

## Working Paper

SWP Working Papers are online publications within the purview of the respective Research Division. Unlike SWP Research Papers and SWP Comments they are not reviewed by the Institute.

This Working Paper is part of a series of '**European Perspectives**' – joint analysis and recommendations from SWP authors together with our European partners on current challenges for the European Union.

RESEARCH DIVISION EU / EUROPE | WP NR. 04, DECEMBER 2021

# **Between change and continuity: European expectations towards Czech and German EU policies after the 2021 elections**

*Nicolas Lux / Žiža Faktor / Sarah Charlotte Henkel / Zuzana Stuchlíková*

## **Contents**

<b>Introduction</b>	<b>3</b>
<b>1. The Czech Republic and Germany between European commitments and landmark elections</b>	<b>4</b>
<b>2. European expectations vis-à-vis Berlin and Prague in three EU policy areas</b>	<b>8</b>
2.1. Rule of law	8
2.2. Climate policy	12
2.3. Economic and fiscal integration	14
<b>3. Outlook: Changes ahead and bridging gaps?</b>	<b>18</b>

# Introduction

The year 2022 bears the potential for changes of European Union (EU) policies in two unlike neighbouring countries, the Czech Republic and Germany, after their parliamentary elections in the autumn of 2021. Results indicate that the outgoing governing coalitions in both cases will profoundly change. In the Czech Republic, Prime Minister (PM) Andrej Babiš' time in government has ended. Winning opposition forces, two coalitions of conservative and centrist parties campaigned on a stronger and more proactive government in Prague within the EU. Both form the new government in a political constellation that is new to Czech domestic politics.

In Germany, Chancellor Merkel's departure as a leading figure in the European Council after 16 years will likely imply shifts in Berlin's policies within the EU. Meanwhile, the elections to the German Bundestag produced clear changes in voter preferences resulting in a coalition agreement between Social Democrats, Greens and Liberals and thus leaving Merkel's centre-right CDU/CSU parties in opposition after having shaped Berlin's EU policy for more than a decade.

As is the case with the Czech Republic, an agreement was struck in Germany to form a coalition that is unprecedented and new on the national level. Thus, Brussels face rather uncertain prospects in regard to how much both member states will be willing to engage proactively in the Council as several key EU policies – climate change, rule of law and the economic and fiscal integration – are each in a crucial phase of political negotiation, implementation or discussion.

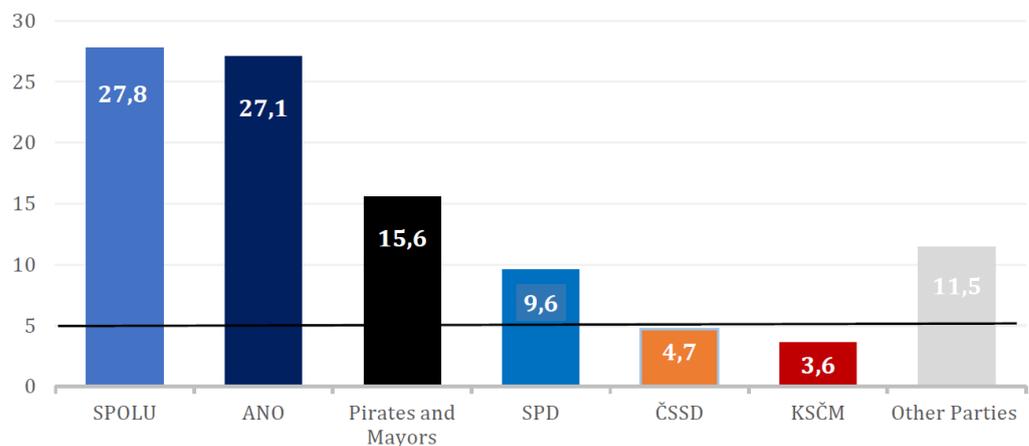
Despite embodying several pertinent differences in the EU – medium- vs. large-size member state, new vs. founding member, Western vs. Central and Eastern European, Eurozone member vs. non-euro country –, under the outgoing leaderships of Mr Babiš and Ms Merkel, the Czech Republic and Germany maintained close and friendly ties within their *Strategic Dialogue*. Czech-German relations are thus an important bellwether of the general state of the EU's cohesion. An alignment of policies between both capitals can signal broader consensus in the EU at large as relations between both neighbouring member states represent many of the prevailing cleavages that have shaped EU politics, in the last decade. The incoming new governments in Prague and Berlin and their potentially differing responses to the three important challenges for the EU addressed below may change this constant and thereby affect EU cohesion in general. Moreover, Germany with its track record of constant proactive EU engagement recently completed its EU Council Presidency in 2020, tackling the immediate fallout of the COVID-19 pandemic. The upcoming Czech Presidency of the Council in the second half of 2022 will demand more European commitment from a rather »moderate Eurosceptic« member state in consolidating the Union that strives to finally overcome the pandemic.

What can EU decision makers expect from the outcomes of the elections in the Czech Republic and Germany and their potential for policy changes towards Brussels? Will relevant changes in EU policies such as climate, economic and fiscal reforms and the rule of law become visible, after all?

# 1. The Czech Republic and Germany between European commitments and landmark elections

The **Czech Republic** will take on the EU Council Presidency in the second half of 2022. The outcome of the 2021 elections should therefore interest Europe as a whole (beyond its immediate neighbours), as it will be the new government that will lead the Council of the EU for six months. The first Czech presidency in 2009 was marked, however, by the mid-term fall of the Topolánek-led government.<sup>1</sup>

## Czech Republic general election results, 2021 (in %)



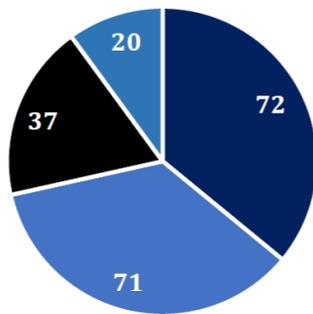
Source: »Volby do Poslanecké sněmovny Parlamentu České republiky konané ve dnech 8.10. – 9.10.2021«, Český statistický úřad, <<https://www.volby.cz/pls/ps2021/ps2?xjazyk=CZ>>. Own presentation. 5 % threshold indicated. Values rounded.

Czechs were called to the polls on 8 and 9 October 2021 to elect a new parliament. Results defied expectations of most observers before the vote as incumbent PM Babiš faced a clear majority of the united opposition of 108 out of 200 seats against him, thus blocking his ANO («Yes») party of staying in power. ANO received the most votes and seats as a single party (27.1 %), however it came only second as a political force after the coalition of centre-right parties, SPOLU («Together», formed by ODS, TOP 09 and KDU-ČSL), with 27.8 % under its leader Petr Fiala. A second party coalition of the progressive-centrist Piráti a Starostové («Pirates and Mayors») came third (15.6 %). As expected, the far-right SPD («Freedom and Direct Democracy») ranked fourth (9.5 %) and thus cleared the threshold of 5 % as well. Part of the reason that ANO under Babiš experienced a loss of its own legislative majority was due to the fact that his outgoing coalition partner, the

<sup>1</sup> Rigackova Vera, Kral David, Bartovic Vladimír, »The 2009 Czech EU Presidency«, Swedish Institute for European Policy Studies (SIEPS), 2009, <<https://www.sieps.se/en/publications/2009/the-2009-czech-eu-presidency-20092op/>>.

Social Democrats (ČSSD) with 4.5 %, as well as the supporting Communist party (KSČM) with 3.6 % both failed to be represented in the new parliament at all.

