



Country Issue: Czech Republic



The Relaunch of Europe

Mapping Member States' Reform Interests

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Institut für Europäische Politik (Institute for European Politics, IEP) is one of the leading foreign and European policy research centres in the Federal Republic of Germany dedicated to the study of European integration.

Further information on the project can be found here:

www.relaunch-europe.eu

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THE RELAUNCH OF EUROPE

MAPPING MEMBER STATES' REFORM INTERESTS

The Relaunch of Europe. Mapping Member States' Reform Interests (RelaunchEU) is a project conducted by the Institut für Europäische Politik (IEP) on behalf of the Friedrich-Ebert-Stiftung (FES) that surveys the implementation prospects for twelve concrete reform proposals. It covers the policy areas of Social Union, Economic and Monetary Union and Defence Union as well as asylum and migration policy and the EU's institutional set-up. Furthermore, it analyses the support for flexible integration and the positioning towards the five scenarios presented in the European Commission's »White Paper on the Future of Europe« of spring 2017. It covers the positions of national governments and of relevant progressive political parties, which received a minimum share of 5 % of the votes in the previous European or national elections.¹

The study follows two main objectives: (1) It demonstrates the scope of action for prompt reforms of the EU in the selected policy areas while also taking into account which member states would, under certain conditions, be willing to implement the specific proposals. (2) It empirically determines which member states could belong to an avant-garde group willing to deepen integration.

Researchers from think tanks and research institutions in the member states of the EU-27 compiled information to determine the position of governments and progressive political parties towards the twelve reform proposals. This qualitative analysis reflects the country experts' views and is based on documents such as coalition agreements, government or party programmes, position papers, press releases, interviews, op-ed pieces, and official documents. It presents a snapshot of the discussions within the governments and parties. In order to keep the country issues short, internal debates and deviating opinions cannot be covered in detail. Positions are subject to change, especially following elections and the formation of new governments. The snapshot was taken at the end of September 2017. More recent developments could not be included. Notable exceptions are the country issues of Austria and Germany, which were updated following the latest coalition negotiations.

The study's results are published in English on the website www.relaunch-europe.eu. It presents maps for every actor and reform proposal, 27 country issues and an analytical paper. The paper compares the positions of all actors in all member states of the EU-27 on the twelve concrete reform proposals and presents five flagship-projects, which bear the chance for a relaunch of Europe.

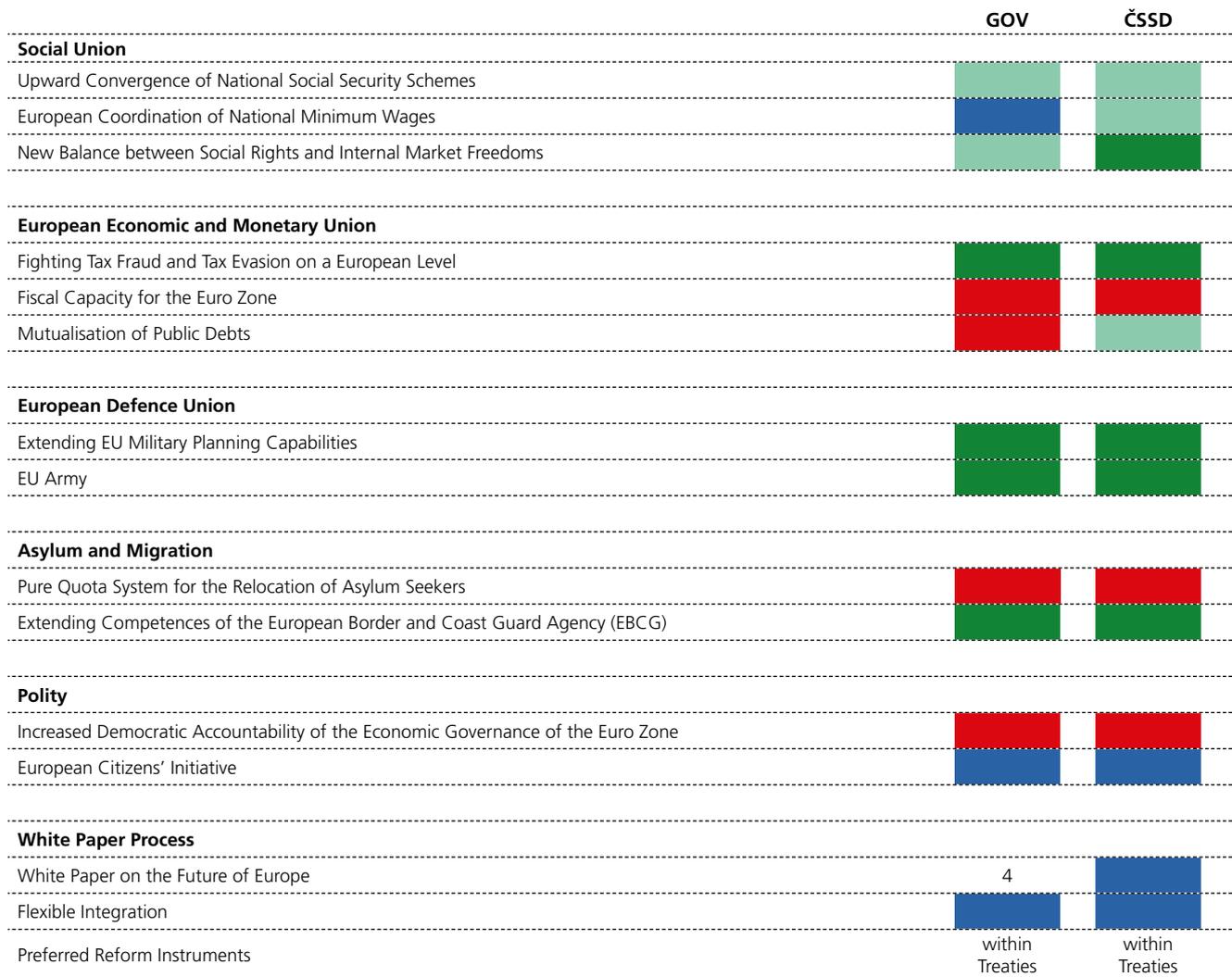
¹ If a party fulfills this criterion, but is not a relevant actor in the national public debate anymore, it was deleted from the sample based on the judgement of the projects' country expert.

