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Policy Paper 6/2014

Close the Gap and Decelerate: The Key to the Czech Republic's Fully-Fledged EU Membership in Fifteen Keywords

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November 2014

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Vít Dostál

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**Konrad
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Summary and Recommendations

- In saving the eurozone (officially the euro area), Member States agreed on incremental integration and the creation of ad hoc instruments. The will for a fundamental revision of the founding treaties has evaporated. Member States are afraid to reform the EU by organising a Convention and subsequent referenda.
- Thanks to experience from the eurozone crisis, Member States have acquired new confidence. Despite efforts to reinforce voters' direct decision-making on the future of the EU through the nomination of candidates for President of the European Commission before the European parliamentary elections, the main players in institutional issues remain Member States, which do not wish to politicise the European Commission or strengthen the European Parliament.
- Considerations exist on the deeper integration of the eurozone, regardless of the EU legal framework. According to certain proposals by influential economists and intellectuals, the eurozone should have its own executive body, parliament, budget and common social policy. There is little room for non-eurozone members in these considerations.
- The Czech government is committed to converging with the core of the EU and preparing to join the eurozone, which requires active internal and external policy, involving not only the Office of the Government and Ministry of Foreign Affairs, but also the Ministry of Finance and the Czech National Bank.
- The Czech European policy elite is convinced of the need to join the eurozone, which will, in their opinion, continue to integrate economically and politically. However, citizens reject the euro.
- The Czech Republic must fulfil its domestic tasks; it must join the ERM II in the medium-term and prepare for entry to the eurozone. It should emphasise an approach to fiscal policy similar to Germany and thereby keep the door to the eurozone as wide open as possible. While closing the gap on the eurozone, the Czech Republic must also try to decelerate the further integration of euro countries, as this would increase the political and legal barriers for entry to the zone. The impending revision of primary law is not in the interests of the Czech Republic, as it would open the opportunity for further integration of the eurozone.



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“With its institutional changes, the Lisbon Treaty has created a more complicated decision-making environment in the EU, [which] opens up new opportunities, but also places much greater demands on the Czech Republic in promoting its interests.”¹

Concept of the Foreign Policy of the Czech Republic

“No one should succumb to the fallacy that the crisis will fade away and that the stabilising mechanisms that have been hastily cobbled together will suffice to make the euro a long-term success.”²

Glienicker Group Manifesto

“The eurozone has become the driving force of European integration as it is forced to respond to threats to the common currency. These trends automatically bring a risk of the separation of the core 18 countries, whose currency is the euro, from the other ten EU Member States.”³

Czech Strategy in the European Union: An Active Czech Republic in a Strong Europe, working version

¹ *Koncepce zahraniční politiky České republiky [Concept of the Foreign Policy of the Czech Republic]*. Ministry of Foreign Affairs of the Czech Republic, 2011 [online]. Available from: https://www.mzv.cz/file/675937/koncepce_zahranicni_politiky_2011_cz.pdf.

² GLIENICKER GRUPPE. *Towards a Euro Union*. 2013. Available from: <http://www.glienickergruppe.eu/english.html>.

³ *Koncepce působení ČR v EU: Aktivní ČR v silné Evropě: 5. pracovní verze [Czech Strategy in the European Union: An Active Czech Republic in a Strong Europe, 5th working version]*. Office of the Government of the Czech Republic.



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1. Points of Reference

This text has two primary objectives. First to highlight the current challenges to the institutional structure of the EU, and, secondly, to find a suitable position for the Czech Republic on this issue and to identify the main obstacles to implementing the chosen strategy. For the purposes of this text, the primary objectives of Czech European policy are regarded as preparation for entry to the eurozone and “convergence with the European integration core”, which are also postulates on which the government agreed in the coalition agreement and its policy statement.⁴

The Lisbon Treaty rocked the EU's institutional balance. There was a strengthening of the European Parliament (EP, hereinafter also Parliament), the creation of the post of President of the European Council and other institutional innovations. Tumultuous developments in the eurozone began just shortly after the Lisbon Treaty came into effect. Rescuing the common currency became the main objective of Member States from the spring of 2010, and it soon became clear that the Lisbon Treaty was not the coveted final revision of primary law. New institutions (the European Financial Stabilisation Mechanism – EFSM), instruments (the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union – the Fiscal Pact – FP), and separate international organisations (the European Stability Mechanism – ESM) were created and unprecedented measures taken (a statement by the President of the Central European Bank that he would do anything to save the euro during the eurozone crisis). The first point of reference of this text is the proposition that the eurozone crisis had a strong impact on the nature of the institutional architecture of the EU.

Although the debt crisis has eased and countries that had been inundated with problems are slowly leaving rescue programmes (Ireland in December 2013, Portugal in May 2014) or celebrating their return to financial markets (Greece in April 2014), the eurozone has not eliminated all its structural deficiencies. Yet thoughts of transforming eurozone governance have appeared since the beginning of the crisis.

