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## From Integration to Differentiation: The Czech Republic in the European Union Ten Years On

by Vít Dostál

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## Summary

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The Czech Republic's first ten years in the EU have been marked by several ups and downs. Though the Czech Republic increased its trade exchange and played important roles in several fields (such as the EU's Eastern Neighborhood Policy, the internal market, EU enlargement, and energy), it also acquired a negative label thanks to its surprising positions. The Czechs are among the most skeptical nations in the EU regarding the future of the European integration project – despite the massive inflow of foreign direct investments, the rise of its GDP in the first years after the accession, and the Czech Republic's central geographic position in Europe. Moreover, the Czech economy is very tightly bound to the euro area, since its most important trading partners – Germany and Slovakia – use the single currency. The analysis tackles main trends in the Czech Republic's EU membership and examines the country's potential role in the EU. It concludes that, although the priorities of Czech EU policy are stable, the country's political representation lacks interest in EU affairs.

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The Czech Republic's first ten years in the EU have been marked by several ups and downs. Though the country increased its trade exchange and played important roles in several fields (such as the EU's Eastern Neighborhood Policy [ENP], the internal market, EU enlargement, and energy), it also acquired a negative label thanks to its surprising positions and behavior. One example of this was the fall of the Czech government in the middle of the country's EU Council presidency (which took place in the first half of 2009), a collapse provoked by the Social Democrats. Another was the introduction of demands that slowed the country's ratification of the Lisbon Treaty, demands that were articulated by President Václav Klaus.

Apart from these episodes, there have been even more significant paradoxes. The Czechs are among the EU's most skeptical nations regarding the future of the European integration project – despite the massive inflow of foreign direct investments (FDIs), the rise of Czech GDP in the first years after accession, and the Czech Republic's central geographic position in Europe. Moreover, the Czech economy is tightly bound to the euro area, as its most important trade partners (Germany and Slovakia) use the single currency. Nevertheless,

the Czech governments have lacked the determination to join in. Last but not least, the Czech Republic was supposed to receive the highest per capita share from the EU budget in the 2007–13 programming period. The management of the EU funds was ineffective, however, and the Czech Republic has not been able to absorb them.

Naturally, several questions arise: How did the Czech Republic's membership develop? What kind of trends can be observed? And what are the prospects? The following sections address these issues. The text is structured into two main sections. The first part of the paper will provide a retrospective overview of the Czech Republic's EU membership. It will focus on major trends in relations with the EU as well as on the debate on the EU within the country. The intention is not to cover all events but to single out major features of the country's first decade in the EU – in other words, the turning points. Two issues will therefore be discussed in more detail: the country's EU Council presidency in the first half of 2009 and its ratification of the Lisbon Treaty, which did not take place until late 2009. The last section will be devoted to the impact of the current economic crisis on Czech membership in the EU.

## Retrospective Overview

### 1.1 Czech European Policy from the Eve of EU Membership to the Lisbon Treaty

Over 77 percent of Czech voters supported the country's accession to the European Union in the referendum held in June 2003 – the first and only national referendum in Czech history.<sup>1</sup> The overwhelming majority of the electorate was thus in favor of Czech membership of the EU and wanted to pursue the election slogan of the Civic Forum party from the 1990 elections: “Back to Europe.” This slogan was of no small significance, since it involved a radical sea change in the development of Czechoslovakia: full membership in all Euro-Atlantic political and economic organizations.

The ultimate goal of Czech foreign policy as it was pursued throughout the 1990s was achieved when negotiations were concluded in Copenhagen in December 2002. The Accession Treaty was signed in Athens in April 2003 by the newly elected president, Václav Klaus, and the prime minister, Stanislav Gross. After the referendum described above, the Czech Republic entered the EU on May 1, 2004. Even then, however, the Czech Republic's priorities in the EU were ambiguous.

The foreign policy concept issued in 2003 by the country's center-right government is surprisingly vague on the subject of European affairs.<sup>2</sup> It highlights EU membership as a value per se but lacks any commitment regarding its priorities in the EU. It states that the principal goal is to be “fully involved” in the European integration project. It does not, however, provide any strong position relating to the debate on the future of the EU – a debate that was at its peak in 2003, as the European constitution was just about to be drafted by the European Convention.<sup>3</sup> This was in line with the political orientation of the coalition partners in the Czech government. The Social Democrats, Christian Democrats, and liberal Freedom Union were all pro-federal and pro-integration political – parties that perceived EU membership as a final step in the process of the Czech Republic's political, economic, and societal transformation.

Furthermore, the foreign policy concept document also emphasized full involvement in the Economic and Monetary Union (EMU) as one of its priorities. The government adopted the first Czech Republic's Euro-Area Accession Strategy in autumn 2003, setting a possible target date of 2009 or 2010.<sup>4</sup>

There were not that many issues resonating in Czech society relating to EU accession. The main concerns were unprecedented inflation and other fears that related to the tough years of economic transformation of the 1990s. Nevertheless, one topic was much discussed. As the accession treaty's ratification process proceeded in the EU-15 countries, societies in western European countries raised concerns regarding a possible massive westward flow of immigrants from new member states. Transition periods were therefore introduced in most of the EU-15 countries. From the Czech perspective, this was seen as unfair treatment, mainly because these provisions were implemented in neighboring countries like Austria and Germany.

The Czech Republic participated in its first European Parliament elections on June 10 and 11, 2004. The majority of seats were won by Euroskeptics (17 out of 24). Nine seats were won by soft Euroskeptics from the Civic Democratic Party (Občanská demokratická strana – ODS), six seats went to unreformed communists and two hardline Euroskeptics from the populist Independent party. Pro-integration parties shared just seven seats. The anti-European campaign was led by the communists, though they were able to rely on a disciplined and stable electorate, and the Independents.

The results of the 2004 European Parliament elections were typical of second-order elections, with some exceptions. The parties that ranked first and second (ODS and the Communist party) and gained the majority of seats were also the main opposition parties in the Chamber of Deputies. The governing parties only gained four of the 24 seats. The election campaign of the parliamentary opposition (and simultaneously Euroskeptical parties) mainly focused on socio-economic issues, and elections were heralded as a “referendum on the fate of the government.” This election also displayed other characteristics of second-order elections: low

electoral turnout, rise of non-parliamentary parties, and relatively low level of media attention. On the other hand, one non-parliamentary party, the European Democrats, systematically created an image of pro-integration and internationally competent grouping. Their campaign was led by a former foreign minister, Josef Zieleniec, and focused mainly on faux pas that government officials had committed at the European level.

