

BULLETIN

No. 37 (370) • April 5, 2012 • © PISM

Editors: Marcin Zaborowski (Editor-in-Chief), Katarzyna Staniewska (Executive Editor),
Jarosław Ćwiek-Karpowicz, Beata Górka-Winter, Artur Gradziuk, Beata Wojna

European Policy of the Czech Republic

Dariusz Kałan

In its European policy, the Czech Republic distances itself from deepening political and economic integration, and proposes an alternative vision of the European Union as a confederation of sovereign states. At the same time, fearing marginalization they actively support initiatives for economic growth and the Multiannual Financial Framework, 2014–2020. Poland should use its upcoming presidency of the Visegrad Group to maintain Czech support for two crucial issues: a high EU budget and strong cohesion policy.

A Vision of the European Union. The largest Czech party in the ruling coalition, the Civic Democratic Movement (ODS), linked with both President Václav Klaus and PM Petr Nečas, has called for the EU to be a confederation of sovereign nation-states with limited roles for the supranational institutions. The Czech Republic resists deepening political and economic integration (strengthening the European Parliament, adopting the Charter of Fundamental Rights and the Fiscal Pact, rapid accession to the eurozone), claiming that these lead to reinforcing bureaucratic structures and limitations on the free market. According to the Czech viewpoint, the EU should instead reduce economic barriers by liberalising the internal market, extend the border-free zone by bringing Bulgaria and Romania into the Schengen Area as well as continue the process of enlargement through the accession of Turkey and the Western Balkans countries. An important part of the Czech vision also comes from critical attitudes about certain ideologies, such as feminism, environmentalism and multiculturalism, which are points of contention raised mainly by President Klaus, who includes them in the notion of “europeanism” and finds them contradictory to local political and cultural models in the country.

Political Context. Although for the first time in a long time both the president and the prime minister represent a similar viewpoint on the EU, European policy remains an issue within the Nečas government. Apart from the eurosceptical ODS, two other centre-right parties form the government: Public Affairs (VV), which also has a lukewarm attitude towards integration, and the pro-European party TOP 09, whose leader, Karel Schwarzenberg, is minister of foreign affairs. In the last two years, the difference of opinion about the EU within the government has provoked conflicts between the prime minister and Schwarzenberg, who has threatened few times to pull his party from the coalition. However, it is rather unlikely that would happen. Among the coalition’s main priorities is the implementation of economic reforms, as prepared by the minister of finance, Miroslav Kalousek of TOP 09. A breakdown in the coalition over European policy probably would result in a division within this party.

In forming European policy, President Klaus’ pivotal role should be noted. In spite of his limited constitutional competences, he has strong influence on the government. He enjoys the confidence of many eurosceptical ODS deputies, who, with his support, may split the party if the current course is changed. The president has already suggested that he may transfer his support to ODS coalition-partner, VV. So, a change in current European policy could happen only after Klaus’ final tenure finishes at the beginning of 2013 or in case the pro-European Czech Social Democratic Party (ČSSD) returns to power.

Economic Context. The Czech Republic’s current economic situation helps it maintain distance from EU initiatives. In comparison with the rest of the EU, the country’s budget deficit (3.7% GDP in 2011), public debt (ap. 40.7% GDP in 2010), inflation (2.1% in 2011) as well as unemployment

(6.7% in January 2012) are relatively low. Moreover, the Czech Republic has no open credit line with the International Monetary Fund (and is not conducting negotiations for one, either). It also does not receive mutual economic assistance from the EU. Czech Republic's economic stability and relative monetary independence support maintaining distance in its European policy, though these are not decisive factors. What seems to be much more important is the domestic background, namely the personal attitudes of decision-makers, the ODS's political program and likely complications with the ratification of agreements (because of the threat of a presidential veto). Also in the government's favour, society holds a scepticism towards the euro: support for the common currency in the Czech Republic is very moderate (22% in January 2012).

The Czech Republic and European Economic Integration. The Czech Republic contests the deepening economic integration between EU Member States. In spite of their general understanding of the main ways to cope with the crisis (the budget deficit less than 3% GDP and public debt less than 60% GDP), they protest against its standardization and leave the decision on how to fight the crisis to the competences of other countries' governments. The Czech Republic's refusal to join the fiscal discipline approach was presented as one of the reasons why the country rejected both the Euro Plus Pact in March 2011 and the Fiscal Pact in March 2012. According to the authorities in Prague, increasing the coordination of European economic policy will not necessarily have positive impacts. As signatory of a plan for growth in Europe, which was signed on 20 February by twelve EU Member States, the Czech Republic advocates the idea of stimulating economic growth by further liberalising the domestic market in the EU (mainly in energy, services and digitalisation), and stronger cooperation with non-European countries. They are also against joining the eurozone in the short term.

The Czech Republic and the Multiannual Financial Framework 2014–2020. The initial strategy of the Czech Republic in the negotiations on the MFF is to maintain the EU budget at the level proposed by the European Commission (around €1 trillion), but it is likely that the government will agree to a reduction. The lack of determination to defend a high budget might be explained by its move in January to join the group supporting the EU Net Contributors (like-minded), a result of both the growing economic significance of the Czech Republic and the need to strengthen its political position after the rejection of the Fiscal Pact.

The Czech government may agree to a French proposal to decrease the budget as long as it does not influence cohesion policy. A priority for the authorities in Prague is to sustain the high level of funding for this policy (€376 billion in the Commission's proposal) because, according to the government, it effectively supports the competitiveness of the EU economy and is the only instrument able to meet infrastructural goals. That is why the Czech Republic is resisting the transfer of €10 billion from the cohesion fund to the newly established infrastructure fund, CEF (Connecting Europe Facility). It also raises doubts about introducing a new category of transitional regions, afraid that these would consume part of the money intended for less developed regions (such as all of the Czech Republic except Prague). The Czech's current willingness to support two conflicting demands—a lower budget and strong cohesion policy—means the country will try for as long as possible to conduct a twin-track policy and will only finalise its position after negotiations with other countries.

What might weaken their bargaining position is the suspension of funds to the country from the cohesion policy until June 2012, a decision made by the Commission. The reason for that was the country's non-transparent system for spending money. The Czech's problems with absorbing these funds may become decisive in whether it joins the group of countries seeking a lower budget and may even contribute to softening their position on cohesion policy. However, the latter will surely face strong opposition within the government and could damage its image amongst the Visegrad Group countries (V4), which jointly have declared support for the Commission's proposal.

Recommendations for Poland. Poland's attitude towards political and economic integration differs from the Czech one. However, there are still possibilities for cooperation within the MFF negotiations. The authorities in Warsaw should make efforts to use Poland's upcoming V4 presidency to keep the support of its Czech partners on two crucial issues: maintaining a high EU budget and strong cohesion policy. Other V4 members should be encouraged to follow suit. It also seems indispensable that negotiations with the Czech Republic be conducted on the Common Agricultural Policy, considering the insignificance of the Czech agricultural sector (agricultural production was 1.85% GDP in 2011, and accounted for 3.3% of all employment in 2008) and the likelihood the government in Prague will be searching for savings there. However, it is important that bilateral relations and common projects in the V4 are not influenced by current disagreements on European policy.