CZECH REPUBLIC

The Czech Social Democratic Party (Česká strana sociálně demokratická, ČSSD) governed the country together with the anti-establishment party ANO (Action of Dissatisfied Citizens) as its junior coalition partner between 2013 and 2017. In the October

2017 elections, the ČSSD received just 7.3 % of the votes while ANO received 29.8 %. Having lost a vote of confidence in parliament, ANO forms a caretaker government. The following government positions are those of the previous ČSSD-led government.

Support of the Czech Government and the ČSSD for Deepening EU Integration



Legend

- support for
- support under conditions
- against
- neutral

- GOV** National Government
- ČSSD** Czech Social Democratic Party

- 1 – Scenario 1: »Carrying on«
- 2 – Scenario 2: »Nothing but the single market«
- 3 – Scenario 3: »Those who want more do more«
- 4 – Scenario 4: »Doing less more efficiently«
- 5 – Scenario 5: »Doing much more together«

SOCIAL UNION

The Czech government supports **upward convergence of national social security schemes** as a long-term goal in order to catch up with Western European standards. However, the Czech Republic may not become a net contributor to EU-wide social security schemes. Against the backdrop of slow economic convergence within the EU since the accession of the Central and Eastern European countries in 2004, the current cohesion policy is perceived as insufficient. In the long run, the European coordination of security schemes could promote cohesion in the Union and be a step towards real economic convergence. However, since the Czech Republic has a relatively low unemployment rate, there is no urgency for reforms. The ČSSD is in favour of the upward convergence of social security schemes rather than fiscal transfers that would change the country's »net position«. EU standards have to respect the principle of proportionality and subsidiarity. The party's support depends, furthermore, on the legal basis for reforms and their enforceability. Even within the ČSSD, there are concerns that the convergence of national security schemes will reduce member states' discretion to design their national security schemes. While the government is generally open to the idea of a **European coordination of national minimum wages**, its position on this issue remains rather indecisive, since the level of minimum wages should be closely linked to national economic growth. However, if the coordination of minimum wages helps to overcome the disparity in income and living standards between »old« and »new« member states, the ČSSD is supportive. Therefore, the level of minimum wages should be defined in relation to the national median income. However, the ČSSD, similar to the government, stresses that the implementation of minimum wages is a national prerogative. The government acknowledges that the four internal market freedoms are not absolute. It is in favour of a **new balance between social rights and internal market freedoms** as long as the reform does not lead to protectionism or fragmentation of the internal market. Furthermore, its support depends on the legal form and scope. Due to the country's pro-market orientation and open economy, it has resisted any attempts to dilute the internal market and its freedoms for a long time. Deeper coordination among member states or secondary EU legislation could be supported. A social protocol added to the treaties, which specifies common principles and goals (but not concrete measures for their implementation) might be possible, too. However, the government opposes changes to EU primary law. ČSSD underlines that the four freedoms cannot limit the scope of social rights. It supports the idea of a social protocol added to the treaties and even giving social rights the status of »constitutional principle« in primary law.

