
Indeed, the leader of Polish governing party, Law and Justice, Kaczynski claimed that by 2033 Poland will reach the EU GDP per capita average and in 2040, it will catch up with Germany (Harper, 2021). Figure 1 illustrates Poland's rapid economic growth in terms of GDP compared to Germany. Poland was the only country in the EU to avoid recession during the 2008 global financial crisis; it is playing an increasingly important role in the CEE by organizing different sub-regional cooperation mechanisms. Furthermore, as illustrated in Figure 2, Poland is by far the biggest CEE economy, while Romania, Czech Republic and Hungary figure among the economic heavy weights.

Figure 1. Comparison of Annual GDP Growth of Poland and Germany 2000-2021 (percentage)



Source: World Bank, 2022

Figure 2. CEE Gross Domestic Product 2021 (per billion USD)

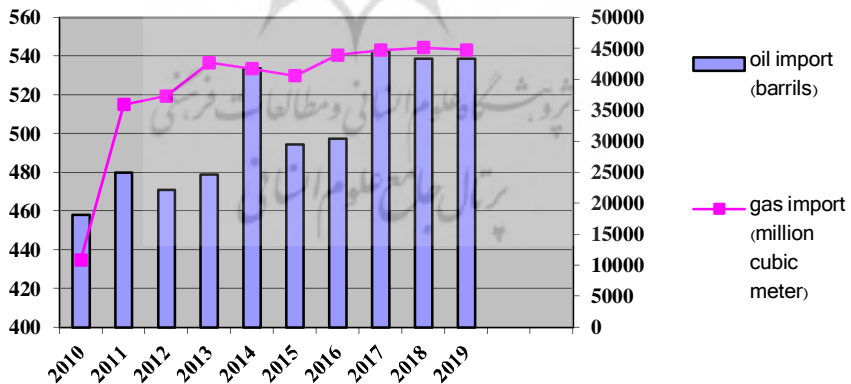


Source: World Bank, 2023a

On the other hand, due to CEE geopolitics, i.e. being in the Northern European Plain and bounded by the Baltic Sea to the north and the Tatra and Carpathian Mountains to the south and connecting the West to the East, the region has always been part of the great power competition in Europe. Considering the region's vulnerabilities to both East and West, the lack of natural resources, and high dependence on a single energy supplier, i.e. Russia, some of the CEE countries have initiated to reduce their dependence on Russia for gas, and decrease their economic dependence on Western Europe. Therefore, CEE leaders, initially arranged under the Visegrad group, sought to reduce their reliance on Russia's fossil fuels and economic dependencies on the Western Europe through regional integration initiative, namely the Three Seas Initiative (henceforth TSI) independent of mechanisms of an EU dominated by Germany and France. With the Western Europe

largely setting the agenda in the Commission, the CEE countries were left to either follow the policy decision at the EU level or fail to bring any substantial changes in the different EU regulations. Central European countries find regional arrangements such as TSI as a way to build a coherent front in the EU institutions capable of forming a counter narrative. CEE leaders have adopted such low-profile and less sensitive technical infrastructure cooperation in order to integrate the region politically and socially as a community capable of deciding in major issues on global and EU levels. Considering both the energy dependence of Central Europe and growth in energy consumption, founding a regional market seemed the most efficient way. The growing Poland's demand for oil and gas is illustrated in Figure 3.

Figure 3. Poland's Import of Oil (in Barrels of Oil) and Gas (in Millions of Cubic Meters) Annually 2010-2019



Source: CEIC, 2022

In 2021, while Russian gas accounted for a significant amount of gas that was consumed in Central and Eastern European countries, it was just over one-fifth for the rest of the EU; as a consequence of the Russia's steep supply cuts due to the Ukraine war, the share of Russian gas covering the EU gas demand fell from 40% in 2021 to 9% in 2022, whose direct effects are being felt most strongly in CEE (Beyer, S., & Molnar, 2022). Since gas is the main source of energy and industry input for many industries in CEE as well as raw input for petrochemical industry, Russian gas cuts effects are being felt most strongly in CEE. Moreover, considering the phasing out plans for coal fired power plants as part of their commitment to EU Sustainable Development Strategy, the region's reliance on gas to cover the energy consumption as a clean and relatively cheap energy resource can only increase in the coming years. Figure 4 illustrate the dependencies of CEE countries on Russian gas.