### Distribution of seats, 2021 (electoral coalitions) 200 seats in total



■ ANO ■ SPOLU ■ Pirates and Mayors ■ SPD

Furthermore, Czech President Miloš Zeman's position in the post-election period has been a specific one in the Czech Republic. As laid out in the constitution, the president is the one who entrusts the leader of a winning party with forming the government. Mr Zeman, a long term ally of PM Babiš, indicated before election day that he plans to follow his own understanding of the »leader of a winning party« as the single political party that is not a coalition of parties (like SPOLU) – effectively attempting to disqualify the winning centre-right alliance from its right at leading.<sup>2</sup> Moreover, Mr Zeman's recent fragile health conditions presented a further factor

that initially delayed the political transition to a new Czech executive in the aftermath of the election.<sup>3</sup>

Eventually, after weeks of silence and being hospitalised, President Zeman officially mandated Fiala on 9 November 2021 with the task to form a government under an envisaged coalition of SPOLU and Pirates and Mayors, after both formations have already agreed on a coalition treaty.<sup>4</sup> Mr Fiala was sworn in as PM on 28 November 2021, while the rest of the new government is expected to be appointed before the end of year.<sup>5</sup> The political role of Babiš however, as presumptive leader of the opposition and as potential candidate for the next Czech presidential election, could remain significant in the years to come.<sup>6</sup> As many key decisions (such as priorities or the final scope of a budget) regarding the upcoming 2022 Czech Council Presidency still await a new government to decide, any further delay regarding the still ongoing government formation in Prague – for instance when the president blocks the appointment of individual ministers – could however prove problematic to the Czech Republic's EU engagement. Thus, even after a new coalition government will eventually take office in Prague, domestic politics will likely remain hard to predict for observers and decision-makers in Brussels.

<sup>2</sup> Urban Überschär, »After Czechia's vote, it all comes down to the president«, IPS Journal, 2021, <<https://www.ips-journal.eu/topics/democracy-and-society/after-czechias-vote-it-all-comes-down-to-the-president-5490/>>.

<sup>3</sup> Zuzana Vikarská, »Post-Electoral Changes in Czechia with a Hospitalised Head of State«, Verfassungsblog, 2021, <<https://verfassungsblog.de/post-electoral-changes-in-czechia-with-a-hospitalised-head-of-state/>>.

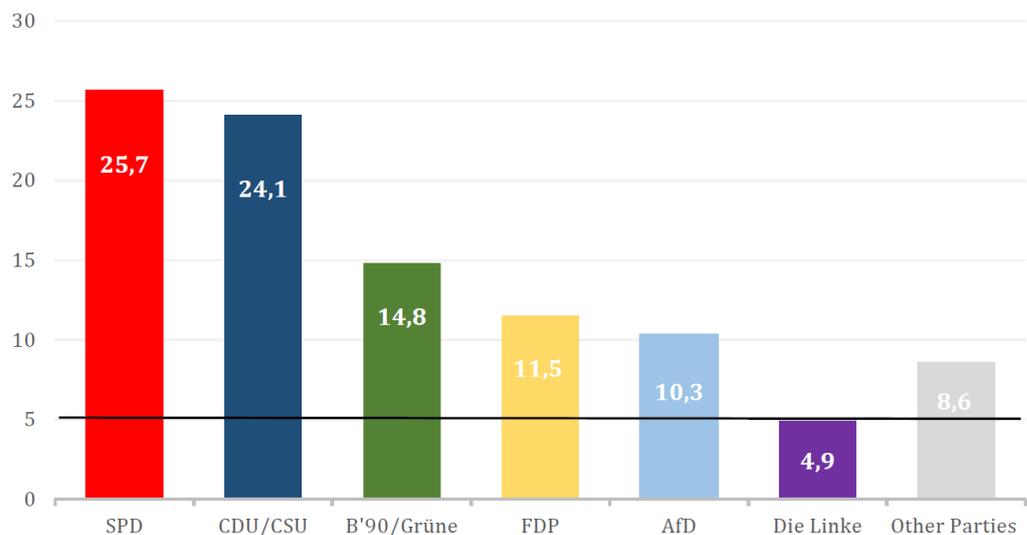
<sup>4</sup> »Koaliciční smlouva uzavřená mezi Občanskou demokratickou stranou, stranou KDU-CSL, stranou TOP 09 (koalice SPOLU), Českou pirátskou stranou a hnutím STAROSTOVÉ A NEZÁVISLÍ (koalice Piráti a Starostové) na volební období 2021–2025« [Coalition Agreement concluded between Civic Democratic Party, KDU-CSL, TOP 09 (SPOLU coalition), the Czech Pirate Party and the movement MAYORS AND INDEPENDENT (coalition of Pirates and Mayors) for the electoral period 2021-2025], 08/11/2021, <[https://www.pirati.cz/assets/pdf/KOALICNI\\_SMLOUVA.pdf](https://www.pirati.cz/assets/pdf/KOALICNI_SMLOUVA.pdf)>.

<sup>5</sup> Politico, »Center-right leader Petr Fiala appointed as Czech PM«, 28/11/2021, <<https://www.politico.eu/article/center-right-leader-petr-fiala-appointed-as-czech-pm/>>.

<sup>6</sup> Kai-Olaf Lang, »Wahlsieg der rechten Mitte in Tschechien« [Electoral victory of the centre-right in the Czech Republic], Stiftung Wissenschaft und Politik (SWP), 2021, <<https://www.swp-berlin.org/publikation/wahlsieg-der-rechten-mitte-in-tschechien>>.

With the departure of **Germany's** chancellor, Angela Merkel, the European Council and the European Union as a whole sees off its longest serving leader, after 16 years. On the one hand, the four subsequent German governments under Ms Merkel have attached great value to the European project and have attempted to steer the EU through challenging moments such as the financial and debt crisis, the migration crisis, Brexit and the COVID-19 pandemic, the latter of which Germany had to dedicate most of its 2020 EU Council Presidency to. On the other hand, Germany's steadfast positions on economic and fiscal policy, its solo efforts in the field of migration, and its laggard role in EU climate policy and the promotion of rule of law have harmed European cohesion as critics have argued.<sup>7</sup> The 2021 federal elections to the German Bundestag have been therefore of particular relevance for the European institutions in Brussels and European capitals, as its outcome will determine a new leader to represent and shape the role of Germany, the largest and economically strongest EU member state, within the bloc.

### German Bundestag election results, 2021 (in %)



Source: »Bundestagswahl 2021«, Bundeswahlleiter, <<https://www.bundeswahlleiter.de/bundestagswahlen/2021/ergebnisse.html>>. Own presentation. 5 % threshold indicated. Values rounded.

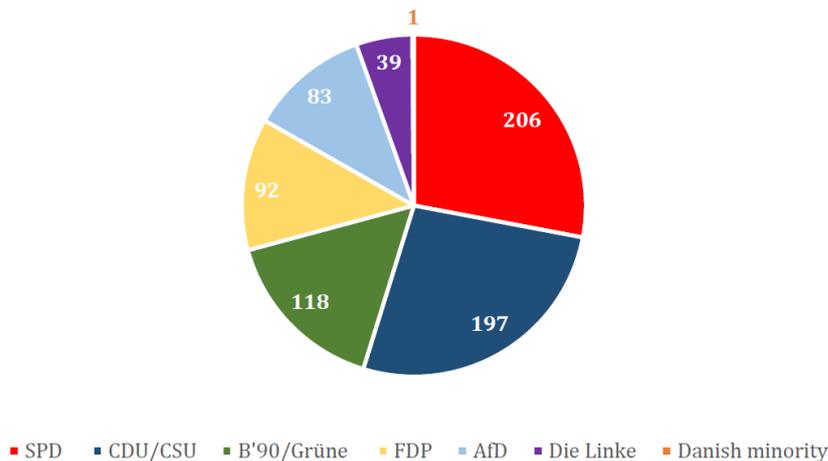
The German federal elections to the Bundestag of 26 September 2021 led the Social Democratic Party (SPD) with their chancellor candidate, outgoing finance minister Olaf Scholz, to overtake the »Union« of Armin Laschet's German Christian Democrats and Bavarian Christian Socials (CDU/CSU) with 25.7 % to 24.1 % of the votes. For the first time, both traditionally dominant formations, SPD and CDU/CSU, scored each less than 30 %. The Green party (Bündnis 90/Die Grünen) recorded their best results so far, however they fell short of their ambitious goal to have a shot at the chancellery with their candidate, Annalena Baerbock, only ranking third at 14.8 %. The liberal Free Democrats (FDP) slightly increased their score to 11.5 % while the far-right Alternative für

<sup>7</sup> Jana Puglierin, »So viel muss sich ändern. Das Ende der Ära Merkel wird neue Dynamiken auf EU-Ebene freisetzen. Die nächste Bundesregierung muss radikale Lösungen anstreben und schnell handeln« [That much has to change. The end of the Merkel era will unleash new dynamics at the EU level. The next federal government must seek radical solutions and act quickly], Internationale Politik, 06/2021, <<https://internationalepolitik.de/de/so-viel-muss-sich-aendern>>. See also footnote 19.