The Czech Republic's first European Parliament elections were a success for the Euroskeptic parties but not a triumph of Euroskepticism as such. It nevertheless provided the Euroskeptics with an important forum, with credibility, and it indicated that they might be the winners of the next general elections and thus determine the future of Czech European policy.

The Czech center-right government was generally supportive of the proposal for a Treaty establishing a Constitution for Europe (TCE). Unlike Poland, the Czech Republic did not raise any specific demands. The prime minister and minister of foreign affairs signed the treaty, and the government discussed the process of ratification. It was ultimately decided to ratify the treaty by parliament. The treaty would therefore have been approved by both the upper and lower chambers of the Czech legislature. In the autumn 2004 senate elections, the ODS defended its position of opposing any transfer of national sovereignty to supranational bodies. Since ODS held one third of seats, and since there were also other parties that opposed the treaty (mainly a handful of communists), it would have been very risky for the pro-constitutional cabinet to start the legislative procedure.

Václav Klaus, the founder of the ODS who had surprisingly lost the general election in 2002 and consequently resigned the leadership of the party, became the president of the Czech Republic in 2003. It should be noted that although the country is a parliamentary republic, the president was very influential from 1918 to 1948 and has again exerted great influence since 1989. Presidential authority was also exploited in such areas as international affairs. Klaus cherry-picked European affairs as one of his pet issues.

Klaus, who was inspired by British Conservatives and revered Margaret Thatcher, criticized European integration after the Maastricht Treaty. He could therefore not neglect the TCE, and he led the formation of its Czech critics. His criticism was neither very specific nor valid. He spoke of "misinterpretation" and "vagueness." His catchwords were "federalism," "unification" and "loss of sovereignty." Nevertheless, nobody took up his challenge and came out publicly as a recognized proponent of EU treaty reform. Nobody else spoke the language the broad public understands. He was indeed a skillful politician with a certain academic façade that helped him to gradually establish himself as an agenda setter for Czech European policy.

The new center-right government was formed in 2007 following the general election in 2006. It included ODS, Greens, and Christian Democrats. As mentioned above, ODS continued to represent the Euroskeptics, whereas Greens and Christian Democrats supported further integration, in keeping with their traditional positions. Furthermore, the cabinet had only very weak support in the Chamber of Deputies. Parliamentary consent for the newly formed government was given only thanks to the fact that MPs elected from the Social Democratic ballot finally supported it.

As soon as it was formed, the new government started preparing for the 2009 EU Council presidency. It created the post of the vice-prime minister for European affairs and assigned it to Alexandr Vonda. The first list of priorities was published in autumn 2007.<sup>5</sup> It included six main areas.

The first priority was called "Competitive and Open Europe." It mirrored the general focus of the Czech Republic on the deepening of the single market and fulfilling the so-called four freedoms. It desired to stress a new EU economic strategy that would substitute the Lisbon Strategy. It emphasized the free movement of persons, industrial policy, free competition, innovations, small and medium enterprises, and a liberal approach to EU external trade relations. Since the "Competitive and Open Europe" agenda was perceived as the main priority, this chapter stemmed from strong national preferences. The liberal single market has been a natural

priority for the export-oriented Czech economy. Moreover, the single market represented the part of the EU also acknowledged by tougher Euroskeptics from the ODS.

The second priority was “Sustainable and Secure Energy.” The Czech Republic wanted to focus on the security of energy supplies and the deepening of the gas and electricity market. This was governed mainly by geopolitics. The Czech Republic has long been dependent on the import of natural resources from Russia, so Czech politicians, mainly those from center-right parties, insisted on looking for alternative suppliers and were encouraged in their efforts by the first gas crisis in 2006. Secondly, the EU lacked sufficient cross-border energy infrastructure connections among member states. Huge investments in this area were seen as a prerequisite for a functioning gas and electricity market.

The third priority was the EU budget: the discussion of “A Budget for Europe’s Future.” Its main goal was to reform the Common Agricultural Policy (CAP). It was clear from the document’s language that the Czech Republic did not see the CAP as a positive instrument. It emphasized the need for a gradual reduction of its share of the total EU budget. Interestingly, it did not focus on the uneven distribution of subsidies between old and new member states but instead torpedoed the rationale of CAP’s very existence. This was probably also linked to the ODS party’s priorities. Like the British Tories, ODS viewed CAP as an unnecessary redistribution policy that twisted natural market logic. Surprisingly, not that much was said about the EU’s post-2013 Cohesion Policy, even though the Czech Republic received the highest per capita allocation in the 2007–2013 Financial Perspective.

The fourth priority was to focus on “Europe as a Global Player.” It underlined three main areas where the Czech Republic thought the EU should be more active. First among these was transatlantic cooperation. This was promoted by the pro-transatlantic approach of the Czech Republic and government at the time. (Furthermore, the possible installation of elements of the US Missile Defense System were discussed in the Czech Republic between 2006 and 2009.) A second area related to the

Western Balkans and the Czech Republic’s strong support of further EU enlargement in the region. Another area was Eastern Europe and Czech support for intensifying the eastern dimension of the European Neighborhood Policy.

“Secure and Free Europe” was the list’s final priority. This did not mention any specific Czech priority. It was probably included to cover all three pillars of the then EU institutional architecture and because the launch of the new post-Hague multi-annual program for justice and home affairs was expected in 2009.

Overall, the very first policy paper of the Czech EU Council presidency included many inherently Czech priorities. It was neither bounded by consecutive tripartite negotiations with France and Sweden that were concluded by completing the 18-month program, nor was it particularly detailed. It was instead preoccupied with individual dossiers like the presidency program from the beginning of January 2009.

If we look how these priorities were realized during the presidency itself (January–June 2009), we have to admit that the list was very much in line with the first program. As always with Council presidencies, however, the country at the helm can hardly focus exclusively on its own goals, nor can it always fulfill them. A substantial part of the presidential agenda is inherited, and external factors influence the to-do list. The Czech case was no exception. Quite the opposite. The global financial crisis started in the United States in autumn 2008. As it spread to Europe, the economic environment became very unstable. It is therefore not surprising that the Czech presidency’s main task was to react to the crisis. As a result, the Czech Republic was unable to push much of its “Competitive and Open Europe” agenda, and it mainly centered its attention on maintaining the single market and a fair competitive environment.