What is more, in fear of how financial markets would react, decisions were made regardless of the wishes of voters, which put pressure on the ex post legitimisation of these steps, as financial markets kept a close watch to see whether measures taken by the European Council were blocked by the parliaments of any of the (powerhouse) Member States. Although the eurozone crisis did not ultimately become the central topic of German federal elections in September 2013, or the European parliamentary elections in May 2014, the growth of parties

⁴ GOVERNMENT OF THE CZECH REPUBLIC. *Programové prohlášení vlády České republiky* [Policy Statement of the Government of the Czech Republic]. 2014, p. 16 [online]. Available from: http://www.vlada.cz/assets/media-centrum/dulezite-dokumenty/programove_prohlaseni_unor_2014.pdf.



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such as Alternatives for Germany (AfD) indicates dissatisfaction with the mainstream approach.

At the same time, Czech European policy is also changing. While, under Petr Nečas's government, the euro-realistic Civic Democratic Party (ODS) had the main say in European matters, and could rely on the Public Affairs (VV) party for support in key votes, today's government is dominated by political parties with a diametrically different view of European integration. Both the Czech Social Democratic Party (ČSSD) and the Christian Democrats (KDU-ČSL) are parties characterised by confidence in the ongoing integration process. Although the ANO Movement is affiliated with one of the federalist European political families (Alliance of Liberals and Democrats for Europe – ALDE), the party's programme remains indifferent in key issues of Czech European policy. Despite a change in the direction of Czech European policy, the Czech public remains one of the most sceptical on deepening EU integration and retains little confidence in the common currency.

2. Democracy

Efforts to reinforce the democratic nature of the functioning of the European Union,⁵ which led to all revisions of primary law from the Treaty on European Union to the Lisbon Treaty, ran up against the reality of political practice during the eurozone crisis. In the tense days as Greece approached the edge of a fiscal precipice, it was not possible to wait for participative procedures to amend treaties, as envisaged by Article 48 of the Lisbon Treaty, under which due process for an amendment of primary law is the convocation of a Convention.⁶ The European Council resorted to purely technocratic solutions, which by their nature stood at the very edge of primary law (the establishment of the EFSM) or deliberately circumvented it (the establishment of the ESM). As a result, the same politicians who promised that the Lisbon Treaty would ensure the more democratic functioning of the EU adopted technocratic solutions.

However, this course of action led to an overall increase in dissatisfaction. Neither the Germans nor the Greeks could be entirely satisfied with the decisions of this crisis management. While one side felt decisions on their taxes had been made too dissipatedly, the other felt blackmailed by the wealthy European north and the financial markets. The result

⁵ Whether by strengthening the sole directly elected institution (the European Parliament), involving national parliaments in decisions on legislation at inception thereof, or creating participatory instruments such as the European Citizens' Initiative.

⁶ Article 48 of the Treaty on European Union also entertains the possibility that, subject to the European Parliament's consent, a Convention need not be convened. However, in revisions of primary law the European Parliament's current profiling renders it averse to refusal of the convention procedure, which – as opposed to a mere Conference of the Representatives of the Governments of Member States – offers the opportunity to participate in the drafting of changes.



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was a shift towards populism, whether this concerned the Greek left-wing party SYRIZA refusing radical reform measures and pacts with rescue funds, or the True Finns, who in turn claimed the southern states were not entitled to assistance when they lacked fiscal discipline, borrowed profligately and falsified statistics. The populists were further strengthened by the conformist approach of parliaments, which did not create problems for their governments in approving loans (with the exception of Slovakia and, to some extent, Finland), and legitimised decisions retroactively.⁷

Although the situation in the eurozone has calmed, this is due not to assertive reforms by its governing bodies, but to measures taken by individual countries or the successful application of ad hoc decisions. The boat may not be leaking, but only because the holes have been plugged at a time when a newly designed hull is needed. The report “Towards a Genuine Economic and Monetary Union”, prepared by the President of the European Council in cooperation with the President of the European Commission, President of the Eurogroup and President of the European Central Bank in December 2012, defined the steps needed to reinforce the stability of the eurozone. This concerned the creation of a new financial, budgetary and economic framework, while, at the same time, strengthening democratic legitimacy.⁸ Of the measures proposed, only certain parts of the banking union were implemented. Deeper interventions would require a change of primary law according to Article 48 of the Treaty on European Union, which envisages the convocation of a Convention. Subsequent ratification would encompass referenda (at least in Ireland) and could run up against the opposition of citizens, which is a much too risky scenario that could shake confidence in the European integration project much more than the rejection of the Treaty Establishing a Constitution for Europe in 2005. The problems a concentrated revision would focus on today are in fact much more serious than those in the case of the Constitutional or Lisbon Treaty. As Piotr Buras from the Warsaw Office of the European Council on Foreign Relations states: “[The EU knows it needs] to overhaul the system but [is] not sure whether the European Union would survive the process of overhauling the system.”⁹

The only possible changes to the institutional system are therefore incremental and tend to rely on technocratic solutions. These are characterised by an avoidance of major treaty revisions and referenda.