Figure 4. Natural Gas Demand and Supply in Central and Eastern European Countries, 2021 (per bcm, billion cubic meters)

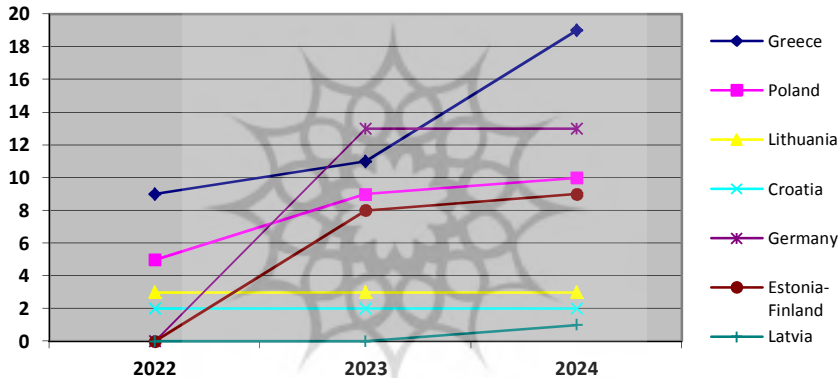


Source: Beyer, S., & Molnar, 2022, p. 2

Following Russia's invasion of Ukraine and considering the EU

decision to phase out Russian gas import, CEE countries have no option but quickly scaling up clean energy investments, including in energy efficiency and renewable energy, as well as diversifying gas supplies through building liquefied natural gas (LNG) import capacity and better integrating regional gas markets. Figure 5 illustrates the way CEE countries are developing capacity for LNG import.

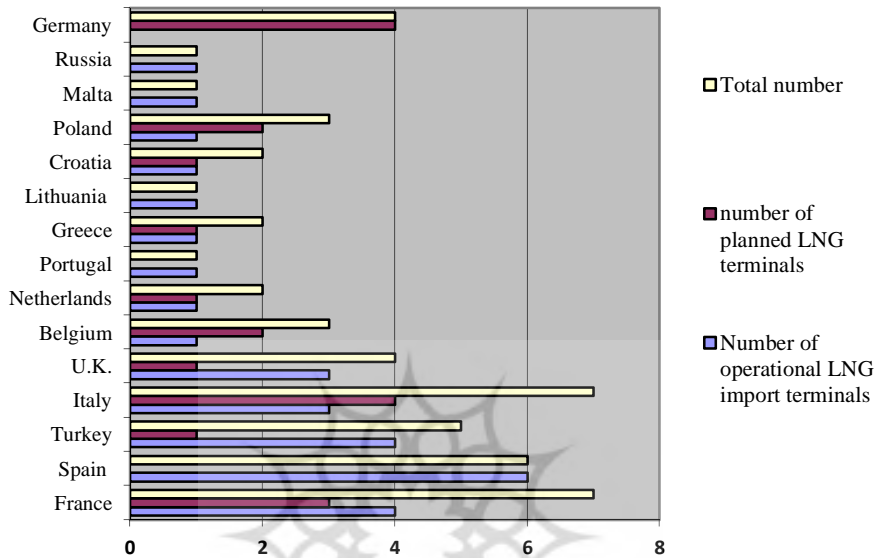
Figure 5. Current and Projected LNG Import Capacity in Central and Eastern Europe, 2022-2024 (bmc/year)



Source: Beyer, S., & Molnar, 2022, p. 5

In fact, CEE countries' endeavor to bring about an integrated and energy-efficient region also hinges on their capacity to develop energy terminals (Figure 6). Since many CEE countries are land-locked, Poland, Romanian and Croatian ports will play a significant role in this. That's why the main element of any regional integration in CEE is based on connecting CEE land-locked countries with the rest of CEE ports in Baltic and Black Sea.

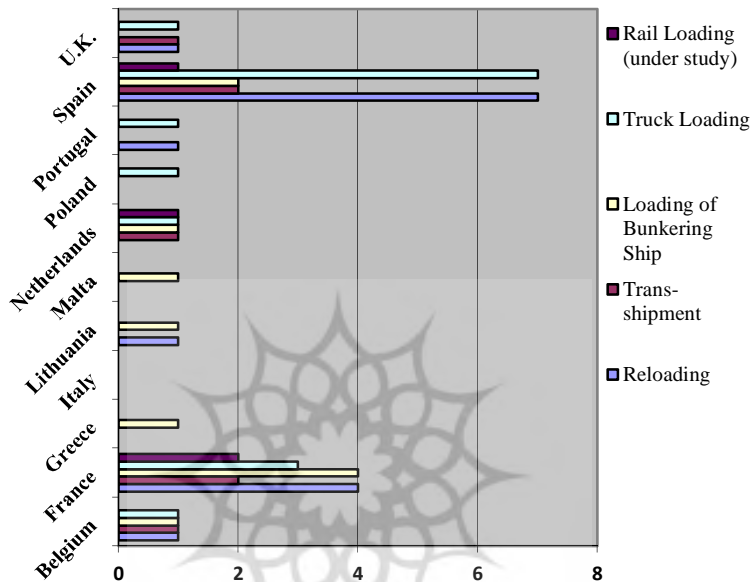
Figure 6. The Number of Operational and Planned LNG Import Terminals in the EU (2022)



Source: Statista, 2023

Furthermore, different LNG services offered at terminals including trans-shipment and rail loading will be an important factor in the regional integration. The gap in LNG services offered at LNG terminals between Western and Central Europe in the early years of TSI illustrates the drive for broadening the cooperation in energy sector to port infrastructure and services (Figure7).

