

# The Czech Centre-Right Solutions to the Political Challenges of **2017**

Ed. Lucie Tungul



Wilfried  
**Martens Centre**  
for European Studies



Konrad  
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# Project partners



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**TOPAZ** was established in 2012 as an educational platform and think tank associated with the political party TOP 09. Its goal is to open up discussion with the public concerning conservative ideas. Its main activities are focused on social debates with independent experts, cooperation with TOP 09 expert committees, fundraising, presentation of alternative views on the work of public authorities and preparation of analytical and conceptual policy documents suggesting alternative answers.

**Konrad-Adenauer-Stiftung (KAS)** is a German political foundation whose task is to preserve the spiritual legacy of the first post-war German Chancellor Konrad Adenauer. Its main principles are freedom, justice, solidarity and subsidiarity. The main goal of KAS is to support Christian-Democratic values in politics and society, foster democracy and rule of law, support European integration and intensify transatlantic and development cooperation.

**The Wilfried Martens Centre for European Studies** was established in 2007 as the political foundation and official think tank of the European People's Party (EPP). The Martens Centre has four main goals: advancing centre-right thought, contributing to the formulation of EU and national policies, serving as a framework for national political foundations and academics and stimulating public debate about the EU. It promotes a pan-European mind-set based on centre-right, Christian-Democrat, conservative and like-minded political values.



# Notes on Contributors



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**Alena Resl** studied politics and international relations at Charles University in Prague and European Studies at Rheinische Friedrich-Wilhelms-Universität in Bonn. Civic education has been her interest for the last 12 years. She has worked at the Association for International Affairs and the think tank European Values and is currently working for Konrad-Adenauer-Stiftung.

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**Lucie Tungul (Tunkrova)** graduated from Miami University, Ohio (International Relations), and Palacky University in Olomouc (Politics and European studies). She has worked as Assistant Professor at Fatih University, Istanbul, and Palacky University, Olomouc. Her areas of interest are European integration with a special focus on Europeanization, democratization, EU decision making processes, migration processes and identity discourses.

# Forword

Marek Ženíšek



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We present here the first TOPAZ publication produced in cooperation with the Wilfried Martens Centre for European Studies and with the support of the Konrad-Adenauer-Stiftung which evaluates current political topics and proposes answers for the year 2017. We have addressed a number of scholars and professionals and asked them to reflect on various events, tendencies and challenges the Czech Republic has faced in 2016. The authors apply their expertise in order to assess political, economic and social trends in the Czech Republic and the EU.

The core activities of the TOPAZ think tank established in 2012 involve education and training not only for TOP 09 but also for the general public. TOPAZ has an interest in focusing debate on general social themes with the help of professionals and experts. The following chapters reveal that this path is sensible, justified and I would even say successful.

I am very pleased that this publication was prepared jointly, as the result of a successful cooperation among the three organisations at European level. It is available in both Czech and English. Its form and content correspond to the requirements of academic texts. TOPAZ, therein fulfils its publication and scholarly objectives.

I deeply appreciate the willingness and zeal of the authors who agreed to prepare this volume and I hope we will continue over the following years with similar endeavours. We would like to address not only members, voters and supporters of TOP 09 but the Czech public at large as well as the international audience. We present texts that discuss a number of key issues such as foreign policy, the Czech Republic's Eurozone membership, the consequences of Brexit, the phenomenon of populism in the Czech Republic and elsewhere, environmental issues, innovation and competitiveness, the 2016 regional elections, civic education and others.

I have high hopes that this publication will interest a wide range of readers and that its content can become an actual reflection of the year 2016 which is slowly coming to an end.



# Abbreviations



Wilfried  
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AMO	Association for International Affairs
BIF	Baltic Innovation Fund
CEMES	Centre for Media Studies
CETA	Comprehensive Economic and Trade Agreement
CNC	Czech News Center
COŽP	Environmental Centre
ČNB	Czech Central Bank
CR	Czech Republic
CSDP	Common Security and Defence Policy
ČSSD	Czech Social Democratic Party
ČSÚ	Czech Statistical Office
CZK	Czech Republic Koruna
DOE	Danube-Oder-Elbe
EBU	European Broadcasting Union
EC	European Commission
ECFR	European Council on Foreign Relations
ECR	European Conservatives and Reformists
EEA	European Economic Area
EET	Electronic Evidence of Taxes
EIF	European Investment Fund
EPP	European People's Party
ERM II	European Exchange Rate Mechanism II
ESIF	European Structural and Investment Funds
EU	European Union
EUBAM	EU Border Assistance Mission
FDI	Foreign Direct Investment
FoF	Fund of Funds
Frontex	European Border and Coast Guard Agency
GDP	Gross Domestic Product
ICCS	International Civic and Citizenship Study
IFI	Innovative Financial Instruments

IMF	International Monetary Fund
KAS	Konrad Adenauer Stiftung
KDU-ČSL	Christian and Democratic Union – Czechoslovak People’s Party
KSČM	Communist Party of Bohemia and Moravia
MF	Ministry of Finance
MZV	Ministry of Foreign Affairs
MŽP	Ministry of Environment
NGO	Non-Governmental Organization
ODS	Civic Democratic Party
OECD	Organization for Economic Cooperation and Development
PPS	Purchasing Power Standard
RABIT	Rapid Border Intervention Teams
RRTV	Council for Radio and Television Broadcasting
SFDI	State Fund for Transport Infrastructure
SME	Small and Medium Size Enterprises
SPOZ	Party of Civic Rights–Zemanists
STAN	Mayors and Independents
TTIP	Transatlantic Trade and Investment Partnership
UK	United Kingdom
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
USA	United States of America
V4	Visegrad 4
VAT	Value Added Tax
VV	Public Affairs
WMCES	Wilfried Martens Centre for European Studies
YEPP	Youth of the European People’s Party

# Introduction

Lucie Tungul and Reda Ifrah



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The Czech Republic and the European Union have faced several serious challenges in 2016 which will spill over into the following year and which will in all probability remain on the agenda until the end of the decade. The most visible media topics have been the refugee crisis and Brexit, these being symbolic of the crisis of democratic legitimacy in the EU member states reflected in the internal EU crisis. The EU crisis is primarily an expression of an inability and/or lack of will to cooperate among its member states and the growing dominance of national over European interests even in issues which require a combined shared effort such as facing the influx of migrants or the legacies of the financial and economic crisis.

Nation states play a vital role in the EU decision-making process as their political systems, parties, administrative systems, political culture and current topics and issues, to mention but a few, inevitably influence the European level. Rising heterogeneity in the EU is partially caused by the various differences among the EU-28 but also by the high number of both state and non-state protagonists: national governments, parliaments, state administrations, local governments, political parties, interest groups and the public, all of whom participate in the decision-making and policy-making on the European, national and local levels.

The member states constantly affect the European level and one can distinguish between short- and long-term factors. The long-term factors include the general outlook of the European political system, the country's real and envisaged role in the EU and, the general public's attitudes to European integration as well as national political culture and ideology. The short-term factors include the composition of the national government (and parliament), the level of public support for European integration at the time, the economic situation in the country and in the EU, current problems and hot topics, etc. All these factors interact while constantly changing the constellations as the situation in the EU member states, in the EU, and in the individual policies also change. Events in one area of EU competence and/or in an EU member state impact the EU structure and their partners in the EU, both internal and external.

While we have acknowledged that the leading topics of 2016 were the refugee crisis and Brexit, we also need to make mention of the fact that a more general debate has focused on the idea that the EU has been in a deep crisis, in all probability the deepest since its formation. A number of commentators and the public seem to agree on this premise and the fact that the process of European integration, including the possibility of solving major current problems, has been stalled by the negative attitude.

This publication analyses the most obvious but also the less visible but nonetheless crucial topics that have both national/local and European dimensions from a Czech perspective. While the Czech Republic is a medium-size country in the EU, which has not been a particularly fruitful partner in promoting European cooperation due to certain Eurosceptic elites who have been extremely vocal, consequently making the public quite Eurosceptic, we perceive the possibility for better communication between the Czech Republic and the EU. This rests in opening up a debate about a number of hot and relevant topics. Czech centre-right parties have been quite divided on the topic of European integration. We believe an open and constructive discussion could alter the debate in order to move away from emotional statements to facts and data and thus provide a more solid base for the Czech performance in the EU and a better ground for the defence of Czech national interests in the EU.

We have asked a range of experts to address selected issues that are relevant to the Czech Republic and place them into a broader European perspective. We asked them to provide an analysis of the current state in several selected topics and give recommendations for centre-right politicians, policy-makers, administrators, voters and sympathizers as to how to tackle these problems in the near future.

In the first chapter, Vit Dostal and Krystof Kruliš discuss important issues in Czech foreign policy including recommendations for the Czech position on the negotiation of Brexit considering both Czech and European interests. The authors also analyse trade negotiations with the USA and Canada, the EU enlargement policy and neighbourhood policy, where they would welcome more active Czech contributions.

The second chapter by Vit Novotny and Loredana Teodorescu specifically looks at the major topic of the refugee crisis and the EU's short and long-term possible solutions. The Czech Republic experienced a strong negative reaction to a number of the EU-led proposals in both the early and later stages of the crisis but failed to present alternative solutions. A more cooperative approach would enhance the country's voice in the EU processes.

We then turn to economic issues. Lubor Lacina in Chapter 3 analyses the current economic circumstances of the Czech EU membership demonstrating the need to think beyond "debts and credits" and understand the complexity of economic interdependence of the Czech and European economies. He also investigates the Czech failure to join the Eurozone and analyses the positive and negative sides of the non-membership recommending that the country compensates for the Euro "outsider" status by closer cooperation with the EU's economic core, particularly Germany.

Turning away from the macroeconomic aspects of Czech EU membership, Martin Hanzlik shows the inadequacies in the financing of innovation in Czech technological small and medium-sized enterprises (SMEs). He emphasizes the need for improved financial and investment mechanisms which would allow for investment into science and research and the materialization of its output in tangible business products. The Czech Republic has failed to use some of the European initiatives that are economically sounder than the common practice of subsidies and faces the danger of falling behind in the technological race.

One topic that has been unduly ignored in Czech politics is environmental protection. Bedrich Moldan provides an overview of Czech environmental policy since the late 1980s in Chapter 5 and demonstrates that while a great deal of improvement took place in the 1990s, the last 15 years saw a slow-down in reforms despite the country's continuing need for improvements to provide a sustainable quality of living to its public. The Czech Republic should find a way to revive the earlier dynamism and become a leader, not a laggard in this area.

The next two chapters focus on the Czech political scene. Ladislav Cabada in Chapter 6 investigates the Czech right and its major challenges today, that is the rise of the business-firm and anti-political parties, which pose a possible threat to the standard democratic political and economic environment in the country. He believes that the democratic Czech centre-right parties can face the challenge if they find a way to cooperate with one other and overcome their differences and if they focus on liberal economic policies and a democratic dialogue.

After examining the national level, Jan Outly takes us in Chapter 7 to the regional and local levels of Czech politics revealing the most important recent changes regarding property and economic management of municipalities and the register of contracts. Outly also mentions the general outcome of the 2016 regional election. He recommends increasing transparency in the local and regional administration and better communication of the rights and duties of municipalities and regions to the public.

The publication ends with two chapters on political communication by Lucie Tungul and civic education by Alena Resl and Ales Kudrnac. The former discusses the situation of the media in the Czech Republic and the concept of post-truth society in the Czech context. It focuses on two cases of media interest in the Czech Republic that also have a European dimension, the coverage of the migrant crisis and the Russian propaganda. The final Chapter 9 investigates weaknesses in the Czech civic education tradition and suggests improvements in the current system using good practices from Germany and Austria, which would enhance the democratic principles of pluralism, the struggle against indoctrination and support an open classroom climate.



# Chapter 1: Czech Foreign Policy and the European Union

Vít Dostál and Kryštof Kruliš



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**Abstract:** The chapter discusses important areas of Czech foreign policy: Brexit and the future of the EU, trade agreements, EU enlargement and the European Neighbourhood. We argue that the EU and the Czech Republic are undergoing a turbulent, dynamic and probably transformative period which disturbs the stability of the EU integration process. The EU faces internal and external challenges. The leitmotif of the internal processes is political populism significantly affecting EU cohesion. Brexit and the possible breakdown of trade negotiations with Canada and the USA are only two examples. External processes include the presence of assertive regional powers which do not share European values and want to increase their influence at the expense of the EU. The EU has also lost credibility and attractiveness in its neighbourhood.

**Keywords:** EU, Brexit, TTIP, CETA, Czech Foreign Policy, EU Enlargement, European Neighbourhood Policy

## ***Introduction***

The European Union (EU) has experienced a period of instability, which was largely caused by the processes in its immediate neighbourhood in 2015 and 2016. After the 2004 and 2007 enlargement waves, it seemed that the integration process was successful and attractive. New countries wished to join the EU as full members (Western Balkans, Turkey) or as associate members (Eastern Europe, the Mediterranean). The 2011 Arab Spring and the Revolution of Dignity in Ukraine in 2013/2014 demonstrated that the transformation processes in these countries had been putative or insufficient. The rulers of the undemocratic or semi-democratic regimes were overthrown by people's protests (Egypt, Ukraine) or led to more authoritarian and violent forms of governance (Syria, Russia, Turkey). Genuine transformation only seems to be taking place in a few countries (Tunisia, Ukraine, some Western Balkan countries).

Apart from the instability arising in its immediate neighbourhood, EU foreign relations have been disturbed by certain unexpected events in the West. The result of the UK EU membership referendum and the complicated trade agreement negotiations deepened these insecurities. These blows indicated the need to reevaluate the current approach on the part of the EU and the need to establish a long-term and coherent strategy for European foreign policy in order to face the possible impact of turbulent events abroad. The fulfilment of the second goal began with the implementation of a European Global Strategy (Evropská komise 2016). Although the answer seeking path to the first and more difficult question was sketched at an informal summit in Bratislava in September 2016, more will be known after the French presidential and German parliamentary elections of 2017.

This chapter focuses on several aspects of Czech foreign policy: Brexit and the future of the EU, trade agreements, EU enlargement, and the EU neighbourhood, with a special emphasis on the Czech position within the European context.

## ***Brexit and the future of European integration***

The result of the British referendum brought about the need to discuss how it will affect European integration and the other 27 member states and how they will react to the decision. The Czech Republic and its relationship with the integration process will be fundamentally affected by Brexit.

The most important procedural question of 2016 is when will Article 50 be triggered? This will be replaced by determining the content of the future agreement at the beginning of the negotiations. The negotiation strategy will play a vital role. The EU will enter the negotiations with the position that the four freedoms are indivisible and Czech representatives claim they will take the same position. This is the principal position for the coherence of European integration but it cannot be denied that its intransigent defence could eventually crush the negotiations. The UK primarily targets limiting or elimination of the free movement of people. Czech citizens use their right of free movement in the UK much less than Poles, Slovaks or the citizens of the Baltic states. These countries consider the preservation of the free movement of people a higher political priority than Czechs but it is nevertheless a matter of principle to maintain this freedom. The Czech position should not ignore, however, other and more important interests for the Czech economy such as the specific role of the United Kingdom in foreign direct investment (FDI) flow from third countries, especially English speaking ones, into the region. Czech exporters also want to maintain their position on the UK market, with which we have a substantially positive trade balance. These goals should not encourage the Czech Republic to abandon the common position on the indivisibility of the four freedoms, but it is important to keep them in mind and ensure these interests are preserved for the future.

The actual process of negotiating with the UK will take place parallel with the EU transformation process. The EU will be different without the UK. The Eurozone's weight will increase. The countries that remain outside the Eurozone will increasingly fall behind if the plans indicated by the Five Presidents' Report are pursued. Integration will deepen and it will be increasingly difficult to catch up. Brexit also opened up an opportunity to consider deeper integration in the fields of defence and enhancement of shared defence capacities. The UK has been vetoing this expressing a fear that it would weaken transatlantic relations despite the fact that the USA has supported greater EU involvement in global affairs and mostly even if it was guaranteed through deepening of the European integration in the defence area. The situation on the domestic political scene and the current tension in many regions at the southern and eastern EU borders has allowed shifting of the focus of the Czech public on the security agenda. This would support the Czech Republic's active engagement in projects developing shared defence mechanisms. This attitude could politically compensate for the Czech hesitance to join the Eurozone.

Brexit will also weaken the European integration process in many areas important for the Czech Republic. The UK's policy has often been mistakenly labelled more Eurosceptic than is usual for the other member states. The UK was not considered a leader in the integration process. This view in some aspects of EU integration contradicted reality (Kruliš 2014). The UK had actually been a proponent of liberalization as of the 1980s and this position was quite clear when it pressured the EU to finalize the liberalization of the services market and in the area of digital or sharing economy.

## ***The trade agreements CETA and TTIP and the new role of Germany***

The European integration process will greatly miss the British voice demanding an active EU role in liberalizing international trade and the linking up of the EU with the other global economies such as the USA, Canada, Japan or India. It could stagnate for years without British support. The Czech Republic and the EU might both lose in this process. After the Brexit referendum, the Commission announced that it would no longer promote the approach which claimed the negotiation of free trade zone agreements the exclusive responsibility of the EU and instead agreed to ratify the CETA agreement with Canada as a mixed agreement in national parliaments. The initial position of Wallonia shocked everyone as it threatened to wipe the results of more than seven years of negotiations with Canada, the country, whose culture and values are probably closest to Europe, off the table. It served to reveal that populism had no political affiliation and was a significant problem not only in Eastern but also in Western part of the EU, including the founding member states such as Belgium. If the CETA agreement with Canada is not ratified, the chances of successfully closing the TTIP agreement with the USA would have been quite slim or even an illusion. The possible impact is weakening transatlantic relations in the future. If the TTIP agreements fail, new ways need to be sought out in order to help stabilize transatlantic relations regardless of the US presidential election result.

The Czech export-oriented economy will lose in the UK a strong ally in areas of completing the single market and liberalization of international trade. The question is what Germany plans to do as it has thus far relied on the UK's hawk position towards the single market and international trade liberalization and consequently did not have to invest much of its political capital into these areas. It could play the role of a mediator. This might not be possible with the departure of the UK. The differences in size and level of development of the German and Czech economies are sometimes preventing finding of common positions in some areas (e.g. the posting workers directive) but this should not impede alliances in other areas of the single market. Our economic interests are largely intertwined mainly in the position on the global trade liberalization. Next year, German voters will choose between liberal-conservative parties, which could make Germany a leader in supporting EU openness towards global markets, and all other parties that are inclined to support EU protectionism. The Czech Republic would benefit from German support for openness to liberal trade because a substantial share of Czech exports to third countries go through Germany.

## ***EU Enlargement***

The accession policy is the only tangible policy in EU relations with the Western Balkans. The EU is still attractive for South-East Europe and is helping the troubled region in its economic and political transformation. The enduring political divisions, slow reform process and weak interest on the part of the EU member states have caused a slowdown in their progress. The Western Balkans returned to high EU politics during the refugee crisis in the summer of 2015.

