



Weekly Briefing

Czech Republic external relations briefing:
The Czech Republic in the Visegrád Group: Agenda & Goals
Ladislav Zemánek

China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.
Szerkesztésért felelős személy: Chen Xin
Kiadásért felelős személy: Huang Ping

 1052 Budapest Petőfi Sándor utca 11.
 +36 1 5858 690
 office@china-cee.eu
 china-cee.eu

The Czech Republic in the Visegrád Group: Agenda & Goals

Summary

The Visegrád Group started to be presided over by Hungary in July. The priorities set by the Prime Minister Viktor Orbán coincide with the policies of the Czech Republic. It applies to economic recovery, tax policy, security and migration, enlargement of the EU, support for nuclear energy within the green transition or the need for elimination of barriers within the European Single Market. The Czech Republic signed an agreement on developing the joint railway network to further enhance interconnection and infrastructure in the region in June. It is another step towards the realisation of strategic development projects.

Introduction

Interactions among individual regional actors in Central and Eastern Europe are very intensive, irrespective of the pandemic crisis and its effects on both the economy and society. The leaders of the Visegrád Group as the strongest political alliance in the continent met at different levels in the last two months. The Prime Ministers also held a summit with Slovenia (V4+Slovenia format). The topical agenda was discussed by the Salzburg Forum in June when the Czech presidency was concluded after half a year. A month later, Foreign Ministers of the Central Five (C5) came together in the Bohemian town of Mělník. This group overlaps with the V4, being extended with Austria.

Overlapping consensus

On June 30, a summit of the Prime Ministers of the V4 countries took place in Polish Katowice. It was an important event as Poland's presidency over the group ended, being relieved by Hungary. Given the extraordinary circumstances brought about by the pandemic, the presidency over the last year was challenging indeed, nevertheless, the Polish side managed to cope with that successfully. Hungarian PM Viktor Orbán, sometimes controversial but one of the most inspirational leaders in today's Europe, announced priorities of the coming presidency which will last until next summer. Hungarian leadership plans to promote the V4 countries to become winners of the complex global economic transformation through

recovering national economies by means of ambitious investments.¹ It should be accompanied by maintaining low taxes. Such a policy is not quite common nowadays when political representations of a wide array of countries all around the world are speaking about the need to raise the tax burden in order to secure sufficient financial sources for post-crisis development. If the opposite attitude consisting in low taxes is carried through, it can attract foreign investors to the Central European region and, not less importantly, motivate domestic people and entrepreneurs to carry on their own business.

Security is another important topic of the new V4 presidency. It is connected with illegal migration, in which Hungary has played a crucial role within the European context, especially after the irresponsible attitude adopted by Germany and some other Western European countries. From the very beginning, the Czech Republic has opposed appeals to open the borders to migrants as well as the concept of quotas and the mandatory distribution of migrants to individual EU member states. Prague continues to emphasise that the essential task is to establish a special partnership with the transit countries and those from which migrants come, and also to formulate policies based on prevention of illegal migration, fight against people smugglers and returns of migrants to their native land. In this regard, there is a firm consensus among the Czech Republic, Hungary, Poland and Slovakia. The agreement can also be observed as far as the question of integration of the Balkans, development of the European Single Market or energy policy are concerned. The Czech Republic and its partners from the V4 have supported the soonest possible accession of the Western Balkans countries to the European Union.

One of Europe's key regions

The Visegrád countries share an opinion regarding the energy security and energy development pattern. Even though they do not refuse the European Green Deal and the green transformation as such, the need for the inclusion of nuclear energy is stressed. From the Czech perspective, the transition is not workable without the nuclear source which is perceived as a clean one in breach of the dominant view in Brussels. In Katowice, the Prime Ministers also paid attention to the European Single Market which still creates barriers to companies and

¹ *Orbán: V4 Countries Should Become Winners of Global Economic Transformation* (2021, July 01), hungarytoday.hu. Retrieved July 26, 2021, from <https://hungarytoday.hu/orban-v4-visegrad-group-hungary-rotating-presidency/>.

entrepreneurs from our region who want to carry on business in different EU countries.² Contrasts and contradictions between Western Europe and the post-socialist countries is the reality. It is not only a matter of the market and discrimination against our companies but also a matter of mindset. The Visegrád Group is frequently perceived as a minor, „younger“ partner of the „old“ member states, as a partner who makes trouble, does not respect the „European values“ or democratic principles. However, the opposite is true. The V4 is a key trade partner of Germany, much larger than the United States, China or France.³ As a whole, our countries are the world's 17th largest economy, its economic growth being twice as fast as the EU's average. Last but not least, our historical experience and specific local conditions make the region very promising, irrespective of the attacks from the EU elites who consider themselves the only protectors of freedom and democracy.⁴ During 30 years from its establishment, the Visegrád Group has become the strongest political alliance in Europe.