Figure 7. LNG Services Offered at the Europeans' Operational LNG Terminals in 2018



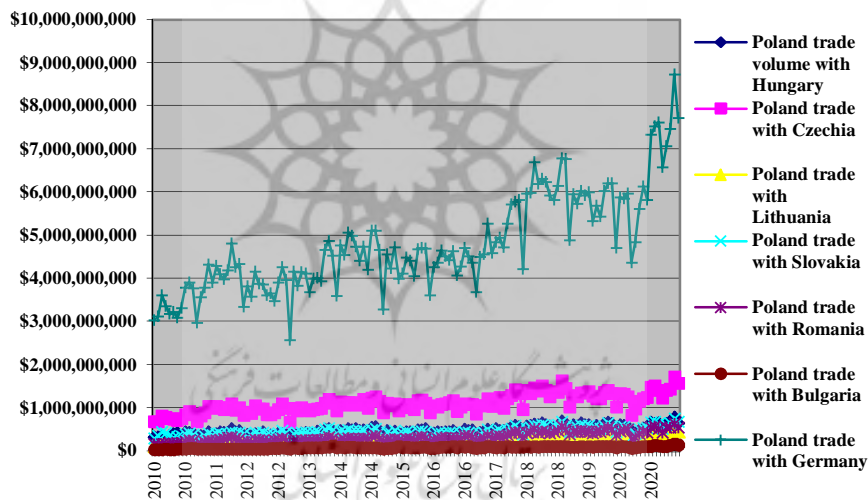
Source: Rogers et al., 2018

Since Poland and the rest of CEE are seeking to create a coherent region in order to harmonize and diversify their energy supplies, the TSI comes to prominence. Through such regional arrangement, CEE countries can develop integrated and independent energy and trade network capable of absorbing energy shock and trade disruptions in their neighborhood. Since CEE countries face significantly different dilemmas compared to their Western peers, their population feel a different series of challenges and regional solutions to that.

After the fall of communism in the East and the independence of

Baltic countries, Central European countries are economically dependent on the Western European investments, trade, and EU funds. If the intra-trade in the EU is considered, then CEE countries are mostly doing trade with non-CEE countries such as Germany, France or Netherlands. In fact, despite the growth in trade volume among CEE countries (Figure 8), their primary trade partners still remain solely in the Western Europe.

**Figure 8. Trade between Poland and other CEE countries vs. Germany
2010-2020**

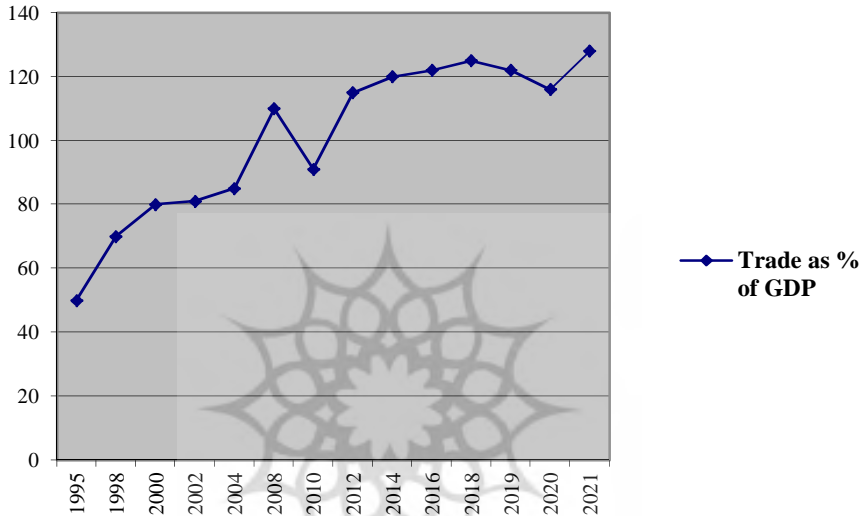


Source: OEC, 2023

As depicted in Figure 8, Poland has almost 5 times more trade with Germany than its biggest trade partner among CEE countries. This illustrates the dilemma faced by most of CEE countries: their relations with the Western Europe dwarf their intra-regional trade relations. Considering the history and the way many CEE countries

view Germany as a hegemonic power in Europe, such low intra-trade is not desirable. This is despite the tremendous increase in trade in CEE and Baltic countries (Figure 9).