On the other hand, the gas crisis that broke out in January 2009 drew much attention to the problem of the security of energy supplies, and the Czech presidency did succeed in broadening this debate. The Eastern Partnership was launched in May, and



newly elected US president Barack Obama arrived for the EU-US summit. However, the partnership lacked any strong conclusions, and almost no progress was achieved in the area of EU enlargement. Although the “CAP Health Check” was carried out, it did not have much significance for the post-2013 EU budget.

Centrally, the Czech EU Council presidency was a huge success for the Czech public administration. Since the presidency took place at the end of the European Commission’s mandate, the legislative processes of many legislative acts were due to be finished off. This was achieved in all but two cases.

We must recall, however, that the Czech government that arose from the 2006 general election had very fragile support in the Chamber of Deputies. During the Council presidency, sharp polarization within Czech politics precluded any accord on tolerance of the cabinet. Social Democrats invoked a vote of non-confidence, and the government fell at the end of March 2009. Although the vote was initiated by Social Democrats, it was caused mainly by the fragility of the coalition parties. Several MPs elected on the lists of coalition parties left the government camp and voted no. Nevertheless, it was rather unusual, to say the least, that the pro-integration Social Democrats broke the government in the middle of the Czech Republic’s Council presidency mandate. They had given the power into the hands of Klaus, who was now charged with appointing a new prime minister. It is worth noting that he should have considered the proposals of the political parties but failed to do so. This meant that he could have chosen his own nominee with a tough Euroskeptic attitude. He did not do so, but European affairs were nonetheless taken hostage by Czech national politics.

The European Parliament elections of 2009 were once again typical second-order elections. They concentrated mainly on domestic affairs, since an early general election was expected in autumn 2009. The ODS won the elections. Nevertheless, this should once again not be understood as a triumph of Euroskepticism. Several hardline Euroskeptic parties stood in these elections, and some of them were even supported by Klaus. Nevertheless, they did not win a single seat.

To conclude, the Czech EU Council presidency of January–June 2009 marked probably the most spectacular period of the Czech EU membership. It had both positive and negative effects and revealed how seriously Czech politicians take the EU. Two positive effects can be identified: firstly that the Czech Republic identified its priorities in the EU during preparation for the presidency; and secondly that a skilled and well-prepared civil administration was created to address EU affairs. On the other hand, high-level Czech politicians showed that the European agenda remained of secondary importance for them. They were neither able to agree on a temporary ceasefire nor to put the interests or the esteem of the country first.

This brings us to the Lisbon Treaty. Germany’s EU Council presidency in the first half of 2007 had re-launched the discussion of EU reform. After some quarreling, the Czech center-right government, which included euro-realists from ODS as well as federalist Greens and Christian Democrats, approved a mandate for upcoming negotiations.<sup>6</sup> It said that the lack of a new treaty did not mean paralysis of the EU. It centered on the voting in the EU Council (mainly on the position of small and medium-sized states) and the role of national parliaments. Furthermore, the Czech Republic wanted to remove all quasi-state symbols from the treaty text and disagreed with the idea of including the Charter of Fundamental Rights. It argued that the EU should become a party to the European Convention on Human Rights. The Czech Republic also suggested so-called “two-way-flexibility,” which would allow the return of certain competences to the national level.

The Czech delegation finally succeeded in most cases. The “two-way-flexibility clause” was included as a non-binding statement. Its mere existence was sold in Prague as a victory, though any practical application is hardly conceivable. The solution accommodated Social Democrats, Christian Democrats, Greens, and most of the ODS. On the other hand, Klaus and a number of ODS backbenchers from the Senate did not want to accept it. Their rhetoric focused on the shift of sovereignty and the virtual abolition of Czech statehood. Apart from that, they also pointed out historical issues.

According to them, the Lisbon Treaty re-wrote the postwar political order in Europe and strengthened Germany. They stated, moreover, that the Charter of Fundamental Rights would give postwar German expellees the right to ask for their property back.

In spring 2008, a group of senators sent parts of the Lisbon Treaty to the Czech Constitutional Court. The debate on the treaty became hotter after the first Irish ratification referendum failed. Klaus and his supporters claimed that the treaty's ratification process was dead. The president also stated that he would be the last in Europe to ratify the Lisbon Treaty. Nevertheless, the Constitutional Court ruled in November 2008 that the treaty did not collide with the Czech constitutional order. However, the ratification process only resumed in spring 2009. First, the Chamber of Deputies expressed its approval of the treaty in February, followed by the Senate in May. Parliament pushed through a provision dealing with cases of any further shift of competences to the European level.

A group of senators sent the treaty back to the Czech Constitutional Court again in autumn 2009, just before the second (and this time successful) Irish referendum. Simultaneously, Klaus requested an opt-out from the Charter of Fundamental Rights, as he argued once again that the charter would enable expelled Germans to claim their former property. Although Klaus's step was constitutionally questionable and hyperbolic from a legal point of view, no political parties objected. The European Council agreed that the Czech opt-out would be part of the primary law revision linked to the next accession treaty. While the Constitutional Court dismissed the senators' claim, Klaus signed the Lisbon Treaty in November 2009. The Czech Republic was the last country in the EU to ratify it.

The main lesson drawn from the drawn-out Czech Lisbon Treaty ratification process was that Václav Klaus definitely dominated the Czech discourse on the EU. Furthermore, the country's major political parties were not interested in conflict with him, though his actions bordered on the unconstitutional. This also mirrored the lack of political will for further EU constitutionalization and for further shifts of competence from the national to the European level.

## 1.2 Economic Crises and the de-Europeanization of Czech Politics

The outbreak of the financial, economic, and debt crises influenced not only the Czech economy but also, and especially, Czech European policy. The debate centered on the consequences of possible euro adoption, the security of the Czech banking system, and problems stemming from high dependency on the European market.

The center-left government that brought the Czech Republic into the EU had envisaged adopting the euro in 2009 or 2010. However, when the center-right government was established in 2006, it declared that it should first stabilize the national budget and then discuss adopting the euro. The next strategy of euro area accession did not therefore state any specific date. The government promised to set a new date by the end of 2009. However, the cabinet collapsed, and the technocratic government did not take any decision on the issue.