The relationship between the EU and the Western Balkans experienced several important milestones in 2015. Kosovo<sup>1</sup> signed the Stabilization and Association Agreement, Bosnia Herzegovina applied for EU membership, Serbia completed the so-called screening of national legislation, which allowed for the opening of the first negotiation chapter and Montenegro continued in its accession negotiations by opening up several new areas. No significant progress was seen with Albania, which is implementing the Stabilization and Association Agreement, and with Former Yugoslav Republic of Macedonia, whose situation is complicated due the dispute with Greece regarding its name (ECFR 2016: 77). The main problem in the region is political instability, which has affected Bosnia Herzegovina since its independence but more recently also Former Yugoslav Republic of Macedonia, where it turned into violent clashes. The Western Balkans are also a Russian area of interest. Serbia approached the sanctions against Russia with caution because it did not want to upset either Moscow or Brussels. Russia, however, was hit by the NATO enlargement to Montenegro.

The countries of the Western Balkans re-entered the political map of Europe during the refugee crisis. The Balkan and the Mediterranean ways were the two dominant paths migrants used to enter the EU. Former Yugoslav Republic of Macedonia and Serbia took on the largest share of the burden because they were the main transit countries. The EU left the Balkans to their fate in the first months of the crisis. While Greece had difficulty managing their influx, Hungary and Slovenia actually closed their borders. The Western Balkans were included in the search for a shared solution much later. Fundamental institutional mechanisms such as relocation quotas did not, however, apply to them. Only the agreement with Turkey in the spring of 2016 released some of the pressure from Former Yugoslav Republic of Macedonia and Serbia.

The Czech long standing lack of interest in the Western Balkans has continued in 2015 and 2016 despite the refugee crisis, which required at least minimal reactive steps. Even though the Czech Republic belongs among the advocates of the enlargement policy, it has been rather inactive. It also suffers from the consequences of allowing the “no enlargement in the near future” statement of the Juncker’s Commission. The countries supporting enlargement will experience difficulties overcoming this narrative in the future. The refugee crisis drew increased attention to these countries, which led to material and financial aid for Former Yugoslav Republic of Macedonia and Serbia. It was a positive step but insufficient to cover the necessary measures. The Czech Republic sent mixed messages to the Western Balkans when criticizing Germany, the main guarantor of existing solutions (Rovenský 2016), and when rejecting partial measures (e.g. the rejection of the Turkish deal in the Chamber of Deputies). This unhelpful approach might have consequences that the Czech financial assistance and deployment of policemen to the border between Greece and the Former Yugoslav Republic of Macedonia could not compensate for.

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<sup>1</sup> This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

## ***The European neighbourhood***

The EU's ability to influence its neighbourhood in trouble is decreasing. Although the EU wanted to be surrounded by friends, its proximity is filled with open enemies, competitors and areas that it can no longer affect. The EU approved a Review of the European Neighbourhood Policy in late 2015 (Evropská komise 2015). The document emphasised stability which it favoured over democratization. Similarly, it emphasized common interests over shared values and enabled the development of more flexible relationships.

The European is not uniform. The situation in North Africa and the Middle East provides very few reasons for optimism five years after the Arab Spring began. The one and only positive example is Tunisia. Libya is in chaos, the democratization progress stopped or has moved in reverse in Algeria, Morocco and Egypt. Jordan and Lebanon are under tremendous pressure from refugees from Syria and Iraq. Turkey is also a complicated ally with rising authoritarian tendencies, especially after the coup in July 2016. It is a candidate country with open accession negotiations but due to current political realities, actually belongs to the European neighbourhood. The EU is affected by the consequences of instability in the larger Middle East, especially the refugee crisis. Several European countries have joined the coalition against Daesh (often known by the inaccurate name of the Islamic State). This coalition took action in the second half of 2016 and began to push back the Daesh extremists. It is evident, however, that a victory over Daesh will not end the war in Syria. Direct Russian involvement on behalf of the Assad side moved the conflict resolution negotiations to the level of Washington – Moscow. Only negotiations between the two world's most powerful countries can provide a permanent solution. The EU is a second or third rate protagonist in the largest conflict in its neighbourhood (after the USA, Russia, and the regional powers Turkey, Saudi Arabia and Iran) because its influence is too low.

Czech foreign policy towards its southern neighbourhood is effectively limited to several areas. The most visible is its engagement in Syria where it keeps its embassy open. Although its objective is defined as consular and humanitarian services, the Czech presence was also used to develop trade relations, which to some extent delegitimized its position. Trade cooperation negotiations during the period when the future of Syria was uncertain and when Assad's regime committed crimes against its own people, lowered the credit of a country that claimed to defend human rights in the world. When the fighting in Aleppo worsened, the question arose as to whether the embassy in Syria should shut down or not. The Czech Republic intensified its assistance in other countries which shouldered the burden of the refugee crisis (Jordan, Lebanon) but given the scope of the problem, it required greater involvement. Assistance of CZK 43 million provided to the region in 2015 did not come close to the capabilities of a relatively wealthy country like the Czech Republic.

The Eastern EU neighbourhood has witnessed a growing tension between European values and Russian imperial interests. The milestone was the Russian-Ukrainian conflict, where the EU performed surprisingly well. The introduction and preservation of sanctions reacting to the illegal occupation of the Crimea, the Russian military deployment in Eastern Ukraine and the massive involvement of Germany that tried to stop the military conflict could be considered breaking points in the EU foreign policy. NATO is also undergoing a fundamental transformation adapting itself to the changed security environment. The summer 2016 Warsaw summit decided that NATO would increase its deployment on the Eastern flank.

This seemingly satisfactory situation has a number of weak points. Russia has demonstrated the ability to deepen the confusion of European societies and thus undermine their resilience. A clear example of this is the Dutch referendum concerning the Association Agreement with Ukraine and its negative outcome. The opposition and government circles in France, Italy, Hungary, Slovakia, Germany and the Czech Republic called for the unconditional lifting of the sanctions and their replacement with “constructive” relations with Russia.

EU’s Eastern Partnership has undergone differentiation since the 2015 Riga summit. Three countries declared an interest in deeper relations with the EU (Ukraine, Moldova and Georgia) and three countries (Belorussia, Armenia and Azerbaijan) are looking for other forms of cooperation than an association agreement. The EU failed to take the main and most visible step towards the countries interested in the most robust relationship (Ukraine and Georgia), i.e. liberalise the visa regime even though the European Commission approved it and the countries met the conditions. As is the case with the Western Balkans, we might argue that the main responsibility rests on the political elites of the countries in the Eastern Partnership but the EU should be able to support (a civil) society in all these countries and provide a clear European perspective.

The Czech Republic’s attitude to the Eastern neighbourhood is ambivalent. A number of government representatives have questioned the EU sanctions against Russia. The Czech Republic was not an active protagonist in the Eastern Partnership policy and the Chamber of Deputies took shamefully long time to approve the Association Agreement with Ukraine. Its contribution to the stabilization of the European neighbourhood thus remains far below its capabilities and general needs.

## ***Conclusion***

The EU is experiencing a complicated situation. It is losing influence over its neighbourhood, which is no longer a belt of partners and allies but a source of instability. European integration faces the populism which led to Brexit, complicating the solution to the global refugee crisis and blocking the deepening of the trade policy. Although all these areas have affected the Czech Republic, its foreign policy remains reactive, disputed and incapable of facing radicalization in a society connected with political populism (Dostál 2016). The new architects of Czech foreign policy, which appeared with the ascendance of the centre-left government, failed to bring to life the promised awakening of Czech foreign policy (Drulák and Zaorálek 2013). The below-mentioned recommendations purposefully exceed the current government’s term of office. It should be viewed as an agenda which the government formed after the 2017 parliamentary elections should follow.

## ***Recommendations***

- The Czech Republic should pay attention not only to the defence of the four freedoms but also to the openness of the market during the Brexit negotiations.

- The Czech Republic should balance its peripheral position towards the Eurozone by its activity in the questions of the future of the EU (such as a common defence policy) and work at preserving the liberal internal market.
- Signing free trade agreements with Canada and the US is in the Czech interest. If they are not successfully completed or the ratification fails, we should demand their reopening.
- The Czech Republic should be more vigorous in defence of the EU enlargement policy and strive to enforce a more open approach in the next European Commission.
- The Czech contribution to the stabilization of the European neighbourhood could be far more conspicuous. In this respect, it should not undermine the European consensus towards Russia and Turkey and should significantly increase Czech transition transformative development and humanitarian assistance.



# **Chapter 2: Security and Migration: Balancing the Security of External Borders and the Responsibility to Protect**

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**Abstract:** The mass influx of refugees since August 2015 has re-opened questions of the security of the EU external border and the functioning of the EU asylum system. The crisis has revealed the weaknesses of the existing border control, asylum and immigration policies and a lack of collective action. Certain frontline member states have proved unable to effectively guard their borders, while others have opted not to implement the existing asylum legislation or accept their part of responsibility. Concrete steps, both short and long-term responses, have been taken, from the launch of the new European Border and Coast Guard to increased cooperation with third countries. Restoring control of the external borders, while fulfilling obligations to protect people who are fleeing war and persecution, remains the central concern for European politicians. To this end, EU member states need to work together to arrive at joint solutions, acknowledging that nationally-based approaches are bound to fail. They should also ensure the effective application of the existing EU legislation, including the return of failed asylum seekers and irregular economic migrants. Czech centre-right parties should continue in their efforts to temper the public debate on asylum and refugees and constructively contribute to EU-level policymaking.

**Keywords:** Refugee crisis. Security, Migration, External border control, EU asylum system, Responsibility to protect, Schengen

## ***Introduction***<sup>2</sup>

The mass influx of refugees as of August 2015 has re-opened questions of the security of the EU external border and the functioning of the EU asylum system. The temporary but almost complete loss of control of the maritime Greek-Turkish border, which lasted up until April 2016, only completes the picture of continued weaknesses in the border management in the south of Europe. In 2015 alone, Frontex, the EU's external border agency, detected 1.82 million illegal border crossings. This figure was more than six times higher than that for 2014 (Frontex 2016).<sup>3</sup> Failures in external border management were coupled with unjustified internal border policies on the part of member states which served to avoid triggering existing asylum procedures.

Due to the continuing war in Syria, the failed state in Libya and the 'open border policy' unintentionally operated by the member states, 1.26 million first-time asylum seekers applied for international protection in 2015, a 130% increase when compared to 2014 (Eurostat 2016a). Hundreds of thousands of refugees and immigrants were not registered by the authorities in any EU member state, thus creating challenges for law and order and the integration of foreigners over the coming years. The threat of terrorism also required better protection of the EU external borders and the identification of all people entering EU territory. The balancing of security concerns with the responsibility to protect people who are fleeing war, persecution and poverty has consequently become the central concern for European politicians, policymakers, political parties and the general public in 2015 and 2016.

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<sup>2</sup> We would like to thank Martin Hančl for his helpful comments.

<sup>3</sup> The number of crossings was higher than the number of irregular immigrants: People who first arrived on the Greek islands from Turkey and later at one of EU's external borders in the Western Balkans, were counted twice.

The number of first-time asylum applications increased from 905 in 2014 to 1,235 in 2015 in the Czech Republic. The latter figure constituted 0.1% of the EU's asylum applications in 2015. Combined with the fact that the Czech Republic is, along with Luxembourg, the only EU member that does not have an external EU border,<sup>4</sup> issues of border security and asylum might seem largely theoretical. The political debate in the country did not reflect, however, these facts and statistics. Issues of immigration, asylum, Islam and terrorism polarised the political spectrum, steering the public debate in the direction of defensive nationalism not seen since the expulsion of Czech Germans in the late 1940s. The Czech centre-right parties contributed to tempering the more xenophobic streaks in the debate.

### ***The EU's external border***

The concept of the protection of the external border means having information about who is crossing the border and for what purposes. The better border protection, the more people cross into the EU as people's lives are saved on the sea and in mountainous areas.

According to the Schengen Borders Code of 2006, border control includes checks on persons at border crossing points and surveillance between these border crossing points, an analysis of the risks for internal security and the threats that may affect the security of external borders (European Parliament and Council 2006).

The border control and border security issues have gained greater importance since the EU's attempt to establish an area of freedom, security and justice with the Lisbon Treaty in 2009 (Treaty on the European Union Article 3.2). Such an area rests on the existence of the freedom of movement of EU citizens. This space inevitably requires a common approach, investing the Union with new and greater responsibilities in ensuring internal security and effectively managing its external borders. To ensure passport-free movement inside the Schengen area and free movement inside the EU, the external borders have become shared. The external EU border of one member state is the external border of all member states and requires a common policy on external border management.

Free movement, originally designed to enable the European working population to freely travel and settle in any EU State, was enhanced by the creation and extension of the Schengen area from 1985 onwards, abolishing the internal border controls in most of the EU countries. The Schengen area now comprises 26 members, and extends along almost 9,000 km of external land borders and 44,000 km of sea borders.

The Lisbon Treaty states under Article 67 that the Union "shall ensure the absence of internal border controls ... and shall frame a common policy on ... external border control." While the competence to legislate on borders is a shared one, the responsibility for the control and surveillance of external borders lies with the member states (De Bruycker 2016). Frontex (European Agency for the Management of Operational Cooperation at External Borders) was established in 2004 in order to reinforce and streamline cooperation between national

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<sup>4</sup> Austria has an external border with Switzerland, a country that is a member of the Schengen zone but not a member of the EU.

border authorities. Frontex focuses on coordination of deployment of additional experts and technical equipment to those border areas which find themselves under significant pressure. The Agency has faced limitations from its beginnings, lacking its own staff, equipment, and operational capacity, and relying on the invitation of member states to operate within their territories. The planning mechanisms for the agency and the participating states (who are all members of the Schengen area) have been insufficient, with members typically being reluctant to contribute to operations that did not concern their borders. Facing long-standing issues of collective action, the agency has long sought out a larger budget and broader mandate (Dimitriadi 2016). The agency has nevertheless been successful in increasing its budget over the years, from the initial €90 million to €250 million in 2016 (interview 2016).

Measured in terms of the number of operations and pilot projects, European Commission statistics listed the Czech Republic in the middle of the scale when compared to other members (cited in Hrabálek 2010).

The operations of the Schengen area suffered similar problems of collective action. The Schengen Information System was supposed to provide an information management infrastructure to support border control and the related security tasks of police and judicial cooperation. The participating states were supposed to feed the database with information about wanted or missing persons (Milt 2016). The system lacked coherence, however, and suffered from a lack of cooperation with member states.

The European space is inevitably influenced by external events (and vice versa) and has made policy makers increasingly aware of the need for external relations instruments. This process has facilitated the development of tools to address threats *as early as possible*, before they can reach Europe (Rees 2005). The unrest and instability in the European Neighbourhood, affecting directly the European Union, has highlighted the need to develop deeper cooperation with third countries. This cooperation is aimed at jointly managing the migration flows, *externalising* domestic tools or addressing the root causes of migration and adopting a *preventive* approach (Boswell 2003).

Apart from diplomatic tools, such as partnerships and agreements, the EU has deployed security tools, such as CSDP missions, in order to support strategic third countries in securing their own borders. Most of these missions are currently focused on the southern shore of the Mediterranean and the African continent, such as the EUBAM Libya, deployed in May 2013 with the aim of supporting Libyan authorities in improving and developing the security of the country's borders. In order to address the migration challenge, the EU launched in 2015 the first-ever mission to disrupt the business model of human smuggling and trafficking networks, EUNAVFOR MED Operation Sophia, thus also contributing to the protection of the EU external borders.

### ***The EU asylum system***

Border control is one of the elements involved in an immigration and asylum policy. As has been pointed out, most of the people arriving irregularly to Europe are entitled to ask for protection and some cannot be returned

in the light of the principle of *non-refoulement*. This principle, derived from international law (Convention Relating to the Status of Refugees 1951) and then restated at the EU level (Treaty on the Functioning of the European Union Article 78.1), prohibits states from returning a migrant to territories where there is a risk that his or her life or freedom would be threatened on account of race, religion, nationality, membership in a particular social group or political opinion.

As EU law does not provide for the regulated arrival of asylum-seekers, their entry into EU territory is in most cases irregular, without the necessary documentation and/or using unauthorized border crossing points.

As a consequence, the EU asylum rules only apply from the arrival on EU territory and not before (European Parliament Research Service 2015). Due to mixed flows of asylum-seekers and irregular immigrants, it is often difficult for national authorities to establish whether they are irregular immigrants or instead individuals entitled to seek international protection.

Distinguishing between asylum seekers and “economic migrants” is an important part of the asylum system. In the first stage of the procedure, the person in question decides whether they are an asylum seeker or not, by requesting asylum or declining to do so. In the second stage, the national authority in question runs an asylum procedure which results in either granting asylum or rejecting the asylum claim. Those who do not request asylum and those whose claim is rejected, become “economic migrants” by default, this being a jargon term rather than a legal category.

An effective returns policy for those who are not eligible for asylum or whose asylum claim has been rejected is necessary in order to retain the credibility of the EU asylum system and ensure law and order. After having provided the possibility to claim protection, EU member states can return irregular economic migrants or asylum seekers whose applications have been rejected. Moreover, asylum seekers can be returned to another country when they have already been granted protection in the “first country of asylum” or when they have links with a “safe third country” that could have processed the asylum application and/or granted protection (e.g. a transit country). In order for the return policy to work, however, cooperation between the member states and with third countries is essential. Currently only some 40% of the return decisions are effectively implemented.

The only possible means at present for people in need of international protection to safely and legally enter the EU is given by the resettlement scheme, the process whereby, on a request from the United Nations High Commissioner for Refugees (UNHCR), refugees are transferred from a non-EU country and established in a member state. Currently, resettlement of refugees is voluntary, with EU efforts being a sum of all national activity, although there is a pending proposal on the part of the Commission to establish a common European policy on resettlement adopting a EU Resettlement Framework. As pointed out by the Commissioner for Migration, Home Affairs and Citizenship, Dimitris Avramopoulos, this would represent “the EU opening a genuine legal window in [its] efforts to close the irregular backdoor” (European Commission 2016c).

## ***The current refugee crisis and European responses***

### **Short-term responses**

The European refugee crisis, as mentioned earlier, has demonstrated weaknesses in the existing border control, asylum and immigration policies. The system which made it impossible to apply for asylum from outside the EU has had an unintended consequence with the EU having to deal with mixed flows of refugees and immigrants and being obliged to apply the asylum legislation to all incomers. As a result, the EU asylum system has been unable to “cope” with the inflow of people and the EU has lost control of its external border.

“Economic” migrants and potential terrorists should be separated from “genuine” asylum seekers. This has proved difficult, however, in view of some member states’ inability to effectively guard their external borders, their reluctance to request assistance from Frontex and the failure of other Member States to furnish Frontex with the required human and technical resources (Rijpma 2016).