Deutschland (AfD) lost votes (10.3 %) as did far-left Die Linke (4.9 %) – the latter could only gain seats in the new Bundestag and thus circumvent the threshold of 5 % as it obtained a plurality of candidate votes in three districts (constituencies).

Following the elections, both the SPD and the CDU/CSU initially lay claim to the chancellorship and both began to attempt at winning over the Greens and the Free Democrats. Possible alliances that would exclude either the SPD or CDU/CSU are the so-called »traffic light coalition« (*Ampel*) composed of the SPD, FDP and Greens or the »Jamaica coalition« with CDU/CSU, FDP and Greens. The Greens and FDP have been therefore considered »the kingmakers«. However, their positions diverge, particularly on climate and fiscal policy. All leading parties have excluded any cooperation with the far-right AfD whilst a coalition of SPD, Greens and Die Linke falls short of a majority. In October 2021, SPD, Greens and FDP commenced formal coalition talks with the aim to form a »traffic light« alliance. Talks concluded in a negotiated coalition agreement in late November 2021 with the government formation (i.e. election of the chancellor by the plenary) to be expected in early December 2021.<sup>8</sup>

### Distribution of seats, 2021 (736 in total)



<sup>8</sup> »Koalitionsvertrag 2021 – 2025 zwischen der Sozialdemokratischen Partei Deutschlands (SPD), BÜNDNIS 90 / DIE GRÜNEN und den Freien Demokraten (FDP)« [Coalition Agreement 2021 - 2025 between the Social Democratic Party of Germany (SPD), BÜNDNIS 90 / DIE GRÜNEN, and the Free Democrats (FDP)], 24/11/2021, <[https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag/Koalitionsvertrag\\_2021-2025.pdf](https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag/Koalitionsvertrag_2021-2025.pdf)>.

## 2. European expectations vis-à-vis Berlin and Prague in three EU policy areas

Looking back at which political issues the European Commission under President Ursula von der Leyen as well as the European Parliament have listed among their priorities since 2019 – tackling the climate crisis, the economic recovery from the COVID-19 pandemic which leads to thinking of the EU's future economic and fiscal integration, and addressing rule of law concerns among its member states – questions arise as to whether both national election outcomes adequately reflected this European agenda. Can Brussels reasonably expect policy changes from two of its EU capitals that are both unlike in many aspects but strongly connected by shared geography, history and through economic ties?<sup>9</sup>

### 2.1. Rule of law

The state of the rule of law has been of concern to the public and to European decision-makers for several years. In this respect, the European Commission has so far published two reports assessing the rule of law situation in all EU member states.<sup>10</sup> The first report of 2020 found that the standards of the rule of law in most countries are high, but that there are serious setbacks amongst several of them. In 2021, the Commission's report shows many positive developments in member states, even where shortcomings were previously identified. It praises the resilience of the rule of law during the COVID-19 pandemic. Moreover, as Commission President von der Leyen announced in September 2021, the next report in 2022 will also include country-specific recommendations.<sup>11</sup> However, in relation to certain member states, concerns regarding the independence of the judiciary, anti-corruption measures and freedom of the press have increased. Poland and Hungary are in the focus of the widespread criticism. Rule of law as a domestic and electoral topic has been largely absent in German debates ahead of the elections of September 2021. However, in the case of the Czech Republic before its October 2021 parliamentary elections, the state of the rule of law has been in the eye of the public for several reasons.

**Czech Republic:** The Czech Republic is currently facing several high-profile issues in the field of rule of law, mostly linked to anti-corruption policy and a problematic legal case surrounding the conflict of interest of outgoing PM Babiš. The former entrepreneur turned politician has repeatedly been accused by the European institutions of still pulling the

<sup>9</sup> Kai-Olaf Lang, »Berlin und Prag: Europa pragmatisch zusammenhalten. Deutsch-tschechische Kooperation in Zeiten der Corona-Krise« [Berlin and Prague: Holding Europe together pragmatically. German-Czech Cooperation in Times of the Corona Crisis], Stiftung Wissenschaft und Politik (SWP), 2020, <<https://www.swp-berlin.org/publikation/berlin-und-prag-europa-pragmatisch-zusammenhalten>>.

<sup>10</sup> European Commission, 2021, <[https://ec.europa.eu/info/policies/justice-and-fundamental-rights/upholding-rule-law/rule-law/rule-law-mechanism/2021-rule-law-report\\_en](https://ec.europa.eu/info/policies/justice-and-fundamental-rights/upholding-rule-law/rule-law/rule-law-mechanism/2021-rule-law-report_en)>; 2020, <[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1756](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1756)>.

<sup>11</sup> European Commission, »State of the Union Address by President von der Leyen«, 2021, <[https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_21\\_4701](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_4701)>.

strings in his former economic empire, which he claimed is not true.<sup>12</sup> The lack of progress in the implementation of the government's Anti-Corruption Strategy 2018-2022 and high-level corruption are also identified as the main issues in the country in the 2021 Rule of Law Review.<sup>13</sup> As a result, Czech Republic may see its EU cohesion funding cut and face reputational damage. It remains to be seen if the Commission will continue to highlight the need for structural changes even after the end of Babiš' term.

The conflict of interest of PM Babiš dominated both the national and European debate connected to the rule of law in the Czech Republic and remained a key issue throughout the election campaign. The two opposition coalitions, initially formed with the purpose of unseating the Babiš-led government, highlighted his conflict of interest as one of the main problems. Among other problems the opposition pointed out were the recent revelations of Mr Babiš' seemingly dubious financial activities – as reported in the »Pandora papers«<sup>14</sup> – or the insufficient management of the pandemic and the economic issues of the country.

As a new centre-right government will assume office in Prague, Europe could see a change in the Czech law as especially the Pirates-led alliance has put great emphasis on anti-corruption measures before and during the campaign. However, in accordance with the negotiated coalition agreement between SPOLU and Pirates and Mayors, the justice ministry will be headed by the conservative SPOLU, which has previously not highlighted the rule of law as a main issue to the same extent.

From the European perspective, the Czech Republic is integrated in the main EU initiatives of the past years. In fact it was the country's »own« Commissioner, Ms Věra Jourová, who oversaw the recent launch of the European Public Prosecutor Office (EPPO). However, the approach to rule of law developments in other EU countries is a sensitive topic for traditionally Visegrád-friendly (V4) Czech politics. While the Czech Republic joined the European mainstream and did not support Hungary and Poland, in the fight against the conditionality in the EU budget, Babiš stood by his Hungarian counterpart in the 2021 debate over a new Hungarian law targeting LGBTQI people.<sup>15</sup> While the outgoing opposition is more vocal on worrying developments regarding the state of democracy in its Central European neighbourhood, the underlying careful approach is likely to remain in place with any next government in Prague in the next four years.

**Germany:** As with the other EU member states, the Commission has assessed the rule of law situation in Germany in 2020 and 2021. Although the verdict for Germany has been generally positive, deficiencies in the transparency and regulation of parliamentary

<sup>12</sup> Tomáš Weiss, »De-Europeanisation of Czech policy towards Eastern Partnership countries under populist leaders«, *Journal of European Integration*, 2021, 43:5, pp. 587-602.

Politico, »Commission confirms conflict of interest finding against Czech PM Babiš«, 01/12/2020, <<https://www.politico.eu/article/eu-auditors-confirm-andrej-babis-conflict-of-interest-agrofert/>>.

<sup>13</sup> The 2021 Rule of Law review identifies the issues in connection to the Czech Republic: 1) a lack of progress in the implementation of the Government Anti-Corruption Strategy 2018-2022 and accompanying Action Plans (including bills on lobbying, on whistle-blower protection and on the extension of the Supreme Audit Office's mandate); 2) High-level corruption: investigations and audits at national and European level of the use of EU funds have recently found evidence of conflicts of interest at the top executive level, on the basis of which a case has been accepted by the EPPO. Furthermore, in a related EU subsidy fraud case, national investigators have recently recommended indictment.

