



# Weekly Briefing

**Czech Republic political briefing:**  
**The Absence of a Strategic Vision and the Risks for Development**  
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# **The Absence of a Strategic Vision and the Risks for Development**

## **Summary**

*The Czech Republic lacks a long-term strategic vision for socioeconomic development and the political elites are not able to reach a stable consensus in this regard. These facts threaten the future of the country. That is why the business organisations have been increasingly active in promoting a possible economic programme, exerting pressure on the political representatives to take necessary measures. The briefing argues that the absence of a sustainable developmental strategy is affected by the design of the present political system as well. The latter contributes to the chronic instability and fragmentation of the political scene which, in turn, undermines continuity and strategic planning.*

## **Introduction**

The development and future prosperity of the Czech Republic have found themselves in danger. Representatives of the national business have recently warned that the country has got into a middle-income trap which can be overcome only through a change of developmental paradigm. Even though the incumbent government is well aware of these risks, no strategic measures have been prepared and introduced. Explaining the absence of progress, the ruling coalition usually refers to the need to cope with the negative consequences of the pandemic period as well as the need to focus on the war in Ukraine and active assistance to Kiev. The global situation, however, will hardly be calmer in the following decades and the political representatives thus should adapt to the new, volatile and unpredictable conditions.

## **Political system and its structural limits**

On September 1, Prime Minister Petr Fiala made a speech about a medium-term vision for the Czech Republic. The essential question is why the head of the government put forward such a programme nearly two years after the cabinet took over power. It is naturally positive that the ruling politicians are able to see beyond the four-year term and define priorities of the development for longer perspectives but such visions are useless without their implementation

and a broader political consensus which would guarantee longer-term continuity. The problem of the Czech development after 1989 is that almost every government has had its own general vision of the future and the steps taken by the former cabinet have been negated and replaced by an alternative programme. This experience shows that a consensus between two leading parties is needed within the existing multiparty system based on proportional representation. Since the fall of the Communist regime, no political party was able to gain sufficient public support to push forward a single sustainable vision and it is hardly possible that such a situation will occur under the current circumstances because the electoral system is designed to prevent such results. Then it emerges that the position towards the substantial problems and long-term goals should be shared by at least the two strongest parties.

Cooperation of this kind indeed happened in the late 1990s. In 1998 the Social Democratic Party (ČSSD) led by Miloš Zeman concluded a political deal with the Civic Democratic Party (ODS) headed by Václav Klaus. The agreement enabled sufficient support for Zeman's minority cabinet for four consecutive years. Interestingly, the leading left-wing and right-wing parties prepared a reform of the electoral system to strengthen majority features and make the Czech political system more stable. However, the reform was annulled by the Constitutional Court after a charge initiated by the then President Václav Havel. Paradoxically, this cooperation between social and civic democrats has been frequently criticised as immoral and detrimental. The same argumentation would be undoubtedly applied to a possible agreement between ANO (which replaced the Social Democratic Party as a dominant left-wing force) and ODS even though it would be a normal political deal. The third possibility for reaching a broad consensus is the establishment of a multi-member coalition to achieve a hegemonic position on the political scene.

This tactic was tested during the last election to the Chamber of Deputies in 2021 when two coalitions consisting of five parties formed a de facto single alliance against ANO and Freedom and Direct Democracy (SPD). The two coalitions represented liberal democratic forces whose aim has been to protect liberal democracy against real and alleged external threats even at the cost of the internal authoritarian transformation. The question is to what extent this principal goal will guarantee the inner coherence of the liberal democratic bloc in the medium and long term because, of course, there are certain differences among the members of the alliance and within the parties themselves in many fields. The need for agreement on individual matters together with the political ambitions of individual actors has undermined efficiency in governance which has already told on the draft of a package of consolidation measures whose

final implementation becomes increasingly doubtful. Moreover, the absolute majority reached by this bloc is incessantly threatened by a challenge posed by the opposition, especially ANO (which has been the strongest political party for a long period and its support exceeds 30 per cent) and SPD whose representatives make clear that once an opportunity appears they will revoke a wide array of measures and policies adopted by the incumbent government. The rivalry between these two blocs, which can be conceptualised through the prism of a clash between postliberalism and sovereign populism, will go on in the future and will be a destabilising factor in Czech politics. Representatives of the national business are aware of these risks and despite the existence of a plurality of opinions on a wide array of aspects of political, economic and social life do they understand the need for a long-term strategic vision for the country which will be respected and developed by a majority of relevant political actors throughout individual parties.<sup>1</sup>

### **The prime minister's vision**

As indicated above, a vision for the next ten years was presented by the prime minister at the beginning of September. Petr Fiala observed that a broad social and political consensus about priorities was lacking. From his perspective, there are four pillars in which the development should be grounded: (1) self-confidence together with the ability to advance national interests; (2) efficient and limited state administration; (3) support of education to make the country a leader in the field, attracting foreign students; (4) strategic investment. The prime minister believes that the last pillar must be based on the development of transport and energy infrastructure and focused on nuclear sources, lithium, chips and IT.<sup>2</sup> The lack of a complete motorway network as well as high-speed railways indeed undermines the economic growth while the state tender on the enlargement of one of the two Czech nuclear power plants is too slow (moreover the state authorities excluded Russian and Chinese companies from the tender). According to the recent findings, the government is considering the possibility of the