⁷ LEONARD, Mark. *Four Scenarios for the Reinvention of Europe*. European Council on Foreign Relations, 2011 [online]. Available from: http://www.ecfr.eu/page/-/ECFR43_REINVENTION_OF_EUROPE_ESSAY_AW1.pdf.

⁸ VAN ROMPUY, Herman; BARROSO, José Manuel; JUNKER, Jean-Claude; DRAGHI, Mario. *Towards a Genuine Economic and Monetary Union*. European Council, 2012 [online]. Available from: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf.

⁹ BURAS, Piotr. *The EU's Silent Revolution*. European Council on Foreign Relations, 2013, p. 2 [online]. Available from: http://www.ecfr.eu/page/-/ECFR87_EU_SILENT_REVOLUTION_AW.pdf.



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Although the European Parliament is regarded as one of the victors of post-Lisbon institutional architecture, given that the last robust amendment of primary law expanded its powers and that it has laid claim to further authority, it has failed to partner the European Council in resolving the debt crisis. It has found itself in practically the same role as national parliaments and has worked ex post with European Council proposals, such as the Single Supervisory Mechanism and Single Resolution Mechanism. Yes, this is a standard legislative process, where the European Council plots the main paths of integration and the Commission puts forward a legislative proposal, which is approved by the Council and Parliament. On the other hand, the disproportion between the ambitions of the European Parliament in its last term and its ability to respond to incremental integration must be noted. Whereas Parliament extensively expounded its rights in the debate on the Multiannual Financial Framework or the approval of agreements between the EU and third countries,¹⁰ it found itself side-lined in the handling of the debt crisis. The President of the European Parliament was not even involved in the document on the creation of a genuine Economic and Monetary Union. Similarly, the European Parliament plays virtually no role in new instruments such as the ESM or FP.

3. European Commission

The European Commission has more powers as a result of the eurozone crisis. At the same time, however, its nature under the treaties (Article 17 of the Treaty on European Union) remains more technocratic – it is meant to be the guardian of the treaties – rather than political (ideological). New legislation adopted in response to the crisis as a six-pack, two-pack or European Semester has given the Commission the ability to influence national budgets or comment on fiscal and economic policy. However, this is not the result of emerging European federalism, as may seem from the exalted pre-election campaign of the “Spitzenkandidaten”, but an example of the strengthening technocratic nature of the Commission, which continues to oversee compliance with *acquis communautaire*. Member States, however, retain the ability to reverse even automatically implemented sanction mechanisms, although this option was limited by the introduction of the reverse qualified majority. It is therefore Member States, not the Commission, who have the last word in these matters.

The politicisation of the Commission will always depend on the will of other institutions. Although the European Parliament may wish to provide another supranational institution with a greater political role, it faces resistance from the European Council, which can justifiably argue that, in addition to protecting competition, the Commission has more

¹⁰ *The Treaty of Lisbon: A Second Look at Institutional Innovations*. CEPS; Egmont – The Royal Institute for International Relations; European Policy Centre, 2010, pp. 38-43 [online]. Available from: <http://www.ceps.eu/book/treaty-lisbon-second-look-institutional-innovations>.



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technocratic regulatory measures following the eurozone crisis. It must therefore remain an impartial guardian of the treaties rather than be transformed into a political body.¹¹ Moreover, Member States may argue that, under Article 15 of the Treaty on European Union, it is the European Council that should “define the general political directions and priorities [of the EU]”.

Despite candidates for President of the European Commission being presented ahead of the European parliamentary elections by the main European political parties (with the exception of the Alliance of European Conservatives and Reformists) and Jean-Claude Juncker being pushed through to head the Commission, we cannot as yet talk of its politicisation. The Commission remains an institution with a technocratic role.

4. Intergovernmentalism

During the eurozone crisis, Member States found that they did not need to involve the labyrinthine European Parliament for many measures and that other institutions (the European Commission and the Court of Justice of the European Union) need be given only minimal space. The ESM, Fiscal Pact and Euro Plus Pact are agreements between (Member) States and thus leave the power and decision-making to them. The coordination of policies and agreements between governments is a simpler alternative to strengthening hard-to-control European institutions.

At the same time, this keeps the lid on Pandora's Box in the form of Article 48 of the Treaty on European Union. On the other hand, governments had to have both the Treaty Establishing the ESM and the Fiscal Pact approved by national parliaments, and their compliance with national constitutions was verified. Strengthening the intergovernmental model of integration cannot therefore be described as an undemocratic model. Although European institutions do not receive more powers and a number of key issues are addressed by Member States themselves, without regard to the opinion of the Commission or Parliament, governments are controlled by their voters and parliaments. However, growing support for the “Alternative for Germany” party suggests that incremental integration implemented by the intergovernmental model may not receive full support. Are we therefore approaching a point where it will be necessary to choose between political union and disintegration?