The weakness of the EU’s border management became fully apparent during the refugee crisis of 2015-16. Nothing illustrates this better than the fact that Greece officially requested Frontex assistance only several months into the crisis, despite the obvious inadequacy of its border management and asylum infrastructure. By December 2015, when Frontex accepted Greece’s request to deploy Rapid Border Intervention Teams (RABIT) on the Greek islands in the Aegean (see Frontex 2015), some 600,000 people had entered Greece’s territory in an irregular manner.

A number of EU members opted not to implement the existing asylum legislation and this exacerbated the crisis. The existing asylum legislation presumes that a member state fingerprints people entering its territory and examines their asylum claims. If irregular entrants do not present an asylum claim, they can be subject to sanctions, including a return to the country of origin. In reality, European governments opted for a wave-through approach, allowing large groups of migrants to move across the EU territory during the first months of the refugee crisis. Several months into the crisis, this was replaced by a new approach, reintroducing internal border controls. A 2016 study by the European Parliament argued that reintroducing internal border controls was problematic according to the Schengen Borders Code. Governments should have instead applied the asylum legislation. Allowing large groups of refugees to proceed without any registration and introducing internal border checks amounted to avoidance of responsibilities for reception and determination of refugee status (European Parliament 2016a).

A concrete step to improve the situation was the implementation of the “hotspot” approach, in support of Member States facing disproportionate migratory pressure. Located at key arrival points in frontline member states, hotspots are designed to inject greater order into migration management by ensuring that all those arriving are identified, registered and properly processed (Neville et al. 2016). After months of difficulties, four hotspots were in operation in Italy and five in Greece by October 2016.

The EU-Turkey statement of 18 March 2016 proved decisive in addressing the refugee crisis (European Council

2016). For every Syrian being returned to Turkey from Greek islands, another Syrian would be resettled from Turkey into the EU. In exchange, the EU vowed to accelerate the visa liberalisation process for Turkish citizens. The agreement between the EU and Turkey compensated for serious problems in external border controls by Greece.

The planned creation of a new European Border and Coast Guard has been another welcome step. Legislation for the agency was adopted over a remarkably short time span. The agency was launched in Bulgaria in October 2016. The agency, essentially a reinforced Frontex, will have 1000 own staff, will be able to purchase its own equipment and will be able to start operations at short notice. There will be a larger pool of member state border guards than was the case with Frontex.

The Czech government, like other Visegrád countries, has not introduced internal border checks (Frontex 2016). Due to the lack of an external EU border and near-zero refugee flows, the Czech debate focused on the Commission's refugee quota scheme. In September 2015 the Czech government voted against an emergency Commission proposal to relocate 120,000 refugees within the EU. Thus, in its own way, the country refused responsibility for addressing the refugee crisis in Europe. The creation of a special police unit to assist border control in Hungary, Slovenia and the Former Yugoslav Republic of Macedonia was a welcome measure for the EU. It was also one that fit into the policy of keeping refugees and migrants away from Czech territory. Both the left and right parties essentially accepted this prevailing opinion.

Resolutions of the Chamber of Deputies expressed a defensive approach to the refugee crisis. A resolution from March 2016 criticised the visa liberalisation provisions in the EU-Turkey statement, unfortunately without offering an alternative to an agreement with Turkey.

By September 2016, the country accepted, along with other Central and East European countries, deep cuts in the EU's Cohesion fund. Some observers saw this step as an exchange for not accepting refugees through the relocation scheme (Guarascio 2016).

## **Long-term responses**

Finding EU consensus on longer term measures was more difficult than an agreement with Turkey and the reinforcement of Frontex. One difficult issue was applying for asylum outside Europe. The current system did not allow this, thus inviting asylum seekers to undertake dangerous and irregular journeys to Europe, often relying on smugglers. EU asylum rules only apply upon arrival on EU territory and not before, and the EU faces uncontrolled access of mix flows of migrants and asylum seekers.

There have therefore been calls to create new safe and lawful routes for asylum seekers to access the European Union (European Parliament 2016b). This would prevent people in need from undertaking dangerous journeys in order to reach Europe, saving human lives, and allowing Europe to have better management of its border and differentiate between economic migrants and refugees, as only the latter are entitled to international protection, while the former can be returned if they are irregular.

Resettlement is one of the ways to access the EU in a safely and orderly way. It replaces inhumane and irregular migration routes with organised, safe and legal pathways to Europe for those entitled to international protection in line with EU and international law, while supporting the countries which are under more pressure. According to UNHCR, 86% of the refugees are hosted by low- and middle-income countries close to situations of conflict. Turkey is the largest biggest host country worldwide with 2.5 million refugees (UNHCR 2015).

Observers have therefore argued that resettlement programmes should be enhanced to provide protection to people in clear need, having a better overview of the protection needs and of the inflow into the Union, and as a means to secure borders and avoid uncontrolled access for migrants in Europe. The EU's further support for these states does not have to be solely in the form of admission of refugees, it could make a further financial contribution to increasing the living standards of the refugees (Peers 2015)

Another discussed option is the possibility to apply for asylum from outside Europe, in transit countries. This opportunity, raising different issues, from the law to be applied to the right to appeal and the distribution mechanism, needs to be further analysed. It could help the EU in the management of the flows and its borders, saving human lives.

In considering asylum centres outside Europe, it needs to be considered that people must have a real chance to obtain asylum outside the EU, otherwise they will not attempt applying and will continue crossing irregularly into the EU. Secondly, some relocation and distribution mechanism for individual EU member states is still necessary. Thus, creating asylum centres outside the EU would not compensate for the lack of consensus on distributing refugees in the EU.

The responsibility to protect and provide assistance applies globally, not only in the EU. Increased international cooperation to share the responsibility on a wider level is therefore necessary. The U.N. Summit for Refugees and Migrants held in September 2016 was the first step in this direction, as a collective effort to address the current challenges (United Nations 2016).

Specific cooperation with third countries of origin and transit of flows is also crucial in order to increase the rate of returns of irregular migrants (or people whose asylum claims have been rejected) to the countries of origin and transit and to enable migrants and refugees to remain close to home avoiding dangerous journeys.

There has been an increasing interconnection over the last year between home affairs and foreign and security issues. As of the beginning of the refugee crisis it has been more openly recognised that the foreign policy is as crucial as the domestic dimension in order to tackle the current challenges and promote security within and beyond its borders.

On the diplomatic side, the EU is seeking tailor-made partnerships with key African and Middle East countries of origin and transit using all policies and instruments in its competence (e.g. trade, development aid, European Neighbourhood Policy) to achieve concrete results. When negotiating with third countries, the EU is not always in a position of strength vis-à-vis third countries, which have less interest in controlling borders than the EU,

since they benefit from migrants remittances and have to bear the financial burden of their re-admission (Balleix 2014). For this reason, it may need to combine different tools, offering certain incentives and using some conditionality in order to secure their cooperation. The new approach, launched in June 2016, could mark the beginning of a new phase and a new impetus in the external migration policy, more pragmatic and focused on concrete results, but, as for the other initiatives, much depends on how it will be implemented.

The diplomatic approach has also been limited thus far by a lack of European cohesion and coordination of EU member states, and an excessive focus on domestic interests and security-related issues. In order to allow the EU to speak with one voice with third countries, it is essential to have a common position and vision. This includes insistence on adherence to human rights standards in partner countries.

In an attempt, in contrast, to respond to current challenges, member states can find it easier to agree on security-oriented solutions to regain control over their borders. The launch of the first concrete EU-wide security initiative against smuggling, EUNAVFOR MED, and the launch of the European Border and Coast Guard, less than one year after its proposal, clearly demonstrates this. Ongoing CSDP missions contribute to supporting third countries in managing their borders or/and fighting against traffickers and smugglers, or more broadly to support their security sector reforms, thus addressing one element of a more complex puzzle.

## ***Recommendations***

- The EU member states should apply the existing asylum legislation including fingerprinting and registration. The European Commission should assist in this effort and take necessary measures when member states fail to act.
  - The European Commission should look more strictly at member state attempts to replace their asylum-related obligations with instituting internal border checks.
- The EU and its members should pay particular attention to an effective policy for returning failed asylum seekers and irregular economic migrants.
- The EU, in cooperation with UNHCR, should further expand its resettlement policy.
- In addition, the EU should explore the possibility of allowing asylum applications outside its territory, in order to remove the necessity for asylum seekers to undertake dangerous journeys and in order for the EU to restore control of the external border.
  - In this regard, the EU and its member states might consider carefully selected pilot projects in third countries.
- The EU member states should provide full support to the European Border and Coast Guard. They should request the agency's assistance as soon as it becomes clear that they are facing difficulties in external border control.

- Concerning cooperation with third countries, the EU should strengthen the foreign policy dimension of its immigration policy. It should also bring together different policy instruments, including trade and development policies.
- Cooperation with third countries should not serve as a replacement for shared EU solutions on immigration, asylum and external border control.
- In general, the member states need to work together to arrive at shared solutions to current immigration, asylum and border control challenges. Nationally-based approaches are bound to fail.
- Czech centre-right parties should make more effort to explain to their voters the issues of border control and asylum, while avoiding generalisations about ethnic and religious groups of migrants.
- Czech centre-right parties should continue in their efforts to temper the public debate on asylum and refugees. Showing national-level leadership, contributing to EU-level policymaking and elaborating constructive alternatives to Commission proposals may be more politically rewarding than it may appear at first sight.



# Chapter 3: The Economic Costs and Benefits of the Czech Republic's Membership in the EU

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**Abstract:** The Czech Republic is one of the most Eurosceptic countries in the European Union (EU). The media and the Eurosceptic attitudes of certain Czech politicians have been largely responsible for the declining support of Czech citizens for the EU, which is even deepening despite Czech non-membership in the Eurozone, minimum impact of the refugee crisis, and the country's net beneficiary position in the EU budget. EU membership is related to a rise in the standard of living and the removal of barriers to trade. Most of the negative expectations such as a loss of competitiveness and a higher unemployment rate have not materialized. Czech companies benefit from the single market of more than 500 million potential consumers and Czech citizens benefit from the free movement of people and labour. Pro-European national politicians should emphasize the long-term benefits of European integration, which most of the public takes for granted at present.

**Keywords:** the Eurozone Crisis, the Czech Republic, Euro, Standard of Living, Economic Growth, EU Budget

## ***Introduction***

The media, which heavily influence not only the public opinion (i.e. voters) but also the politicians, do not view the gradual steps and successes of European integration as being "attractive" enough. Current analyses of the EU's future in the media often conclude with an evaluation of the EU's ability to handle the Eurozone and the migration crises. The hottest issue is Brexit.

It is quite simple, however, to see the unquestionable past successes of European integration such as the establishment of the customs union and the single market and their contribution to the rising standard of living in the EU. The advantages of trade liberalization or free movement of people are considered natural by both the media and the public even though they are the tangible and unquestioned results of the EU integration process.

The 2004 and 2007 enlargement waves played an important role in the changing negotiation environment in the EU. Most new member states evaluate their EU membership in terms of the economic calculations of costs and benefits rather than valuing the opportunity to participate in a long-term peace project. The Baltic countries represent a very different approach. They value higher the advantages of being members in a democratic and market-oriented union over a simple calculation of costs and benefits.

The Czech Republic is one of the most Eurosceptic countries outside the Eurozone. A 2015 EU public opinion poll revealed that only 20% of Czechs supported the adoption of the euro (TNS Opinion & Social 2015). This negative attitude was primarily caused by information concerning the adverse effects of the Eurozone crisis as described in the media but also the low support among a number of Czech politicians.

This chapter concentrates on the economic impact of EU membership on the Czech Republic. Above mentioned trends are analysed in the other chapters.

## ***The Czech Republic and the EU: an economic evaluation after 12 years of EU membership***

The Czech Ministry of Finance (MF) data indicate that the Czech Republic was a net beneficiary from the EU budget over the entire period 2004-2015 and this is not expected to change soon.<sup>5</sup> The Czech Republic consequently received more money from the EU budget than it paid as expected in the pre-accession estimates. The CMF revealed that the net position was €15,784.4 million (CZK 240.5 million) (Ministerstvo financí ČR 2015).

*Table 1: Changes in the net beneficiary position of the Czech Republic (EU budget payments, 2004-2015)*

Changes in the EU budget net beneficiary position of the Czech Republic		
	2004-2014	
	mil €	mil CZK
<b>EU budget expenditures</b>		
Structural operations	19,366.10	505,758.80
Structural funds (SF)	13,096.70	341,867.20
Cohesion fund (CF)	6,269.40	163,891.60
Agriculture	8,764.70	231,269.40
Market operations	353.4	9,728.50
Direct payments	5,172.60	136,042.20
Rural development	3,186.50	84,148.60
Veterinary measures	30.8	809.2
Fisheries	21.4	540.9
Internal policies	749.4	20,169.30
Institutional structures	28	821.6
Community programmes	826.4	22,239.40
Pre-accession tools	415.3	12,330.00
PHARE	178.7	5,574.40
ISPA	184.9	5,115.50
SAPARD	51.7	1,640.10

<sup>5</sup> The current Multiannual Framework establishes that the Czech Republic will remain a net beneficiary until at least 2020. Much depends on other factors such as its absorption capacity and unprecedented events, which might change the net position, e.g. the redistribution of UK payments if it leaves the EU.

Compensations	834.2	25 116.70
Total EU budget expenditures	30 234.70	797 535.80
<b>EU budget revenues</b>		
Traditional own resources (customs)	1,876.30	50,193.10
VAT source	1,974.50	52,999.10
GDP source	10,635.40	284,103.10
Total EU budget revenues	14,486.30	387,295.30
<b>EU budget net balance</b>	<b>15,748.40</b>	<b>410,240.50</b>

Source: Ministerstvo financí České republiky 2015.

The data reveal that every Czech citizen received €1,510 (CZK 39,345) over the first 10 years of EU membership.<sup>6</sup> An evaluation of the net payment balance and the Czech financial position in the EU budget indicates the advantage of its EU membership. One should note, however, that most of the EU budget revenue was tied to compulsory expenditures – farming subsidies and regional development.

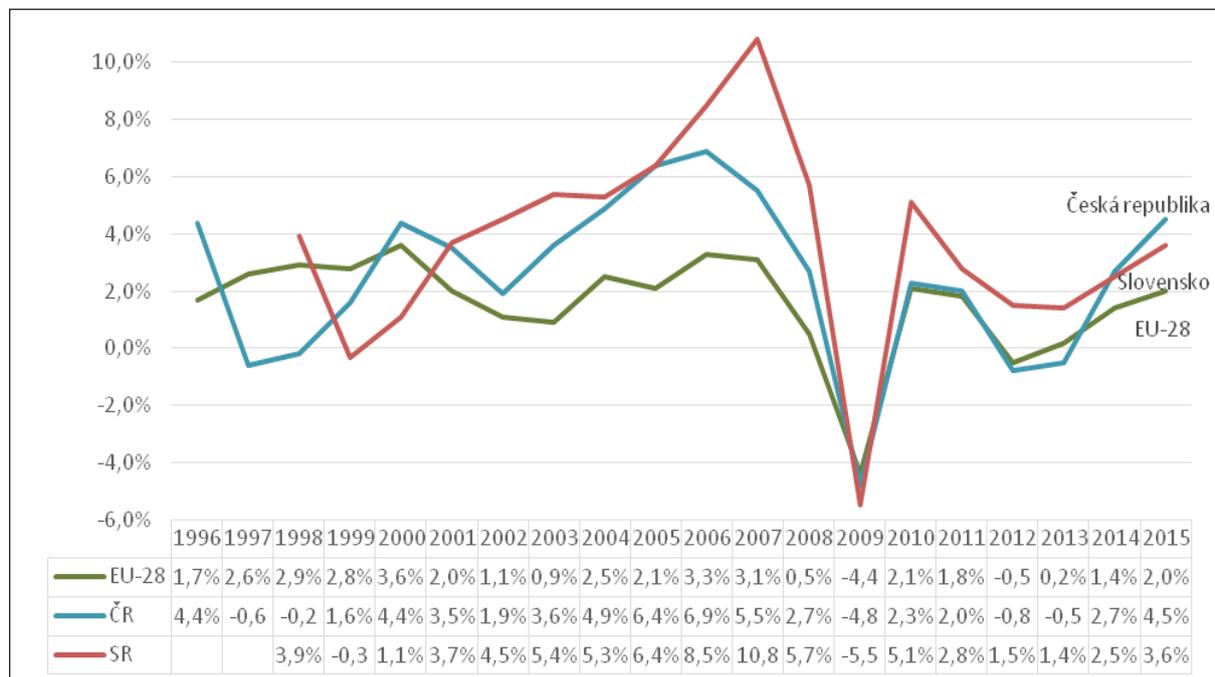
EU membership should not merely be assessed as a financial benefit. Certain non-financial benefits such as free access to the EU member state markets and free movement of people along with a number of less obvious areas that the Czech Republic benefits from are difficult to calculate and only indirect data can be used. The impact EU membership has had on the Czech economy has been evaluated in several independent studies (e.g. *Economic Evaluation of the Czech Republic's Membership in the EU after Ten Years: Alternative Scenarios and Quantifications*, Czech Government, 2014). Selected aspects of economic performance and the living standard in the Czech Republic will now be investigated.

### ***The impact of economic costs and the benefits of EU membership on the Czech economy***

GDP growth is a robust indicator for assessing the economic merits of EU membership. The annual GDP growth allows for a comparison of the dynamics of economic development over time and relative to other economies of similar sizes.

<sup>6</sup> A retired person in the countryside notices the €1,510 as, for example, new canalization or a new road. The benefit does not have to be clearly visible. In contrast, a student working in a modern lab in a renovated school building with A/C, who travels abroad with ERASMUS+ programme might actually obtain much more financial advantage from the country's EU membership than the national average realizes.

Graph 1: Relative GDP change, %



Source: Eurostat 2016b.

This indicator can help answer certain questions such as: Is our level of economic development converging with the “old” member states, for example, Austria and Germany? Would we have been better off with the Euro?

A quick look at the statistics provides a relatively clear answer to the first question – yes, our living standard is converging with the EU. The growth has been higher in all areas than the EU average with only rare exceptions. It has significantly converged (see Graph 2) and the growth has been faster in the Czech Republic than in the EU-28. It is difficult to predict future developments but purely mathematical estimates indicate that with current growth levels, the Czech Republic could reach the EU-28 in 10 years – at least in GDP per capita (see the Irish success). There is still the risk, however, that the Czech economy might stop growing and the convergence would stop at approximately 80% of the GDP of the EU’s most advanced countries - as was the case with Portugal and Spain.