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<sup>1</sup> Bidrmanová, M. (2023, September 1). *Jsme skanzen. Míříme ke kolapsu. České firmy vystavily státu vysvědčení*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/ekonomika-firmy-jsme-skanzen-mirime-ke-kolapsu-ceske-firmy-vystavily-statu-vysvedceni-236237>

<sup>2</sup> *Premiér Fiala představil hlavní vize směřování Česka* (2023, September 1). Vláda České republiky. <https://www.vlada.cz/cz/media-centrum/aktualne/premier-fiala-predstavil-hlavni-vize-smerovani-ceska-207957/>

construction of up to four nuclear reactors which could be funded by the ČEZ company. Such a plan would require no less than 2 trillion CZK (approximately 83 billion EUR).<sup>3</sup>

The cabinet wants to start to extract lithium by 2026. Experts estimate that the reserves of lithium in Cínovec might be mined for 300 years and belong to the largest reserves in Europe, amounting to some 5 per cent of the world's reserves.<sup>4</sup> In addition, the government has made efforts to carry out the construction of a “gigafactory” producing batteries for electric cars. The production facility would be operated by Volkswagen.<sup>5</sup> Another project in which the ruling coalition is extremely interested is the Advanced Chip Design Research Center. Given the objective impossibility of attracting foreign investors to situate the production of chips and semiconductors in the Czech Republic, politicians at least try to engage Czech subjects in the supply chains related to the future chip factory in Dresden which will be set up by the TSMC. The cabinet would like to establish the Advanced Chip Design Research Center in conjunction with Taipei to serve the needs of the Dresden factory.<sup>6</sup>

Such projects are, nevertheless, impossible without massive funding. Therefore, the government would like the Parliament to approve legislative adjustments aimed at facilitating the construction of transport, energy and transmission infrastructure next year. Petr Fiala stated that he preferred separation of the long-term budget for strategic investment and operation expenditures, expecting that the state bodies would provide several trillions of CZK for strategic projects in the following years.<sup>7</sup> The question is whether the ruling coalition is able to find a common language with the opposition or will believe that the government parties will gain a sufficient number of seats in the Parliament in the next election in 2025.

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<sup>3</sup> Koutník, O. (2023, August 30). *Utajovaná analýza spočítala obří náklady na český jaderný megaplán*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/domaci-kauzu-vlada-zna-cenu-jaderneho-megaplanu-ctyri-reaktory-za-175-bilionu-236101>

<sup>4</sup> Bastlová, M. (2023, August 9). *Naleziště lithia pod Cínovcem je unikátní. Zásoby máme na 300 let, říká geolog*. Seznam Zprávy. <https://www.seznamzpravy.cz/clanek/audio-podcast-ptam-se-ja-zasoby-lithia-pod-cinovcem-jsou-na-300-let-rika-geolog-235246>. *Těžba lithia na Cínovci by mohla začít koncem roku 2026* (2023, May 16). Novinky.cz. <https://www.novinky.cz/clanek/ekonomika-tezba-lithia-na-cinovci-by-mohla-zacit-koncem-roku-2026-40431758>

<sup>5</sup> Liebreich, J. (2023, July 14). *Volkswagen má k investici za 120 miliard do gigafactory přimět štedřejší nabídka od státu*. E15. <https://www.e15.cz/byznys/prumysl-a-energetika/volkswagen-ma-k-investici-za-120-miliard-do-gigafactory-primet-stedrejsi-nabidka-od-statu-1399350>

<sup>6</sup> Sedlák, J. (2023, August 30). *S Tchaj-wanem chystáme čipový megaprojekt, o továrnu jsme neusilovali, říká Pekarová Adamová*. E15. <https://www.e15.cz/domaci/s-tchaj-wanem-chystame-cipovy-megaprojekt-o-tovarnu-jsme-neusilovali-rika-pegarova-adamova-1410141>

<sup>7</sup> Klímová, J. (2023, September 1). *Fiala: Česká ekonomika teď neumožňuje vyšší růst mezd. Znevýhodňuje nás vůči zahraničním firmám*. iROZHLAS. [https://www.irozhlas.cz/zpravy-domov/fiala-tiskova-konference-cesko-na-krizovatce\\_2309011020\\_fos](https://www.irozhlas.cz/zpravy-domov/fiala-tiskova-konference-cesko-na-krizovatce_2309011020_fos)

## **Conclusion**

In the course of the summer, representatives of the Czech business under the leadership of the Confederation of Industry and Czech Chamber of Commerce launched a campaign in favour of radical reforms to reverse the long-term stagnation of the national economy face to face with the passivity on the part of the incumbent government. Some commentators and experts even speak about a clear political programme and entry of the business into the political realm. Even though the business organisations deny any political aspirations, their stronger presence and participation in the political processes and decision-making could help the country to move forward.