Figure 9. Trade as Percentage of GDP in CEE and Baltic Countries



Source: World Bank, 2023b

German policies toward Central Europe and their economic cooperation with Russia are seen as a worrying sign among CEEs. Following the US unilateral withdrawal from the JCPOA, in order to preserve the JCPOA, the European Commission unveiled a special purpose vehicle (SPV) to facilitate payments related to Iran's exports known as INSTEX, to which some CEE countries opposed, fearing the possible use of the SPV, pushed by Germany, for circumventing sanctions against Russia (Binder, 2018). Normandy Format, an initiative by France and Germany to negotiate a peace agreement for the Donbas region with Russia

excluded Central European states from negotiations, which Polish officials began to criticize, to the extent that Poland's Foreign Minister Witold Waszczykowski claimed that Germany and Russia created "a concert of powers over the head of Poland" (Alcaro & Siddi, 2020, p. 13).

Some parallels may be drawn between the role the Soviet threat had at the onset of the European integration under the Cold War conditions and the growing threat perception emanating from Russia's actions in the Eastern Europe and Caucasus. In order to balance Russia's growing aggressive behavior and the threat thereof perceived in the region, the USA is perceived as a counterbalance and China a mediator for a reduction of tensions emanating from an emboldened Russia. Therefore, just as the USA played a role in the EU integration process, the same reliance on the US still persists among CEE countries. In fact, the latter countries are the most pro-NATO Atlanticist in the EU and their foreign policy is based on the NATO membership and the US security umbrella.

The EU is not perceived to have the capacity to defend the Eastern flank of the EU since the EU lacks a coherent security policy and after the Brexit, the only Western European country with nuclear capabilities is France, which is not in favor of sharing the costly nuclear deterrence with other EU members. This is while Central Europe's main security guarantor, China represents a reliable economic partner. Considering the increasingly hostile attitude of the EU toward the illiberal turn in CEE countries and the economic, political and cultural gap between CEE and the Western Europe, China has offered its long-term investment through Belt and Road and 17+1 initiatives in central and Eastern Europe, especially involving mega-infrastructure projects, which in turn

would help CEE countries to diversify their investment portfolio and reduce dependence on Western Europe (Sabbaghian & Singh, 2021).

Certain TSI members, namely Slovakia, Hungary, Poland and Czech Republic are founding members of the Visegrád group (V4). The latter, as an informal Central European alliance and regional cooperation, was born shortly after the fall of Communism, under the leadership of the presidents of Poland, Czech Republic, Slovakia, and Hungary, all former dissidents turned politicians in February 1991 with a distrust toward Russia and the geopolitical legacy of Soviet dominance; the place was chosen to reflect back on the efforts to harmonize their relations through the creation of new commercial routes (Nič, 2016, p. 283).

The formation of Visegrád also reflects the overall aspiration of CEE countries for a more independent and regional foreign policy (Cwiek, 2020). Despite the initial economic slowdown due to fiscal and monetary constraints of a host of EU conditionality measures, the economic growth was back on full throttle on the threshold of the third millennium, thereby increasingly heavy reliance on Russia for energy supplies (Brodny & Tutak, 2021). However, with growing Russian interventionism in Georgia, Moldova, and finally Ukraine, and the subsequent frozen conflicts in Caucasus, pursuing independence from Russian fossil fuels became the corner stone of Central European foreign policy.

Although CEE economic heavy weights were marginalized by important EU institutions, such as the EU commission over violating EU liberal values, the lack of economic integration is the glue to stick around for a Central European regionalism. This has led to the emergence of TSI as a solution to the lack of trade integration in Central Europe and a tool in hand of anti-EU

hawkish parties, such as those in Poland and Hungary, to mobilize a front in the war of values and governance between conservative Central Europe and liberal Western Europe. However, TSI was formed with the common functional integration strategy compared to the V4 as there is a much less emphasis on its anti-Russia stance; it rather portrays itself as an infrastructure-led regional integration project. The objective of the TSI, was therefore to initially strengthen trade, which has expanded to infrastructure, energy, and political co-operation in the area between the Adriatic, Baltic, and Black seas, and to integrate the countries on the North–South axis by connecting infrastructure across the energy, transport and telecommunications sectors (Górka, 2018).

The CEE governmental elites share the same objectives: economic growth, energy security, and a stronger and more cohesive CEE, capable of taking decision as a regional body. With an eye on Russia, CEE countries are seeking to establish economic cooperation and regional energy network through private players under the TSI. As an example, one of the important objectives of TSI is to turn the energy-deprived CEE to an energy hub, where a chain of petrochemical infrastructure and ports will run through the region. As part of this project, Poland has turned to Saudi Arabia for its energy infrastructure plans and wider CEE connectivity. The announced investments of the Saudi oil company Aramco in Poland's PKN Orlen Company to make Poland the energy epicenter in CEE reflects TSI objectives of an interconnected energy region with Polish ports in the Baltic Sea being one of its import terminals (Enerdata, 2022).