European Commission, »2021 Rule of Law Report. Country Chapter on the rule of law situation in Czechia«, <[https://ec.europa.eu/info/sites/default/files/2021\\_rolr\\_country\\_chapter\\_czechia\\_en.pdf](https://ec.europa.eu/info/sites/default/files/2021_rolr_country_chapter_czechia_en.pdf)>.

<sup>14</sup> The Guardian, »Bad week for Czech PM after Pandora papers help dethrone him«, 12/10/2021, <<https://www.theguardian.com/world/2021/oct/11/czech-president-milos-zeman-still-in-hospital-andrej-babis-election-defeat>>.

<sup>15</sup> Aktuálně, »Babiš k maďarskému zákonu o homosexuálech: Orbán nám to musí vysvětlit« [Babiš on Hungary's gay law: 'Orbán must explain it to us'], 24/06/2021,

<<https://zpravy.aktualne.cz/zahranici/vetsina-lidru-pred-summitem-podporila-prava-lgbt-orbana-ceka/r~09b0053ad4db11eba824ac1f6b220ee8/>>.

activities and party donations were listed. In addition, the infringement proceedings from the beginning of June 2021 are mentioned, which are related to the PSPP (Public Sector Purchase Programme of the European Central Bank) ruling of Germany's highest court in Karlsruhe of May 2020.<sup>16</sup>

The German discussion ahead of the election on rule of law has been mostly limited and directed to external aspects, for example Germany's view vis-à-vis the EU or the situation in other EU member states.<sup>17</sup> As a consequence, the debate on the German position on rule of law has been influenced mainly by the EU's crisis response to the COVID-19 pandemic and the recent controversies regarding Hungary's and Poland's conflicts with the European Commission, the European Parliament and the European Court of Justice (CJEU).<sup>18</sup> Notwithstanding the overall positive assessment of the rule of law situation in Germany, Berlin has been criticised by many in Europe, amongst them scholars and in the media, for its role in forging a compromise, deemed too lenient, on the rule of law mechanism related to the disbursements of the 2020 EU Recovery Fund and the new Multiannual Financial Framework (2021-2027). Some have welcomed the compromise while others have argued that the German government has not done enough to protect and promote legal safeguards when it came to the Hungarian and Polish governments in the European Council during July 2020 summit and afterwards.<sup>19</sup>

Moreover, the still unresolved legal dispute between the CJEU in Luxembourg and the German Federal Constitutional Court in Karlsruhe are of growing concern to many observers as it seems to have inspired the Polish government and judiciary to seek to circumvent or limit the CJEU's legal authority and thus undermining the EU's legal order.<sup>20</sup> In addition to Chancellor Merkel's actions as head of government, she and her CDU/CSU parties were also condemned for the appeasing strategy towards the Hungarian government, PM Victor Orbán and his ruling FIDESZ party, when it came to the question of whether or not to exclude them from the European People's Party (EPP) and its EP group. After years of internal wrangling, this only changed in spring of 2021 when FIDESZ quit the EPP just before its exclusion was to be decided upon by a majority of the EPP's member parties – among them CDU and CSU.<sup>21</sup>

During the campaign, the three chancellor candidates have put different emphasis on the rule of law situation in other EU member states, most notably in regard to Hungary's recent measures that targeted LGBTQI people's rights. The Green candidate, Ms Bearbock,

<sup>16</sup> European Commission, »2021 Rule of Law Report. Country Chapter on the rule of law situation in Germany«, <[https://ec.europa.eu/info/sites/default/files/2021\\_rolr\\_country\\_chapter\\_germany\\_en.pdf](https://ec.europa.eu/info/sites/default/files/2021_rolr_country_chapter_germany_en.pdf)>.

<sup>17</sup> However, rule of law became to some extent a [topic late in the campaign](#) when SPD's chancellor candidate Olaf Scholz was criticised for his past performance as finance minister (from 2018) to oversee several sensitive cases at the German Customs Office or in relation to the so-called »Cum ex scandal« when he was mayor of Hamburg (2011-2018).

<sup>18</sup> Eckhard Lübke, »Rechtsstaatlichkeit und Handlungsfähigkeit: Zwei Seiten einer EU-Medaille« [Rule of law and capacity to act: two sides of the same EU coin], Stiftung Wissenschaft und Politik (SWP), 2021, <<https://www.swp-berlin.org/en/publication/rechtsstaatlichkeit-und-handlungsfahigkeit-zwei-seiten-einer-eu-medaille>>.

<sup>19</sup> See for rather critical analyses on the rule of law compromise negotiated by the German 2020 EU Council Presidency: Judy Dempsey, »Germany Needs to End Hungary and Poland's Blackmail«, Carnegie Europe, 2020, <<https://carnegieeurope.eu/strategieurope/83245>>. George Soros, »The costs of Merkel's surrender to Hungarian and Polish extortion, European Council on Foreign Relations«, 2020, <<https://ecfr.eu/article/the-costs-of-merkels-surrender-to-hungarian-and-polish-extortion/>>.

<sup>20</sup> DIE ZEIT, »Letzte Runde für den Rechtsstaat?« [Last round for the rule of law?], 28/07/2021, <<https://www.zeit.de/2021/31/justizreform-polen-abschaffung-gewaltenteilung-rechtsstaatlichkeit-europa-eugh>>.

<sup>21</sup> Andreas Bock, »Calling it quits: How Europe should build on Fidesz's exit from the EPP«, European Council on Foreign Relations, 2021, <<https://ecfr.eu/article/calling-it-quits-how-europe-should-build-on-fideszs-exit-from-the-epp/>>.

has been most critical of Budapest's policies asking for financial sanctions. The candidates of SPD, Mr Scholz, and of CDU/CSU, Mr Laschet, have publicly demanded legal consequences in case of an eventual CJEU ruling but without arguing for further immediate measures.<sup>22</sup> This is in broad terms in line with the parties' campaign manifestos: Whereas the election programme of the CDU party preferred dialogue formats to settle rule of law conflicts within the EU, SPD urged the strict and comprehensive implementation of the EU's rule of law mechanism. The Greens called for all member states to participate at the EPP as a prerequisite in order to continue to receive EU funds. Lastly, the FDP also called for stricter rule of law policies.<sup>23</sup>

As a »traffic light« alliance will be sworn in, shortly, a new Scholz-led government might not embark on an entirely new path in European rule of law issues as became apparent in the few public statements that Mr Scholz dedicated to the topic before election day. Thus, a continuation of Chancellor Merkel's rather lenient, compromise-seeking, but also de-escalating approach towards Warsaw and Budapest is to be expected when Scholz represents as new head of government the Federal Republic in the European Council. A more firm stance vis-à-vis the governments of Poland and Hungary on certain aspects such as minority rights may still be possible in view of the Greens and the FDP entering the next government. The political room for manoeuvre for both parties and their traditional strong focus on civil liberties could however be limited by the Social Democratic coalition partner. The negotiated coalition agreement however does mandate the next government to conditionalise the German approval of Recovery and Resilience Facility (RRF) measures (as part of the »NextGeneration EU«, see chapter 2.3.) in regard to the independence of the judiciary in the recipient country. Whether this will be used by Berlin as a tool to actively pressure Warsaw and Budapest in finding a solution for the ongoing legal disputes with Brussels and Strasbourg, is as of now unclear. In this respect, it remains to be seen whether the next German government will prioritise rule of law questions over other European policies, especially and as long as important CJEU rulings on the legality of the rule of law mechanism are pending and the Commission actions taken against Hungary and Poland are ongoing. Moreover, as EU member states, both countries yield veto powers in important EU policy areas, such as in climate policy, in security and defence, trade agreements or future MFF negotiations that could impede Berlin's willingness to take an assertive stance towards them.

