

## **CENS 2017 PAPER SERIES**

**The Unbearable Heaviness of Being –  
a core member of the EU**

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The Czechs have recently chosen as their future leader Andrej Babis, who clearly expressed during the campaign and victory speech a strong determination to “stop talk of multi-speed Europe”, has refused the prospect of Eurozone integration for the CZ, and has called for the EU to “reflect” on BREXIT - thus implying that it hasn't.

Interestingly, when he was in government, he supported until April 2017 the idea of multispeed Europe “within which EU members would be free to decide how fast and to what measure they wanted to proceed with EU integration”. He was also a supporter of Eurozone integration before entering politics, which could be interpreted as a sign of opportunistic politics, and that he is quintessentially an opportunistic political character. The defining trait of Babis, and probably the only viable comparison with Trump – is his utter lack of a political vision that he wants to implement, which should also dispel any notion of him being a new Orban or Kaczynski. He is only guilty of parochial and inconsistent Euroscepticism, and it is therefore not towards him that we should look to assess how the Czech Republic will approach the policy aspects of multi-speed Europe. Even a nightmare coalition scenario where a Babis' minority government is supported by SPD and the Communists - both guilty of lazy anti-European tropes without any structured ideology to transform the EU –is different from the way Hungarian and Polish leaders have expressed it. This is also part of the reason why the Czech Republic has moved away from the V4 format that has become dangerously construed with this “cultural counter-revolution project”, with which no mainstream political structure has associated in the CZ.

On the other side, the outgoing PM has given fairly standard statements about the dangers of two-speed Europe, stressing for example, after the last Council late October, that “too many decisions by a select group of states would present a risk of EU fragmentation into interest groups pursuing their own ambitions and the EU hard core tailoring the rules to its own benefit”. He also welcomes Donald Tusk's initiative to increase the amount of Council decisions that would be taken by unanimity.

This is where we fall into the typical Czech trap of two levels of dialogue towards the EU: the blunt and aggressive approach at home, where the PM and others have often repeated that they will “go to Brussels” and “make the voice of the country heard”, then come home railing that “decisions are imposed to them”, and the different approach while in Brussels, where, of course, Czech officials tend to vote according to what the country's interests are (long or short term, strategic alliances, etc.), and continue to be pushing forward on defending the four freedoms and on finalizing the internal market.

In the following, I look at the track record of how Czech processed so-called ‘two speed’ issues in the past year.

On defense, the Czech government was among the earliest supporters of PESCO when the initiative was floated in the aftermath of the British referendum. The Czech Republic hosted the official Commission DESCOP conference in June 17 destined to launch the initiative, and it clearly led the V4 pack on the initiative, because it sees PESCO as a very clear path to further integrate its defense industrial base in European procurement processes. This sends a very clear political signal to Germany that it wants to further proceed with (small-scale) rapprochement of defense policies (it is important to mention here the affiliation of the Czech brigade to the German division in Jan 17); it also conveys that it supports the French ambitious agenda to build up European capacities and strategic autonomy by ensuring the usability of forces (especially in Africa, which is part of the EU’s role in building stability and resilience of partner nations and proactive approach to EU security). It is obvious that the Czech government wants to be at the core of a stronger CSDP: it has proposed PESCO projects, and it does not oppose the creation of a logistical command for EU missions or of an operational HQ. Indeed, the Czech Republic has come a very long way from “reflexive Atlanticism” that characterizes other countries in the Alliance.