The Czech Republic did not suffer from the financial crisis, as its financial sector was stable and well regulated after the crisis of the late 1990s. On the other hand, the export-oriented Czech economy suffered from the global economic slowdown. The GDP shrank by 4.7 percent in 2009. Some officials and experts began to point out that the Czech Republic was overly dependent on the EU market. An export strategy was adopted in 2012 with the goal of raising the share of non-EU market in Czech exports to 30 percent by 2020. On the other hand, the outspoken priority of the government was to deepen the single market, which would rather boost exports to other EU member states.

The debt crisis in the eurozone broke out in 2010. It backed up the argument of euro-sceptics – especially Václav Klaus, who always argued that the single currency was an artificial political project and that neither the EU nor the eurozone was the optimum currency area. The center-right government established in 2010 declared in its program that it would not introduce any set date for adopting the euro. Its logic was that the eurozone had to solve first its problems and that the Czech Republic had to stabilize its finances. Nevertheless, this approach

was basically just passing the buck. Nobody from the government ever said precisely what the stabilization of the eurozone and public finances meant.

As the crises pushed the eurozone to search for new solutions, the Czech Republic did not opt in. It has not participated in the Euro Plus Pact. Moreover, it also refused to sign the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (EMU), although it agreed with its content in other secondary legislation acts. This stance was motivated mainly by domestic pressure and reluctance of the ODS, which was again the majority party in the government, to take part in further integration. The fear of a multi-speed Europe was neglected. ODS officials often repeated that there were already several speeds in Europe – since not all member states participated in Schengen, Justice and Home Affairs cooperation, defense issues, and so forth. The rejection of the Fiscal Compact launched a new domestic dispute about future euro adoption in the Czech Republic. Some ODS members, and especially President Klaus, even demanded an opt-out from euro adoption. The ODS generally argued that conditions in the eurozone had changed since 2003, when the referendum on EU accession took place. They made out that there should be a new referendum on the issue. This was unacceptable for the pro-integration parties, who nevertheless accepted the wait-and-see approach toward euro adoption.

The same attitude was also applied to the establishment of a European banking union. The Czech Republic prided itself on its healthy banking sector, mainly crediting the Czech National Bank, which was responsible for the regulation. The country did not want to shift the control of systemic banks to the European Central Bank. The government therefore refused to participate in the Single Supervisory Mechanism and focused on instituting specific regulations that would prevent bypassing of the Czech National Bank's control.

The Czech Republic has been very reluctant to share any risks with the eurozone since 2010. Klaus even blocked the amendment of Article 136 of the Treaty on Functioning of the EU, which was supposed to ease the launch of the European Stability Mechanism (ESM). Moreover, he misinterpreted it

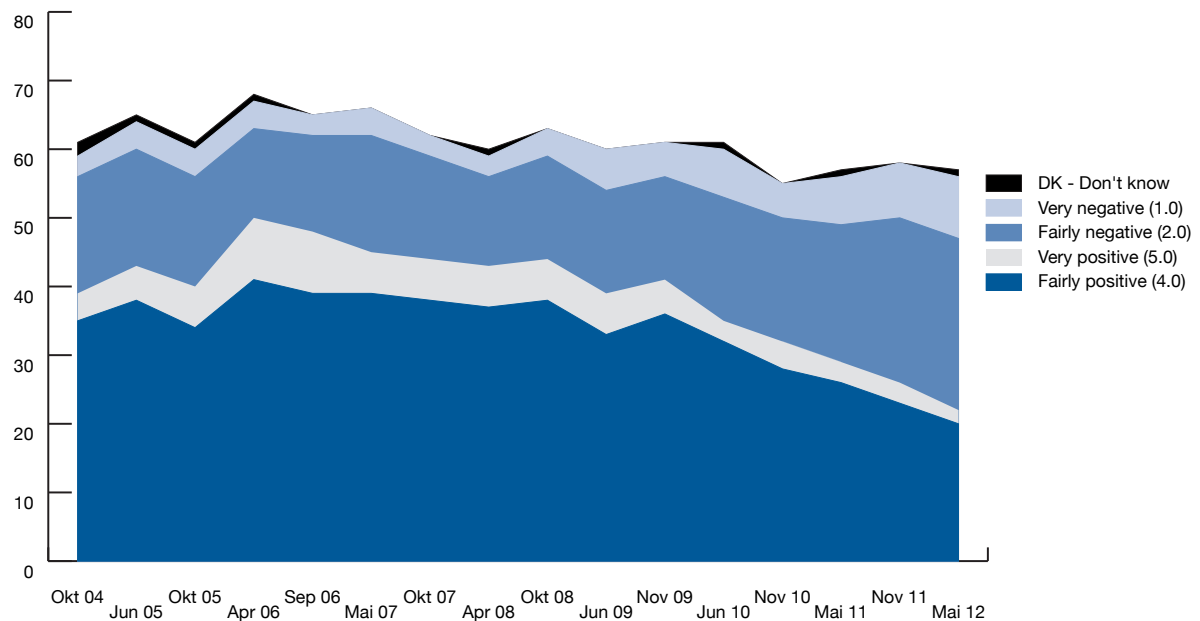
totally. He said that he was blocking the ESM itself, even though as a non-eurozone member state, the Czech Republic was not party to it, and it was already in operation when he went public with his criticism. Unfortunately, the Czech media accepted his interpretation.

The Czech economy has not been able to return to the unprecedented economic growth (of more than 4 percent per annum) that it experienced before the outbreak of the crises. Furthermore, the Czech economy has remained dependent on exports to the EU, mainly to Germany, the Czech Republic's biggest trading partner. Nevertheless, the Czech perspective has changed slightly. The single market has been perceived as a pivotal benefit of European integration. Yet it was acknowledged that Czech exports have to assert themselves in new extra-European markets.

Moreover, the Czech Republic is suspicious of further integration with Europe. The country opted out of the banking union and the Fiscal Pact and did not participate on the Euro Plus Pact. It also questioned its future adoption of the single currency. The EU and especially Western Europe are no longer understood as a source of universal welfare but also as a source of economic problems. This was also reflected in the debate on the EU's Cohesion Policy. The Czech Republic received the highest per capita allocation in the 2007–13 financial perspective. However, there have been fraud and malfunction in the way those funds were spent, and politicians – mainly those from the ODS – have started to see European funds in less rosy colors.

