EUROPEUM BRIEF ON COVID-19

European integration continues on severeal fronts as the COVID-19 crisis escalates. Without the Czech Republic

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- **The EU, its institutions and the Member States are working together to withstand the current pandemic and prepare for the economic crisis to follow. Simultaneously, ideas on the future arrangement of the EU are appearing. Two emerged on 9 April: one of monetary and the other of environmental nature – and both dealing with region's economic recovery. For now, the Czech Republic is not engaging in any of them, and once again risks being left behind.**

Firstly, after weeks of disputes, the Eurogroup – finance ministers of the Eurozone – agreed on their first COVID-19 crisis response, a €540 billion package. The final agreement is criticised for the allegedly small size of the package and choosing loans over issuing Eurobonds (or "corona bonds"), proposed by Italy or Spain. The negotiations will continue on both Eurogroup and European Council level, including discussions over the shape of the so-called "EU Recovery Fund." However, regardless of outcome, countries outside the Eurozone, who have ignored their treaty obligations for years, will not be eligible for large sums of recovery funds.

Despite the protracted and not-definite deal reached by the Eurozone members, "it seems that the Eurozone member states will be the driving force behind any future compromise that will also apply to the entire Union," writes Vít Havelka in his recent analysis on the meeting. As an example of the matters potentially affected by the Eurozone's compromise, he names the Multiannual Financial Framework (MFF) for the years 2021-2027 that EU and Member State politicians discussed before the coronavirus crisis. The talks about the future MFF were going on for months and were stalled before the coronavirus pandemic hit Europe. The Member States argued about the areas which should have priority in the long-term budget or about the size of the budget.

The second activity concerns the future of the European Green Deal. After the COVID-19 pandemic spread to Europe and states started implementing lockdowns and other measures, it became inevitable that each country, as well as the EU, will have to kickstart their economies once the crisis has abated. A few MEPs, predominantly from the Eurosceptic ECR group, argued that the implementation of green, sustainable and transformative policies needed for Europe to be climate neutral in 2050 must be postponed.

However, already at the end of March, 27 heads of states and governments called on the European Commission to start preparing "a comprehensive recovery plan" that integrates green aspects. Another appeal has since come from now 17 European ministers of environment, who said that the Green Deal must be central to a resilient post-pandemic recovery. "The Green Deal provides us with a roadmap to make the right choices in responding to the economic crisis while transforming Europe into a sustainable and climate neutral economy," wrote the signatories, of whom 15 are Eurozone members.

Euro-centred integration

Of course, none of these developments directly mentions any changes to the current structure of the EU or proposals to such changes from EU bodies or politicians, creation of new coalitions and formations within the EU (such as the New Hanseatic League), or "leaving somebody behind", even though that is essentially what might happen. There are several ways the post-crisis European integration can develop. The most comprehensive and radical change to the EU and its functioning can come via revising the Union's treaties. That is a lengthy, complicated process, which is unlikely to be undertaken any time soon even without the deadly pandemic, as seen on European Commission's reluctance to discuss it at the Conference on the Future of Europe planned for the next two years.

Without treaty change, like-minded countries wanting further integration in some areas can pursue other avenues to that effect. Willingness to massively transform the economy to reduce carbon emissions and improve public health, as well as that of the planet, is one of the common interests shared by many European countries, while a few others, such as the Czech Republic, are hesitant or resistant. Membership in the monetary union – Euro – is another, and even though all member states except for Denmark are obliged to join the Eurozone eventually, not all of them have clear roadmaps to achieve that. Given that the countries in these two groups largely overlap, it is likely that future European integration will take place along the lines of climate action and strengthening the Eurozone. The impact of the Euro on Member State's integration level has already been documented, and the current developments could potentially, and likely, amplify that.

In his analysis, Havelka states that actions taken by the Eurozone members are likely going to have EU-wide impact and that the final form of the upcoming MFF could be affected by the compromise reached by the Eurogroup in the coming months. This is highly relevant for the Czech Republic as well as other Visegrád countries; during past MFF negotiations, the Visegrád countries were stark opponents of reducing cohesion funds as proposed by the European Commission. And the Eurozone's post-coronavirus political strength in negotiations could translate into the final form of the cohesion policy as well, compromising the Czech preferred position, which seemingly primarily revolves around siphoning of as much funds as possible.