¹¹ GRABBE, Heather; LEHNE, Stefan. *The 2014 European Elections: Why a Partisan Commission President Would be Bad for the EU*. Centre for European Reform, 2013 [online]. Available from: <http://www.cer.org.uk/publications/archive/essay/2013/2014-european-elections-why-partisan-commission-president-would-be-b>.



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5. Chancellor

Developments in the German debate on the European Union will be crucial for future integration. While Angela Merkel shuns technocratic solutions and is no fan of the politicisation of the European Commission, which was evident in her initially reserved stance on the concept of Spitzenkandidaten, she is nevertheless restricted by domestic players – the Bundestag, the Bundesbank and the Federal Constitutional Court. These three institutions set the boundaries of German European policy and have also placed the question of political union before the German government. New integration elements have resulted in legal uncertainty and cornered the Bundestag into deciding whether to approve rescue measures or risk the reaction of the markets to their rejection, which has greatly limited elected representatives' room to manoeuvre. German historical experience, however, places democratic legitimacy before pragmatic technocracy and, especially in the latter half of 2012, forced a broad debate on the future of the EU, which would include a review of treaties based on the convention procedure and amendments to the German constitution endorsed by a referendum.¹² However, such promises did not appear in the coalition agreement established after the elections in September 2013. According to this document, the Community method should remain the underlying principle of integration and the EU draw on the proven model of cooperation between Parliament, the Commission, the Council and Member States.¹³ Moreover, in February 2014, Merkel confirmed in London that she would not be seeking a fundamental change in European architecture.

While Germany has become a key player, this is largely due to a weakening of other important Member States (France, the United Kingdom and Italy).¹⁴ Yet it has not endeavoured to strengthen the EP or the Commission. According to Merkel, agreements between Member States will suffice for the convergence of economic policies, with the Commission playing more of a supervisory or regulatory role. One of the lessons learned from the eurozone crisis is the knowledge that the problems of Member States can be resolved between Member States and that further integration need not necessarily mean having to strengthen supranational institutions.¹⁵

¹² BURAS, Piotr. *Polska-Niemcy: Partnerstwo dla Europy?* Centrum stosunków międzynarodowych, 2013.

¹³ *Shaping Germany's Future: Coalition Treaty between CDU/CSU and SPD*. Konrad-Adenauer-Stiftung, 2014, p. 101 [online]. Available from: http://www.kas.de/wf/doc/kas_36853-544-2-30.pdf?140820093605.

¹⁴ PATERSON, William. *The Reluctant Hegemon? Germany Moves Centre Stage in the European Union*. *Journal of Common Market Studies*, No 49, pp. 57-75.

¹⁵ BURAS, Piotr. *The EU's Silent Revolution*, p. 4.



6. The Oder

Polish-German relations on European issues are at the best possible level, but, at the same time, the two countries are in completely different positions. Poland's role in German foreign and European policy is strengthening, but Warsaw has little say in institutional issues. It is not a member of the eurozone, it has not contributed significantly to rescue measures and it feels threatened by incremental integration and the advent of intergovernmentalism.

For Poland, the European Commission is not only the guardian of treaties, but also a guarantor of Union solidarity (i.e. a generous budget that keeps Poland in mind). The weakening position of the Commission instils fears of deepening multi-speed integration in which Poland could be a second-class member. In view of its historical experience, affiliation with the European core, for Poland, is primarily a geopolitical issue that is taking on new meaning in light of the security threats in Eastern Europe. Yet joining the eurozone has never been more difficult for Poland. Aside from the need to change its constitution, which references the national currency, support for entry to the ESM must also be obtained. However, the opposition party, Law and Justice, which rejects the common currency, is gaining power and the public overwhelmingly rejects entry to the eurozone.

Although Warsaw is an important partner to Berlin in the EU, prescriptions for the eurozone ordered from Berlin (ESM) have made Poland's accession to the eurozone more difficult. Poland's current government is thus in a defensive position, both in relation to the Polish public and the German leadership, despite proclaiming its support for this administration.¹⁶ In spite of the fact that Poland has gained important positions within EU institutions¹⁷ thanks to a similar view on many other issues of European policy and excellent personal relations, it has a weak voice in the debate on the further development of the eurozone and the preservation of its exclusivity.