Consequently, expectations from Brussels' EU headquarters are ambiguous. On the one hand, it remains to be seen whether the next German government will drastically change its course on rule of law matters when other member states (foremost Hungary and Poland) are involved. Nevertheless, the wording of the coalition agreement might point to a more confrontational approach in regard to approving RRF measures for Poland and Warsaw if a solution to the ongoing rule of law dispute cannot be reached, soon. On the other hand, the Commission's natural preference (together with the CJEU) to maintain the EU's legal order and its interpretation of the primacy of EU over national law, could contribute to a dilemma for both the Commission and the German government alike. German political leaders hardly ever mentioned during or after the campaign the current

<sup>22</sup> Merkur, »Laschet und Baerbock in heftigem Triell-Streit - beim Thema Orban« [Laschet and Baerbock in fierce triell dispute - on the subject of Orban], 01/07/2021, <<https://www.merkur.de/politik/baerbock-laschet-scholz-gruene-ungarn-orban-triell-siko-ischinger-bundestagswahl-kanzlerkandidaten-90826630.html>>.

<sup>23</sup> Comparisons of party policies are based on a comparative analysis of the party manifestos for the German Bundestag elections 2021 by Minna Ålander, Julina Mintel, Dominik Rehbaum of SWP's EU/Europe Research Division, »What the 2021 election manifestos tell us about the views of German parties on the EU«, London School of Economics, 12/08/2021, <<https://blogs.lse.ac.uk/europpblog/2021/08/12/what-the-2021-election-manifestos-tell-us-about-the-views-of-german-parties-on-the-eu/>>.

dispute between the »supreme courts« in Luxembourg (CJEU) and Karlsruhe (Federal Constitutional Court) stemming from the latter's 2020 PSPP ruling. Next steps depend on the Commission as to whether the rather inconclusive German reply to the launch of the infringement procedure will suffice or whether further steps will be taken in Brussels against Berlin and Karlsruhe.<sup>24</sup> The recent ruling of the Polish Constitutional Tribunal that declared parts of the EU treaties unconstitutional under Polish law could impact the further proceeding of the Commission against Berlin as Brussels is expected to try avoiding the establishment of any precedent that undermines its interpretation of the primacy of EU law in any of its member states.<sup>25</sup>

## 2.2. Climate policy

For the EU to achieve carbon neutrality by 2050, the European Commission has published its milestone »Fit for 55« (FF55) legislative package on 14 July 2021, comprising 12 concrete measures to reduce the EU's CO<sub>2</sub> emissions by 55 % until 2030.<sup>26</sup> The package is the cornerstone of the European Green Deal and includes a new Emissions Trading System (ETS) for transport and buildings, a sales ban on cars with combustion engines by 2035, the expansion of renewable energies, and the carbon border adjustment mechanism. The legislative package will be debated in the European Parliament and in the Council in the coming years and will demonstrate to what extent member states are willing to embrace the transformation of the EU's economy.<sup>27</sup> While the climate crisis has been a central topic of the election campaign in Germany, it received only limited attention in the Czech Republic. However, aside from the differences in pre-election narratives, the outgoing governments in Berlin and Prague have both consistently scored medium to low in climate change policy as assessed by many observers. For Brussels to expect more dynamism in this field from both capitals, the election outcomes would need to bring about a profound change in new government programmes.

**Czech Republic:** Carbon intensive industry is the backbone of Czech economic sector, representing around 30 % of the country's Gross Value Added, which presents the second highest ratio among the EU member states.<sup>28</sup> As such, the Czech Republic is also one of the largest emitters per capita and only one of two countries in the EU which had been constantly raising its carbon emissions in the last five years,<sup>29</sup> before the COVID-19 pandemic emerged. Moreover, the Czech Republic is the second biggest producer of hard coal in the EU,<sup>30</sup> after Poland; and the third biggest consumer after Germany and Poland. Meanwhile, renewable energy only contributes to roughly 7 % of its energy mix,<sup>31</sup> with limited ambition for improvements. Despite the fact that reaching climate targets presents

<sup>24</sup> Deutschlandfunk, »Regierung hält EU-Verfahren für unbegründet« [Government considers EU proceedings unfounded], 12/08/2021, <[https://www.deutschlandfunk.de/vertragsverletzungsverfahren-regierung-haelt-eu-verfahren.1773.de.html?dram:article\\_id=501581](https://www.deutschlandfunk.de/vertragsverletzungsverfahren-regierung-haelt-eu-verfahren.1773.de.html?dram:article_id=501581)>.

<sup>25</sup> European Commission, »European Commission reaffirms the primacy of EU law«, 2021, <[https://ec.europa.eu/commission/presscorner/detail/en/statement\\_21\\_5142](https://ec.europa.eu/commission/presscorner/detail/en/statement_21_5142)>.

Lucas Guttenberg, Thu Nguyen, »After the German Election: What's next on the rule of law?«, Jacques Delors Centre, 2021, <<https://www.delorscentre.eu/en/publications/detail/publication/rule-of-law>>.

<sup>26</sup> European Commission, 2021, <[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_3541](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_3541)>.

<sup>27</sup> The energy consultancy E3G estimates that negotiations between the European Parliament and Council on the »Fit for 55« proposals will take a [minimum of two years](#) with negotiators most likely struggling to find a compromise by 2023.

<sup>28</sup> Eurostat, 2020, <<https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/ddn-20201028-1>>.

<sup>29</sup> European Environmental Agency, 2021, <<https://www.eea.europa.eu/data-and-maps/data/data-viewers/greenhouse-gases-viewer>>.

<sup>30</sup> Eurostat, 2020, <<https://ec.europa.eu/eurostat/en/web/products-eurostat-news/-/ddn-20200709-2>>.

<sup>31</sup> International Energy Agency, 2021, <<https://www.iea.org/countries/czech-republic>>.

a significant challenge for the Czech Republic, non-compliance with this much needed effort to transform could have disastrous effects on Czech economy. This interpretation is however ignored by most of Czech political elites.

PM Babiš and the outgoing coalition of ANO and Social Democrats has shown only little effort to support climate policies throughout its four-year term. This was visible especially in the governments' lukewarm approach to the decarbonisation of the automotive industry, which contributes to roughly 10 % of Czech GDP. Policies that would support investments in the area of electro-mobility or renewable energy sources remain very limited.

While not blocking major initiatives on the EU level (such as said FF55 package), the Czech Republic has been a rather passive actor and remains one of the lowest performing EU countries in the field of climate change.<sup>32</sup> The outgoing Czech government evaluated the transition as achievable only if Prague can rely on natural gas and nuclear as alternative sources of energy. Labelling nuclear energy as »green« has been also the former Czech governments' condition for the support of the final version of the 2030 climate goals. This condition is supported not only by the outgoing government, but also by most actors within the new coalition.

Significant changes in the approach of the Czech Republic towards climate change is not expected primarily due to poor election result of the Pirate Party, the only political force that was mentioning climate change extensively in their 2021 election manifesto. However, if Pirates together with their coalition partners can influence the climate components of the next government's agenda, Brussels could anticipate enhanced communication and potentially find a stronger partner in the CEE region (Central and Eastern Europe). As climate policy is one of the priorities of the European Commission, and an enormous amount of funds will be available for the energy transition, the Czech Republic will likely play its part and officially support climate neutrality. To what degree Prague will effectively become more proactive in this policy field remains to be seen as the preferences of the dominating centre-right SPOLU have been closer to ANO's recent policies, in this respect. Regarding the upcoming Czech EU Council Presidency in 2022, Prague will lead the negotiations over final adaptations and modifications of the FF55 package. It will thus be crucial that any future Czech government fully supports the transition and finds a common ground with the leaders in the (European) Council, the Parliament and the European Commission over the possible usage of natural gas and nuclear as alternative sources of energy.

**Germany:** Berlin's commitment to the implementation of the EU's climate agenda is pivotal for at least two reasons: First, Germany is the EU's largest economy, one of its industrial powerhouses and biggest CO<sub>2</sub> emitter.<sup>33</sup> For the EU to reach its target of -55 % by 2030 (and for Germany to achieve its even more ambitious national target of -65 % by 2030 and climate neutrality by 2045), Berlin needs to significantly reduce its comparatively high greenhouse gas emissions, especially in the energy and transport sector.<sup>34</sup> Second, the negotiations and implementation of the measures proposed in FF55 hinge upon political leadership of member states and administrative capacity.<sup>35</sup> Brussels therefore needs Germany to put its weight behind this legislative package, endorse its measures, uphold the momentum of its negotiations, motivate other EU countries and potentially provide technical and administrative assistance to relieve the European Commission.

<sup>32</sup> Climate Change Performance Index, 2021, <<https://ccpi.org/country/cze/>>.