5. Three Seas Initiative

Today we are witnessing different sub-regional cooperation mechanisms in CEE (Dungaciu & Dumitrescu, 2019). The TSI, as a functional initiative in the region intends to strengthen trade, infrastructure, energy, and political co-operation in the area between the Adriatic, Baltic, and Black seas. This region accounts for 28% of EU territory and 22% of its population, as well as 10% of the EU's gross domestic product; it is the pet project of the V4 for deepening ties between the countries of the so-called "Three Seas¹", connecting to the earlier idea of intermarium². In Polish political discourse Intermarium is a concept with broad geographical, historical and political connotations. The main "geopolitical" idea of the Intermarium concept is the creation of CEE, understood as the lands lying in between Germany and Russia, as a political entity that could resist the expansion of its two neighbors and set conditions for the development of the region. The idea was finally proposed at the political level by the famous Polish politician Józef Piłsudski to create an independent Poland in the heart of Europe between 1918 and 1921. Although the idea was first encompassed a real political integration and unity, later on it was watered down to a mere political entente due to the presence of different ethnicities and their opposition to such political union (Potulski, 2017).

The Three Seas Initiative was established in 2015 by the President of Poland, Andrzej Duda and the President of Croatia, Kolinda Grabar Kitarovic, with the aim of strengthening and deepening the relations and cooperation between the EU member states in the east of the continent, which are surrounded by the

1. Trójmorza

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Adriatic, Black and Baltic seas and present an informal platform for securing political support and decisive action on specific cross-border and macro-regional projects of strategic importance to the States involved in the form of a flexible presidential forum in order to reach energy and security-related decisions at the top level. At the initiative's first summit in Dubrovnik, Croatia in 2016, the group of 12 states (CEE plus Austria) signed a statement pledging to cooperate on issues related to energy, transportation and economic sectors in this sub-region, with an emphasis on improving the functional cooperation among the involved nation-states (Grgić, 2021).

The TSI is a presidential project in which the main deciders are the heads of states, while the implementation of expensive projects is the responsibility of the prime ministers of governments. The intergovernmental nature of institutionalization is accompanied by a vibrant digital infrastructure through the TSI-dedicated website¹, for monitoring project implementations and transparent reporting of the progress of projects undertaken by TSI. Until 2018, there were no high-level representatives of the EU in the TSI summits, which signaled the cold reception of the CEE integration project. Since Poland has been highly critical of the EU under the Law and Justice party, portraying it as a tool in hands of a dominating Germany, the EU perceived the project unofficially as an anti-EU one. However, with the explicit American support for TSI under the Donald Trump presidency, before the TSI Bucharest Summit, the EC published an information and promotion brochure on the TSI, stating that the EC recognizes the contribution of TSI to regional development, while the Commission has defined the objectives of the TSI as improving connectivity in the region,

1. 3seas.eu

facilitating convergence between EU states and strengthening the EU (Lewkowicz, 2020, pp. 189-191).

This sub-region, which is to connect the northern ports, especially in Poland and the Baltic countries, with the landlocked countries in Central and Eastern Europe, is aimed at connecting the regional infrastructure, making new links and providing the CEE private businesses and entrepreneurs to invest in the CEE. In fact, The TSI marks a shift in the dynamics of European subregionalism, as it is born out of CEE impulses that have sought to challenge the Union's institutions and norms dominated by Germany and Western Europe. While the EU is absent in the TSI, under the insistence of TSI members, the EU has accepted to fund certain TSI project through EU Structural Funds. Moreover, since the very formation of the TSI is for an interconnected region from the north to the south, projects under TSI, unlike most EU projects, are based on North-South cooperation, and not East-West. This was evidenced by the Ukraine-Russian Federation gas crisis, when, in the first week of 2009 the dispute brought about drops in gas pressure in the whole CEE region. This echoed back the way historically CEE countries face similar threats and problems, be they communism or energy security. The regional cooperation did not begin in vacuum; rather there was a clear case for such cooperation.

The 2008 gas crisis and Ukrainian-Russian conflict in 2014 is considered the beginning of a new Cold War, in which the main axis of competition is determined by the relations between Washington and Moscow. Consequently, TSI is favorably assessed by the US, considering both political gains, the export of American LNG to the region, and geopolitical gains, i.e. the incentive to get rid of high dependence of Europe on Russian gas. Such gas crises

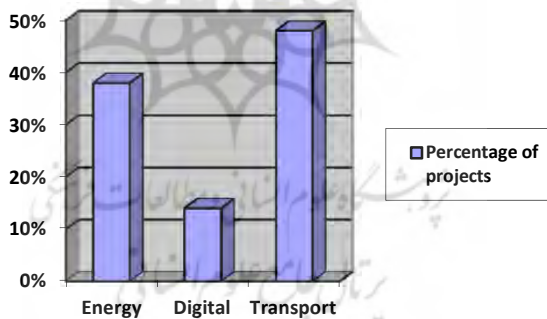
accelerated the implementation of ‘North South Corridor’ initiatives, including LNG terminals in Świnoujście, Poland, and the Croatian Island of Krk; all these steps can be found in larger scale among the TSI goals (Zbinkowski, 2019). While, Baltic countries’ elites have been highly committed to the EU, they adopted positive attitude toward the sub-regional cooperation. On the other hand, Polish and Hungarian elites have been mostly critical of EU policies (Mokra, 2022). Consequently, sub-regional cooperation has become the common goal of both Eurosceptic and pro-EU elites, which has brought the political push for regional cooperation and integration in Central Europe.