7. Britain

The United Kingdom has regularly allied, in similar issues, with countries of Central and Eastern Europe that have yet to achieve full integration in all areas. It was Britain that generally required that any deeper integration not jeopardise the internal market and that the EU be a union of all Member States. However, Prime Minister Cameron's approach, in this regard, has transformed political geography. The submission of a request to negotiate new terms of membership for the United Kingdom would have been rational if the EU or eurozone had wanted to reform with the help of Article 48. Cameron would have been able

¹⁶ BURAS, Piotr. *Polska-Niemcy: Partnerstwo dla Europy?*

¹⁷ Donald Tusk was appointed President of the European Council and Elżbieta Bieńkowska Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs.



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to take advantage of a unique moment if other Member States had been interested in radically transforming primary law.

Thus he did what other statesmen fear. He promised an amendment of the treaties. However, his approach did not gain the support of others. Cameron will now either have to moderate his demands, which will not be countenanced by impatient voters in a referendum or the next parliamentary elections, or admit defeat and further dilute Britain's interest in remaining bound to the EU.¹⁸ The countries of Central and Eastern Europe are thus losing an important ally, as the British government's main political interests in the institutional debate lie somewhere other than the interests of Poland, the Czech Republic, Hungary and Romania.

8. Differentiation

The European Union is diverging. The eurozone has developed its own instruments, agreements and institutions that stand partially or completely outside the framework of primary law. Although some agreements include a promise of incorporation into primary law (the Fiscal Pact), the ESM Treaty and the Euro Plus Pact show that eurozone countries have prescribed Schengen treatment for the common currency.

However, there are proposals under which the eurozone should further strengthen its institutions. Illustrative examples are the texts of the Eiffel¹⁹ and Glienicker²⁰ Group. Although they differ in what they stress, they have one thing in common. They seek the creation a sort of "union within a union". The eurozone parliament would elect an executive body – an economic government with extensive fiscal powers. The French Eiffel Group manifesto, in particular, emphasises the further integration of social policies. The single market should, according to the authors, have the opportunity to expand to include countries that are unable to accede to the EU, but would like to deepen trade ties (e.g. Turkey and Albania).

It is important to realise that there is no room for a country like the Czech Republic in this division of the EU. It does not take into account states that would to see an EU, for example, with a Common Foreign and Security Policy and Schengen, but without their participation in the third stage of Economic and Monetary Union. Although the Glienicker Group envisages the participation of countries applying for accession to the eurozone in the creation of the

¹⁸ SPRINGFORD, John; TILFORD, Simon. *Why the Push to Install Juncker is So Damaging*. Centre for European Reform, 23.6.2014. Available from: <http://www.cer.org.uk/insights/why-push-install-juncker-so-damaging>.

¹⁹ GROUPE EIFFEL EUROPE. *Our Manifesto*. Available from: <http://www.groupe-eiffel.eu/our-manifesto>.

²⁰ GLIENICKER GRUPPE. *Towards a Euro Union*.



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Euro-Union, as it has called its concept, this is a temporary status, which would not guarantee the right to vote in new executive institutions or participation in the eurozone parliament. All Member States that find themselves in such a situation (Hungary, Poland, Denmark, Sweden, Romania, Bulgaria, Lithuania, Croatia, the United Kingdom and the Czech Republic) do not have the same options, motives or will to confront this division of the European Union. The Czech position is analysed in the following section.

9. Strategy

The government's policy statement and the coalition agreement contain two postulates responding to the above dilemmas. First, the coalition agreement states the government will prepare the Czech Republic for entry to the eurozone. Secondly, the policy statement talks of convergence with the European integration core. These propositions are no surprise given the composition of the government. Both the ČSSD and KDU-ČSL can be classified as parties with a long-standing federalist vision of the EU. They view the current position of the Czech Republic, insofar as it does not participate in certain integration initiatives, as incomplete membership. The post-November "return to Europe" has not been consummated and the country's peripheral status or second-rate membership entails economic, political and security costs.

An unequivocal commitment to adopting the common currency was not, however, included in the government's policy statement. Although this is a major issue in today's Czech European policy, it is similarly avoided in the upcoming Czech Strategy in the European Union. However, it is difficult to interpret the commitment to converge with the European integration core other than as an effort to adopt the common currency in the mid-term. The dodging of a clear declaration points to two limiting factors. First, lack of political will and the presence of strong players capable of scuttling the Czech Republic's accession to the eurozone. Secondly, an unclear idea of what tactics the Czech Republic should choose, if we take into account the above processes taking place at the level of Member States.

10. The Elite

In 2013, the Association for International Affairs conducted an extensive survey of the views of the elite behind Czech European policy, which included politicians, civil servants, academics, journalists, Czech representatives at European institutions and representatives of the non-profit and business sectors. A relatively clear consensus on how Czech European



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policy was rated could be identified in most areas.²¹ It is interesting to note that differences mainly arose in matters dealing with institutional issues.²²

A clear majority of respondents (78.7%) were convinced of the need to join the eurozone by 2020 for economic or political reasons. On the other hand, 61.9% of the European policy elite agreed that a position outside the eurozone was disadvantageous for the Czech economy. Developments in the eurozone will, in their opinion, constitute a key issue in Czech European policy over the next decade.