EUROPEAN ECONOMIC AND MONETARY UNION

In the Czech Republic, there is broad consensus to support **fighting tax fraud and tax evasion on the European level**. The government as well as the ČSSD are opposed to

tax havens inside the EU, given that it is losing revenue due to tax fraud and evasion as well as due to aggressive tax »optimisation« by large companies. The Ministry of Finance also promotes the introduction of the reverse charge mechanism as the most effective instrument for tackling VAT fraud in the EU, but has failed so far to receive wider support in the ČSSD. Thus, the government supports greater transparency as well as a ban of »letterbox companies« and has banned bearer shares in 2013. In contrast to the previous right-wing governments, it supports the common consolidated corporate tax base (CCCTB). However, concerning a European-wide minimum corporate tax rate, the Czech position is rather indecisive and depends on the specific proposed rate. A **fiscal capacity for the euro zone** is a red flag for the Czech government and the ČSSD. There are fears that a euro zone budget would be another step towards the euro zone becoming a distinct organisation. This would result in a fragmentation of the EU and a weakening of the political influence of non-euro states. Furthermore, it could put the EU budget and cohesion funds under strain. The government and the ČSSD support rather future-oriented instruments, which promote investments and reduce financial pressures during economic downturns, such as an investment fund, a European unemployment insurance and even a rainy day fund. However, they should include all EU member states and may not be used to pay for past failures of euro zone members. The Czech government and the ČSSD insist on the implementation of the Fiscal Compact and remain very sceptical about the **mutualisation of public debts**, fearing the risk of moral hazard. Nevertheless, the ČSSD would accept debt mutualisation as an extraordinary relief measure for debt-stricken countries provided that joint liability for member states' debts is not automatic, but accompanied by fiscal responsibility. Furthermore, euro zone states should exclusively handle debt mutualisation.

EUROPEAN DEFENCE UNION

Deepening of the Common Security and Defence Policy is highly valued and widely supported in the Czech Republic. Thus, the government and the ČSSD promote the development of independent European military planning capabilities, as there is a broad understanding that the EU needs to defend itself. However, opening up this policy area to non-EU member states would defy this purpose. Thus, the government rejects it. Despite of both actors' great enthusiasm for deeper EU military cooperation that is based on a Permanent Structured Cooperation (PESCO), the government makes clear that its support for **extending EU military planning capabilities** depends on the details of the related proposal, such as its legal basis, command structure, or institutional set-up. Thus, it rejects the development of a supranational European staff and demands military cooperation to be strictly intergovernmental. The structure of NATO should serve as an example, i. e. the EU headquarter has to be modelled according to the NATO international military staff. However, EU military cooperation should rather complement than replace or duplicate cooperation within NATO, which is understood as the main pillar of Czech

defence policy. Accordingly, the Czech government and the ČSSD support establishing an **EU army** that is complementary to NATO, however, they both consider it a distant goal. In turn, the government calls for an EU army that is strictly intergovernmental with little say of the supranational EU institutions and without supranational staff. Thus, the government rejects military interventions lacking consensual support and sustainable post-intervention plans. Collective defence and peacekeeping operations in the EU neighbourhood should be part of the EU army's mission scope.

ASYLUM AND MIGRATION

Both the Czech government and the ČSSD reject the idea of further deepening the Common European Asylum System. There are strong anti-immigrant sentiments in the Czech society and the discussion concerning mandatory relocation quotas of asylum seekers helped to fuel Czech Europescepticism. Accordingly, there is broad opposition to a **pure quota system for the relocation of asylum seekers** as well as the transformation of the European Asylum Support Office into an EU Asylum Agency. The government might support a voluntary redistribution mechanism, expecting that the country would only resettle a very limited number of asylum seekers. The possibility of financial support for countries taking in refugees is rather seen as an opportunity for the Czech Republic to show solidarity. However, the government and the ČSSD agree that such financial contributions must not be framed as sanctions. The Czech government and the ČSSD are in favour of further integrating the control of the Schengen area's external borders. They consider it a necessary precondition for any intra-European agreement on the relocation of asylum seekers. Due to the perception of the »migration crisis« as a security – rather than a humanitarian – crisis, the government is even ready to support a military response. Not having an external Schengen border (except at airports), there is little concern about the loss of national sovereignty due to **extended competences of the European Border and Coast Guard Agency (EBCG)**. The government and the ČSSD's support for the EBCG is motivated in particular by the perceived failure of the Schengen border countries (especially Greece) to protect the EU's external borders. Thus, the government's position concerning a mandate for the EBCG to deploy border and coast guards against the will of member states has changed from previous opposition to support. According to the government, the EBCG should fulfil both border control and sea rescue functions. EU member states' contributions should finance it, the Czech Republic is ready to contribute personnel and finances to the EBCG.