<sup>33</sup> See footnote 29.

<sup>34</sup> Climate Change Performance Index, 2021, <<https://ccpi.org/country/deu/>>.

<sup>35</sup> E3G, »Does Fit for 55 live up to expectations?«, 2021, <<https://www.e3g.org/news/does-fit-for-55-live-up-to-expectations/>>.

Under Chancellor Merkel and years of »grand coalition« governments of CDU/CSU and SPD, Germany has been perceived as a laggard in EU climate policy. Whereas Berlin has been a consistent supporter of EU climate policy and is ascribed high performance in international climate diplomacy, its actions at home however consistently bore witness to low ambition and resistance to a meaningful transformation of its economy, notably the energy sector and the car industry. Low points were the decision of a late exit from coal by 2038, the sluggish expansion of renewable energies and the July 2021 Federal Constitutional Court ruling, which judged the German government's Climate Action Law as insufficient in regard to the constitutional rights of future generations. Even though the two outgoing governing factions, CDU/CSU & SPD, cautiously embraced aspects of the European Green Deal in their 2021 manifestos, observers agreed that both rather stood for the continuation of the status quo in German national and European climate policy.<sup>36</sup>

In the run-up to the elections, the Green party presented concrete objectives and proposals for EU climate policy such as a profound reform of the ETS at European level in order to increase the price of CO<sub>2</sub> and an ambitious implementation of the European Green Deal in all sectors.<sup>37</sup> Due to their common interest in changing the status quo of German politics at large, the Greens and FDP also found common ground on climate policy during first exploratory talks right after the elections. During the coalition negotiations between SPD, Greens and FDP it became clear however, that the environmentalist party had to invest much of its leverage to see its core objectives adopted in the coalition contract. The result, an anticipated phasing-out of coal »ideally« by 2030 instead of 2038 and a sharp increase in the promotion and use of renewable energies are meaningful changes that have the capacity to increase dynamism this in the field of climate policy, both domestically and at the European level.

### 2.3. Economic and fiscal integration

Ambitions to deepen and stabilise the EU's economic and fiscal governance have been on the agenda of both, the past Juncker and the current von der Leyen European Commission. Results of the discussion within the Economic Governance Review were delayed by the COVID-19 pandemic and the Review was only resumed on 19 October 2021.<sup>38</sup> However, even before the COVID-19 pandemic hit, the Commission's approach for reforms in this politically sensitive area had remained rather careful and abstract. The level of complexity of EU fiscal rules, which remain suspended until 2023, has been criticised on several occasions.<sup>39</sup> The main criticism made by many observers such as think tankers, the media or other experts, concerned the lack of transparency, predictability and communication about and political ownership of the fiscal rules. Moreover, regarding the common euro

<sup>36</sup> Sophie Pornschlegel, Alexandra Salomonsová, »Uninspired or indifferent? EU policy in the 2021 German election manifestos«, European Policy Centre, 2021, <<https://epc.eu/en/Publications/Uninspired-or-indifferent-EU-policy-in-the-2021-German-election-manif~416a18>>. See also footnote 23.

<sup>37</sup> Bündnis 90/Die Grünen, 2021, <[https://cms.gruene.de/uploads/documents/Wahlprogramm-DIE-GRUENEN-Bundestagswahl-2021\\_barrierefrei.pdf](https://cms.gruene.de/uploads/documents/Wahlprogramm-DIE-GRUENEN-Bundestagswahl-2021_barrierefrei.pdf)>.

<sup>38</sup> European Commission, »The EU economy after COVID-19: implications for economic governance«, 2021, <[https://ec.europa.eu/info/sites/default/files/economy-finance/economic\\_governance\\_review-communication.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/economic_governance_review-communication.pdf)>.

Reuters, »EU Commission to launch EU budget rules review on Oct 19«, 05/10/2021, <<https://www.reuters.com/world/europe/eu-commission-launch-eu-budget-rules-review-oct-19-2021-10-05/>>.

<sup>39</sup> European Fiscal Board, »Assessment of EU fiscal rules. With a focus on the six and two-pack legislation«, 2019, pp. 84-88, <[https://ec.europa.eu/info/sites/default/files/2019-09-10-assessment-of-eu-fiscal-rules\\_en.pdf](https://ec.europa.eu/info/sites/default/files/2019-09-10-assessment-of-eu-fiscal-rules_en.pdf)>.

currency, critics frequently took aim at the institutional set-up of the Eurozone, which among other things lacks a common fiscal stabiliser.<sup>40</sup>

In general, the Commission has advocated for reforms towards a deepening of economic and monetary integration. However, it made clear that the aim of any review by the Commission is not to make recommendations for action, but merely to evaluate the existing rules and thus giving priorities to member states' positioning ahead of any reform process.<sup>41</sup> Ms von der Leyen's State of the Union speeches of 2020 and 2021 both implied a need for a review of the EU's economic governance and the completion of the Banking and Capital Markets Union. A political discussion on a reform of the Stability and Growth pact is already underway.<sup>42</sup> However, in both countries, Czech Republic and Germany, EU-related economic and financial questions have not played an important role in the pre-election period.

The **Czech Republic**, like other countries in the CEE region, has never presented itself as a proactive actor when it comes to the future of European economic integration. As a medium-size country outside the Eurozone with relatively stable public finances, the Czech Republic was also never really expected to be. The domestic debate on the euro has been traditionally limited to the discussion of the country's own accession to the Eurozone, which has not progressed significantly, even though the country has no official opt-out and is thus obliged to join, eventually.

During the post-2008 economic crisis, the political will to join the common currency lowered even more as politicians went to great lengths to portray the Eurozone as the source of problems and to present the choice to stick to the Czech crown as a success story. Simultaneously, public opinion polls registered decreasing approval rates of Czech voters for Euro accession (from 45 % in favour of the Euro in 2008 to 24 % in 2020).<sup>43</sup> The country's economy has indeed been doing relatively well in the pre-pandemic period, even though differences among regions remain significant and the country faces domestic economic and social challenges stemming from the transformation of its heavy coal and industry dependent economy towards greener formats.

The perspective of Czech politics has hardly ever reached beyond the borders of the country – be it in the election period or not. EU topics tend to be discussed rather on an expert level than in a legislative plenary or with the public. This reflects both the relatively high level of Euroscepticism in the country and the lack of any clear long-term vision towards European integration. Hence, it is evident that EU-related questions – including economic and fiscal aspects – had not usually been part of the parties' electoral manifestos

<sup>40</sup> See for example: Paweł Tokarski, Alexander Wiedmann, »The Corona Debt Conundrum in the Eurozone«, Stiftung Wissenschaft und Politik (SWP), 2021, <<https://www.swp-berlin.org/en/publication/the-corona-debt-conundrum-in-the-eurozone>>.

Jacob Kirkegaard, »Without a Budget, the Eurozone Remains Ill-Equipped for Its Next Crisis«, World Politics Review, 2019, <<https://www.worldpoliticsreview.com/articles/28143/without-a-budget-the-eurozone-remains-ill-equipped-for-its-next-crisis>>.

<sup>41</sup> European Commission, »Questions and answers: Commission relaunches the review of EU economic governance«, 19/10/2021, <[https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_5322](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5322)>. European Commission, »Economic governance review: Questions and answers«, 2020, <[https://ec.europa.eu/commission/presscorner/detail/en/QANDA\\_20\\_171](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_171)>.

<sup>42</sup> Maria Demertzis, »Europe must fix its fiscal rules«, Bruegel, 2021, <<https://www.bruegel.org/2021/05/europe-must-fix-its-fiscal-rules/>>. See footnote 50.

<sup>43</sup> Seznam Zprávy, »Euro místo koruny? Češi mění názor, příznivců evropské měny přibýlo« [The euro instead of the crown? Czechs are changing their minds, the number of supporters of the European currency has increased], 04/05/2021, <<https://www.seznamzpravy.cz/clanek/euro-misto-koruny-cesi-meni-nazor-priznivcu-evropske-meny-pribylo-152964>>.