It is clear that PM Sobotka used the end of his mandate to bring Prague closer to the EU core, emphasized the country’s need to join the debate on the future of the EU and the related projects of multi-speed EU, and, in a way, we could say that he is using the Eurozone policy to “pre-position” its country in the core of the EU. The Czech government officially approved the request for an observer seat at a Eurozone finance minister’s meetings on September 13 (in parallel with Romania). There is strong sharing of information about “what goes on” at Eurozone meetings with Slovak counterparts, but the turning point, of course, comes in response to Macron’s ambitions, making it clear that it had become symbolically essential for Prague to be “at the table”. This is something that Babis will definitely not change; he is well known at EcoFin Councils for being a tough negotiator, and he will certainly delight in the increased access to information. However, Eurozone members should use this request as political leverage to have Babis commit to opening a discussion in the country about Eurozone accession, and take clear steps towards preparing the country in accordance with its treaty obligations.

Thus, it is clear that Macron aptly employed “dividing and conquering” tactics of the V4, with his visit of the Slavkov Triangle PMs in August, as it shows that the Czech Republic and Slovakia can also implement European policy via other alliances outside of the narrow and contested V4 realm. The positive relationship between Sebastian Kurz and Andrej Babis could also lead to Czech EU policy leaning more towards Austria and Slovakia for monetary and to a lesser extent fiscal policy, and towards France and Germany for security policy. This is made clearer by a muffled willingness to create distance from Polish and Hungarian politics, which is a factor driving the Czech Republic and Slovakia, and, in fact, embrace closer European policy coordination. It will be interesting to observe whether Fico openly approving further institutionalization of the Eurozone will have an impact on the Czech position.

My personal prediction runs perhaps a bit counter to current thinking. Babis has such a broad mandate that, if he ensures future prosperity of the country, if he answers to the main desires of the people which is to bring Czech living standards and salaries closer to German standards, then he will be on the path to introduce the Euro in the foreseeable future. As a matter of fact this is a necessity for the future prosperity of the country, which depends for 60% of its exports on the Eurozone. For a country that is still heavily dependent on manufacturing - a sector that is threatened by automation and robotization - there is an urgent need to consider how the economy can be transformed to adapt to these evolutions. One of the policies that is pursued, and that Babis will continue, is the priority put on the digital agenda of the EU, which is clearly seen as a way by which the Czech government can manage part of this transition. Another priority is also to ensure a steady flow of foreign investments, which will prove necessary for the modernization of the Czech economy. This will require an even deeper anchoring of Czech and V4 companies in the Eurozone, and provides one strong argument (among many others that are expressed by the confederation of employers, for example) for why the Czech Republic should join the Eurozone. Babis paradoxically seems to have received a deeply conservative mandate, but the breadth of his victory also allows him to act on his business experience in order to ensure that the Czech Republic keeps a competitive edge in the EU, and to take the measures necessary to do so. Therefore, it is clear that the Czech Republic has every interest in being part of the core of Europe and in maintaining the four freedoms.

The Czech approach to multi-speed Europe is clearly a result of the post-BREXIT calculation, aiming to strike a balance between French and German positions, with the loss of its best ally. The relationship with Germany is vital, given the level of dependence of the Czech Republic. Therefore, this explains the positive approach in official circles so far on more immediate policies of defense and Eurozone integration. However, there are red lines that are unlikely to change, such as the EU fiscal policy and certain elements of social Europe (especially for a country like Czech Republic that has relatively low emigration). But the result of the reform of the posted workers directive is a clear sign that there is no unified position of the V4 even on these highly symbolic issues, and it is likely that, in the future, the Czech Republic, due to its size, will continue to operate in the area of finding compromises between Paris and Berlin and to coordinate with the V4 on limited cases. It is clear that Paris sees Prague as a model for Central European countries taking an active part in the core of Europe, and the increasing amount of visits show that – among other elements, like slow realization - that Central Europe has political interests besides structural funds, and that some of its political ideas deserve to be heard and be part of European future(s). It is, in this sense, highly symbolic that it may be under Babis' mandate that the Czech Republic will become a net contributor to the EU budget and will be able to dictate its priorities for the next Multiannual Financial Framework more clearly. Moreover, this is another way for the leaders of the integrationist agenda – in Paris and Berlin - to permanently affix Prague to the core of the EU.

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