The answer to the second question is not all that clear. A comparison of the GDP levels in Graph 1 reveals that

the Slovak economy, which adopted the Euro in 2009, reacted better over the given period and did not fall into red numbers as it occurred in the Czech Republic twice. A number of economists associate the better performance of the Slovak economy after the crisis with the Euro and the reforms adopted prior to its adoption. It is not that simple though and it is questionable whether the Euro helped Slovakia or whether the growth of the Czech Republic would have been like Slovakia had it joined the Eurozone. This debate will continue for a long period of time. The evaluation of the two questions is affected by the attitude of those who answer it and their approach to the European integration process. The same statistical data can be interpreted in a number of ways. Aware of a slight overstatement, two examples are provided below.

A Eurosceptic might provide the following comment: "We see that the Czech GDP growth was not as strong in 2004 as in 2003. This slowdown was caused by Brussels' administrative and bureaucratic machinery, whose legislative regulations began to suffocate our auspiciously developing economy. Without EU accession, our GDP growth might have reached 6% in 2004 and 10% at present. We also see a negative development after 2008 when the GDP growth slowed down to the EU-28 level and we could not reach the pre-accession levels since the onset of the crisis because we had to take other member states into consideration and they drew us deeper into recession. We would have faced the crisis better alone, we would have been more flexible."

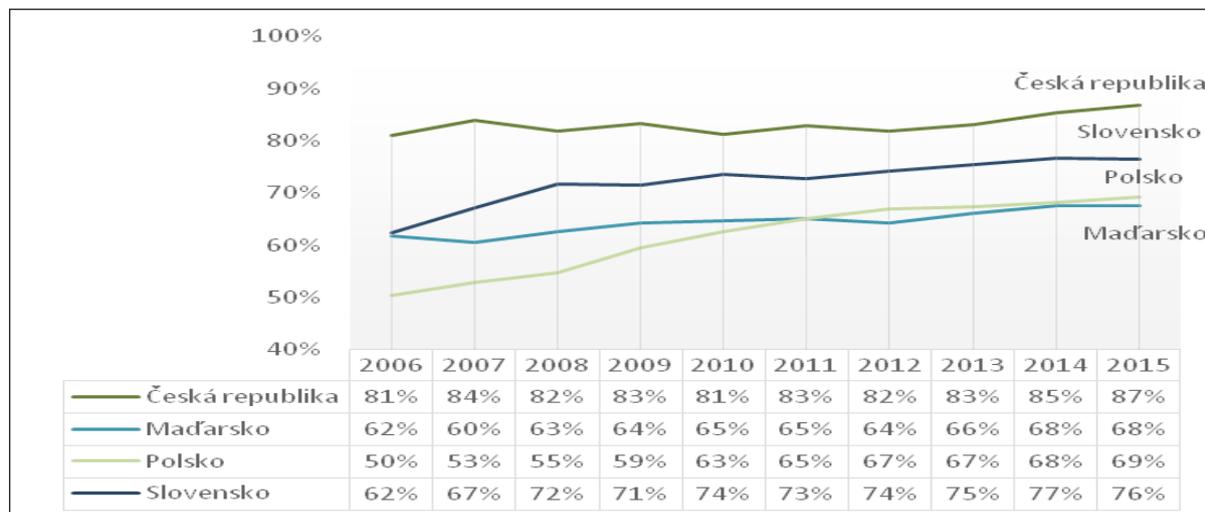
In contrast, a euro-optimist could interpret the same graph in this way: "The approaching date of the EU accession stimulated the Czech economy and the GDP growth reached a respectable level of 6.5%. The Czech Republic is a new economic tiger. Without EU accession, we would have been left behind and could not have achieved such high growth levels. We would have faced even slower growth during the turbulent period on the financial markets. We pulled ourselves together and the growth was restored partially due to strong domestic demand partially powered by EU funds. The Czech National Bank used the non-membership in the Eurozone to devalue the currency and the country gained a competitive advantage against the Eurozone members".

Both statements are extremely simplified evaluations of GDP growth, which depends on a number of factors, not only EU membership. The growth which began in 2002 indicated that accession was not the main sole impulse but one of the many impulses to economic growth however important it indeed was. The 2008 and 2009 developments revealed that EU membership cannot protect the country and its economic growth from the consequences of financial and economic crises, which affected almost the entire global economy after the collapse of the US mortgage market in 2007.

### ***Increase in the living standard after EU accession***

The Czech GDP per capita was 66.12% of the EU-15 average in 2004. It reached 87% of the EU-28 average in 2015. Graph 2 provides a better picture as it indicates the change in GDP per capita in the countries known as the V4 – the Czech Republic, Hungary, Poland and Slovakia.

Graph 2: Change in GDP per capita in PPS (Visegrad countries, EU-28 = 100%)

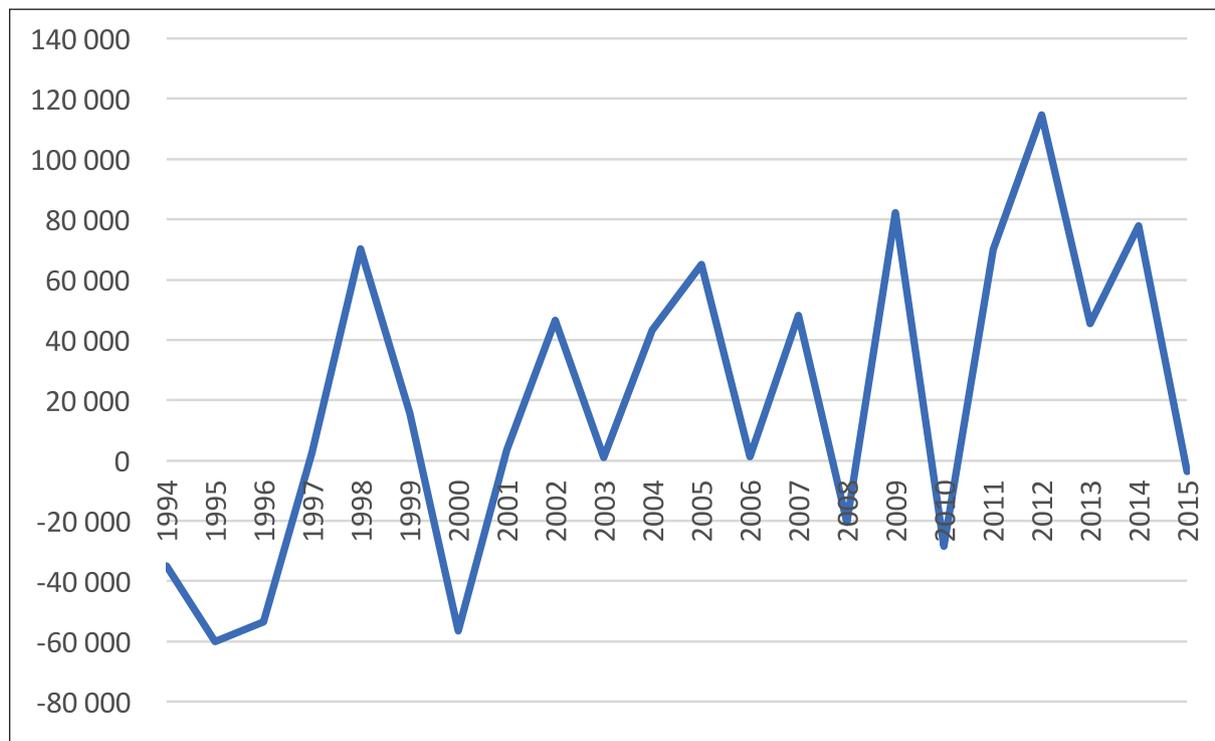


Source: Eurostat 2016b.

The highest scoring countries are obvious – Luxembourg (271%) and Ireland (145%) as are the countries in the range 120% –123% (the Netherlands, Austria, Germany, Denmark and Sweden). The first country under the EU-28 average is Italy (95% – 12<sup>th</sup> place). The Czech Republic holds the 15<sup>th</sup> place, Slovakia 19<sup>th</sup> with the lowest scoring countries being Romania (57%) and Bulgaria (46%).

Another important indicator is the development in foreign trade. The period 1996–2015 is used. Graph 3 demonstrates a significant increase in the export of goods and services after 2004. It increased by 20% from the year 2003. A similar steep year-on-year increase of 16% was apparent in 2000, although the 2004 increase was followed by another 12 and 16% increase indicating the connection with joining the single market and with the complete removal of trade barriers. Imports of goods and services also increased. Around 83% of the Czech exports go to the EU and 65% go to Eurozone countries. Germany is its main trade partner, with its share of total Czech exports amounting to 32% in 2015 (ČSÚ 2016a). It is not surprising that the rising intensity of links with the main trade partners feeds trade exchanges. A similar situation would, in contrast, arise without EU accession if the Czech Republic joined the European Economic Area (EEA) such as Norway, Lichtenstein and Iceland. These countries (and to some extent also Switzerland, the only European Free Trade Association country, which is not part of the EEA) are closely intereconnected with the EU (Switzerland, for instance, is the EU's second largest trade partner after the USA) and the agreements with the EU basically make them part of the single market.

**Graph 3: Exports of goods and services – year-on-year change in CZK mill.**



Source: Eurostat 2016b.

### ***Adopting the Euro in the Czech Republic***

The Czech Republic is obliged to adopt the common currency, Euro, by its accession to the EU in May 2004. In order to join the Eurozone, the country's economy has to attain the required level of economic preparedness defined by the Maastricht criteria, or the criteria of nominal convergence. Apart from the mandatory criteria for joining the Eurozone, the governments and central banks conduct auxiliary tests of the business cycle convergence and of the readiness of the economies to adopt the common currency. The results of these tests and the current performance in the Maastricht criteria implementation are used in order to discuss the best timing for Eurozone entry by both the advocates and opponents of the Euro. Additional arguments used to discuss the perfect timing for the adoption include the estimated impact on economic growth, foreign trade,

industry and the public. The Czech Republic does not have a binding date for adopting the Euro as of Autumn 2006. This absence of a fixed date has evoked long expert discussions about the costs and benefits of the Euro and the recommended speed of its adoption. The question is not whether to have the Euro or not but what is the most appropriate time for its adoption (Lacina et al. 2007).

The fundamental document, which summarised the Czech Republic's plan to introduce the European currency, is the updated *Euro Area Accession Strategy* adopted in 2007. The document obliges the Czech government and the Central Bank to evaluate the extent to which sufficient progress has been made in creating conditions for the adoption of the Euro, which should determine the Eurozone time-line and, thus the related obligation to join the ERM II mechanism. This evaluation is based on the *Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Alignment of the Czech Economy with the Euro Area* prepared by the Ministry of Finance and the Central Bank. It describes how the Czech Republic meets and will meet the so-called Maastricht criteria in the near future (i.e., the criteria of price stability, the sustainability of public finances, the exchange rate and long-term interest rates stability) and the degree of business cycle synchronization with the Eurozone. Detailed support analyses of business cycle synchronization are available in the *Analysis of the Degree of Alignment of the Czech Economy with the Euro Area* prepared annually by the Czech Central Bank. The document uses the analysis in order to advise the Czech government as to whether it should consider the date of Eurozone accession or postpone entry into ERM II.

The Czech Republic has met the Maastricht criteria for a considerable period of time. An exception is the failure to join ERM II, i.e., the obligation of a stable currency for at least two years before joining the Eurozone. A gradual synchronization of business cycles has also been seen with the Eurozone over recent years. The risk of supply and demand asymmetric shocks is decreasing. The last convergence report from December 2015 stated that factors in favour of Eurozone accession included the high openness of the Czech economy and its interconnectedness with Eurozone countries. Other favourable factors were the similar long-term inflation and nominal interest rate trends. The report also stated that although there was still a gap in economic convergence, an alignment of the living standard, an independent monetary policy could prove useful. It also highlighted other areas of discrepancy, which primarily included population ageing and the subsequent danger for long-term sustainability of public finances and their stabilization role. The labour market flexibility was comparable with other EU member states although weak points continue to be seen such as a relatively high employment tax and relatively low mobility of the labour force. The analysis emphasized the improving but still limited flexibility of the labour market and wages (ČNB 2015).

The Czech Central Bank initiated a major discussion in Autumn 2013, when it decided to devalue the Czech crown in order to support exports during the crisis and fight future deflation. Slovakia adopted the Euro in the early days of the crisis and lost out on this opportunity. The Slovak macroeconomic indicators did not follow, however, a trend all that different from the Czech Republic. The success and long-term benefits of the Central Bank's autonomy remained an issue in 2016.

It is not always easy for the public to understand the complexity of often contradicting arguments and counter-

arguments. Politicians should assess the pros and cons and make a decision involving, not only the economic aspects, but additional issues. The Euro has always been an important political instrument in the project of European unification (Dědek 2015).

## ***Conclusion***

The enforcement of European values and processes which is considered natural at present always required the search for consent among all member states, their policies and the public. The EU needed more than 60 years to reach the current state. A realistic observer of the European integration process should accept the fact that since the point of its inception, the implementation road has been built on political compromises seeking out public support in the genuine environment of a democratic system. The Brexit referendum or rise of Euroscepticism in countries such as the Netherlands, France and Finland indicate how European and national politicians are unable to convince EU citizens about the stabilization character of the European integration process and its long-term contribution to the rising standard of living. Pro-European national politicians should be emphasizing the long-term benefits of European integration.

The Eurozone crisis and the refugee crisis have fully revealed how the prevalence of national interests and their preference among national politicians has prevented a common European-level solution to the problems. The Euro crisis and the refugee crisis have raised a resistance wave against the common currency crisis and the entire European integration process. Certain countries heavily hit by the crisis such as Greece have revived a latent hatred for Germany which has persisted since WW2. The crisis-related need to undertake unpopular reforms, decreasing living standards and halted economic growth have re-ignited debates about the pros and cons of EU membership in many other EU member states. The EU is at a crossroads. The Czech Republic and its political representatives should clearly state whether they see the future of the country in cooperation with the core of the EU represented at present primarily by Germany or whether they believe that the Czech Republic can stand on its own in the globalized world.

## ***Recommendations:***

- Clearly state whether the future of the country lies in cooperation with the core of the EU represented at present primarily by Germany or whether the Czech Republic can stand on its own in the globalized world.
- Follow the EU's steps leading to the stabilization of the EMU system while critically assessing the Czech Central Bank's ability to meet the goals of an autonomous monetary policy.
- Place more emphasis on introducing the public to the "invisible" benefits of integration such as a higher standard of living and free movement of people.



# Chapter 4: Financial and Investment Mechanisms Supporting Innovation in Small and Medium-Sized Enterprises

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**Abstract:** The emerging new technologies and the importance of small and medium-sized enterprises for the Czech and European economies require new approaches to funding, especially in the initial stages of development, when they apply R&D outcomes and the market does not provide adequate commercial funding. The European Commission has thus prepared a number of regulatory and directly financed programmes. The Czech Republic has also prepared a national innovation fund project to support start-up technological companies. The European Investment Fund is also preparing a follow-up programme for Central and Eastern Europe. These activities are a completely new concept of entrepreneurship support in the Czech Republic and it will be interesting to track the development of these projects.

**Keywords:** Innovative Financial Instruments, Venture Capital, Alternative Investment Fund, Science and Research Commercialization, Start-ups.

## ***Introduction***

This chapter discusses innovation support for small and medium-sized enterprises (SMEs) in the context of the European economic and Czech subsidy policies. Its aim is not to analyse science and research funding but the financing of start-up SMEs that apply in their entrepreneurship activities innovation, new technologies and scientific findings from universities and research centres. Innovation and its application in business is a key factor in international competitiveness. Innovations are projected into almost all areas of everyday life and have changed traditional fields such as telecommunications, energy, the car industry, medicine, etc. The largest global companies include firms that did not even exist several years ago and which began as new companies. This was almost inconceivable during most of the twentieth century, when most companies remained at the top for decades. This is a period of important technological revolutions, which is turning everything upside down which existed earlier. The measures supporting this new phenomenon need to be adapted because missing out on it could result in the Czech Republic waiting at a train station for a train that has just departed and is already far away due to its newly acquired acceleration speed. The scope of the study does not allow us to describe all the planned or implemented activities. The most important types of innovation support will be introduced.

## ***The economic basis***

Recent events in the European Union (EU) and its member states have revealed that higher competitiveness is a key factor in the future development of both the member states and the EU. The 2008 financial crisis and the subsequent developments when the economies of many member states declined revealed the inability of commonly used financial mechanisms to cope with such situations. This became quite clear in the Czech Republic, where the banking sector was not hit by the financial crisis as in the neighbouring countries, but is strongly aligned with the household sector (the Czech Central Bank's data revealed that in August 2014,

household loans amounted to CZK 1.2 trillion, of which mortgages comprised CZK 880 billion; resident non-financial business loans amounted to CZK 852 billion, of which long-term loans comprised ca. 50%, less than half of the household loans).

The most interesting client for a bank is a person who accepts a large scale of financial products and contributes to the bank's healthy economy by paying fees for the services provided. Another interesting group of clients comprises the state, municipalities and large corporations, which have sufficient stability and provide the banks with loan repayment assurance. SMEs are less attractive because they do not have the necessary capital and the amount of work required to provide loans does not correspond with the size of the loan, thus, the interest rates received. SMEs are generally a higher risk for banks than the other two groups of clients and the loan conditions are correspondingly worse. They require higher securities and interest rates. The availability of capital for SMEs is limited to the Czech market and the majority of the businesses do not know how to deal with financial investors.

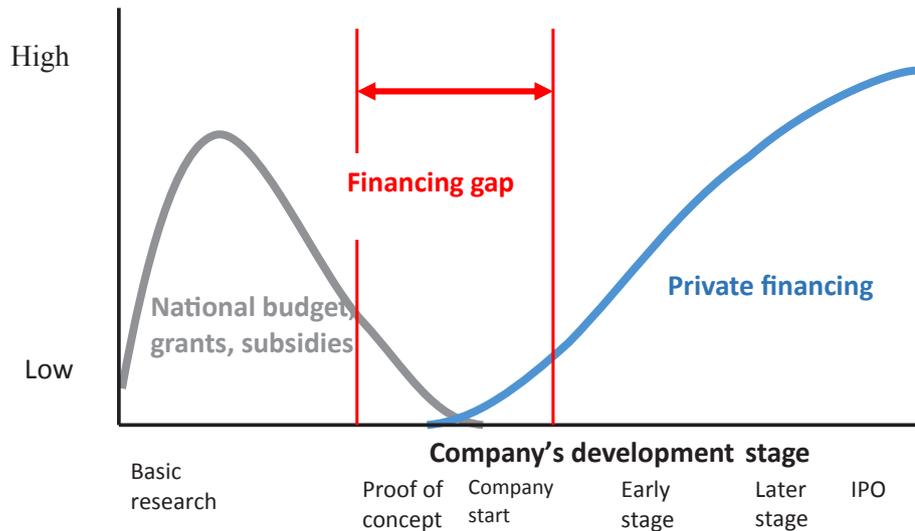
The European Commission (EC) prepared several measures to support investment and growth for the 2014-2020 programming period. An International Monetary Fund (IMF) study from 2014 mentioned the strong need to invest into the SMEs to support economic growth (Aiyar, Barkbu and Jobst 2014). The mechanisms included so-called innovative financial instruments (IFI), whose main aim was to include the highest volume of financial resources from the financial sector (banks, alternative investment funds, insurance companies, pension funds) into the Commission and member state's investments. This simply means the creation of investment schemes, which would be able to provide the final beneficiaries with capital, guarantees, quasi capital, or loans instead of subsidies. The EC implements the IFIs on both the European level (Cosme €2.4 billion, Horizon €80 billion, infrastructure project bonds, SME loan securitization) and the national level as part of the individual operational programmes of the European Structural and Investment Funds (ESIF) in the 2014-2020 programming period.