Centrum pro výzkum veřejného mínění, »Občané ČR o budoucnosti EU a přijetí eura – červenec 2020« [Citizens of the Czech Republic on the future of the EU and the adoption of the euro - July 2020], <<https://cvvm.soc.cas.cz/tiskove-zpravy/politicke/mezinarodni-vztahy/5277-obcane-cr-o-budoucnosti-eu-a-prijeti-eura-cervenec-2020>>.

in the run-up of an election, as it was the case in the 2021 campaign. As the Czech Recovery and Resilience Plan has been approved by the European Commission in July 2021 and endorsed by the Council in September 2021, it was not a topic of the pre-election campaign either. Even though the style in which the Recovery and Resilience Facility (RRF) Plan was negotiated brought on criticism from the side of non-state stakeholders (cities, regions, private sector) and the opposition in Prague, it was not used as a key argument against the outgoing government in the campaign.

With the pandemic, however, new budgetary concerns have emerged in Czech politics that are potentially relevant for its European partners as well. The country with traditionally stable public finances has found itself caught in a debt spiral, fuelled not only by COVID-19-related spending, but also by various tax changes introduced by the outgoing ANO-led coalition.

Besides the debate on public spending, the domestic discourse on European economic topics was limited to a better success rate in directly managed (structural and regional) funds and increasing the absorption capacity of the Czech state administration (as mentioned by SPOLU).<sup>44</sup> In their programme, the coalition of Pirates and Mayors called for joining the ERM II (Exchange Rate Mechanism) and thus starting a debate on euro adoption by 2025.<sup>45</sup> However, in view of low approval rating among the population for euro adoption, they did not highlight the Eurozone accession in the campaign and no other party mentioned anything else remotely connected to the EU's economic future.

Consequently, the overall development of the European economy was not of concern either to the media, the public or to the political parties in view of the 2021 Czech parliamentary elections. This again proves the overtly inward-looking orientation of Czech politics and domestic discourse, with only very schematic and superficial mentions of the EU or European issues. For Brussels that means that no major changes are to be anticipated on the Czech side, regardless of the outcome of the government formation.

**Germany:** Unlike the Czech Republic, Germany has been one of the founding members of the EU and the Eurozone. Among all political parties represented in the German Bundestag – with the exception of the far-right Eurosceptic AfD – membership to both is unquestioned. However, over the course of the sovereign debt crisis (2010-2015), subsequent German governments under Chancellor Merkel have been portrayed as being critical of any notion of a fiscal union, of debt mutualisation or so-called euro bonds in order to reform the Eurozone's economic and fiscal foundations.

A change to the status quo came in 2020 due to the external shock that the COVID-19 pandemic presented to societies and economies worldwide. This was when Germany under Chancellor Merkel and France under President Macron initiated a process leading the RRF being a major part of the »Next Generation EU« (NGEU) that included joint borrowing and the provisions of loans and grants to member states and that was agreed upon after long negotiations by all EU member states and institutions in the summer of 2020. For the first time, Germany voted in favour of temporary joint borrowing by the EU countries, part of which was to be used for grants. From a European point of view, this was perceived as a »Hamiltonian« breakthrough, as France, Italy and Spain in particular had already long advocated a deepening of fiscal integration.<sup>46</sup> Berlin had always rejected this prior to the pandemic, citing concerns of »moral hazard«, but adjusted its position in

<sup>44</sup> SPOLU, »Spolu pro chytrý stát« [Together for a Smart State], 2021, <<https://www.spolu21.cz/program/spolu-pro-chytry-stat>>.

<sup>45</sup> Pirates and Mayors, »Stabilnější koruna vůči euru« [A more stable koruna against the euro], 2021, <<https://www.piratiastarostove.cz/program/stabilnejsi-koruna-vuci-euru/>>.

<sup>46</sup> Mark Leonard, Jana Puglierin, »How to prevent Germany from becoming Eurosceptic«, European Council on Foreign Relations, 2021, <<https://ecfr.eu/publication/how-to-prevent-germany-from-becoming-eurosceptic/>>.

the wake of the shock of COVID-19 and eventually acted as a mediator between the mostly Northern («new Hanseatic League» or «frugal») and the mostly Southern European states while it was holding the rotating EU Council Presidency in 2020.<sup>47</sup>

Ahead of the September 2021 elections in Germany, the EU as a whole and the fiscal, economic and monetary future of the Union in particular, have not received much public attention either.<sup>48</sup> Nevertheless, most of the political parties competing for representation in the next Bundestag and/or running for the chancellorship with their respective lead candidate, have (partly) addressed this topic in their manifestos. The SPD however did not directly mention any proposal on how to reform the economic and fiscal set-up of the EU, but presented the agreed crisis recovery measures that were negotiated in 2020 by Olaf Scholz in his capacity as finance minister as an »integration step«.<sup>49</sup> The FDP (and CDU/CSU) advocated for a quick return to the strict application of the Stability and Growth Pact after the end of the pandemic while emphasising the current recovery operation as a one-off exercise with no lead into a »transfer and debt union« (*Transfer- und Schuldunion*). The Greens proposed a reform of the Stability and Growth Pact that avoids heavy fiscal burdens on member states affected by economic hardship and thus securing necessary investments in the future. Furthermore, they wished for a common European fiscal policy.

What can the EU and its institutions expect from a new »traffic light« German government? The FDP, as part of the coalition, recently advocated openly for a reformed Stability and Growth Pact («Maastricht 2.0») that includes stricter sanctions for rule breaking states and firmly stands against common debts and any EU (own resource) taxes. The SPD's position has been more ambiguous and less hard-line on this topic. The impression the Social Democrats seemingly wanted to give to voters is that of a less strict monetary orthodoxy combined with a warning on returning to austerity in Europe on the one hand, while maintaining the current fiscal rules, on the other hand.<sup>50</sup> The Greens positioned themselves in favour of reforms of the Stability and Growth Pact, however advocating for solutions on the EU level potentially leading to less strict debt and more common fiscal rules (without mentioning common debt bonds). Consequently, the final coalition agreement of November 2021 lauds the Stability and Growth Pact for its flexibility that it showed during the pandemic, thus implying that the next German government remains committed to it. However, the overall wording regarding any reforms of the Stability and Reform Pact remain vague. Nonetheless, the new coalition signals readiness for dialogue on this issue. Same conclusion can be incurred from an absence of labelling the 2020 Recovery and Resilience Facility as a »one-off« instrument. Even so, a stark policy shift of all three coalition partners towards embracing path-changing reforms of the EU's fiscal and economic governance cannot yet be clearly identified. Given the persisting general differences in the policy issue between the »traffic light« partners, Brussels decision makers will need to pay attention on how the domestic political debates will evolve in the time to come.

<sup>47</sup> Financial Times, »The minds behind Germany's shifting fiscal stance«, 09/06/2020, <<https://www.ft.com/content/2503ce9c-cde9-4301-bba0-8301f7deaf3b>>.

<sup>48</sup> The popular »Wahl-o-mat« for instance of the Bundeszentrale für politische Bildung, an online tool for voters that aims to easily compare the parties' opinions on different political questions, included in its 2021 edition only one question (out of 38) that related somehow to the EU (whether Germany should leave the EU).

<sup>49</sup> See footnote 23.

<sup>50</sup> DER SPIEGEL, »Frankreich nennt EU-Schuldenregeln ‚obsolet‘« [France calls EU debt rules 'obsolete'], 10/09/2021, <<https://www.spiegel.de/wirtschaft/soziales/corona-verbindlichkeiten-frankreich-nennt-eu-schuldenregeln-obsolet-a-bdb0a195-cd2f-48ba-a680-1d908ad8d258>>.

### 3. Outlook: Changes ahead and bridging gaps?

The two EU member states, the Czech Republic and Germany, are closely interconnected, however in a rather asymmetrical economic relationship – as the former’s industrial base serves as manufacturer (»work bench«) for the latter’s car industry among other things. Both unlike neighbours underwent crucial national elections in the autumn of 2021 that resulted in untried governing formations: a »traffic light« (*Ampel*) coalition in Berlin and an alliance between centre-right and progressive-centrist parties in Prague. Brussels decision-makers will undoubtedly pay attention to the outcome of the government formations in both countries and how they will consider EU policies. This becomes more important for the EU as many policy proposals brought forward by the European Commission and discussed by the Parliament and the Council – foremost climate, economic reforms and rule of law – are each in a crucial political phase.