Respondents also felt that the eurozone would strengthen and that the importance of the European Central Bank would grow. At least three more countries will adopt the euro and no country will abandon the common currency. Eurozone members will make more joint decisions on economic policy, establish their own institutions and an independent legal framework. EU primary law will remain unaffected. However, the functioning of the eurozone will not improve. Southern countries will not reignite growth and countries that violate established rules will not be punished.

In the eyes of the Czech European policy elite, then, the future development of integration will follow a trajectory similar to that plotted by the Eiffel Group. Countries whose currency is the euro will create “a union within a union” – a community with its own legal framework and new supranational powers in the economic field. The European Union, with its primary law, will remain unaffected. A fundamental difference compared to the view of the Eiffel and Gliénicker Group is that the Czech European policy elite believes that the creation of special eurozone institutions is not in the interest of the Czech Republic.

The Czech European policy elite also differ in its views on the further development of European institutions. Opinions on whether the European Parliament should be handed more power by having the right to initiate legislation, whether the European Commission should be strengthened or whether more decisions should be made between Member States are relatively balanced. Certainly, we cannot talk of a dominating federal or intergovernmental view of the functioning of European institutions.

The survey of the views of the Czech European policy elite showed that, although a clear majority of respondents agreed on the need to adopt a common currency and had a similar stance on integration processes in the eurozone and the dangers they pose to the Czech Republic, there is no clear view on the future functioning of EU institutions.

²¹ The survey was divided into five parts: the Czech Republic in the EU, the economic aspects of integration, partners and allies, institutional issues and current affairs.

²² DOSTÁL, Vít. *Trendy české evropské politiky: studie elit evropské politiky* [Trends of Czech European Policy: Study of European Policy Elites]. Association for International Affairs (AMO), 2013 [online]. Available from: <http://www.amo.cz/publications/trends-of-czech-european-policy-study-of-european-policy-elites.html?lang=en>.



11. The Public

Citizens see the Czech position in the EU quite differently. Public opinion polls show scepticism towards European integration. Since 2011, Czech society has been divided into one third dissatisfied with EU membership, one third satisfied and one third that feels neither satisfied nor dissatisfied.²³ Yet, in the medium term, confidence in the EU has been between 40% (April 2012) and 60% (February 2009) among respondents declaring definite or partial confidence in the EU. Although confidence in the EU saw a fall of 12% between April 2011 and April 2012 (during the eurozone crisis), this had been partially offset by April 2014 (49%).²⁴ In the same period, there was a turning point in the view of the Czech Republic's entry into the eurozone. While the number of proponents and opponents of the adoption of the common currency was still relatively balanced in 2009, with the advent of the eurozone crisis the gap between the two camps began to widen and in 2011 figures stabilised at approximately 75% of citizens rejecting the euro and 20% welcoming its introduction.²⁵

Data on views of the institutional structure of the EU are sketchy, but also show a degree of Czech caution. According to a survey in March 2014, Czech citizens believe the powers of the EU should be restricted (45%), or that the Czech Republic should withdraw from the EU (26%). These figures are higher compared to neighbouring countries.²⁶

12. Babiš

In the ČSSD and KDU-ČSL, we can identify a long-term vision of European integration, and thus Czech participation in the European integration project. Both parties created basic outlines of their European policy in the pre-accession period in the 1990s. We know their long-term objective is continuing European integration and the Czech Republic's full EU membership.

²³ *Názory veřejnosti na členství v Evropské unii – duben 2014* [Public Opinion on European Union Membership – April 2014]. Public Opinion Research Centre, Institute of Sociology, Academy of Sciences of the Czech Republic. Available from:

http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7223/f3/pm140430a.pdf.

²⁴ *Důvěra v evropské a mezinárodní instituce – duben 2014* [Confidence in European and International Institutions – April 2014]. Public Opinion Research Centre, Institute of Sociology, Academy of Sciences of the Czech Republic. Available from:

http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7226/f3/pm140507.pdf.

²⁵ *Občané o přijetí eura a dopadech vstupu ČR do EU – duben 2014* [Citizens on the Adoption of the Euro and the Impact of the Czech Republic's Accession to the EU – April 2014]. Public Opinion Research Centre, Institute of Sociology, Academy of Sciences of the Czech Republic. Available from: http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a7227/f3/pm140509.pdf.

²⁶ ZENKNER, Petr. *5 procent Čechů je proevropských* [Five Per Cent of Czechs are Pro-Europe]. Euroskop.cz, 21.10.2011. Available from <https://www.euroskop.cz/8965/19784/clanek/5-procent-cechu-je-proevropskych>.