### ***SMEs and the implications of technological development***

The development of a company from basic research, the so-called "proof of concept" phase (when there is a need to find out if the discovery or innovation has a chance to commercially succeed), to starting a company, through several stages of financing until it becomes an important or multinational company, has its rules. A major problem is the significant difference in how to finance the individual stages. Basic research is primarily financed by grants, national budgets, university budgets, etc. No-one expects the science and research product to be a primarily commercial product at this stage. If we invest into research, it is statistically clear that part of the investment should lead to the development of new commercial products, new companies, new jobs and economic growth. This will not happen by itself. Breaking the company's development chain from the financial perspective (other reasons include patenting, start-up, etc.) means that the interruption is irrecoverable and that the effect of the invested means into science and research is irretrievably lost.

Scheme 1: Gap in Available Financial Means in the Individual Stages of Company Development

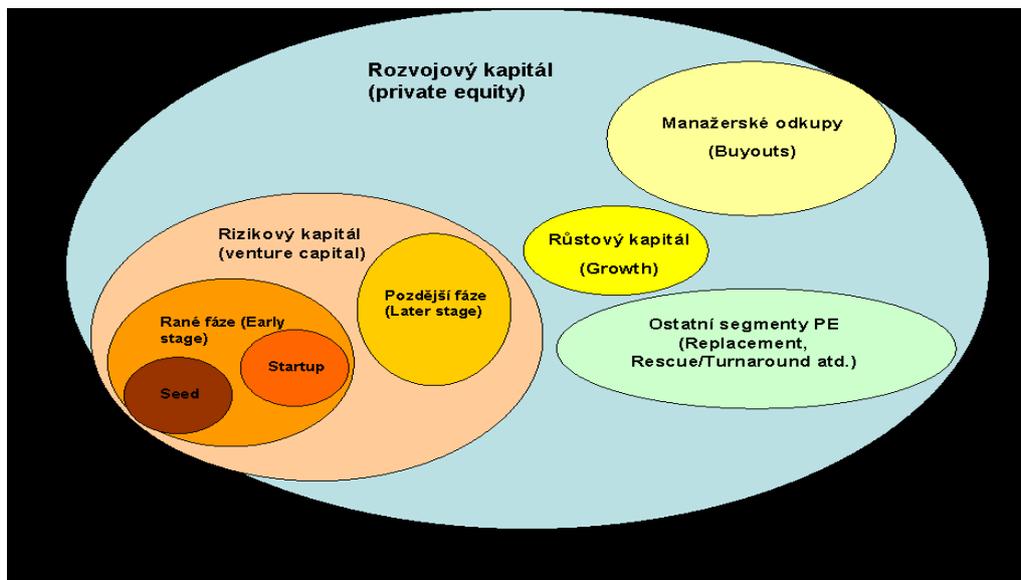
### Amount of available financial means



The financing gap during the “proof of concept” stage, when the research outcome should take the form of a commercial company, is a major issue. The private sector holds this stage as virtually non-financeable because the company does not exist yet and even the best discovery does not guarantee its commercial success. The same financing gap can be seen in the “early stage” when the company had just been set up and does not for example have a commercial product yet but already needs capital. Most venture capital funds invest into companies in the later stage of development due to lower risk and the ability to invest a larger sum of money than a start-up allows in one company.

The difference in the financing of basic research and the later development stages does not rest exclusively in the financing gap but also in a different understanding of what principles control the means invested into the project. Grants and subsidies in basic research focus on scientific (that is non-commercial) research linked to subsequent publications. Commercial capital financing of companies views discoveries and patents as a condition required for investment although the basic determining factors are the size of the company’s market and its total commercial capital. One consequently often hears that the academic sphere and the financial investors do not understand one other. Scheme 2 clearly indicates the financing resources in the individual stages of company development.

Scheme 2: Different capital types for company growth



Source: Národní inovační fond 2015.

### ***Subsidies versus financial instruments***

The support from Czech SMEs mostly came from subsidies. The advantage of subsidies is the relatively easy way to administratively “distribute” the means from the EU budget to the individual beneficiaries. A large sum is divided into small amounts usually according to “de minimis” and distributed among the individual applicants. Once the money is handed out, nothing else is available and no one checks if the subsidies distorted the company market. A basic disadvantage is the failure to create a sustainable system to support the entire scheme of financing assistance. The EC criticised this when negotiating the Partnership Agreement for the European Structural and Investment Funds (ESIF) in the 2014-2020 period.

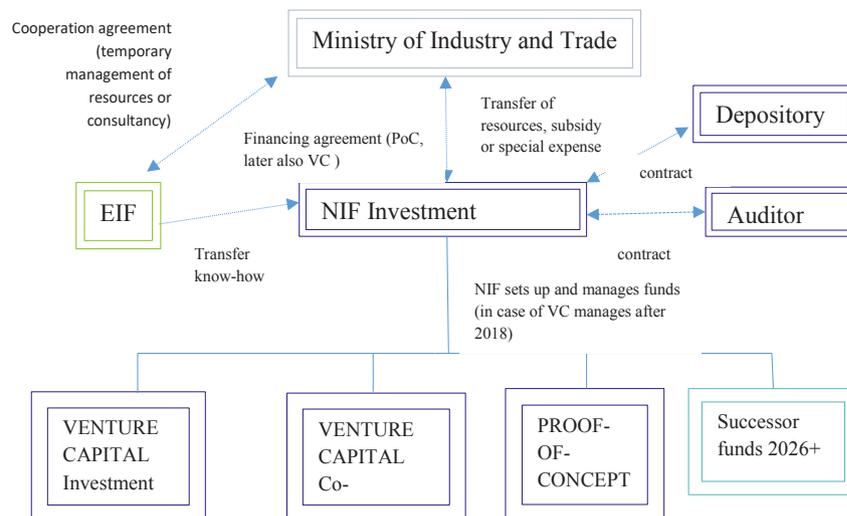
What should be the objective? Ideally, it would find market gaps where the capital does not flow and thus the basic research financing process for a mature company is interrupted. It would then create financial mechanisms, which would not replace private capital but which would lower the investment risks or create a scheme which does not invest into one project but into an entire portfolio of companies or projects. The advantage of financial instruments is the establishment of investment schemes that ensure the permanent existence of this form of support and attract new investment means from private investors that would gradually replace public resources.

## The current funding support solution

The Czech Ministry of Industry and Trade prepared a plan for a National Innovation Fond (Národní inovační fond) as part of ESIF subsidy programmes for the financing of technological firms or firms with innovation potential financing. It builds on the previous effort of the Ministry to establish a so-called “seed fund”, which failed when one of the unsuccessful applicants for provision of services connected with the fund management contested the result of the tender. The Ministry decided that the fund management should be instead handled by a state-owned investment company through hired professional managers.

The investment scheme should be divided into several independent funds, where one should focus on the “proof of concept” area, which is currently struggling with the greatest lack of resources of both a grant and investment type. The second fund should work as a so-called co-investment, it should support the investment of private venture capital funds as a shared investment into individual projects. The third part managed by the European Investment Fund (EIF) should work as a fund of funds (FoF) and the EIF should select from among the existing venture capital fund managers where it should invest these resources in the Czech Republic. EIF will not invest into projects directly but will support the set-up of new venture capital funds by providing them with initial capital. They will then invest resources invested by both the EIF and private investors.

Scheme 3: Division of functions and various types of funds under the newly set up National Innovation Fund

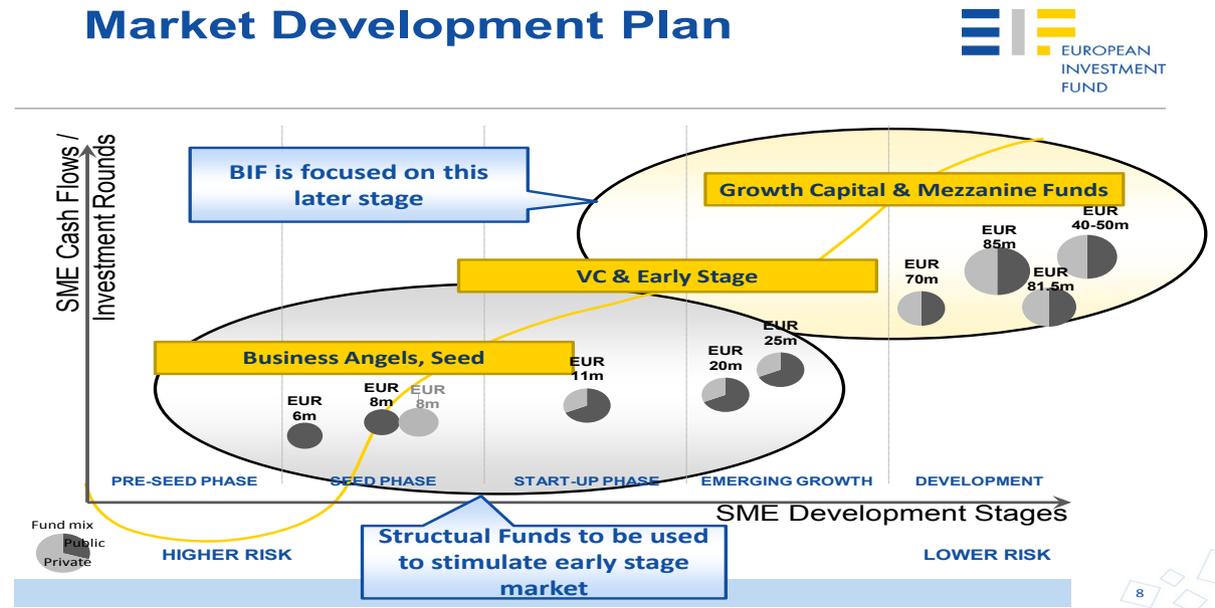


Source: Národní inovační fond 2015.

## EIF activities modelled on the Baltic Innovation Fund (BIF)<sup>7</sup>

EIF has tried to set up a Central and Eastern European Innovation Fund modelled on the existing Baltic Innovation Fund. Central European countries (Austria, the Czech Republic, Hungary, Slovakia and Slovenia) should place local resources from the national budget<sup>8</sup> into a common activity managed by the EIF. The EIF would add its own resources, ca. 60% of the resources invested by their governments, and would guarantee that the amount of resources invested in each country would equal at least the same amount of resources they placed into the common fund. This would once again be the fund of funds regime and EIF would look for suitable private managers in the countries involved who would add private investment to the resources invested by EIF. This activity focuses on the later stages of firm development and serves to complete the national activities presented above.

Scheme 4: Investment stages and the use of this type of resources modelled on the BIF



Source: EIF presentation for the CEE Innovation Fund initiative

<sup>7</sup> See EIF n.d.

<sup>8</sup> Not resources from the ESIF.

## **Conclusion**

If all the presented activities materialize, it would represent a significant improvement in the current state. Financing resources would emerge for all stages from “proof of concept” to established technological SMEs. The activities are organized to support both individual projects and venture capital fund managers engaging many more resources than ordinary subsidies. It would also create a sustainable scheme which could assist emerging technological companies with their entry into the commercial world. The activity could have an interesting impact on the rise of efficiency in commercializing science and research outputs.

Everything depends on the specific rules and conditions and how the Ministry of Industry and Trade would manage the set-up of the National Investment Fund. It is new activity that operates in other countries but is a completely new phenomenon for the Czech administration different from the administration of subsidies.

## **Recommendations**

- Company financing and its characteristics are guided by the fixed rules of the financial markets. It does not matter whether it is an investment in the Silicon Valley or in the Czech Republic. It is important to apply the rule of “why invent something that already works somewhere else” when setting up these activities and follow the strict rules and procedures that the private investors use.
- The basis for success is the ability to homogenise the environment of fragmented individual projects into a mutually connected interaction of universities, scientists, business people and financial investors. This served as the basis for the staggering success of the Silicon Valley projects linked to Stanford University or the Israeli success with assisting the establishment of technological companies.<sup>9</sup>
- The Czech Republic is not active in the new field of innovative financial instruments and has been wasting its opportunities. Instead of financing everything from the national budget, it could have used the opportunity to create state-owned investment structures from the EU budget. These could have created investment schemes for the development of transport and ICT infrastructure, energy, energy savings and support for SMEs. These schemes would be permanent instruments that would dislodge the dormant banking credit resources into the implementation of new projects.

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<sup>9</sup> The book *Start-up Nation: The story of Israel's Economic Miracle* by Dan Senor and Saul Singer (2011) describes the full Israeli story.



# Chapter 5: Environmental Protection: Let's Return to the Dynamic Approach of the 1990s

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**Abstract:** The environmental situation in Czechoslovakia was catastrophic prior to 1989. There was a great interest in rapid and visible improvement and people supported the needed steps implemented by the Parliament and the Government after 1989. Significant improvement was achieved in the 1990s only to slow once again after the year 2000. Overall, the environmental condition has been improving but slowly and unevenly. Certain problems have remain unresolved such as air pollution and some new ones have emerged such as the worsening condition of agricultural land. The government does not support modern trends, but in contrast, insists on old and outdated schemes such as exceeding the limits of brown coal mining or proceeding with the preparations for the Danube-Oder-Elbe (DOE) water canal. Certain deflections from progressive European environmental ideas are also problematic.

**Keywords:** Environmental Protection, the Changing Environmental Situation, Climate Change, Exceeding Mining Limits, Preparing the DOE Canal, State of the Czech Landscape

## ***Introduction***

The catastrophic state of the environment was one of the key characteristics of the Czechoslovak totalitarian regime prior to 1989. The worst situation was in large cities, especially Prague and Ostrava, and the brown coal mining region of Northern Bohemia. There were also serious issues with smog when temperature inversions, caused by a combination of fog and poisonous emissions produced by power plants and factory chimneys, suffocated the entire region. The concentrations of sulphur dioxide, for example, often reached values which cannot even be imagined at present (twenty or fifty times above the quality standards). The lives and health of the people living in Northern Bohemia were under direct threat, their situation was dire. They slowly lost patience and began to protest. Various campaigns culminated in a large demonstration in Teplice which lasted several days from 11 November to 13 November 1989 and which could be considered a significant impulse leading to the November 1989 revolution (Vaněk 1996).

The frequent suffocating smog did not occur only in the city of Teplice but in almost all larger cities and industrial regions of Czechoslovakia. This experience consequently made people extremely sensitive to environmental issues, despite the often incomplete and limited information. One opinion poll from January 1990 indicated that people viewed a fundamental improvement in the environmental situation as the most pressing issue of the government, even more urgent than radical economic transformation. The generally positive attitude on the part of the public manifested itself in broad support for all the necessary measures. Parliament passed laws which initiated effective environmental protection. New important institutions were established including the Environmental Inspectorate and the State Environmental Fund. Increasing amounts of financial resources became available. The then enlightened management of ČEZ (Czech Energy Plants), for instance, invested over 40 billion crowns into desulphurization and other necessary equipment in the 1990s. National public and private expenses (approximately even at the time) attained over 2.5% of the GDP in the late 1990s, approximating or even passing the world record. The rapid introduction of effective measures

was possible due to the many years of systematic preparation, especially as part of the Environmental Unit at the Czech Academy of Science's Biological Society, which brought together a large number of experts and systematically investigated the steps needed to improve the environment long before 1989 (Moldan 1991).

A massive improvement followed in the environmental situation over the course of the 1990s. The dramatic decrease in the emissions of sulphate dioxide was quite remarkable being originally the most harmful pollutant and dropping by 85%. The situation improved so rapidly that the European Commission officials were actually sceptical when negotiations took place in the early 2000s. Regarding the institutions, laws, and other necessary components of the environmental protection systems, the country reached so high that the accession negotiations and the harmonization with the extremely advanced EU system took place without any problems and radical modifications, unlike with other candidate countries.

### ***Recent developments***

The environmental situation improved so drastically that people became convinced that everything had been achieved successfully. Recent opinion polls<sup>10</sup> revealed that people were generally happy with the environment, particularly in their immediate neighbourhood. They generally believed that there were no other significant problems left and that the country should continue with rapid economic development in order to finally achieve the living standards of Western countries. The Czech Republic has basically attained their environmental standards and "excessive" attempts at more radical protection was perceived as counter-productive. Environmentalists were sometimes labelled as ecoterrorists, especially when expressing criticism of motorway routes. People often failed to see that these were not acts of ecoterrorism and that environmentalism often involved completely different interests.

The state of the environment in the country is not all that positive. The situation has improved in most indicators since 2000 but extremely slowly. Certain indicators, such as fine particle air pollution (see for example the 2015 Report on the Environment in the Czech Republic issued by the Ministry of Environment), have witnessed a worsening in the situation. Unjustified self-satisfaction is one of the causes. It is relatively easy to achieve a significant initial reduction in mass pollution but it has slowly become more and more difficult to remove relatively low but still significant pollution levels. Another factor that contributes to this situation is, in comparison with advanced European countries, the low level of environmental awareness. A fundamental debate is lacking as media tend to focus on individual, possibly interesting cases, but fail to provide a more systematic view. The government postpones solutions to urgent problems instead of solving them. Their approach to climate change is a good example of such attitudes even though it is a truly pressing current environmental problem.

How does the Czech government approach this serious threat? It unanimously adopted a halt on brown

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<sup>10</sup> See regular polls of the Czech Institute of Sociology available at <http://www.soc.cas.cz/en>.

coal mining limits in Bílina on 19 October 2015, despite the fact that it is generally known that brown coal converts into energy with low efficiency and its burning generates various pollutants which leak into the air. Emissions of carbon dioxide are quite crucial as it is the main cause of anthropogenic climate change. Brown coal significantly contributes to this. The Czech government declared mining limits when part of the Czechoslovak Federation in 1991. This lasted only 24 years. A comparison of both decisions is of interest. People were interested in the environment and the attitude was very positive in 1991. Everyone clearly remembered that Czechoslovakia was one of the most polluted countries in Europe, if not the world, in the late 1980s. People strongly wished to improve the situation and the public supported all measures aimed at improving the environment be they legal proposals, establishment of new institutions, or provision of financial resources. They were all in line with the international trends and environmental efforts in Europe, as the Czechs wished to “join” in the environmental aspects as well as the economic and cultural ones. The early 1990s were a time of bold decisions, which were met and are even operational up until the present. The Czech Republic had high expectations to quickly align its level of development with Western Europe.