Before drawing a conclusion that would single out major trends in the Czech approach toward EU integration, let us pay some attention to public opinion. Data acquired from Eurobarometer surveys show that the EU had its best image in the Czech Republic in 2006, when 50 percent of those surveyed saw it in very positive or fairly positive terms. The decline in trust started in 2009, coinciding with the Czech EU Council presidency and the fall of the government in the middle of it, the peak of the Czech Republic's Lisbon Treaty ratification process, and the outbreak of the financial crisis. The EU had its lowest level of support among Czech citizens in autumn 2012, when only 21 percent of

Figure 1: Image of the EU in the Czech Republic



Source: Eurobarometer Surveys

those surveyed considered the EU in very positive or fairly positive terms, whereas 35 percent held a fairly negative or very negative opinion of it. Around 35 to 40 percent of respondents remained neutral about the EU during the first ten years of Czech membership.

We can single out five features of the first Czech decade in the EU.

Firstly, general Czech priorities in the EU have not changed. It has a liberal attitude toward the single market, energy policy, the eastern neighborhood, and the Western Balkans in EU external policy. Already formulated prior to the Czech EU Council presidency, these priorities have remained at the top of the Czech Republic's EU agenda.

Secondly, we could observe gradual de-politicization of the European agenda. Czech politicians neglected the importance of European affairs,

which was particularly visible during the EU Council presidency and Lisbon Treaty ratification.

This has helped establish Václav Klaus as the agenda-setter in the Czech debate on the EU. As president from 2003 to 2013, Klaus played a very important role in setting the milestones of Czech membership, especially the Lisbon Treaty ratification. Any attempt to shift significant competences to the European level was met by strong resistance in the Czech Republic either from President Klaus or from Euroskeptics in the Civic Democratic Party. Because of this, the Czech Republic is not party to several EU integration projects: the single currency, the Fiscal Compact, or banking union.

Moreover, the economic and especially the euro-zone crisis coincided with a drop in support for the EU among Czech citizens. For some Czech politicians, the EU is not perceived so much as a source of welfare, which it was in the pre-accession period, but more as a problem-making entity.

## 2. Perspectives

### 2.1 Czech Perspectives on the Visegrad Cooperation and on European Integration

This section describes Czech priorities in the EU. It will focus first on the Czech Republic's approach toward the Visegrad Group (V4); second, on the Czech perspective on the EMU and EU institutional affairs; and third, on Czech energy and climate policy. Other priorities will be dealt with in the following part, and economic relations will make up the last chapter. This section intends not only to explain the fundamentals of Czech European policy, but also to provide mid-term predictions about its development. Four general predictions are summed up in the conclusion. This section is based mainly on conceptual documents approved by the Czech government. Chief among these are Czech Strategy in the European Union (2013),<sup>7</sup> Conceptual Basis of Czech Foreign Policy (2011),<sup>8</sup> the National Energy Concept (which is about to be approved),<sup>9</sup> and the Export Strategy of the Czech Republic for 2012–2020.<sup>10</sup> The second source of information for this section is information from opinion polls, the Czech Statistical Office, and the Czech National Bank. The third source is surveys of the Czech policy elite.

The Prague-based Association for International Affairs (AMO) carried out two surveys of the Czech policy elite on the subject of Czech foreign and European policy. “Trends of the Czech Foreign Policy: Study of Foreign-Policy Elites” was conducted in 2011 and centered on international issues.<sup>11</sup> “Trends of Czech European Policy” aimed at the European agenda were undertaken in 2013.<sup>12</sup> Both surveys addressed over 300 policy trendsetters: politicians, diplomats, civil servants, journalists, and people active in business, academia, and the nonprofit sector. The response rate was around 38 percent.<sup>13</sup>

When the Czech Republic and other Central and Eastern European countries joined the EU in 2004, there was much ambiguity about the fate of

the Visegrad Group. Many claimed that there was no place for such a block in the EU, and that the V4 – would continue only as an entity centered on cultural cooperation. A Czech journalist focusing on central European issues, Luboš Palata, wrote in 2006 that the V4 was undergoing a post-party hangover. The main goal of the cooperation had been the integration of its members into the Euro-Atlantic structures. This was achieved in 2004 through full membership of NATO and the EU. The V4 now had to find a new *raison d'être*.

The Czech position was quite pragmatic. It did not see any reason for dismantling or upgrading the V4 cooperation. Moreover, as mentioned above, it did not have any strong European policy priorities by 2007. Thus, the lack of investment in the V4 coincided with the search for European policy priorities.

Nevertheless, the preferences set in the Czech pre-presidency strategic document in 2007 have also become the priorities of the Visegrad Group: energy security, the eastern dimension of the Eastern Neighborhood Policy (ENP), and the integration of the Western Balkans into the EU. The years 2007–2010 were decisive for the Czech perspective on the Visegrad cooperation. Firstly, the Visegrad Group members strongly supported the Czech EU Council presidency. Secondly, the gas crisis broke out, and the Eastern Partnership was launched. The latter two issues quickly made it onto the V4 agenda, together with the Western Balkans.

The Czech Republic also acknowledged the advantages of having the V4 coordinate the European agenda. This development was linked to the post-Lisbon process and the decisive role of the European Council in managing the crisis. The need to strengthen the pre-summit consultations convinced Czech officials of the benefits of the Visegrad Group.<sup>14</sup>

Last but not least, the V4 has never been labeled as useless or fruitless by any Czech government since 2004. On the contrary, the cooperation became part of the European or foreign policy strategy documents, as well as part of the prime minister's



or foreign minister's annual foreign policy statements.<sup>15</sup> Nor was its very existence questioned by the expert community, as it was after accession to the EU. The V4 is perceived as a tool for smart advocacy in the EU, especially in the areas of ENP, the Western Balkans, and energy policy.

Nevertheless, one should not overestimate the overall role of the V4 in Czech European policy. The recent opinion survey of Czech European policy elites suggests that in ten years, EU Enlargement and ENP will not be as important as other policy areas. EU Enlargement and ENP were considered to be important or quite important issues by 53 percent and 58 percent, respectively. In contrast, 95 percent of those who replied to the survey perceived energy policy as a very important or fairly important issue. Furthermore, in an open-ended question, energy policy came second in importance to development in the eurozone. More than a third of those surveyed mentioned it as one of three issues of the highest importance for the Czech Republic in the next decade. Thus, if we study how important joint V4 priorities are at the national level, we may conclude that they are only of partial significance.