POLITY

With regard to **increased democratic accountability of the economic governance in the euro zone**, the government and the ČSSD strongly oppose separate institutions for the euro zone fearing the marginalisation of non-euro

states. While the Czech government officially opposes the idea of establishing a euro zone finance minister, the ČSSD acknowledges that the euro zone might need an own finance minister and taxes. As the Czech government is legally obliged to adopt the euro in the future, it wants to be part of any decisions on the future design of euro zone policies and institutions. It argues that a reform of the euro group would be the best way to increase democratic accountability and, therefore, proposed an observer status for non-euro zone member states in the euro group. It seems that it would agree with strengthening and formalising of the euro group if such an observer status is guaranteed. However, Czech officials warn against treaty reforms, which require ratification in all member states (including a referendum in Ireland). Regarding the reform of the **European Citizens' Initiative (ECI)**, neither the Czech government nor the ČSSD have a specific position that goes beyond the claim that it should not become a European referendum. According to officials, the ECI works as intended.

WHITE PAPER PROCESS

The Czech government generally prefers scenario 4 of the **»White Paper on the Future of Europe«**, »doing less more efficiently«, while the ČSSD is indecisive. Strongly opposing scenario 3, »Those who want more do more«, the government has already acknowledged that it will probably be inevitable. Thus, its position is increasingly shaped by the expectation of which outcome is most probable, which is definitely not scenario 5, according to the government. The Czech stance on **flexible integration** is rather indecisive: On the one hand, the Czech government does not belong to an avant-garde pushing for deeper integration. It rather prefers a »Europe á la carte« opting in or out of proposals that are prepared by others, thus it has a rather passive wait-and-see approach towards its involvement in EU decision-making. In such a »multi-tier Europe« supported by the Czech government, member states are free to pick and choose specific integration projects as they prefer. On the other hand, the Czech Republic has always tried to avoid a »second-class membership« in the EU. However, it is still not part of the euro zone and thus already experiences the reality of »multi-speed Europe«. Fearing to become even more sidelined in the integration process, the government and the ČSSD are concerned about the concept of flexible integration. In terms of the instrument for a reform of the Union, the Czech government and the ČSSD prefer to advance within the treaties.

Legend

Actors Covered by the Study in each EU Member State

- *National Government*: including its members from one or more political parties, the Head of State or Government, relevant executive ministers and administration.
 - *Progressive Parties*: They include all parties that are represented either in the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament (S&D) or that are members of the Party of European Socialists (PES) and have gained a minimum share of 5 % of the votes in the last national or European elections. They also include La République en Marche (REM) in France.
-

Concrete Reform Options in Different Policy Areas

Social Union

1. *Upward Convergence of National Social Security Schemes* to provide Europe-wide protection against social risks and to ensure a decent standard of living for EU citizens.
 2. *European Coordination of National Minimum Wages* to ensure a decent income within the EU to prevent in-work poverty, to promote social convergence and to avoid social dumping across the EU.
 3. *New Balance of Social Rights and Internal Market Freedoms* to compensate the current precedence of internal market freedoms over national social rights.
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European Economic and Monetary Union

4. *Fighting Tax Fraud and Tax Evasion on a European Level* for a fair allocation of tax burdens among natural and judicial persons.
 5. *Fiscal Capacity for the Euro Zone* to provide stabilisation against economic shocks through public expenditure in the euro zone.
 6. *Mutualisation of Public Debts* to tackle the problem of a sharp increase in public debts in some member states as a result of the euro zone crisis.
-

European Defence Union

7. *Extending EU Military Planning Capabilities* also for executive military missions and operations.
 8. *EU Army* establishing a permanent multinational military force under European command.
-

Asylum and Migration

9. *Pure Quota System for the Relocation of Asylum Seekers* which would replace the Dublin system.
 10. *More Competences for the European Border and Coast Guard Agency (EBCG)* expanding the current EBCG tasks in terms of »shared responsibility« between the EBCG and national authorities.
-

Polity

11. *Increase Democratic Accountability of the Economic Governance of the Euro Zone* to make its institutions more responsive to EU citizens.
 12. *European Citizens' Initiative (ECI)*: revision of the ECI regulation to make the instrument more citizen-friendly and effective in order to strengthen the participative democracy in the EU.
-

White Paper Process

13. *The White Paper on the Future of Europe* by the European Commission presents five possible scenarios for the future course of European integration.
14. *Flexible Integration*: limiting the application of certain rules to certain EU member states.
15. *Preferred Reform Instrument*: Treaty reform, reforms inside or outside the Treaties.

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