



Weekly Briefing

**Czech Republic political briefing:
Revision of the Government's Agenda
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Revision of the Government's Agenda

Summary

After 14 months, the basic programme document of the incumbent Czech cabinet has been adjusted. No radical shift has occurred but some plans are being postponed or abandoned while new ones have been included. The briefing provides an overview of the eleven priorities, going on to two controversial issues, that is, foreign policy and pension reform. The ideological background of the revision of foreign policy is analysed with a subsequent focus on implications on the external relations of the country including the military assistance to Ukraine. The need for the implementation of pension reform is, in turn, put in contrast to the practical steps of the ruling coalition.

Introduction

The government has revised its Programme Declaration face to face with the current challenges and tasks. The revision is mostly a reaction to the war in Ukraine and its impacts in a wide array of fields. The cabinet is exposed to the growing indebtedness and the need for cuts and austerity measures. The principal goals, nevertheless, remain unchanged, starting from the stabilisation of the state finances, cultivation of the relations with the EU, NATO and the US, and ending with the preparation of pension reform. Despite the intention to conduct a restrictive fiscal policy, the government promises that negative social consequences will be avoided.

Liberal democracy and human rights matter

The priorities of the coalition cabinet are defined in eleven points: (1) stabilisation of state finances which is to combine austerity measures with seeking higher efficiency on the side of expenditures; (2) deepening transatlantic ties, developing cooperation with “democracies” and enforcing the human rights agenda; (3) a pension reform securing financial sustainability and supporting intergenerational solidarity; (4) modernisation of education system; (5) development of the free market based on the SMEs, innovative and disruptive models; (6) protection of the environment; (7) solving the housing problems through supporting a variety of housing forms

inclusive of the social housing, and the acceleration of the protracted and complicated construction proceeding; (8) digitalisation and automatisisation of the state administration and services; (9) support for research and development; (10) reform of the state administration to ease the bureaucratic burden, reduce the apparatus and improve the quality of the bureaucracy and its operation; (11) improvement of the “political culture”.¹ These general priorities remain within the framework of the long-term political mainstream in the Czech Republic and can be easily adopted by both left and right political actors. The most controversial issues from these points are the one-sided foreign policy with its moralism and abandonment of real multilateralism together with the pension reform. Let’s focus on these two priorities and their implications in greater detail.

The government declares that the foreign policy is to be embedded in the transatlantic structures, based upon relations with “democracies” and accompanied by the enforcement of the Western conception of human rights and liberal democratic model as well as “European values” on a global scale. It corroborates the adherence to the discourse of the clash between “democracies” and “autocracies” together with the adherence to liberal internationalism instead of sovereign internationalism which constitutes the core of the UN-based international system. This ideological background has very practical implications. The Programme Declaration replaces the strategic partnership with China with the cooperation with “democratic partners in Indo-Pacific” such as India, Japan, South Korea and Taiwan. On the contrary, the relations with both China and Russia shall be revised which is already going on with a handful of negative consequences. Omitting the engagement in the 14+1 mechanism, the document stresses the Three Seas Initiative instead. The latter can be a useful instrument for deepening regional integration and development of infrastructure throughout the CEE region, however, it has been turned into a geopolitical tool used for the assertion of US interests as obvious from the resolution adopted by the US House of Representatives three years ago.²

The government argues that the global support for “democracy, human rights and civil society” is not only morally right but also brings concrete positive results for the Czech Republic. The political representatives want to use the hard-line policy against “autocracies” inclusive of assistance to Ukraine, development of political relations with Taipei, imposition of

¹ *Programové prohlášení vlády České republiky* (2023, March 1). Vláda České republiky. <https://www.vlada.cz/assets/jednani-vlady/programove-prohlaseni/Aktualizovane-Programove-prohlaseni-vlady-.pdf>

² *H. RES. 672 Expressing support of the Three Seas Initiative in its efforts to increase energy independence and infrastructure connectivity thereby strengthening the United States and European national security* (2020). Congress.gov. <https://docs.house.gov/billsthisweek/20201116/BILLS-116hres672-SUS.pdf>

sanctions on China and Russia, the establishment of a criminal court against Russia, and non-friendly actions towards Beijing to boost the country's position in the international politics. However, such policies can bring short- and medium-term advantages at most while deteriorating the position of the Czech Republic from a long-term perspective if taking the objective geopolitical and economic transformations into consideration. It minimises the possibilities of balanced, multivector external relations and mutually beneficial relations with countries with "different value orientations". The problem is that the latter countries account for the Global Majority. The hard-line agenda thereby deepens the existing dependencies on external actors in the transatlantic space.