On the other hand, other V4 members are among the country's closest allies, according to the strategic documents and the opinion survey of Czech European policy elites. Let us first take a look at the conceptual documents. It has already been remarked that the Visegrad Group regularly forms part of the prime minister's and foreign minister's addresses to the Czech diplomatic corps. The Visegrad cooperation was also part of the Czech Republic's foreign policy concept in 2003.<sup>16</sup> In addition, all V4 countries deserved a particular paragraph, including Hungary, although it is not a bordering country. The last Foreign Policy Concept (2011) designated relations with Poland as strategic. Shared history is highlighted in the relations with Slovakia, whereas economic and political importance is emphasized in the case of Hungary.<sup>17</sup>

The Czech European policy elites were asked in the survey to name three EU countries that they considered to be the closest allies of the Czech Republic. Visegrad Group members did very well.

In first position was Slovakia, mentioned by 72 percent of those surveyed. Third place was taken by Poland, selected by 61 percent of those surveyed. (Poland ranked just behind Germany, which came in second, with 66 percent.) Only 7.5 percent of those who answered listed Hungary, which nevertheless ranked eighth. Interestingly, some important EU countries – France, Italy and Spain – were not mentioned at all.

Those surveyed were also asked to grade the quality of relations with specific countries in European politics. (1 was the best grade, 5 the worst.) Relations with Poland and Slovakia were ranked the best. The average grade for relations with Slovakia was 1.6 and with Poland 2.05. Poland thus scored a little better than Germany, which got 2.14. Hungary was not rated in this particular question. The vast majority of those surveyed believe that relations with Poland and Slovakia will improve over the next ten years.

In the similar survey conducted in 2011, which focused on foreign policy elites, there were two questions devoted to the importance and future of the Visegrad Group. Some 75 percent of those who responded to the survey considered the V4 to be very or fairly important. Indeed, the V4 scored better than the World Trade Organization and the United Nations. On the other hand, survey respondents were divided about the V4's future. Approximately half were of the opinion that the V4 will be more important for the Czech Republic in the next ten years, while the other half thought the opposite.

The V4 has established itself as a cornerstone of Czech foreign policy. It is seen not only as a tool for achieving good neighbor relations and for cultivating Central Europe but also as an advocacy group in European affairs. The preferences of the Visegrad Group are also acknowledged long-term priorities of Czech European policy. Moreover, the foreign and European policy elites believe that the Visegrad cooperation will remain an important part of Czech foreign policy and that relations with neighboring countries, including Poland and Slovakia, will improve.

## 2.2 The Czech Perspective on Economic Monetary Union and EU Institutional Affairs

As has already been noted, the global economic crises complicated Czech perception of the Economic Monetary Union (EMU). Important political actors have pleaded that the Czech Republic should acquire an opt-out from the adoption of the single currency. Other politicians, such as Petr Nečas from the ODS, have argued that the country can act like Sweden – i.e. avoid fulfilling the Maastricht criteria. The Czech Republic's European Policy Strategy approved in May 2013 is astoundingly silent on the issue of accession to the eurozone. It mirrors the state of the center-right government, which was also divided on the issue. The document only acknowledges the fact that governance of the eurozone has changed qualitatively since the outbreak of the crisis. This is actually in line with the opinion held by Czech Euroskeptics. They think that these changes virtually invalidate the consent to adopt the euro given in the accession referendum in 2003.

Support for adopting the euro is currently very low within the population. The last public opinion survey showed that only 18 percent were in favor of Czech eurozone membership, whereas 77 percent were against it. It is worth noting that the two groups were almost neck and neck until 2009 (with approximately 45 percent in favor and 45 percent against).<sup>18</sup> It was only in 2010 that the numbers diverged starkly.

The government established in January 2014 is unclear about the year in which the Czech Republic should adopt the euro. The coalition agreement<sup>19</sup> states that the government will prepare the country for accession to the eurozone.<sup>20</sup> It has also decided to consider joining the banking union and the Fiscal Compact, something the government has debated since it came to power. The government does not want to adhere voluntarily to any particular parts until it is a full member of the eurozone. All in all, this suggests that the coalition parties are not enthusiastic about the euro. Though the Social Democrats and Christian Democrats see joining the eurozone as a mid-term or rather a long-term goal, they might have problems with fulfilling their

pre-election promises and keeping the national deficit under 3 percent, as they are demanding a generous social system. The centrist populist movement ANO, which is the junior coalition partner, is indifferent to Czech membership in the eurozone. Nor does it want to set the year of euro adoption in the coalition agreement or even to state that membership is a governmental goal.

Although consensus for adopting the euro was already given in the 2003 referendum, ratification of the Fiscal Compact and especially the Treaty establishing the European Stabilization Mechanism (ESM) is still required. The role of the ANO political movement is decisive in this process, since both treaties need a three-fifths majority in both chambers of parliament. If ANO votes in favor, supporters of the treaties would have 137 votes in the two-hundred-seat Chamber of Deputies – 17 votes above the quorum. On the other hand, if ANO votes against, the supporters could only get ninety MPs on their side. The situation in the Senate would be even more blurred. At the moment, the ESM Treaty and the Fiscal Compact Treaty would have enough supporters. Because a third of the Senate is elected every two years, however, the situation could change significantly. (Senate elections constitute typical second-order elections, and radical parties have some chance of success.)

Czech European policy elites generally support their country adopting the euro. Three-fourths of those who responded to the survey are of the opinion that the Czech Republic should join the eurozone by 2020 and that remaining outside the eurozone harms the Czech economy. Apart from that, they believe that development within the eurozone will be the most important issue for the country's European policy in the next decade.

The adoption of the euro has so far been understood as a political decision, and the euro perceived as a political project, as Václav Klaus has argued since the late 1990s. It was perceived as being rather disadvantageous economically, mainly due to the euro crisis and the need to participate in the European rescue mechanism. However, the experience of Slovakia has slightly changed this image. Slovakia's growth is higher than the Czech

Republic's, and some experts and politicians (mainly Social Democrats) argue that the euro has made this eastern neighbor more attractive to foreign direct investments. This argument is definitely imprecise, however, yet it may become very popular with pro-euro politicians.