TSI members are also members of the China-led 17+1 initiative. The China-CEEC summit or 17+1 is designed to facilitate Chinese investments and infrastructure projects in Central Europe in order to connect CEE with China in mutual economic beneficial terms (Gruebler, 2021). In fact, the declaration of the inaugural TSI summit in Dubrovnik in 2016 stated that the TSI is open to partnership with interested states or business entities from around the world, and among the guests both Chinese and American delegations were present; the Chinese deputy foreign minister, Liu Haixing, responsible for relations in Central and Eastern Europe, while welcoming the establishment of a new initiative focused on the EU’s eastern part, emphasized that the new format is ‘highly conceptually compatible’ with the Chinese ‘16+1’ design (Dziewiałowski-Gintowt, 2019, p. 99).

Just as Germany and France were the engines of EU integration through accelerating the institution building and providing the level playing field for European companies to compete within the EU, Poland and Hungary are the engine of functional cooperation through the TSI. In fact, the increasing institutionalization of TSI is

considered unique as prior regional initiatives were mostly geopolitical, with goals ranging from integration into the EU to countering Russia in the Black Sea. Indeed, from the third TSI summit in Bucharest in 2018 onwards, the List of Priority Interconnection Projects was approved as an important target setting instrument. It comprised 48 projects in energy, digital and transport infrastructure. As of June 2022, the total number of interconnection projects under the TSI has reached 91, with an estimated investment value of 168.4 billion Euros, where it has increased by 89.6% in the number of projects since 2018 (Threeseas, 2023). Figure 10 illustrates the analysis of projects undertaken under the TSI.

Figure 10. Type of Projects Undertaken per List of Priority Interconnection Projects

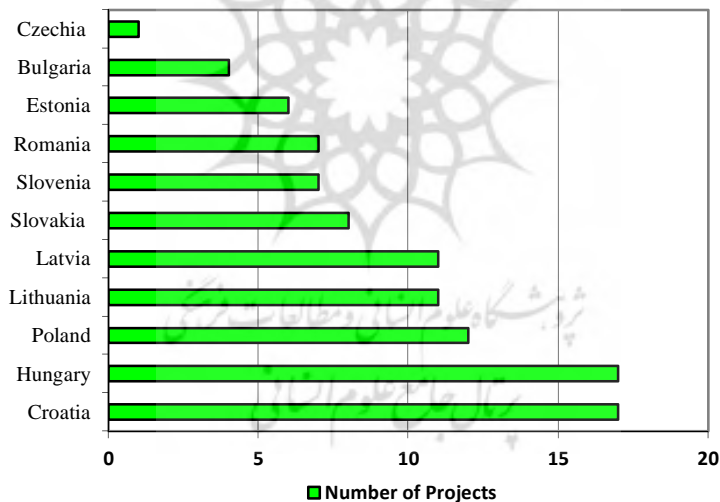


Source: Threeseas, 2023

As depicted in Figure 10, transport, including rail and road connectivity, accounts for almost half of the TSI projects, bringing tangible results for CEE citizens with better road and rail connectivity; energy sector also contributes to almost 40% of all

TSI projects and has both strategic and societal impact. Considering the long term implications of energy projects, whether electricity connectivity or gas network-related projects, the energy sector will drive further the TSI toward a true regional integration. Moreover, considering the importance of innovation and digital infrastructure in the global economy, digital sector is the third most important sector of TSI projects. Since the TSI intends to integrate the major ports of CEE with land locked countries such as Hungary and Czech Republic, the distribution of projects provides a good insight as to the overall plan of the TSI, as demonstrated in Figure 11.

Figure 11. Distribution of Projects in CEE in 2022-3



Source: Threeseas, 2023

Since the impetus is on connecting different ports in the Baltic Sea to the Adriatic and Black sea, the analysis of the distribution of projects brings into light the way different port cities are going to be connected to land locked countries. Croatia enjoys the most

significant number of projects in its soil, having an important port in the Adriatic Sea. Hungary, a land locked TSI member, has the second highest number of projects in its soil. Thereafter the founding member of V4 and the engine of TSI, Poland, has the highest number of projects, considering the fact that it enjoys ports in the Baltic Sea. While the idea of TSI was initially to increase the north-south trade among member states, it has gone beyond the initial goal; therefore the functional spillover from trade to connectivity projects to energy, digital, educational and other sectors seems to be working.