There is currently a movement in a different direction. Short-term economic interests prevail, often represented by narrow but powerful interest groups, whose goals do not overlap with the broad social objectives. Long-term perspective is missing. Euro-enthusiasm has been replaced by Euroscepticism. Environmental concerns have significantly faded, convergence with advanced Western countries has proceeded slowly and in some instances the gap has actually widened.

As a result, it is apparent that the result of the government’s decision to break the mining limits is a relatively logical consequence of the general atmosphere in society. I do not necessarily think that these approaches prevail but they are presented so loudly and are supported by so powerful, although partial and short-term, economic interests (in this case mostly coal barons) that they dominate over the rational arguments.

The justifications for bringing an end to the mining limits rest on two main arguments. Firstly, the miners would lose their jobs. An analysis of the statements by those running the mining institutions, however, indicates that the opposite is true. New miners are needed and there is no threat of large scale unemployment. Secondly, coal for power plants or the energy sector is needed. All available studies show, however, that we do not need any coal.<sup>11</sup> Statistical data reveals that the yields and demand for coal have dramatically declined.<sup>12</sup> This is a clear global trend, wherein the advanced countries of Europe and North American will soon be joined by China and other emerging economies as indicated by the commitments most countries accepted at the Paris climate conference in December 2015.

It is quite possible that the halt to the mining limits will not lead to actual coal mining. The decision to halt the limits is unnecessary and wrong for several reasons. Firstly, it is not right that the government did not listen to the many professional opinions provided by a number of institutions and experts, civic society organizations and the public. They have been concerned about the damage to the environment and the landscape and

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<sup>11</sup> See for instance the study prepared by Friends of the Earth Czech Republic entitled “Smart Energy” (Polanecký 2010).

<sup>12</sup> See the Statistical Yearbook of the Czech Republic (CZSO 2016).

have mentioned the questionable need, or actual lack of it, for coal and the need to fully focus on reduction to greenhouse gas emissions. This did not merely involve opposition to the destruction of a village. Mining would contribute to the general devastation of the already miserable condition of the landscape and the environment.

## ***Main Challenges***

The absence of a broad, global and long-term perspective is quite problematic. The replacement of the energy and the entire economy based on fossil fuels with new resources and a new economic system has been globally on the way as indicated by the statements of world leaders during the recent Paris climate conference.<sup>13</sup> There is general agreement that humanity will have to abandon fossil fuels in the next decades due to the rapid process of climate change. Experts believe that this could be achieved by combining modern technologies and the growing political will of societies. Recent polls indicate similar trends in the Czech environment.<sup>14</sup> The number one task is the elimination of coal as the most polluting fuel. Its production will end over the next few decades. Why then has the Czech government ignored these global megatrends? Why has it failed to support these new approaches, new technologies and progressive trends and instead supported controversial coal mining?

The problem of fossil fuels received a new, more urgent dimension with changing trends in Russian foreign policy and the growing instability in the Middle East. Europe is a region which is, apart from South Korea and Japan, the most energy dependent region. It imported 53% of all consumed fossil fuels in 2011. Europeans spend more than one billion Euro a day on energy imports (Friends of Earth Czech Republic 2015). In light of these facts, the EU made a commitment to decrease greenhouse gas emissions, especially carbon dioxide by 40% by 2030 compared with 1990. This target should not be a problem for the Czech Republic. It should not require much effort thanks to the baseline year and the country has already achieved an over 30% reduction. The Czech Republic should join the two other EU targets, increasing energy efficiency and a significant increase in the share of renewable resources. Renewable resources have a bad name in the Czech Republic because of the unfortunate case of photovoltaics (unsuitable legislative measures caused extraordinary financial support for certain installations which resulted in high costs for consumers). This was not caused by the renewable resources, however, which are actually a basic prerequisite for a new, promising energy. The real cause of the failure was the work of lobbyists, politicians and others. If political will allows, the goal can be met. The Czech Republic should especially follow the goal of higher efficiency. It should speed up its efforts because it is to everyone's benefit. The country currently scores extremely low in comparison with other European countries and this needs to change (European Commission 2016a).

The government coalition voiced its determination to return the Czech Republic back to the European political

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<sup>13</sup> For more, see [www.cop21.gouv.fr/en](http://www.cop21.gouv.fr/en)

<sup>14</sup> Personal interview with Jan Urban, Charles University Environment Centre

mainstream. It would like to grow closer to the approaches of countries such as Germany and other Western European countries and would like to abandon the strategy of following the partial and short-term interests of certain industries no matter their importance along with other countries such as Poland, Hungary and Bulgaria. The EU should not be asked to lower the suggested European target for efficient energy use or to make it non-binding or to ask that new legislation not contain measures binding the member states to contribute to the common objectives. The Czech position should support the EU as a political union, which applies an ambitious foreign policy not bound by energy dependency to other countries, whose strategic interests are not compatible with European values, whether it be Russia or Iran.

The main argument against the acceptance of binding commitments stems from insecurity that the suggested targets would negatively affect the Czech economy. Political decision-making, especially over the long run, naturally carries a degree of insecurity. Suggested targets are not a shot in the dark, however, as the economic and energy models provide a general idea as to the most important macroeconomic impacts. Reliable studies, which claim that three mutually dependent goals would significantly lower the systemic costs of emission reduction, can be trusted. The high share of the domestic labour force on the implemented measures is also a positive factor, together with lower negative externalities, especially improved air quality. The main benefit of the binding targets in savings and renewable resources is long-term security for investors lowering the risks and costs of financing the required measures. Making a correct decision at a time of insecurity distinguishes a capable politician from an operations manager. It is a major challenge for the current coalition government and the PM Bohuslav Sobotka has an opportunity to finally demonstrate to the EU that the Czech Republic is more interested in common European values than sectional interests, which cannot see past the national border or the horizon of the next few years.

The main reason for the catastrophic state of the environment prior to 1989 was air pollution. The situation is still poor. The air is saturated with fine dust particles, which contain carcinogenic polycyclic aroma compounds, in particular in the Ostrava region, but also elsewhere. The government spends a great deal of money on various studies, adopts individual measures, proposes laws, but is unable to elaborate a functional strategy involving an efficient decrease in these cases of extremely severe pollution. Hundreds of thousands of people are exposed to high levels of pollution, which harm their health and cause premature death (*Report on the Environment of the Czech Republic*, Ministry of Environment 2016)

Investments into environmental protection are quite high and the financial resources are not spent wisely and effectively. A good example would be support for the nonsensical water canal Danube-Oder-Elbe. A number of scientific and convincing economic, environmental studies (*Společnost pro trvale udržitelný život* 2014) have shown that the project would bring no value, but instead costs and damage, especially landscape devastation. River voyages are a pleasant experience for tourists but not useful for transportation of goods. The construction of canals was popular in the nineteenth century but does not make sense in this day and age. Established arguments which state that water transport is the most environmentally friendly are inaccurate as they do not consider the costs of building an expensive infrastructure. It would actually destroy the environment,

thus the overall adverse effects outweigh the benefits. Furthermore, the future will bring increasingly visible global climate change which will bring about more frequent devastating floods and at the same time drought (extremely low levels of water on the Elbe can be seen already). Nevertheless, a number of partial structures have already been erected, for example, the drawbridge on the river Elbe in Kolín. It was completed in 2011 and cost CZK 1.3 billion, which experts estimate was ten times more than similar construction projects in Germany or elsewhere (Zahradnická 2016). The reason given was the installation of a lifting mechanism for large ships, which do not and cannot sail on the Elbe. The works are under construction, including a plan to build more weirs on the Elbe, for instance weirs in Děčín and Přelouč. The preparation for these major investments, which most likely will not actually materialize, also costs a large volume of financial means.

TOP 09 understands the relationship with nature and the environment as a basic conservative value based on intergenerational responsibility. The condition of the environment is a key parameter in the level of progress, quality of life and prosperity. We live and make use of nature's bounty thanks to our ancestors and we want our children and their children to have the same conditions and opportunities to live a fully-fledged life in harmony with the natural and living environment. We need to efficiently protect nature and the environment. We reject the production of economic yields at the expense of often irreversible devastation of the environment. Part of the economic profit has to be used for environmental revival.

## ***Conclusion***

The Czech cultural landscape which we love and relate to is vanishing. The monstrosly large fields, which replaced the natural mosaic of small fields, meadows, woodlands, baulks and trails, are only a source of short-term profit for their owners, who share little with good farming. An example of this are the large corn or rape fields which contribute to the erosion of topsoil which took thousands of years to emerge and which is often damaged or even lost today. The soil suffers from erosion, hardening, chemical contamination, loss of manure and biological life. Faster and irreversible loss of soil due to construction is another related problem. One of the key principles of our political philosophy it to consequently save the Czech landscape.

In terms of climate change and understanding the human impact, the Czech Republic still ranks among backward countries. The Eurobarometer surveys indicate that the level of understanding continues to be low in the Czech Republic. The threat of global warming and related phenomena such as rising ocean levels, extreme meteorological events, extensive drought etc. are viewed as the greatest threat to the global environment. The solution is extremely difficult as witnessed by the many and not particularly successful international talks. The lack of understanding as to the severity of the situation in the Czech Republic plays an important role in this failure. The Czech government has dedicated only limited attention to this issue and it has been absent from important public declarations and other documents. While the country was justifiably proud of its environmental progress in the 1990s, the opposite has to be admitted at present.

### ***Recommendations:***

- The Green circle analysis (coordination centre of the Czech NGOs) indicated that judging by the votes in the Chamber of Deputies, TOP 09 was most environmentally friendly party. It should continue with this trend and deepen it.
- Support the adoption of an “anti-fossil” bill (law about mandatory reduction of greenhouse gas emissions) in the Chamber of Deputies.
- Support the adoption of the amendment to Act No. 114/92 which is currently discussed in the Chamber of Deputies.
- Support changes in the agricultural economy aimed at improving the agricultural landscape (for instance more environmentally friendly subsidies)



# Chapter 6: The Czech Party System in the Year 2016: Strengthening Populism, Personalization Tendencies and Anti-Political Attitudes

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**Abstract:** This chapter analyses the development of the Czech party system after 2010 with a special emphasis on the rise of the business-firm and anti-political parties. Their development, programme vagueness and the position of a political entrepreneur are contradicted with the development of liberal-conservative parties led by TOP 09 and their efforts to protect the standard democratic political and economic environment in the country. The analysis reflects the current theoretical discussions on new, challenging parties in the European party systems. An analysis is finally provided of the efforts of TOP 09 and the liberal-conservative opposition aimed at slowing down the influence of the populist and anti-political politics in the Czech legislative, executive and administrative branches. The alternatives and limitations of these activities are also discussed.

**Keywords:** the Czech Republic; Challenger Parties; Populism; Anti-Politics; Liberal-Conservative Party; TOP 09

## *Introduction*

The Czech party system did not develop distinctively different in the year 2016 than in previous years. The extraordinary parliamentary elections in 2013 confirmed trends observed already after the year 2010, but in more robust fashion. Both catch-all parties which dominated Czech politics as of the 1990s – the Civic Democratic Party (ODS) and the Czech Social Democratic Party (ČSSD) reaching their peak in 2006, continued to lose their voters. This tendency was confirmed as early as 2010 and ODS as well as ČSSD lost between 30 and 40% of their supporters. Losing the role of catch-all parties, both formally dominating parties also changed their coalition behaviour with this change seemingly making their position even worse. ODS accepted government responsibility together with two new parties in 2010. They even ceded the most visible agendas to their partners within the strongly reform-oriented coalition. As the result of this behaviour along with a gap in leadership, ODS lost another visible part of its electorate, finally becoming a small opposition party in 2013.

ČSSD survived the transformation process in better condition. Even, however, as the strongest and most visible opposition party in 2010-2013, criticizing the unpopular reforms and Nečas' government, ČSSD was unable to increase their number of votes in 2013. Despite being in a coalition with the Christian Democrats (KDU-ČSL) and new business-firm party ANO 2011, the party is only maintaining minimal coalition discipline with difficulties. The party chairman and Prime Minister B. Sobotka has repeatedly displayed an almost unlimited patience and ability to find a consensus. Next to him, on the other side, is the ANO 2011 Chairman A. Babiš who is playing the dual role of "second Prime Minister" and main opposition leader at the same time. The only alternative, the broad coalition of "traditional" political parties against ANO 2011 and radical parties such as the Communist Party of Bohemia and Moravia (KSČM) and the successors of Dawn of Direct Democracy (Úsvit), would only strengthen the role Babiš is playing in the Czech political arena. His declarations during the electoral campaign for the regional election in autumn 2016 revealed, however, that he has already chosen the optimal variant for his preferred one-party government after the parliamentary elections in 2017, namely hidden or even open support from the Communists. The leader of ČSSD also consequently admitted that his party is prepared to cooperate with KSČM, if this party "would respect Czech NATO-membership and the pro-

European orientation of the government" (*Idnes* 2016). With this step, one of the last post-Velvet Revolution taboos in the Czech Republic seems to be definitively broken.

The current analysis will present the development of personalized politics in the Czech Republic and the main protagonists offering this type of party politics. Apart from the personalisation, there will also be a focus on party populism and anti-politics as a visible element of the new relevant political parties in the Czech Republic. The analysis will be framed with a short presentation of a contemporary political science debate on the phenomenon of personalisation and cartelisation of politics and the emergence of populism in contemporary European political arenas.

### ***Personalisation and oligarchization of politics***

Politics in contemporary democracies is characterized by several features which provide fertile conditions for personalisation of political life. One can speak of the diminishing importance of social cleavages which crystallized during the process of modernization of Western societies (Inglehart 1990). This is related to individualization in terms of weakening of classic political identities (Beck and Beck-Gernsheim 2002, Genov 2010). A consequence is the weakened position of political parties as organisational vehicles of collective action and social choice (Kitschelt 2001) and channelling agencies that represent a link between society and government institutions (Sartori 1976). The shift toward personalized politics took place in the last decades contributing to the emergence of new political parties based on a strong leader as well as to the renewal of certain traditional parties (Tomsic and Prijon 2015, cf. Cabada and Tomšič 2016).

The rise of person-based politics is even more evident in the "new democracies" from East Central Europe, where political parties were often established based on a top-down approach and as "sofa parties" or "instant catch-all parties" (Cabada 2014, Innes 2002). The ideological focus or self-identification of particular political parties is often extremely shallow and formal, with their programs being vague and incomprehensible. A number of them experienced a significant transition in terms of the ideological profile. They build up their public appeal by means of a general criticism of established political parties and the "character" of their leaders. (Cabada 2013a: 16-17).

Political protagonists are often criticised for their aspirations involving control over various social systems, mostly ones that might contribute to the conservation or obtaining of positions of power. Ágh (1996: 55) has spoken, for example, about "overparticipation" which refers to the aspirations within political parties for exclusion of other protagonists from political life. This "partitocracy" is not as much an expression of the parties' strength but more the power of their weakness, i.e. their weak intellectual and organisational potentials. Such practices strongly contribute to the low confidence and poor image of political parties, regardless of their ideological orientation. This has opened up space for a different, more personalized approach in a political contest (Cabada and Tomšič 2016).

Traditional political parties have been supplemented by political new-comers who have been building their campaigns either through “managerisation of politics”, based on the notion of “politics as business” according to which the country should be run like a business firm, or through “moralization of politics”, i.e. proclaiming the moral renewal of politics. The two approaches are not mutually exclusive. Both have in common the rejection of the “old” political establishment and its allegedly malign deeds. The irony, however, is that a number of these new-comers who have loudly denounced their established competitors as corrupt and otherwise problematic, themselves carry “heavy baggage” in terms of alleged involvement in different suspicious practices (as is evidently the case with Andrej Babiš) (Cabada and Tomšič 2016).

Based on Rahat and Sheafer (2007), Jurek (2014: 29-30) recognises three types of personalisation: the institutional, the media and the behavioural. He views the personalisation as “a trend occurring over recent decades within the democratic political environment which is based on strengthening the role of individual protagonists (party leaders, candidates, mandate holders) in political life” (Jurek 2014: 33). Poguntke and Webb (2005) also discuss the strengthening role of political/party leaders. As they argue “perceptions of the personalization, and in particular the ‘presidentialization’ of politics have become more widespread in recent years, regardless of formal constitutional characteristics”. A. Blair, G. Schröder or S. Berlusconi are mentioned as examples (Poguntke and Webb 2005a: 1). Similarly, Blondel and Thiébault (2010: 17-18) have linked up the personalisation of politics with individualization in society and the weakening of traditional societal bonds and cleavages.

Such a development opens up space for business-firm or even businessman parties. As Hloušek (2012: 324) mentions, business-firm parties “are partially similar with the previous development types of political parties, but differ in some important aspects. Compared with the cartel parties, they benefit from private sector sources and compared with the catch-all parties they do not target the interest groups that would represent concrete ideas.” Business-firm-parties – and more generally the niche parties – are very flexible in searching out themes and strategies. In contrast, however, they are also implicitly fragile due to a dependence on changeable electoral support and the media attractiveness of the parties and their leaders (Hloušek 2012: 324, c.f. Carty 2004: 20-21). Olteanu and de Nève (n.d.) discuss the specific position of political entrepreneurs originating in their own large firms; the authors call such parties “businessman parties”. They evince “an elite-oriented organisational structure, the wealth of resources of their founders, a manifesto and an ideology, which is based on the assumption that the economy precedes politics, and, moreover, exclusive access to the media”. Naturally, such parties are one-man structures. The Czech party ANO 2011 is included into the analysis as one of the four most visible cases.

### ***The Czech party system under re-construction***

The Czech party system is usually described as relatively stable over the course of the 1990s and 2000s with two catch-all parties, KSČM and KDU-ČSL as a stable part of the system and a fifth relevant party representing

the liberal stream (Cabada and Krašovec 2012, Cabada, Hloušek and Jurek 2013). Signs of personalized politics and continued personalization were actually present in the Czech political system as of the beginning of the transition (the most important would have to have been the ideo-political discussion between V. Havel and V. Klaus), at the party level especially the leaders of the two catch-all parties who developed their approach towards voters and within the party in a clearly personalized form. A stabilised personal configuration could be observed in the 1990s, involving the leader of ODS Klaus against the leader of ČSSD M. Zeman. Such a constellation was also restored in the second half of the 2000s. While ČSSD went through a period of destabilisation with the weak party and government leaders V. Špidla and S. Gross after the retreat of Zeman, Klaus' successor M. Topolánek presented himself as a strong opposition leader. The situation changed rapidly, however, in 2005 with the new Prime Minister for ČSSD, J. Paroubek. His style within the party, in the coalition government and towards society earned him the nickname "Bulldozer".

