



Weekly Briefing

**Czech Political briefing:
Political developments in Czech Republic in 2018
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The first round of direct presidential election was held on 12-13 January 2018. The President, Mr. Miloš Zeman, won this round of voting to retain his office. Nevertheless, he had to face a popular pro-European academic (an independent candidate, chemical engineer, president of the Czech Academy of Sciences from 2009 to 2017), Mr. Jiří Drahoš, in the second round of voting on 26 and 27 January. Mr. Zeman won the first round of presidential election with 38.6% of the vote compared with 26.6% for Mr. Drahoš. Pavel Fisher (an independent candidate and former diplomat) was the third with 10.2% of the vote. In the first vote, there were nine official candidates. Mr. Zeman won also the second round of the election with 51.36% of the vote to Mr. Drahoš's 48.63%. This presidential election had a turnout of 66.6%, which was the highest since the 1998 general election.

Mr. Zeman won the first direct presidential election in January 2013. The previous two presidents (Mr. Václav Havel and Mr. Václav Klaus) were elected by the Czech Parliament. According to the Constitution of the Czech Republic¹, the president appoints the Prime Minister after a general election, members of the Banking Council of the Czech National Bank, selects Constitutional Court judges etc. The Czech president has only limited executive powers and is not primarily responsible for foreign policy. On the other hand, Mr. Zeman and his predecessors have had a strong influence on public debate in the country.

Mr. Drahoš has been planning to stay in politics, but he has not provided more details yet. Mr. Drahoš considers himself a centrist politician who would like to unite the Czech society. He would like the country to play more active role in the European Union and to be oriented more towards Western countries (in comparison with President Zeman, who has been rather a proponent of stronger ties with Russia and China).

¹ The Constitution of the Czech Republic was adopted in 1992 and subsequently amended by several Constitutional Acts. See www.psp.cz/en/docs/laws/constitution.html

OUTLOOKS FOR 2018

As mentioned above, the first Babiš's minority government resigned in January 2018. However, the Prime Minister Babiš is expected to remain in his office until the appointment of the new cabinet. The president of the Czech Republic is supposed to allow Mr. Babiš a second attempt to form a new government. It should be underlined that protracted coalition negotiations are typical not only for the Czech Republic; they are becoming more and more common also in other European countries (see e.g. Germany).

At the beginning of January, Mr. Babiš's cabinet approved a new government programme with six main points. Mr. Babiš would like: 1. to digitalise the Czech Republic (to push electronic systems in the state administration and Internet access for everyone); 2) be visible within Europe; 3) to increase government spending on infrastructure projects (e.g. building highways, railroads, digital infrastructure or homes for the elderly); 4) to implement pension's reform; 5) to reform public finances (a balanced budget with lower taxes and higher public sector wages); and 6) to increase security (safety of citizens, energy security, food security etc.). These measures could further support household consumption, stimulate private and public investment, thus the real gross domestic product growth. ANO's economic programme is supposed to stress on lower taxes (personal income tax, value added tax etc.). Implementation of Babiš's programme will be demanding and time-consuming. Since Mr. Babiš has to form a majority government first, it is likely to fall behind schedule.

When it comes to representatives of newly elected political parties and their stances to China, there is nothing to say so far. Political parties are commenting on domestic political scene, because a new government has not passed vote of confidence yet. Prime Minister Babiš is supposed to be rather a technocratic leader, pragmatic both in his domestic and foreign policy.

The stance of President Zeman towards China is well-known; he is a strong supporter of closer ties with China. In May 2017, Mr. Zeman addressed a

conference on the Belt and Road Initiative in Beijing and had talks with Chinese bodies and business representatives (the delegation was also joined by Industry and Trade Minister, Transport Minister and Regional Development Minister). This was Mr. Zeman's third visit to China in his capacity as president. He also met Chinese President Xi Jinping in Prague in March 2016.

Most of news concerning China in the period after the general election revolves around the legislative measure proposed by the European Union, which should make direct investments coming from third states more difficult. The EU proposes to tighten rules for acquisitions in key/strategic industries and to establish a consultative body which would help member states to decide whether to block incoming acquisition by providing free analysis. The Czech Republic does not yet have its own regulatory body for examining incoming foreign investments like Germany, France and 10 other European states. The former minister for industry and trade, Mr. Havlíček, said that the debate about this topic was still in its beginning in Czech Republic. Possible changes in regulation with respect to foreign direct investment in the European Union could influence Chinese investment too.