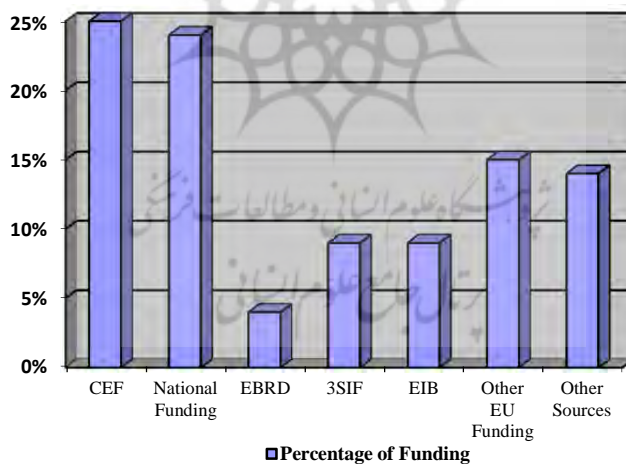
5.1. TSI Funding

The core objective of TSI is to improve infrastructure among its member states and to close the economic gap between Western and Eastern Europe. TSI founding members are conscious of the significant infrastructure needs in this part of Europe, with the International Monetary Fund estimating 1.15 trillion Euros in total infrastructure expenditure necessary to achieve TSI goals (Varvuolis, 2022). CEE countries consider EU funds as only one of the sources of financing; they have achieved this through joint application as a way to increase possibilities for EU funding, such funds include Connecting Europe Facility (CEF).

The Three Seas Initiative Investment Fund (3SIIF), as an initiative by Poland and Romania with initial commitment of more than 500 million Euros was established to finance key infrastructure projects in the region; 3SIIF can be seen as the main funding instrument in case EU funding was not available. 3SIF is considered to be a milestone in the CEE integration journey; first, high-level participation of German and European institutions in

Bucharest Summit allayed fears of the reluctant TSI in order not to antagonize the EU, considering the Polish rivalry with Berlin and Brussels. Second, the announcement of the creation of the 3SIIF brought finally tangible content to the 3SI by functionally making it a credible institutional framework (Dostál, 2022, p. 59). On the functional level, through 3SIIF, the general objectives of improving the infrastructure links between the TSI members garnered a great vision of its realization. Unlike EU funds, 3SIIF is not strictly linked to other policy priorities, such as EU climate objectives, which makes it much more attractive for TSI members. Figure 12 illustrate the different funding channels for TSI projects.

Figure 12. Funding of the Projects under the List of Priority Interconnection Projects (2016-2023)



Source: Threeseas, 2023

The Business Forum is another institution created under the TSI, which has been successful in attracting leading global organizations

such as the International Monetary Fund, the World Bank, and the OECD as well as various regional businesses. The main function of the forum is to connect business to business, as well as business to government, with the goal to connect companies with partners, in a way that private capital plays a more important role in the regional integration, especially in new infrastructure links among CEE countries (Boromisa & Samardžija, 2022, p. 46). The establishment of 3SIF and Business Forum seem to be a case of political spillover. While CEEs could just use their national forum and funding, national elites have shifted their expectations and loyalties to new supranational centers.

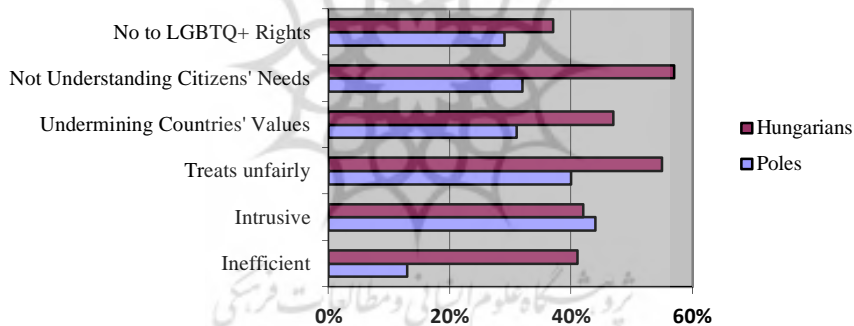
5. 2. Institutionalization

While the EU was formed under the condition of a fragmented Europe, divided by the iron curtain and the cold war politics, TSI was also formed in a divided EU, many times called a multi-speed EU to the great dismay of CEE countries, with Russia becoming more aggressive in their Eastern borders. Although the TSI has remained a rather functional-political integration, lacking the vibrancy of supranational institutions such as the European Commission, there is the spill-around in institutional arrangement. The intergovernmental character of many TSI institutions such as 3SIF, Business Forum and the unanimity as decision making procedure at the TSI council feature the Neofunctional spill-around.