The Czech leadership has supported concrete steps to enhance V4 cooperation and integration in order to boost both the economic and political position of the region. At the meeting of the V4 ministers of transportation in Krakow on June 18, all four countries approved an agreement on developing the joint railway network.⁵ Regional infrastructure is still underdeveloped, its expansion and modernisation being one of the highest priorities including such projects as the Via Carpathia corridor (linking Lithuania with Greece), the Danube-Oder-Elbe canal (strongly pursued by the Czech President Miloš Zeman), expansion of airports or a high-speed railway line connecting Prague, Warsaw, Bratislava, Budapest and Vienna. After completion, the railway network will have a capacity to carry up to 20 million passengers a year, contributing also to the green development due to its contribution to the reduction of carbon emissions. The transport infrastructure problem of the V4 region resides in the fact that the overwhelming majority of links was established in the east-west direction, while the north-

² *Premiér Babiš se zúčastnil summitu předsedů vlád V4 v Katovicích* (2021, June 30), vlada.cz. Retrieved July 26, 2021, from <https://www.vlada.cz/cz/media-centrum/aktualne/premier-babis-se-zucastnil-summitu-predsedu-vlad-v4-v-katovicich-189497/>.

³ *Ranking of Germany's trading partners in foreign trade 2020* (2021, July 19), destatis.de. Retrieved July 27, 2021, from <https://www.destatis.de/EN/Themes/Economy/Foreign-Trade/Tables/order-rank-germany-trading-partners.pdf>.

⁴ For many years, Brussels has been interfering in the internal affairs of Hungary and Poland, accusing them of breaching the rule of law, infringement of human rights and so on. The EU elites even support the opposition forces in the respective countries with the aim to change the political status quo which has been established democratically. In June, the European Commission pressed charges against the Czech Republic and Poland for alleged violations of rights of foreign nationals who are not allowed to enter political parties in our two countries. This is just another example of interference and disrespect for the V4 and CEE region.

⁵ *V4 Countries Sign Cooperation Pact on Railway Development* (2021, June 20), hungarytoday.cz. Retrieved July 26, 2021, from <https://hungarytoday.hu/v4-railways-visegrad-countries-railway-network-ten-t/>.

south one is lacking. The abovementioned projects, repeatedly supported by the Czech Republic, should contribute to a substantial change in this regard.

Increasingly deeper cooperation is going on also in the field of finance and economy. At their meeting in Warsaw on June 22, Ministers of Finance discussed the present economic challenges in Europe following from the pandemic and the EU recovery plan related to the Recovery and Resilience Facility, investment projects or taxation issues. The Czech political representation appreciated the G7 initiative concerning an introduction of the global minimum tax which is to mitigate tax evasion and contribute to putting an end to the so-called tax havens. Nevertheless, the Czech Minister of Finance Alena Schillerová (ANO movement) prefers a solution to be found within OECD, not the G7, the latter being a very limited grouping. From the Czech point of view, the problem of taxation of the digital economy is more serious and pressing than the tax haven question, the G7 stance, based on the concept of global minimum tax, being focused on the second one predominantly. Therefore, the Ministry of Finance has endeavoured to introduce a digital tax on the national level until the global model is put into practice. In the past, this Czech plan provoked negative reactions from Washington repeatedly because the national digital tax would affect first and foremost the US companies.⁶ The position of other partners from the Visegrád Group is similar. At the June summit, the representatives came to an agreement that the global solution should be adopted by the OECD, leading to a state when companies will pay taxes in those countries in which they generate real profit.⁷ It would bring massive tax revenues to the Czech Republic, the economy of which is very open. The share of the foreign capital in the ownership of the companies operating on the Czech market remains higher than one third.

Conclusion

During June and July, the Czech Republic's representatives participated in a wide array of multilateral, regional meetings, especially with counterparts from the Visegrád countries. The significance of the V4 Group has been growing. These countries attempt to pursue their own policies in accordance with national interests. Naturally, they frequently collide with the dominant Western paradigm based on liberal democratic tenets. Therefore, it is vital to integrate

⁶ Zemánek, L. *Prague versus Washington: A Battle for Digital Tax*, China-CEE Institute, 26(2). Available at: <https://china-cee.eu/2020/03/31/czech-republic-economy-briefing-prague-versus-washington-a-battle-for-digital-tax/>.

⁷ Weiss, T. *Ministři financí zemí Visegrádu jednali o plánech obnovy, digitálním zdanění i taxonomii* (2021, June 22). Retrieved July 26, 2021, from <https://www.mfcr.cz/cs/aktualne/tiskove-zpravy/2021/ministri-financi-zemi-visegradu-jednali-42222>.

the Central European region (or the CEE as a whole) to strengthen a peculiar developmental pattern, protecting the freedom, rights and independence of these nations.