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The new political parties, on the other hand, are harder to read. The main problem in European policy-making is that we do not know the ANO 2011 movement's long-term vision of European integration and the Czech Republic's role in this process. Prior to the parliamentary elections in 2013, ANO's manifesto made no mention of the adoption of the common currency. We could only form a clearer idea upon reading the party's manifesto ahead of the European parliamentary elections.²⁷ Here, ANO proposes a wait-and-see strategy. It is important to monitor "what specific forms arise and how (...) preventive and rescue mechanisms in the eurozone work, and to what extent their future form differs from the situation when the Czech Republic adopted the accession treaty and committed itself to adopting the euro." ANO rejects financial transfers to poorly performing eurozone members, which is in line with Andrej Babiš's statement that the Czech Republic may join the eurozone, but not the rescue mechanisms.²⁸

However, this notion is naïve given today's level of eurozone integration. Plans adopted by the European Council envisage the creation of fiscal capacity (i.e. a eurozone budget) to prevent asymmetric shocks. Thus, for the Czech Republic, entry into the eurozone will mean not only participation in these emerging mechanisms, but also participation in the ESM.

The ANO manifesto goes on to state that countries whose currency is not the euro should remain as close as possible to decision-making in the eurozone. According to ANO, the Czech Republic is dependent on the stability of the euro, even though it has limited influence on developments in the eurozone. In this context, it is surprising that ANO refuses to set a date for the adoption of the euro, seeing as it is important to begin focusing on meeting Maastricht criteria as soon as possible.

ANO's is a wait-and-see, ambiguous manifesto. Moreover, the party is in a relatively comfortable position in which it can distance itself from the European policy of the ČSSD and feign virtually no responsibility for it. The only way to compel ANO to define its position on key European policy issues is to make finance minister Babiš at least partially responsible for preparations for entry to the eurozone, which, moreover, he promised in the government's policy statement.

²⁷ ANO 2011. *Náš program pro volby do Evropského parlamentu* [Our Manifesto for the European Parliamentary Elections]. Available from: <http://www.anobudelip.cz/cs/o-nas/program-do-eurovoleb>.

²⁸ *Euro v Česku nebude dříve než za šest let, míní Babiš* [Euro will not be in the Czech Republic for at least six years, thinks Babiš]. Lidovky.cz, 3.2.2014. Available from: http://byznys.lidovky.cz/euro-v-cesku-nebude-drive-nez-za-sest-let-mini-babis-f85-/statni-pokladna.aspx?c=A140202_220608_statni-pokladna_sk.



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13. The Opposition

The Civic Democrats, Úsvit and the Communist Party reject preparations for entry to the eurozone and the Czech Republic's convergence with the European core. Although TOP 09 agrees with the propositions on European policy contained in the government's policy statement, it will continue to act like a standard opposition party, as shown in the Fiscal Pact approval process. TOP 09 agrees with its adoption, but has placed conditions on its implementation, due to which the document's passage through the Chamber of Deputies has been blocked for the past six months. A similar scenario must be avoided for accession to the eurozone.

Attention must be devoted to intraparty schooling on European affairs and to the work of expert committees. While both the Social and Christian Democrats have clearly declared their will to achieve fully-fledged membership, the question is to what extent the importance of steps such as entry to the eurozone is shared by party members. Political parties supporting the adoption of the euro in the long term must count on the need to patiently explain this vision with arguments on the value and economic benefits thereof.

An important player opposing accession to the eurozone is the Czech National Bank. It was in this institution's documents that the idea of negotiating a permanent exemption from the need to adopt a common currency germinated.²⁹ The ideological influence of the former President is evident in the composition of the bank's board. Even though the current President is sending contradictory signals to the EU under the guise of declaratory federalism, it is possible to identify a key role for him in Czech European integration, specifically in new board appointments.

14. Close the Gap

The Czech Republic is further away from joining the eurozone in 2014 than it was in 2004. It is not participating in the ERM II, the government, let alone opposition parties, have failed to agree on the need for the adoption of the euro, the CNB rejects the common currency, and the Czech public is fundamentally opposed to the euro in its wallet. At the same time, the political costs of entry to the eurozone have significantly increased. In addition to meeting convergence criteria, it is necessary to ratify the Fiscal Pact and adopt the Treaty Establishing the ESM, the nature of which renders it a politically sensitive issue.

²⁹ BENEŠ, Vít; BRAUN, Mats. Evropský rozměr české zahraniční politiky [European Dimensions of Czech Foreign Policy]. In KOŘAN, Michal. *Česká zahraniční politika v roce 2010: Analýza ÚMV* [Czech Foreign Policy in 2010: IIR Analysis], Institute of International Relations, 2011, pp. 57-91.