European policy elites in the Czech Republic also believe that the eurozone will stabilize, enlarge, and integrate its members economically, fiscally, and politically in the near future. Most, however, also hold that such development would not be favorable for the Czech Republic. The vast majority of those surveyed think that the eurozone will systematically create its own institutions and legal frameworks, which will also cover more areas than just issues of the single currency.

The current Czech conceptual documents remain silent on the issues of future institutional amendments. The Czech response to the European Commission's EMU roadmap ("Towards a genuine Economic and Monetary Union") was quite detailed in the three parts related to economic governance in the eurozone, e.g. it refused a specific budget for the eurozone. However, it omitted the fourth part of the paper, which dealt with the democratic deficit and institutional affairs. Moreover, the Czech foreign minister had not participated in the workings of the Westwelle Group on the Future of Europe that published the blueprint for institutional changes in the EU. Given how tough the ratification of the Lisbon Treaty was – and the even more complicated ratification of the tiny amendment of Article 136 of the Treaty on Functioning of the EU – there is clearly no political will in Prague for any institutional amendments. Even the country's European policy elites agree on that issue. As far as they are concerned, significant institutional changes in the EU are not in the Czech Republic's interest.

### 2.3 Energy and Climate Policy

Energy policy in the European and Central-European context has been important for the Czech Republic since its accession to the EU. The country first focused on issues of the security of energy supplies, later expanding this to the liberalization

of the European energy market. Climate change policy has never been a priority for the Czech Republic. Its stance on this has been rather defensive, and has, together with other Central- and Eastern-European member states, refused ambitious reduction of CO<sub>2</sub> emissions.

The Czech Republic is in the process of drafting a National Energy Concept.<sup>21</sup> So far, the second revised draft has been published and the public consultation procedure has been opened. The new center-left government is due to approve it. Of course, some amendments are still possible. The core of the paper will probably remain untouched, however, as the key personnel in the ministry of industry and trade, which is responsible for the issue, will remain. Nevertheless, the fact that the chief advisor to Prime Minister Bohuslav Sobotka is Vladimír Špidla, who is very sensitive about climate policy, may bring new clashes and possibly postpone adoption of the concept.

The energy concept singles out three strategic goals: security, competitiveness, and sustainability. Security of energy supplies is viewed in the broader European context. Energy policy should be able to mitigate sudden external shocks. Moreover, energy prices for industry as well as households should remain comparable to the prices in other countries in the region. This should guarantee a competitive environment for Czech industry. Sustainability is understood in a broader sense. Energy policy should be sustainable environmentally and economically as well as in the context of human resources, social impact, and availability of primary energy resources.

The conceptual document further elaborates these three strategic goals into five strategic priorities. The first priority is to aim to achieve a balanced energy mix, which would also be based on domestic energy resources. The country should also keep domestic strategic energy reserves. Secondly, the Czech Republic should focus on energy savings. Thirdly, it should act internationally, integrating its energy and gas markets in the region and improving the energy infrastructure. The country should also contribute to the establishment of an efficient EU energy policy. The fourth priority is to invest



in research, development, and human resources. The country's fifth and final priority is to enhance its energy security and be able to deal with sudden energy cutoffs.

The concept does not introduce any radical departures from current energy policy. What kind of implications will it have on the Czech Republic's European policy? The country will probably push through further liberalization of the EU's energy markets. It will also support construction of new energy infrastructure, which would facilitate the functioning and security of regional energy markets. It will also defend nuclear energy, which is expected to represent an important part of the energy mix. The country prefers to remain reserved about any climate change policy goals. The predictions in the National Energy Concept show that coal power plants will remain important sources of electric energy. Further attempts to reduce CO<sub>2</sub> emissions would decrease the competitiveness of the Czech economy due to the increase in energy prices.

It appears that Czech European policy elites see the situation differently. As mentioned in the section devoted to the Visegrad Group, they believe energy will constitute an import issue in the Czech European policy in the next decade. And according to 80 percent of those surveyed, the EU's climate and environmental policies will be important for Czech European policy in the next decade.

The survey also included questions on perception of common and conflicting interests in relations with selected member states in the EU context. There were some intriguing answers regarding energy policy in particular. Interestingly, energy policy has been identified as the Czech Republic's only strong common interest with France. This is probably because the Czech European policy elites see France as a staunch supporter of nuclear energy. They therefore believe that it is the main joint priority. On the other hand, Czech-French cooperation in that field has hitherto not been especially intense. The French company Areva has been recently disqualified from the tender for the construction of two new blocks in the Temelín nuclear power plant.

Common interest in energy policy has been identified also in relations with Poland. The energy markets of both countries are gradually integrating, and both countries aim at diversifying energy sources and setting modest CO<sub>2</sub> reduction goals. In relations with Germany, however, energy has been highlighted as the area of greatest divergence. This must be understood in connection with Germany's decision to undertake an "Energiewende" – a shift in energy policy. The shift has not been welcomed in the Czech Republic. The Czech government expressed its fear that Germany's abandonment of nuclear power would increase electricity prices in the Czech Republic and that Germany would join the camp of anti-nuclear member states.

#### 2.4 Key National Preferences in the EU

The following section will discuss important Czech priorities not covered in the previous chapter. It will deal with benefits of EU membership and key European policy areas for the next decade.

The Czech Republic's most recent European Policy Strategy identifies seven priority areas in the EU.<sup>22</sup> Delimiting particular priorities is not easy, however. The strategy states that these priorities are (1) support for the development of the internal market; (2) efficient use of EU Cohesion Policy and its link to the Europe 2020 Strategy; (3) prospects of single currency adoption in the Czech Republic; (4) further sectoral priorities; (5) the EU as an area of freedom, security, and justice; (6) EU enlargement and Eastern Neighbourhood policy; (7) common foreign and security policy; and (8) common trade policy. The scopes of these priority areas are very different, and they are virtually incomparable. Use of Cohesion Policy and the euro adoption are more national priorities, so they will be omitted in the following discussion.

Deepening the single market has been among the top Czech European priorities since the very beginning of the country's EU membership. According to the European Policy Strategy, removing the remaining barriers to the single market – rather than coordinating national economic policies – is

the most appropriate tool for restarting growth. The strategy also states that the single market does not function well in the service sector and that further liberalization is needed there.

The country's center-right governments have been very critical of new regulation coming out of Brussels, though at the same time they have urged further development of the internal market. They have favored "negative" over "positive" integration and stressed the need for subsidiarity and proportionality. Although the center-left government might have a slightly different attitude toward Brussels, the liberal approach will not change significantly, since the Czech economy profits from an open European market.