In terms of economic recovery and managing the COVID-19 crisis, it is relevant to note that out of the 17 "Friends of Cohesion" countries, only Bulgaria, Czechia, Hungary, Poland and Romania have not adopted the common currency. And while those who did are going to be discussing various important matters – EU budget included – with fellow ministers as a part of crisis response, Czechia and other non-Eurozone countries, as Havelka puts it, "will not be allowed to sit at the table but will be forced to react to the Eurozone consensus."

Climate's continuing importance

As for the Green Deal, Czech Deputy Prime Minister and Minister of Industry, Trade and Transport Karel Havlíček already in February warned that "the Green Deal must not go at the expense of the Czech economy" at the EU Competitiveness Council in Brussels. This echoes Czechia's long-term sceptical stance towards an ambitious goal set out by the European Commission, even though the country is experiencing record-breaking summer temperatures and extreme drought.

The current Czech political representation, including Prime Minister Andrej Babiš, often frames the debate about the transformation and decarbonisation as a choice between "green" and "functioning" economy, as an expensive threat to "traditional" Czech economy and industries (e.g. automotive industry). However, experts and stakeholders from around the world – US researchers, Confederation of Danish Industry or intergovernmental organisation IRENA, whose 160 members include the EU – agree that making economy greener can, among other things, raise private employment jobs, lead to GDP growth, and elevate the prosperity of society as a whole. It is arguable whether Gross Domestic Product is the indicator we should be looking at when it comes to humans' well-being (air quality could be an equally important metric), but that is a topic for another time.

The question of employment is often raised in the discussions revolving around the climate change because of transition's impact on the energy sector. Coal is particularly important in the Czech context as a half of country's energy mix relies on coal. The so-called Coal Commission has been preparing several scenarios for coal phase-out since August 2019. Last year its German model "Coal Commission" proposed coal should be phased out by 2038 or sooner. However, even in terms of employment, the potential job growth through decarbonisation vastly exceeds the potential within the coal industry. Furthermore, 4 out of 5 coal power plants within the EU run at a deficit and are only financially sustainable through heavy subsidization, making their continuation financially costly to the average citizens.

Still, the current Czech representatives do not seem too keen on participating in global solutions to climate change. Just last year, PM Babiš did not understand why there was such a "big pressure to talk about the 2050 goal" and said the EU should focus on "realistic, short-term 2030 climate goals." Thus, it is unsurprising that a Czech signature cannot be found under the letter of the 17 states. Similarly, the date of Czech Euro adoption has not been set yet. Judging by the statements of the government and the central bank, it is not going to happen soon – though the industry has been very loudly supporting the common currency and the bank's own analysis says the country is ready for the Euro.

On the periphery

The Union's integration is proceeding and gaining traction on two fronts – one concerned with the monetary union and closer cooperation of its members during economic recovery as well as in the upcoming years, and another which emphasises the climate-neutral aspect of such recovery. The Czech Republic is at the moment not participating in the former and reluctant about the latter, which is problematic, because the fronts are overlapping as majority of the Eurozone members (15 out of 19) also support the implementation of the Green Deal during the economic recovery.

So the European Union, backed by the Eurozone countries, the Commission and the European Council, does not plan to change the course, nor will it have to, at least not on account of the Czech Republic; the joint statement of the European Council made on March 26 called for integrating green transition into the post-crisis recovery, which the Czech Republic supported.

Beside the lack of constructive Czech approach (Czechia is more often blocking other proposals), the country also does not benefit from the association with Hungary and Poland – countries without Euro, equally sceptical towards climate goals and with the extra baggage of rule-of-law concerns. These culminated during a current pandemic when Hungary "abandoned its last vestiges of democracy", and Poland decided to hold presidential elections in May while amending the electoral procedure.

If the Czech Republic does not start developing and supporting a politically sustainable, ambitious and constructive strategy towards its future involvement in the EU, contributing to make it fit for both contemporary and future global challenges, the country might find itself further in the periphery of Europe with Hungary and Poland as its sole allies in a multi-speed EU that could not wait any longer on Member States lacking constructive approaches.

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