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However, the threat of the deeper integration of the eurozone without the involvement of EU institutions is a realistic possibility and the Czech Republic must resolutely close the gap on the integration core. First of all, other institutions must be made jointly responsible. Only with the active participation of the Ministry of Finance and the CNB can the Czech Republic join the ERM II, which should be a clear priority of the current government – after all, how else can we interpret the proposition of taking active steps to converge with the eurozone? The unspoken medium-term priority of accession to the eurozone goes hand in hand with the need for better awareness of European affairs and the need to dedicate enough staffing and financial capacity to this purpose. Active communication by politicians is also vital. As it is, the Czech public has doubts about EU membership, let alone support for the reinforcement thereof through the adoption of the demonised euro. Without detailed work, involving recognition of the need for the Czech public's view of European integration to be shaped by the main political players, including a like-minded opposition, the Czech Republic will not converge with the European integration core.

15. Decelerate

Even if the way the adoption of the euro is viewed in the Czech Republic were to change drastically, there is still a danger that the eurozone will separate from the rest of the EU. The prospect has been raised – for now only among expert groups – that the integration of countries whose currency is the euro could be deepened, based on a new treaty between members of the eurozone. A revision of primary law by the convention method is unlikely in the foreseeable future and the Czech Republic should not strive for this. Any revision of the treaties will primarily target the eurozone and seek to strengthen its economic integration, thereby jeopardising its inclusiveness. An amendment of treaties is therefore not in the interest of the Czech Republic. For that matter, no consensus on a review of the functioning of European institutions prevails among the Czech European policy elite either, and the public is not ready for such a discussion.

It is in the interest of the Czech Republic to maintain a strong technocratic Commission which balances the power of the big Member States. Politicisation of the Commission would increase the clout of the European Parliament or political parties at European level, which is a field in which Czech players are at a comparative disadvantage compared to the older Member States due to their less active involvement or smaller influence.

If the Czech Republic wishes to head into the eurozone, the integration core must not be allowed to move beyond its reach. In this regard, it is important to emphasise a view of eurozone governance similar to that held by Germany and the advantages of Czech membership. It is also important to focus on countries in a comparable position, primarily Poland, which, like the Czech Republic, is prevented from rushing into the eurozone by



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restrictions on the home front, despite its awareness of the dangers of the deeper integration of the eurozone.

From this perspective, it is crucial for the Czech Republic to diffuse the EU debate on the revision of primary law, while refusing the further break-away of the eurozone from EU institutions. However, this tactic cannot work forever and it is important to realise that we have more control over closing the gap on the eurozone than we have over decelerating its further integration.



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ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)

The Association for International Affairs – AMO is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGOs can interact in an open and impartial environment.

In order to achieve its goals AMO strives to:

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

RESEARCH CENTER

Founded in October 2003, the AMO's Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes [research and analysis](#) of foreign policy issues and comments on [AMO blog](#); and second, it fosters dialogue with the policy-makers, expert community, and broad public.

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KONRAD-ADENAUER-STIFTUNG, OFFICE IN THE CZECH REPUBLIC

The main principles of the Konrad-Adenauer-Stiftung (KAS) are freedom, justice and solidarity. The KAS is a German political foundation, which is closely associated with the Christian-Democratic Union (CDU). The aim and commitment of the foundation is to preserve the intellectual heritage of the first German chancellor Konrad Adenauer, which is mainly characterised by the democratic reconstruction of Germany, the vision of a united Europe, an orientation towards the social market economy, and the firm alignment of foreign policy with the Transatlantic system of values. An important part of the legacy of Konrad Adenauer is also the emphasis on Christian-democratic values both in politics and in society. Therefore, the foundation strives for such social conditions, that guarantee inalienable dignity to every individual, as well as the liberties, rights and duties given by the constitution. The individual is the starting point of social justice, free democratic law and sustainable economic growth.

The KAS is not only active in Germany, but all around the world. There are two main offices in Germany, in Berlin and St. Augustin. Furthermore, the foundation is represented in Germany by sixteen regional educational institutes and two educational centers. Beside these, the foundation has more than 80 offices abroad, which organize projects in more than 120 countries worldwide. The office in Prague was opened in 1991 and in cooperation with significant representatives of the Czech state administration, politics, universities and civil society; it organizes about 150 projects every year.

The focus of the Czech office lays on the development and maintenance of a free and democratic society as well as a social and ecological market economy, integrated in the European Common Market. In this context, strengthening the bilateral relations between the Czech Republic and the Federal Republic of Germany, as between partners in unified Europe, is also one of the aims of the KAS. In addition, the foundation endorses integration of the Czech Republic in the EU and strives for an active role of the country in the community of European states. Pluralistic socio-political dialog and civic education are the cornerstones of the projects, organized by the foundation together with its Czech partner organizations. The purpose of this activity is to raise the interest in politics throughout the society, to strengthen the engagement of citizens in the democratic processes and to develop civic competence, which is necessary for such democratic participation. In order to achieve this, the foundation supports conferences, workshops, summer schools, roundtables, lectures etc. Scholarships for university study or internships abroad are also granted by the foundation. These forms of education and publishing activity represent the main activities of the Czech office of the KAS.

www.kas.de/tschechien
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