Political spillover, through the active participation of the political elites in TSI and warm public reception of TSI, highlights the growing acceptance of shifting loyalties and expectations toward Central European integration. Since TSI members are

already working under a highly complex EU institutional framework, the cultivated spillover loses some of its luster. The institutional fatigue can explain why TSI members have chosen an informal institutional framework. Furthermore, digital institutional network, established to monitor and choose projects, has lessened the need for creating large institutions; the other reason goes back to the way EU institutions are perceived in the CEE. In fact, most Poles and Hungarians feel that the EU is too intrusive; a significant number of Hungarians and Poles feel the EU do not treat them fairly, while close to half of Poles feel the EU is inefficient (Figure 13).

Figure 13. Opinions of Poles and Hungarians toward the EU



Source: Clancy, 2022

The perception among East Europeans is that EU institutions, especially the European Commission, are intrusive, Polish and Hungarian leaders have expressed on many occasions that the EU institution architecture has been bent in favor of bigger Western European peers and the principle of the equality of member states has been more and more challenged by the adopting qualified majority voting instead of unanimity. On the other hand, the fact

that the EU's highly institutionalized framework is seen as inefficient is another reason contributing to institutional fatigue among TSI members, who feel that a much more fluid, informal framework would work better and more efficiently in their regional integration. The criticism of EU institutions and their intrusiveness reflect the wider normative divide between the Western Europe and the East. TSI members mostly promote the narrative of common Christian heritage and the respect for nation-states, which are in loggerheads with the Western EU liberalism. Such criticism of the EU from "value-based" positions, or from a position of confronting EU institutions has affected the duplication of institution-building. For example, the prime minister of Hungary, Victor Orbán, called the 2010 victory of his party a "Christian regime-change" and made Christianity the constitutive core of the Hungarian narrative (Guasti & Bustikova, 2023, p. 135).

TSI members have acted more according to the Schmitter spill-around notion, as the intergovernmental aspect of TSI is stronger in its institutional arrangement; not only unanimity is the principle for decision making under the TSI, the fluid governance under which different TSI members participate in trade, energy and digital projects brings into light the manner in which TSI members want to build an integrated region. Therefore, determining neofunctional factors for Central European regionalism include: Political spillover: in face of Western European liberal values, national and governmental elites have begun shifting their expectations and loyalties toward a conservative Central European regional arrangement; Functional spillover: functional spillover from trade to connectivity projects to energy, digital, educational and other sectors; Cultivated spillover: establishment of 3SIF, digital platform for project monitoring and Business Forum. However, the

lack of vibrancy of supranational institutions can be attributed to the following factors: (1) TSI members have attributed intrusiveness to the EU because of its divergence from consensus policy making as per Neofunctionalism both non-state actors and national elites learn from their past successes and failures, and this alters their preferences as well as their tactics; (2) timing and sequence of prior integration: TSI members that have already participated in the EU integration process are not willing to sacrifice the EU commitments through the institutionalization of TSI as it involves sunk costs and they have put up with a low profile, functional regionalism.

6. Conclusion

The main question of the research study was: what is the effect of the EU on the regionalism in the Central and Eastern Europe? The hypothesis of this research stated that the EU's highly developed institutional arrangement has led to a specific type of regional arrangement to take place in the CEE, under the Three Seas Initiative, which lacks highly supranational institutionalism, but maintains high functional and political dimensions. This contribution indicates that both threat perception and energy-dependency have brought Central European countries to try to search for a platform for much deeper regional integration by building north-south trade axis through the Three Seas Initiative. However, the initial impetus for regional trade expanded under the functional spillover to encompass connectivity, transport, digital, educational and technological cooperation. The creation of TSI institutions, such as 3SIF is linked to the increasingly hostile attitude toward the Western liberal values, which shifted Central

European elites' expectations and loyalties toward Central European integration under the effect of political spillover, as the region experiences the advance of nationalist and right-wing parties. TSI regionalism follows a peculiar Neofunctionalist model with a strong emphasis on intergovernmental institutions. Prior integration in the EU and the perceived intrusiveness of EU supranational institutions have limited the CEEs options for supranational institutionalization; while some of CEE countries, such as Baltic states, are committed to the EU project, the increasing economic and social divide after the 2010 European debt crisis persists between Western and Central Europe. Forming a platform to coordinate political stances under the TSI in order to make a coherent front in the EU negotiating table seems to be an incentive not to duplicate the institutions. Bridging the gap between Western and Central Europe seems to be the glue for Central European regionalism that transcends the divergent attitudes toward the EU in the region. The use of digital platform in order to monitor, peer review and learn from the implementation of projects contributes to the low institutionalization of Central European regionalism. Therefore, just as the theory predicted, the path to integration is rugged and sensitive to the prior integration efforts and socio-political landscape. The strong intergovernmental nature of Central European regionalism, therefore, derives from the social and cultural differences between the West and Central Europe, as much as the perceived loss of sovereignty under the effect of EU supranational institutions, and thereby has not yet entered Schmitter's transforming cycle.

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