Assistance to Ukraine

The revised version of the Programme Declaration contains the participation in the postwar reconstruction and modernisation of Ukraine to speed up its accession to the EU. In January a position of Governmental Envoy for the Reconstruction of Ukraine was set up. New envoy Tomáš Kopečný, who served as a deputy minister for defence industrial cooperation at the Ministry of Defence before, is authorised to coordinate both state and private assistance provided to Kiev, to represent the Czech Republic during the negotiations about the reconstruction of the East European country at the international level and chair the Czech section of the Czech-Ukrainian Joint Commission on Economic, Industrial, Scientific and Technical Cooperation.³

Prague has provided Kiev with comprehensive assistance since the beginning of the conflict. Prime Minister Petr Fiala and the Ministry of Defence have recently made known the scope of military supplies during the first year of the war. The Czech military assistance amounted to around 4.9 billion CZK (nearly 210 million EUR) and it is expected to reach 2 billion CZK (82 million EUR) in 2023. The supplies included 4 helicopters, 89 tanks, 226 armoured fighting vehicles, 38 howitzers, and 33 multiple rocket launchers. The Czech Republic was the first country to provide Kiev with these kinds of equipment and belongs to the biggest military suppliers in general. The Czech Army should also train up to 4,000 Ukrainian soldiers. The first 800 troops were trained by the end of 2022.⁴ Such military

³ *Vládní zmocněnec pro rekonstrukci Ukrajiny* (2023, January 11). Vláda České republiky. https://www.vlada.cz/cz/ppov/zmocnenci_vlady/vladni-zmocnenec-pro-rekonstrukci-ukrajiny-202266/

⁴ Harzer, F. (2023, February 22). *Fiala odtajnil, kolik zbraní Česko dodalo Ukrajině*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/zahranicni-fiala-odtajnil-jake-zbrane-cesko-poslalo-na-ukrajinu-226263>.

engagement in the conflict, at the same time, arouses increasing public criticism, especially in the opposition camp. The most relevant peace initiative called “Peace and Justice” was launched in January and provoked lively debate in the public space including attacks from the state administration and ruling coalition.⁵ The public support for Ukraine and Western assistance to Kiev’s military operations, nevertheless, remains strong and the calls for ceasefire and peace are still minoritarian.

Pension reform

The second controversial issue from the Programme Declaration is pension reform. It is a long-term problem whose solution is still remote. Whereas the left-wing parties have tended to maintain the existing pension system, right-wing rivals have pointed to its financial unsustainability. However, no government has been able to prepare and carry out a comprehensive reform which would allow for negative demographic development and negative economic aspects. The impotence or reluctance to prepare a reform is connected with high political risks in terms of public popularity because the reform should entail a substantial increase in the individual responsibility for the long-term creation of financial reserves for the pension inclusive of the marketisation of the pension system as such. The government has the ambition to present a reform draft by the end of 2023 but its position in this regard has been recently weakened by the decision to decrease the indexation of pensions in June. The legislative process in the Chamber of Deputies was obstructed by the opposition which made use of the opportunity to block the process, acting in line with its populist agenda.⁶

The pensioners are the only social group which has been fully compensated for the high inflation so a lower pace of pension increases should be the first step to intergenerational solidarity. However, the cabinet resorted to an extraordinary procedure to manage the adjustment in time which exposes it to the risk of subsequent annulment of the decision by the Constitutional Court. Irrespective of these circumstances, the government has wasted

Ministryně obrany informovala o detailech odtajněné vojenské pomoci Ukrajině (2023, February 23). Ministerstvo obrany. <https://mocr.army.cz/informacni-servis/zpravodajstvi/ministryne-obrany-informovala-o-detailech-odtajnene-vojske-pomoci-ukrajine-242316/>

⁵ Vyzva (2023, January). Mír a spravedlnost. <https://miraspravedlnost.cz/vyzva>. Novák, J. (2023, January 10). „V Kremle mají radost,“ sepsul Pojar českou iniciativu Mír a spravedlnost. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/domaci-zivot-v-cesku-v-kremlu-maji-radost-mini-pojar-o-ceske-iniciative-mir-a-spravedlnost-222927>

⁶ Koutník, O. (2023, March 3). *Poslanci schválili nižší růst důchodů, místo 1770 dostanou seniori 760 korun*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/domaci-politika-vladni-navrh-na-nizsi-valorizaci-duchodu-odolava-pokusum-o-odroceni-debaty-227004>

considerable political capital for rather a marginal measure while the implementation of comprehensive reform is needed. It is more than obvious that the ruling coalition postponed both the one-time adjustment of indexation and debate on the pension reform due to the presidential election not to strengthen the opposition candidate Andrej Babiš. But after the victory of the government candidate any further hesitation is irresponsible politically and harmful economically.⁷

Conclusion

The government needs to increase revenues and reduce expenditures—hence the adjustments of pension indexation, plans to reduce tax discounts, increase the tax burden, and postponement of some programme priorities.⁸ Moreover, some ministers and their experts consider the possibility of a substantial increase in the mandatory payments to the health and social security systems for the self-employed persons, referring to the need for equity between the self-employed persons and employees. Such a strange argumentation completely omits the risks related to entrepreneurship inclusive of the lack of protection from both state and employers in the case of illness and pension, as well as the absence of holidays and other benefits. These measures would damage the business environment seriously.

⁷ Svoboda, J. (2023, March 4). *Předčasné penze, další rána rozpočtu, říká Pertold*. Novinky.cz. <https://www.novinky.cz/clanek/domaci-predcasne-penze-dalsi-rana-rozpocet-rika-pertold-40424791>

⁸ Mačí, J., Gavenda, J. (2023, March 2). *Přehledně: Co vláda původně slíbila a nesplní*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/domaci-politika-prehledne-co-vlada-puvodne-slibila-a-nesplni-226952>