European policy elites share this opinion. They believe that the single market will become stronger and that it will be one of the important issues for Czech European policy in the next decade. A slight majority of those surveyed think that social legislation will not be harmonized. They also believe that a free European market for services should deepen, though they are not confident that a fully liberalized market will emerge in this sector in the next ten years. Elites remain evenly divided on the issue of whether the financial transaction tax (FTT) should be introduced in the Czech Republic. The surveyed elites are, however, mostly unanimous in holding that the single market is the most significant benefit of Czech EU membership.

The government program formulated in February 2014 mentions the removal of the internal market's barriers as one of its main priorities.<sup>23</sup> It also singles out the need to sustain European social standards. The Czech Republic will probably pay attention to a possible "race to the bottom" in social policy when it comes to negotiating future free trade agreements, which the program also lists among priorities.

Czech European Strategy mentions transport and energy policy in a section on "other sectoral policies." Although it is not very precise, it emphasizes an "economically sustainable approach to the environment," with which the February 2014 govern-

ment program concurs. It points out that the country should play an active role in setting EU climate policy goals but that it must pay special attention to the competitiveness of its economy.

The section of the document devoted to the "area of freedom, security and justice" is hardly more specific. It only states that flows of immigrants from outside the EU should not harm free movement within the EU. It is worth noting that common asylum and migration policy was not at the top of the Czech European policy elites' list of important issues for the Czech Republic in the next decade.

Neither EU enlargement nor its neighborhood policy were highlighted by Czech European policy elites as important topics for Czech EU policy in the next ten years. Paradoxically, these issues have resonated in official documents as policy priorities since 2007. The Eastern Partnership in particular remains a priority issue.

The same elites did not consider a common EU foreign and security policy or common security and defense policy to be among the most important issues. The European Policy Strategy does not go into much detail in this regard, although the Foreign Policy Concept from 2011 does. Apart from the abovementioned Eastern Partnership and the Western Balkans, it emphasizes stability in the Middle East, well-functioning transatlantic relations, good cooperation between the EU and NATO, and human rights policy.

Stress placed on the external trade policy by Czech policymakers in published government programs and strategy overviews should be understood as a push for further liberalization of international trade and easier access to overseas markets. The country's European policy elites believe that this issue will be rather important in the next decade. Moreover, they are optimistic that the EU will sign free trade agreements with the US, China, Ukraine, India, Brazil, and Canada by 2020. The overwhelming majority (95 percent) also believes that such developments would be beneficial to the country.

## 2.5 The Czech Republic's Economic Partnerships

As has already been emphasized, the Czech Republic has an open and export-oriented economy. This condition will be dealt with in more detail below. The section will introduce the country's major trading partners and indicate some of the political implications.

The Czech Republic trades mainly with neighboring countries.<sup>24</sup> Germany, Poland, Austria, and Slovakia make up 51.2 percent of total Czech exports and 41.6 percent of Czech imports. Germany, Poland, and Slovakia have been its main external trade partners since 2004, the most important of which has been Germany. The turnover of Czech trade with Germany constituted 28.5 percent of total trade in 2012, whereas turnover with Slovakia made up only 7.6 percent, and Poland made up just 6.6 percent. Two countries outside the EU hold fourth and fifth positions: China, with a turnover of 5.8 percent, and Russia, with a turnover of 4.7 percent. Imports comprise the major part of trade with these countries. The EU made up over 80 percent of exports in 2012 and 64 percent of imports. Machinery and transport equipment dominate Czech exports (54.1 percent) as well as imports (41.3 percent).

Foreign direct investments (FDIs) come to the Czech Republic predominantly from the EU. EU member states were involved in 90 percent of FDIs in the Czech Republic in 2012. Main investors came from the Netherlands, Germany, and Austria. Eurozone members made up 83.7 percent of FDIs in the country.<sup>25</sup>

The Czech Republic is well integrated into the European internal market. The inflow of FDIs comes predominantly from the eurozone, and the eurozone and neighboring countries are the main target for Czech exports. As has already been noted, the Czech government would like to diversify international trade and increase the share of non-EU markets. Nevertheless, Czech European policy elites do not believe that the structure

of foreign trade will change dramatically in the next decade. They do not think that the share of the Czech exports to the EU will drop below 70 percent.

The structure of Czech foreign trade and FDIs will plausibly determine Czech European policy. It will defend the single market and push for dismantling of any remaining barriers. It will also try to enhance Czech industry's comparative advantage on the single market. It will try to avoid any increase in energy prices and invest in science, research and infrastructure. The country's European policy elites identified these fields as the most appropriate targets for EU resources in the Czech Republic in the next cohesion policy programming period.

## Conclusions

The following conclusions may be drawn about the Czech Republic's European and Central European policy:

Firstly, the Czech Republic is well integrated, both politically and economically, in the Central European region. Neighboring countries are perceived as the most important partners in the EU, consume the majority of Czech exports, and the Visegrad cooperation has established itself as the uncontested tool for regional cooperation. This will not change in the coming ten years. Furthermore, the Czech Republic should improve its infrastructural connections with its neighboring countries, and the possible adoption of the euro would decrease any remaining heterogeneities in the region.

Secondly, the single market will remain the important priority of Czech EU membership. The open and export-oriented Czech economy benefits from the European single market. The competitiveness of its industry is of the utmost importance. The Czech Republic will therefore endeavor to keep energy prices down. This should be achieved through liberalization of the European gas and electricity market and further

integration of the regional energy market. Any climate change goals that would mean an increase of energy costs would not be welcomed.

Thirdly, accession to the eurozone would require a high degree of political investment. Public support for this step is very low, and several political parties are opposed to it. Although Czech European policy elites support the adoption of the single currency and believe the eurozone's development will determine the quality of Czech EU membership in the next decade, their voices may not count. On the other hand, given the structure

of Czech trade and FDIs, there is no doubt that the country will remain closely connected with the eurozone's economy.

Fourthly, there will not be any political will for fundamental EU institutional reform. The Czech Republic does not see any need for further law amendments. Its stance toward such development will most likely be either rather passive or somewhat defensive, depending on the nature of the cabinet. A multi-speed EU does not seem to pose a huge problem for the Czech Republic, unless the single market is threatened.

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