Since Paroubek's ascension, Czech politics became strongly personalized around him and Topolánek. Such a development was visible in the electoral campaign including media coverage and also within the parties both before and after the elections in 2006. The best electoral result ever for both ODS (35.4%) and ČSSD (32.3%) indicated that society viewed the elections as primarily a duel between both parties and party leaders (Vodička and Cabada 2011: 258-262). The personalisation basically became a more general attribute of the Czech party system during the second half of the 2000s. Apart from the above-mentioned catch-all parties, new, challenging subjects began to promote themselves on the basis of their leaders. This was the case with the radical anti-European right and their chairwoman J. Bobošíková (*Sovereignty*) as well as a populist movement supporting the presidential aspirations of former ČSSD and government leader Zeman – *Party of Citizens' Right Zemanists* (SPOZ). Clear attributes of personalized politics were also evinced with the new centrist party *Tolerance – Responsibility – Prosperity 09* (TOP 09), led by the iconic person of former President Havel's Chancellor and Minister of Foreign Affairs, Karel Schwarzenberg. This clash of two strong party leaders framed the weakening of both catch-all parties over the years 2005-2010. This development was clearly shown in the parliamentary elections in 2010, when two new political parties entered Parliament – the party *Public Affairs* (more below) along with TOP 09. ODS and ČSSD lost about 40% of the voters. KDU-ČSL and the Green Party also failed in the election with less than 5% of the votes, i.e. under the legal threshold. The year 2010 brought about the success of new political parties for the first time, based fully or at least partially on personalized politics. The most visible case worthy of mention was *Public Affairs* (VV) which succeeded based on a niche marketing strategy and short intensive campaign with certain very specific attributes.

VV received 10.9% of votes and 24 out of a total of 200 mandates in the Chamber of Deputies in 2010. During the process of new government installation, VV became the most important party, with "unlimited" coalition potential. The party leaders occupied important ministries, only for it to become apparent that all of these offices were actually managed directly by Bárta. The party consequently failed, lagging behind the threshold in all larger cities, as early as the local elections in autumn 2010 (Cabada 2013b: 41). The failure initiated a programmatic debate when the VV leaders decided on a more left-focused position in the neoliberal government. All this discussion demonstrated that VV was a programmatically unclear project (Bureš 2012:

148). Based on Hloušek (2012: 333), an official and coherent ideology or programme was completely absent in the case of VV as a business-firm party; the party viewed the voters as consumers.

A similar project of a personalized business-firm party is represented by the new party Úsvit. It is no coincidence that Bárta cooperated with Úsvit and failed to win a deputy seat in the 2013 elections by less than 200 votes on the ballot of this new party. A key personage in this project was an entrepreneur in the tourism sphere and press officer of the Association of Tourism Agencies T. Okamura. He succeeded in the Senate elections in 2012 in the Zlín electoral district and later established his party with only 9 members. As regards the program, the most visible slogan was so-called “direct democracy” promising changes within the legislature offering the possibility of removal from office of politicians, clerks, judges, etc. Apart from this issue the party developed a populist rhetoric of protection of “common citizens” against the political elite as well as “asocial” citizens and migrants. Úsvit won 6.88% of the votes and 14 out of a total of 200 mandates in the elections in October 2013.

The party SPOZ also represents an important example of personalized politics. Zeman became the first directly elected president at the beginning of 2013 also based on the strong support of the “party”. After the resignation of Prime Minister Nečas on 16 June 2013, Zeman decided to change SPOZ into a presidential party. In contrast with the composition of the Parliament, SPOZ did not have any deputies and only one out of the 81 member Senate, the Zeman nominated so-called “technical” government led by J. Rusnok. The majority of the members of this government were related to SPOZ. Although the government did not win the confidence of Parliament, the President decided to leave it in office. The only way for political parties to bring an end to such behaviour which balanced at the edge of the Constitution, was to dissolve the Chamber of Deputies (Cabada 2013b). SPOZ failed in the elections and the President weakened his relations with the party including a request to erase his name from the party’s name. A number of members of SPOZ still nevertheless surround him at the “Prague Castle” creating a specific centre of power in Czech politics.

The early elections in 2013 saw the rise of the most successful up until the present new party based on a clearly personal basis in the parliament – “Yes 2011” (ANO 2011) or the *Action of Unsatisfied Citizens 2011*. The movement and later political party was established by one of the most important Czech oligarchs, A. Babiš. Babiš is of Slovak origin, studied international business in the 1970s and later worked for the Communist regime abroad. He is suspected of collaboration with the secret Communist police during the 1980s. He rejects this allegation but there is no final result from the lawsuit. He began doing business in chemistry and agriculture in the mid-1990s and became one of the richest Czech citizens with the empire of around 250 companies. Within ANO 2011, Babiš plays the predominant role including the financial resources for the campaigns and operations of the party. As regards the membership and candidates, he often brought in candidate managers from his own companies, thereby also creating in this manner a genuine businessman party.

ANO 2011 did not present any clear programme either for the 2013 parliamentary elections, or at a later point. Babiš provides populist anti-political rhetoric criticizing all politicians as kleptocrats and emphasizing that he is not a politician. The state should be managed like a company, Babiš argues. His slogan “We are not like politicians, we work hard” (*Nejsme jako politici, makáme*) has become popular (Havlík et al 2014: 61). ANO 2011

gained second place in the elections with 18.65% in 2013, only 1.8% behind the winner – ČSSD. Together with this party and the revived KDU-ČSL, they formed a government with Babiš as the first deputy-Prime Minister and Minister of Finance. The conflict of interest which Babiš generates has been criticised by the democratic opposition – TOP 09 and ODS – amongst others.

Babiš has also included media into his empire, some of them already prior to the elections. These consist of, first and foremost, the media group MAFRA including the mainstream newspapers *Today* (DNES) and *Lidové noviny*, the newspaper *Metro* and also the Internet portal *idnes.cz* and *lidovky.cz* (Havlík et al 2014: 76). He later also included the mainstream radio station *Impuls*, and the electronic TV *playtvak.cz*. As Havlík et al (2014: 77) have pointed out, important Western media including Spiegel and FAZ have already compared Babiš prior to 2013 with S. Berlusconi. Similarly, the influential review *Foreign Policy* labelled Babiš as “Babisconi” in April 2015 (Cichowlas and Foxall 2015).

Babiš has achieved a dominant position within the government. This is strengthened by the behaviour of President Zeman who supports Babiš’s ambition to lead in a future one-party government. Babiš has repeatedly noted that within the coalition he is unable to develop his strategy to lead the state as a company and within the government often behaves like an opposition party criticizing partners as “traditional parties”. Three years after the elections and while being a member of the government he continues to state that ANO 2011 is not the political party and that its members, including the leader, are not politicians. Despite the logical incorrectness of such claims the public lends permanent support to ANO 2011 with about 30%. This trend was also confirmed in the regional elections in October 2016.

### ***Populist politics as a challenge for a democratic opposition***

ANO 2011 represents the greatest challenge since the transition for the Czech political system. Despite the clear conflict of interest, Babiš wins about one third of the public support in his “fight” against “politicians”. In addition, the practical policies produced by the ANO party and the government attack in a number of ways the liberal political and economic environment. Babiš is contemptuous of parliamentary democracy and his strong orientation on office-seeking strategy makes him open to cooperation with any protagonist available, including radical or even extremist parties. A number of steps carried out by the Ministry of Finance with new legislature introducing electronic evidence of sales (EET) in the first line, attack the liberal nature of business in the country. Furthermore, there are suspicions that Babiš might misuse the legislature, creating a central evidence system for practically all small business flows, for his own business. The democratic opposition – and the TOP 09 party as the most visible protagonist – was and is strongly opposed to this development. An attempt to prevent the adoption of new legislation with parliament obstructions launched by TOP 09 and ODS, was stopped by a problematic decision on the part of parliament leaders to limit the number and length of appearances of the individual deputies. At the request of both liberal-conservative parties, the Constitutional Court rejected a decision in May 2016 as to whether the rights of the opposition deputies to present their views in the debate was violated .

TOP 09 and ODS have tried to coordinate their activities on more than this level. Both parties also tried to seek out a common position in other issues including negotiations about their shared candidates for different types of elections. The cooperation is strongly limited, however, by the very different positions of both parties concerning European issues. On the one hand, TOP 09 continues within the EPP and above all within the domestic arena with strongly pro-European politics. On the other hand, ODS as a ECR group member has continued its development from Eurorealist towards a rather Eurosceptic position. The completely different approach by both parties to European issues diminishes the effort to create a strong liberal-conservative opposition towards the centre-left government within Parliament. Furthermore, certain radical declarations by ODS leaders with V. Klaus Jr. in the first position, have drawn the party closer to the radical part of the opposition than to programmatically closer TOP 09.

In contrast, apart from the “anti-political” challenge represented by ANO 2011 and the populist approaches of President Zeman and certain other protagonists including an important part of ČSSD, the discrepancy in EU-issues does not play all that important a role. TOP 09 party has been warning other “traditional” parties about the anti-liberal or even anti-democratic nature of ANO 2011 as Babiš’s business project as of the year 2013. Recognising its own weakness, as well as the weakness of democratic and non-populist opposition, the party and its new leadership repeatedly offered a coalition of “traditional” parties against ANO 2011 as one of the possible preventions against the strengthening of populist and anti-political politics. Such a proposal naturally also includes two members of the current government – ČSSD and KDU-ČSL – as well as the non-populist opposition. Naturally, such a solution would in all probability actually strengthen support for ANO 2011 as “the only combatant against the cartel of traditional parties”. The presence of ANO 2011 in the government means, however, that it does not respect almost any rules of coalition governance. A. Babiš as Prime Minister – and the numerous declarations given him by President Zeman indicate that Babiš is his candidate of choice for the position – would mean that the combination of oligarchization, personalization and presidentialization of politics in the party, electoral and also executive level would be complete.

It should be mentioned in conclusion that the situation approximately one year before the regular parliamentary elections remotely resembles the situation before the 2006 elections. Similarly as J. Paroubek before these elections, A. Babiš also sees himself as the clear winner and the only real contender for the position of Prime Minister. He also speaks in a similar fashion about cooperation with the Communist Party and with basically any other body available in Parliament. The ideology, the populist or even the radical nature of these parties, do not play any important role for him. His strategy is clearly office-seeking. The majority of the other relevant subjects, however, have also moderated their ideological and policy-seeking strategies. Such a pre-electoral situation promises a number of variations, but it seems highly probable that the position of the anti-populist, pro-European and liberal-conservative camp of Czech politics will be relatively weak.

### ***Recommendations:***

- To continue with the pro-EU politics; such a position makes the party clearly distinctive from the other protagonists;
- Apart from criticism of the government, present its own “positive” themes for the public;
- Emphasise the need for liberal economic policies based on a balanced state budget and low taxes;
- Establish more space for joint projects with ODS and other non-radical centre-right parties;
- If possible, re-establish the partnership with STAN
- Do not give up on the search for a presidential candidate along with the other anti-populist protagonists

# Chapter 7: Local and Regional Policy

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**Abstract:** This paper summarizes and partially interprets the most important changes adopted in 2016 in the Czech Republic regarding municipal and regional policy. It focuses on amendments to the municipal act, which primarily concern disposal of property, aimed at greater transparency in the exercise of local government. In one specific case, however, municipal management is supposed to improve based on a temporary lack of transparency. The chapter furthermore describes systemic changes in allocation of public funds to municipalities and a partial adjustment in regional affairs. It also discusses the introduction of the contracts register, which will not affect, however, a wide range of agreements. Finally, it also presents the results of regional elections.

**Key words:** Czech Municipalities; Czech Regions; Municipal Act; State Budget Allocation; Contracts Register; Regional Elections

## ***Introduction***<sup>15</sup>

The Czech Republic is a unitary state divided into territorial units – municipalities and regions. The principal agencies of regional government are councils. The Czech Republic is divided into 13 regions plus the capital city of Prague, which also enjoys the status of a region, but is governed by its own law<sup>16</sup>; its council is elected concurrently with the councils of the other municipalities. The Czech Republic has 6,253<sup>17</sup> municipalities, which is one of the highest numbers of councils per capita in the EU. While all have identical local competencies, they differ in the extent of state administration. The last regular municipal elections were held in 2014.

Both of these levels of public authority combine the execution of state and local administration. In several respects, the year 2016 brought changes that particularly affected the local administration of municipalities and regions. This chapter will focus on the three most important alterations: an amendment to the Municipal Act, changes in the budgetary allocation of taxes and the introduction of the contracts register. It will also outline the results of regional elections which were held in the Czech Republic in October 2016 and the new regional governments which were established in full only after the present text was published.

## ***Amendment to the Municipal Act***

The adoption of an amendment to the Municipal Act, which became effective as of 1 July 2016, was an important moment in 2016 for local politics in the Czech Republic. Despite amending only a few areas of the previous version of the Act, it may introduce substantial changes to local administration. The standard operations of municipal governments will in all probability be impacted the most by the new version of

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<sup>15</sup> This paper was written within the Czech Science Foundation project GA16-25570S - Political Financing in Central Europe on the National and the Sub-National Level.

<sup>16</sup> Act no. 131/2000 Coll., on the Capital City of Prague

<sup>17</sup> “The number of municipalities, parts of municipalities, basic settlement units, and cadastral territories, and aggregate values by regions, districts and administrative districts of municipalities with extended competence” (ČSÚ 2016b).

Section 39 (1), concerning the disposal of immovable property. All municipalities, regardless of size, have dealt with the disposal issue often. Up until now, the municipal bulletin board has been required to post, following a prescribed manner, any intention to sell, exchange, donate, rent and borrow such property; this requirement also newly applies to the *usufructuary lease* and *precarious loan* of tangible immovable property and the *right of superficies* as intangible movables. All the three acts – usufructuary lease, precarious loan, and the right of superficies – entered Czech law two years ago, with the introduction of the new Civil Code (Act no. 89/2012 Sb.). Signed contracts pertaining to these matters need to contain a clause specifying the date on which the intention to dispose of the municipal property in the above manner was posted on the municipal bulletin board; otherwise the contract is null and void. The authors of the amendment certainly aimed to improve the transparency of decision-making at the local level.

Property disposal is affected by another modified provision of the Municipal Act (§ 39). Even before the amendment, the above provision required municipalities to negotiate such a *price* for a transfer of property *that is usual at the given place and time*. Any deviation from the usual price needed to be justified in all cases. Newly the obligation to justify the deviation only applies to prices lower than the usual price. This case also expressly specifies that if the deviation is not justified, the legal proceedings (a contract usually) is therefore null and void.

The administration of most municipalities is simplified by a change in the provisions of the Act on the powers of municipal authorities. The municipal council will continue to decide on acquisition and transfer of immovable property (§ 85). Should such a decision concern utilities, roads and intangible immovable property excepting the right of superficies, the decision is transferred to the municipal board (the mayor in municipalities without an established board). The amendment classifies these areas as non-reserved powers of the Board (§ 102 [3]), which means that if the council does not wish to leave decision-making in these matters to the board or the mayor, the council may reserve it for itself. If the council fails to adopt such a ruling, the decision-making belongs to the municipal board or mayor. The same group of non-reserved powers newly includes decision-making on lease contracts and loan agreements, which the previous wording of the law entrusted solely to the municipal board (mayor), and thus the municipal council was unable to reserve it.

The amendment also addresses a problem municipalities have often faced regarding the acquisition of property by auction or public tender. Pursuant to the previous wording of the law, all the resolutions of the municipal board or municipal council were public without exception. Citizens interested in the auction or public tender had the information about the price the municipal officials were authorized to bid. The new wording of § 40 of the act provides that until the end of the auction, public tender or any other similar procedure, the relevant resolutions of the municipal bodies pertaining to the price remain available both under the Municipal Act or any other law (including the otherwise very strong Act on free access to information<sup>18</sup>).

The amendment to the Act also resolves municipal border disputes, which involves only 32 municipalities,

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<sup>18</sup> Act no. 106/1999 Sb., on free access to information.

but is essential to those concerned. Prior to 1989, when the country was ruled by the Communist regime, the then district and regional national committees were able to alter boundaries without any major constraints. In certain cases, incompetent interventions led to absolutely illogical definitions of municipal boundaries. Based on the previous version of the law, the only remedy was an agreement made by the municipalities concerned, but the 32 municipalities have been unable to agree on the boundaries, as municipal area is one of the indicators that decides the income from the state budget. Furthermore, if a prosperous sole proprietorship or employer is resident within the disputed territory, the municipality will want to keep this territory because part of the tax paid flows into the municipal budget (the rule governing sole proprietorship will be, nonetheless, amended by the new version of budgetary allocation of taxes, as discussed further in the text).

In this context the media reported on a municipality near Kolín, Central Bohemia. The cadastral area of Kolín extends directly inside the municipality and thus citizens, who consider themselves naturally residents of the village, in fact, fall under the Kolín registry. From the practical perspective, this leads to problems related to, for example, winter road maintenance and waste collection. (Novák 2014) Section 26a of the amended Act stipulates that if the municipal territory or its section form part of the cadastral territory of another municipality, the Interior Ministry invites the municipalities in question to agree, within one year, on their boundaries. If they do not, the Interior Ministry will consult the relevant cadastral office and decide on the change of the municipal boundaries ex officio.

The new wording of the Act also improved provisions on the establishment of a committee for national minorities. Thus far, municipalities were required to establish such a committee whenever more than 10% of the citizens of the municipality declared other than Czech nationality in the last census. At present, a committee will be established only if a request is filed in writing by an association representing the interests of national minorities (§ 117). Stricter conditions have been adopted for bilingual naming of municipalities, parts thereof, streets and other public spaces, as well as national and municipal offices (§ 29). The requirement for providing all the names in two languages could previously be raised by any minority association, but newly it may only be done so by an association that both, according to the statute, represents the interests of the national minority and has been operating within the territory for at least 5 years as of the application date.

The last major amendment of the Act involves an issue that is symbolic and yet fundamental for a number of municipalities, the small ones in particular. The municipal councils in the Czech Republic traditionally celebrated the major birthdays of “their” citizens. This tradition persisted, although strictly speaking, after the personal data protection legislation was introduced, it became an unauthorized disposal of personal data. As of July 2016, Section 36(a) of the amendment to the Act has enabled municipalities to celebrate the major life events of their citizens (the birth of a child, a significant birthday, etc.). Municipalities may now make use of data from the population register for this purpose. The data protection principle, nonetheless, continues to apply, and unless explicitly permitted by the person celebrating their birthday or newborn child, municipalities cannot publicize the important life event in the local newsletter or via the PA system.

## ***Changes in the budgetary allocation of taxes***

Another significant change which began to affect the municipal and, to an equally significant extent, regional governments in 2016 was the amendment to the Act on budgetary allocation of taxes.<sup>19</sup> Political circles and municipal councils closely observed the discussion in Parliament, because the draft, whose preparation had taken months and was the result of a joint collaboration with municipalities, was subsequently fairly substantially altered by the upper house of parliament, the Senate. The legislative process needed to be completed by the end of the year, and the final version was passed in the lower house, the Chamber of Deputies, as late as 16 December 2015 and published in the Collection of Laws at the last moment on 28 December 2015. The part of the Act which relates to regions came into effect on 1 January 2016, while the part of the Act which applies to municipalities comes into effect as of 1 January 2017.