In regard to **rule of law**, the Czech Republic and Germany have been criticised by the European Commission’s report, albeit for different reasons and to different degree. Despite the fact that rule of law has become somewhat of an election issue in Germany regarding Mr Scholz’ role as finance minister late in the campaign,<sup>51</sup> discussions on the general rule of law situation have been overlooking domestic shortcomings and rather focussed on Berlin’s position vis-à-vis the independence of the justice system in Poland or the protection of minority rights in Hungary. For none of the German parties running their campaign before the 2021 elections, rule of law violations (in Germany or in other member states) played a prominent role, however. In view of the negotiated »traffic light« coalition agreement and its content on rule of law issues, observers in Brussels and other European capitals may expect a somewhat more confrontational approach towards Warsaw and Budapest. However, it is not clear yet whether this approach will in practice eventually be rather of symbolic nature and more in line of Chancellor Merkel’s compromise-seeking strategy or whether the *Ampel* partners will actually risk open conflict with some of its European partners on this issue. In the case of the Czech Republic, rule of law discussions featured more prominently before and during the campaign as PM Babiš’ own conflicts of interests were put in the spotlight which further polarised the political atmosphere in Prague. Czech political actors have however not been outspoken towards rule of law issues in other EU member states and within the V4 group (with Hungary, Poland, Slovakia). Hence, it is unlikely that the Czech Republic even under the new coalition government will become a proactive player in European rule of law questions. The annual rule of law reports by the European Commission will however continue to bring the discussion on the state of the justice system, democracy and civil liberties back on the national agendas in 2022.

Amidst the escalating **climate crisis**, both countries, Germany and the Czech Republic, still feature comparatively high greenhouse gas emissions. Whereas past governments in Berlin have in comparison to Prague been more vocal on climate policy and supportive of initiatives at the European level, neither country has taken concrete actions in the last four years that would advance cornerstones of the European Green Deal. Even though the extreme weather events of summer 2021 and increased public attention to the topic may force politicians to increase performance at large, any new climate actions by the new

<sup>51</sup> See footnote 17.

governments in Germany and the Czech Republic will be closely followed in Brussels and elsewhere. There would however be divergence on the course of the transition in the energy sector. Whereas Berlin decided in 2011 to (re-)phase-out nuclear energy by 2022, Prague's current policy sees the usage of nuclear energy as key in decarbonising its power industry – alongside other European countries such as France. As the Green party in Germany and the Pirate party in the Czech Republic (both form part of the same political group in the European Parliament) enter into government, Brussels may see more dynamism from Berlin and Prague on the climate file. Both parties also put a high priority on a »just transition« meaning that climate policy should not happen at the expense of the socio-economically disadvantaged. Whereas Germany's engagement in EU climate policy is crucial for upholding the momentum for the negotiation and implementation of the FF55 package, Prague's stance has a significant impact on the positioning of the remaining V4 countries and in the light of the upcoming Czech EU Council Presidency. Therefore, both countries' climate policy performance possibly bear spill-over effects. This could help bridge the persistent cleavage within the EU between old and new as well as large and smaller member states.

The field of **economic and fiscal EU integration** did not play a visible part during the electoral campaigns in either country. German and Czech parties did not demonstrate much appetite to explain to their electorates any need for significant reforms of the economic and financial set-up of the EU. Even the more outspoken German Green party did not for instance directly address the question of common European debt titles. Moreover, the two other potential »traffic light« partners, SPD and FDP, advocated for maintaining the current European arrangements at large. In the Czech Republic, this political topic traditionally has been and will likely continue to be of minor priority for the government in Prague, given the (almost) confirmed national RRF plan and the country not yet being a member of the Eurozone. As the Commission's Economic Governance Review is on the way, Brussels should as of now not expect significant impetus from either Berlin or Prague. The former might become more inward-looking and relying on the status quo, especially given a new and yet untested »traffic-light« coalition that includes three parties with generally opposing EU policy preference in this field of action (pro/contra banking union, common debts etc.). Similar assumptions can be derived from a next Czech government that firstly will be also composed of political forces with generally diverging ideas for the EU (moderate Eurosceptic SPOLU vs. more EU-friendly Pirates), and that secondly will have to bind its political resources in holding and facilitating the Czech 2022 EU Council Presidency. It will thus be up to the Commission to actively engage with the member states in the Council (and with the Parliament) to advance with meaningful reform discussions.

Improved bilateral **Czech-German relations** that help to align the positions of Berlin and Prague on the discussed and other EU policy issues can present an **added value for the EU**. The EU has traditionally known several minilateral groups of member states forming alliances with different degrees of cohesion, like the Benelux, V4 or in regard to budgetary questions, the frugal (»new Hanseatic«) states.<sup>52</sup> In recent years, the bilateral Franco-German »engine« that has dominated the European agenda was increasingly

<sup>52</sup> Kai-Olaf Lang, Nicolai von Ondarza, »Friends in Need. The Corona Pandemic Changes the Landscape of Groups and Coalitions in the EU«, Stiftung Wissenschaft und Politik (SWP), 2020, <<https://www.swp-berlin.org/en/publication/the-corona-pandemic-changes-the-landscape-of-groups-and-coalitions-in-the-eu>>. Kai-Olaf Lang, Nicolai von Ondarza, »Minilateralism in der EU - Chancen und Risiken der innereuropäischen Diplomatie« [Minilateralisms in the EU - Opportunities and risks of intra-European diplomacy], Stiftung Wissenschaft und Politik (SWP), 2018, <<https://www.swp-berlin.org/publikation/minilateralismen-in-der-eu-chancen-und-risiken-der-innereuropaeischen-diplomatie>>.

**Nicolas Lux, MA**, is the Programme Manager of the Brussels office of SWP.

**Žiga Faktor, MSc**, is the Head of the Brussels office of EUROPEUM Institute for European Policy.

**Sarah Charlotte Henkel, MA**, was a Programme Manager of the Brussels Office of SWP until October 2021.

**Zuzana Stuchlíková, MA**, is an Associate Research Fellow at EUROPEUM Institute for European Policy, Prague, and was Head of its Brussels office until 2020.

© Stiftung Wissenschaft und Politik, 2021

**All rights reserved**

This Working Paper reflects the authors' views.

#### **SWP**

Stiftung Wissenschaft und Politik  
German Institute for International and Security Affairs

Ludwigkirchplatz 3–4  
10719 Berlin  
Telephone +49 30 880 07-0  
Fax +49 30 880 07-100  
www.swp-berlin.org  
swp@swp-berlin.org

doi: 10.18449/2021WP11

criticised by a number of smaller states for that very reason. Despite the fact that the 2020 recovery measures within the »NextGen EU« are in fact based on an initial joint proposals from Berlin and Paris, questions remain whether this »engine« will continue to fulfil its traditional role to facilitate compromises on contentious EU policies in the future without creating too much backlash from other European capitals. Thinking beyond traditional unilateral paths in the EU could encourage Berlin and Prague to try to align more closely their policy preferences regarding the climate, the economy and rule of law – which are all political questions where observers identify differences between larger and smaller, between euro and non-euro, and between older and newer EU member states. Stronger Czech-German ties – for instance through an intensified *Strategic Dialogue*<sup>53</sup> – could help the EU decision-making process (foremost in the Council) to bridge diverging policy preferences in crucial topics affecting the entire Union. Compromises between the largest EU and Eurozone member state, such as Germany, with a track-record of strong political engagement in Brussels on the one side, and a medium-size, non-euro country, like the Czech Republic being frequently assessed as a »moderate Eurosceptic« member state on the other side, could present an important part to **bridge opposing views on European integration and improve the EU's cohesion** in general, and to potentially **close certain gaps in trust and understanding** between unlike European capitals, in particular.

Amidst the many uncertainties that the 2021 election outcomes might bring for Brussels in 2022 and beyond, EU decision-makers need to anticipate a possible more inward-looking attitude in the two countries in view of unusual government coalitions. The implications for the future of crucial EU policies however could be meaningful, in the medium- and long-term. Whether this will mean accelerated reforms and progress in certain EU policy fields or rather maintaining the status quo, will depend on the willingness of the new governments in Prague and Berlin to constructively engage with one another and with Brussels.

<sup>53</sup> See footnote 9.