The change in the rules for local administration funding initially only applied to regions. It increased the percentage share of nationally levied value added tax from 7.86% to 8.92%, which would bring a total increase in revenue by CZK 3.7 billion (approx. €133 million). The Chamber of Deputies approved the above government draft and submitted it to the Senate. The upper house adopted an amendment that would affect municipal budgets. Up until then, the Czech Republic practised a policy of allocating 30% of the taxes paid by sole proprietorships to the municipality in whose territory the sole proprietorship was resident. The measure is aimed at encouraging municipalities to promote entrepreneurship. The Senate paid attention to the concerns of a significant portion of the municipalities, who criticized this principle, arguing that they lacked the tools (and financial resources) to enable them to support businesses.

Critics of the existing system also indicated that this tax generated a minimal real income for the municipal budget because, among other reasons, the state enacted extensive tax depreciation in the past which reduced the sole proprietorship levies. Experts also pointed to the fact that the income tax levels were unstable and difficult to predict, while value added tax was more resistant to fluctuations in the economy. The change approved by the Senate repealed the problematic 30% share of the sole proprietorship income tax and increased the share in the national VAT collection from 20.83% to 21.4%. Calculations revealed that the new system was preferable for the vast majority of municipalities. The draft amendment was consequently adopted by the Chamber of Deputies.

Table 1: Budgetary allocation of taxes in 2016 (excluding State Fund for Transport Infrastructure, fees and fines)

VAT (national income)	Municipalities 20.83% <sup>2)</sup>
	Regions 8.92% <sup>1)</sup>
	State 70.25%

<sup>19</sup> Act no. 243/2000 Sb., on the budgetary allocation of revenues from certain taxes to municipal authorities and selected state funds.

CIT excl municipalities and regions	Municipalities 23.58% <sup>2)</sup>	
	Regions 8.92% <sup>1)</sup>	
	State 67.50%	
Income tax paid by municipalities and regions	100% refunded to the relevant municipality or region	
Property tax	100% paid to the relevant municipality	
Personal income withholding tax	Municipalities 23.58% <sup>2)</sup>	
	Regions 8.92% <sup>1)</sup>	
	State 67.50%	
Sole proprietor income tax	municipality by sole proprietorship residency	
	30%	
	State 10%	
	Remaining 40%	Municipalities 23.58% <sup>2)</sup>
		Regions 8.92% <sup>1)</sup>
		State 67.50%
Tax on wages and salaries	Municipalities 25.08%	23.58% <sup>2)</sup>
	Regions 8.92% <sup>1)</sup>	1.5% <sup>3)</sup>
	State 66.00%	

Source: Adapted from the Ministry of Finance of the Czech Republic 2016<sup>20</sup>

20 1) The annex to the Act defines the share for each region as follows (rounded up): The City of Prague 3.2%, Central Bohemian Region 13.8%, South Bohemian Region 8.6%, Pilsen Region 7.3%, Karlovy Vary Region 3.8%, Liberec Region 4.7%, Hradec Králové Region 6.4%, Pardubice Region 5.6%, Vysočina Region 7.3%, South Moravian Region 9.5%, Olomouc Region 6.8%, Zlín Region 5.3% and Moravian-Silesian Region 9.6%.

2) Tax revenues are allocated based on (a) cadastral area of municipality (3%); (b) population size (10%); (c) multiples of gradual transitions (80%) – the principle of “the larger the municipality, the more money per capita”; (d) the number of children and pupils attending municipal schools (7%).

Table 2: Changes to the budgetary allocation of taxes in 2017 (excluding STIF, fees and fines)

VAT (national income)	Municipalities <b>21.40%</b> <sup>2)</sup>	
	Regions 8.92% <sup>1)</sup>	
	State <b>69.68%</b>	
Sole proprietor income tax	State <b>40%</b>	
	Remaining 60%	Municipalities
		23.58% <sup>2)</sup>
		Regions 8.92% <sup>1)</sup>
	State 67.50%	

Source: Adapted from Deník veřejné správy 2016<sup>21</sup>

## **Contracts register**

Apart from the aforementioned amendment to the Municipal Act, an entirely new act on the contracts register<sup>22</sup> came into effect the very same day, 1 July 2016. The register is expected to fundamentally improve the transparency of municipal and regional financial management.<sup>23</sup> "Obligated subjects", i.e. institutions affected by the law, are required to disclose selected contracts in the Contracts Registry. The contract has to be published within 30 days of closing, otherwise it does not come into effect. The contract remains valid for another three months but does not provide any grounds to perform under as it is not effective. Exceptions are agreements dealing with emergencies threatening life, health, property or the environment. In these cases the contract comes immediately into effect and its publication may be delayed. It follows in all cases that unless the contract is published within 3 months of signing, it becomes null and void, as if it were invalidated from the beginning.

The Act, considered a fundamental instrument in the fight against corruption by leading Czech anti-corruption organizations, contains a number of exceptions. The above-mentioned principle, based on which contracts come into effect only after being published in the registry will not apply to municipalities until July 2017. Municipalities were given one year to learn about and prepare for the register. The rule, however, does not affect all type 1 municipalities, these being municipalities with standard delegated powers. In brief, these municipalities exercise, with certain exceptions, local administration only, and have very limited state powers. The overwhelming majority of municipalities in the Czech Republic fall, however, under type 1. Out of the 6,253

<sup>21</sup> Legend – see Table 1. The other types of taxes, listed in Table 1, but not in Table 2, remain unchanged.

<sup>22</sup> Act no. 340/2015 Sb., on Contracts Register.

<sup>23</sup> In addition to municipalities and regions, the Act applies to the state and all its organizational units, government funded organizations and business companies.

municipalities, a total of 5,860 (Portál územního plánování n.d.) are type 1 municipalities (94%). In addition, the remaining municipalities and regions will continue to withhold (even against their wishes) data covered by trade secrets and personal data. The only exceptions are the personal data concerning the beneficiaries of public funds and “lawfully published personal data” according to Section 8(b) of the Act on Free Access to Information.<sup>24</sup>

In addition to the above, the Act stipulates twelve other cases where a municipality is not obliged to publish the contract in the contracts register, but may do so voluntarily (Section 3(2) of the Act). These chiefly include all contracts of up to CZK 50,000 excluding VAT (approx. €1,785); data subject to industrial property and copyright (a technical template, instructions, a drawing, project documentation, etc.); contracts concluded at commodity exchange or auction; and contracts concluded with an author or performer.

## ***Regional elections***

The elections to regional councils held on 7 and 8 October were the most significant 2016 event in municipal and regional politics from a political perspective. In parallel with these, a third of the Czech Republic also held elections to one third of the Senate, the upper parliamentary chamber.<sup>25</sup>

A total of 675 regional councillors are elected. Only registered political parties or their coalitions may compete in elections. As a rule, even well-established political parties establish coalitions with regional groups in the regional elections. Out of the parliamentary national parties, those who ran independently in the 2016 elections included ČSSD (Social Democrats, currently the strongest government party), ANO 2011 (centre-right, another member of the government, the party of billionaire Andrej Babiš, the “Czech Berlusconi” with extensive business activities in agriculture, chemical industry and the media), and KSČM (Communist Party, an opposition party on the national level since 1990 but which joined forces with ČSSD to build the majority of regional coalitions in the 2012-2016 period).

Given that the parties in regions usually form various electoral coalitions, a high number of associations typically candidate throughout the entire country in the national elections. It was a total of 88 subjects in 2016. The results of the parties are thus more difficult to interpret compared with, for example, a parliamentary vote.<sup>26</sup> For the same reason it is not practical to compare electoral votes between the individual periods. The change induced by the 2016 regional elections is therefore described for the main political parties only, followed by the executive level.

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<sup>24</sup> Act no. 106/1999 Sb., on free access to information.

<sup>25</sup> Similarly to the U.S., a third of the Senate of the Czech Republic rotates every two years. The term of office of members of the Upper Chamber, which has 81 seats, lasts six years, with 27 seats re-elected every two years. The senators are elected by absolute majority vote and it is rare to see a seat secured in the first round of elections. This year, as well, all the 27 electoral districts held a second round of elections for the two most successful candidates from the first round.

<sup>26</sup> Regional parties do not run for election to the Chamber of Deputies, but the candidate lists are typically registered consistently throughout the country, despite the fact that the electoral districts in these elections are, once again, regions.

Table 3: Electoral votes of parties in the 2016 regional elections compared with 2012

Party	2012 mandates	2016 mandates
ČSSD	205	125
KSČM	182	86
ODS	102	76
KDU-ČSL	42	42
ANO 2011	-	176
Other	144	170

Source: volby.cz

As Table 3 indicates, apart from KDU-ČSL (Christian Democrats), which preserved the same number of mandates in 2016 as earlier, all the other traditional parties suffered losses; the turnover was average.<sup>27</sup> Nearly all the lost seats were won by the new party ANO 2011, which did not participate in the 2012 regional elections. The governing ČSSD incurred the greatest losses. The results confirm, what was apparent during the election campaign, namely that in this poll, it was not the government parties and the parliamentary opposition who were the main contenders, as is common in second-order elections (and as was the case in the Czech Republic until recently). ANO 2011, although a government party, posed as the opposition to its government partner, ČSSD, and won the favour of voters with this strategy. Despite the relative electoral defeat, however, the Social Democrats were successful in coalition negotiations. At the end of October 2016, as the present text was being finalized, ČSSD acquired 8 of 11 secured regional councils (with two regions still negotiating) and 5 posts of regional presidents. ANO 2011 won the same number of regional councils and had four regional presidents. The remaining two presidential offices went to the Christian Democrats (KDU-ČSL) and the regional association Starostové pro Liberecký kraj (Mayors for the Liberec Region).

A comparison of the composition of regional coalitions in 2016 and 2012 suggests another significant outcome of the election, this being a higher fragmentation of electoral support. While the election result was, with a few exceptions, unambiguous and homogeneous across the country in 2012, votes submitted four years later sent a much higher number of regional subjects onto the regional executive political level.

The regionalization of support had a pronounced impact on nationwide subjects as well. The trend is evident in maps 1 to 7 (see Annex), which show the electoral distribution of seven nationwide political parties based on municipal boundaries. All these subjects likewise sat in the Chamber of Deputies of the Czech Parliament in 2016. The maps show considerable regional variability in electoral support with such a degree of the variability being until now only typical for Christian Democrats.

<sup>27</sup> Turnout usually ranges slightly above 30%. In 2012 it was 36.89%, and in 2016 34.57% (volby.cz n.d.).

## ***Conclusion***

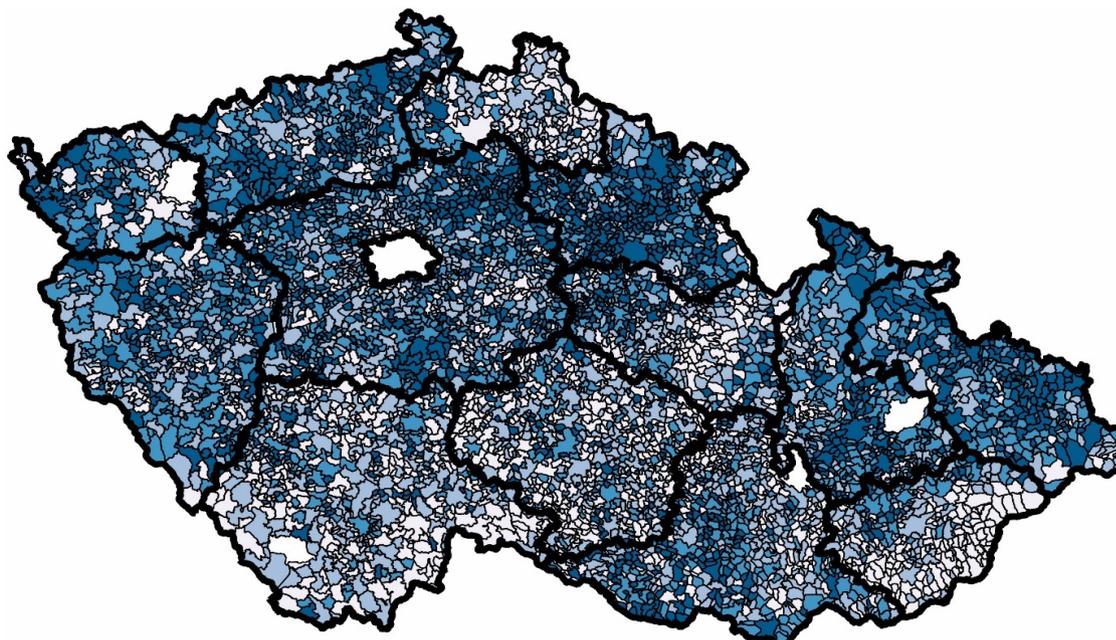
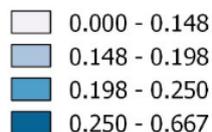
The year 2016 has brought a series of milestones and changes in municipal and regional policy in the Czech Republic. Given that the country is divided into more than six thousand municipalities ranging from small villages to cities with populations of hundreds of thousands (including the capital of Prague). It is a heterogeneous arena both in terms of the agenda and politics. The paper therefore mainly commented on major legislative changes that affected or will soon affect local and regional policy in 2016. It also briefly summarized the results of the October elections to regional councils. The most substantial and furthest reaching change is the amendment to the municipal act. The amendment was a response to the new Civil Code adopted in the country two years ago and primarily affected the management of municipalities. In this context, powers held by local councils and municipal boards or mayors have been redistributed in some respects. The budgetary allocation of taxes has seen a systemic change, consisting of depriving municipalities of their “motivational” share in the income tax of sole proprietors residing in their territory, which raised the income from the national VAT collection. The change takes effect for municipalities in January 2017, but regions were granted a higher proportion of the VAT as early as 2016. High expectations were raised by the adoption of a new law that will affect municipalities with an authorized municipal office, municipalities with extended competence and all regions (this also concerns other state institutions). The Act stipulates that contracts concluded by local governments only come into effect when published in the online public central register. Regarding the results of the regional elections, a detailed evaluation was outside the scope of the present paper and, additionally, at the time of the publication post-election negotiations were still underway. It is apparent, however, that all the current political powers at the regional level (and of these, the governing ČSSD the most) have weakened in relation to the new ANO 2011. The latter did not enjoy as much success in negotiating coalitions, and ultimately its positions in regional coalitions and in the number of regional presidents will be similar to those of the Social Democrats.

## ***Recommendations***

- Instruct the general public about the functioning of municipalities and regions. Although the electorate notes in the media the efforts the parties (including TOP 09) make, for example, toward a change in the budgetary allocation of taxes, the vast majority of voters have a minimal, vague and usually mistaken notion of how municipalities are funded.
- The same applies to the functioning of regions and municipalities in general. Unless voters can relate to institutions they vote for, it is unrealistic to expect an increase in turnout (and consequently better results for parties that depend on voter turnout, including TOP 09). And no relationship can be established until the electorate understand what these institutions do and, conversely, what they are unable to do. The mayor of a municipality type 1, the author of this chapter, faces misconceptions about the powers and internal workings of local governments on nearly a daily basis.

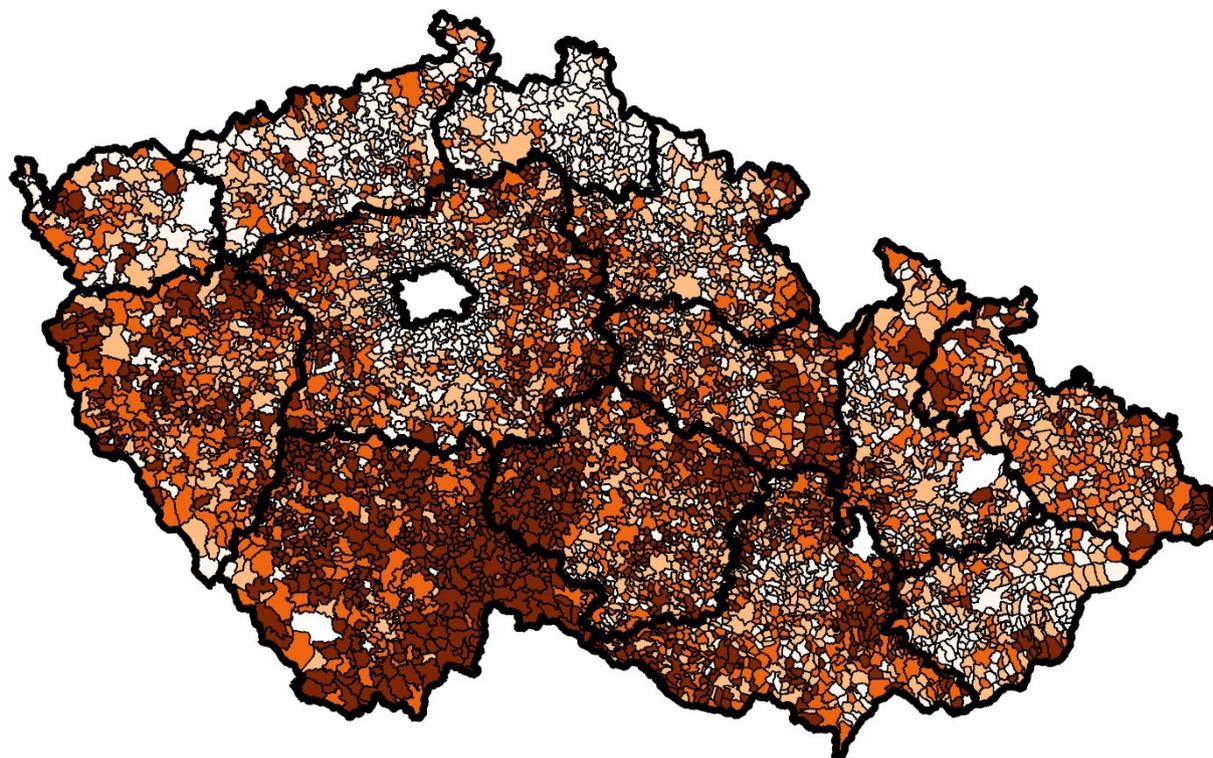
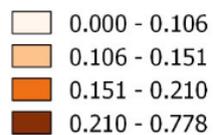
- Expand the Contracts Register Act to include municipalities type 1. Municipalities with a population of less than 2,000 have recently been the focus of an array of national subsidy programmes and European subsidies. These investments typically target infrastructure, channelling tens of millions of crowns into construction (e.g. sewage systems). A number of municipalities have, of their own accord, begun publishing their contracts in order to eliminate the typical public scepticism about the absence of corruption. General disclosure of contracts would help to boost confidence in local administrations. At present, all municipalities provide, for example, CzechPoint services: accessing a number of registers, communicating via data boxes, etc. There is no reason why they should not upload scanned contracts into an online form.

Map 1: Territorial support for ANO 2011 in the 2016 regional elections by municipalities (quantile)



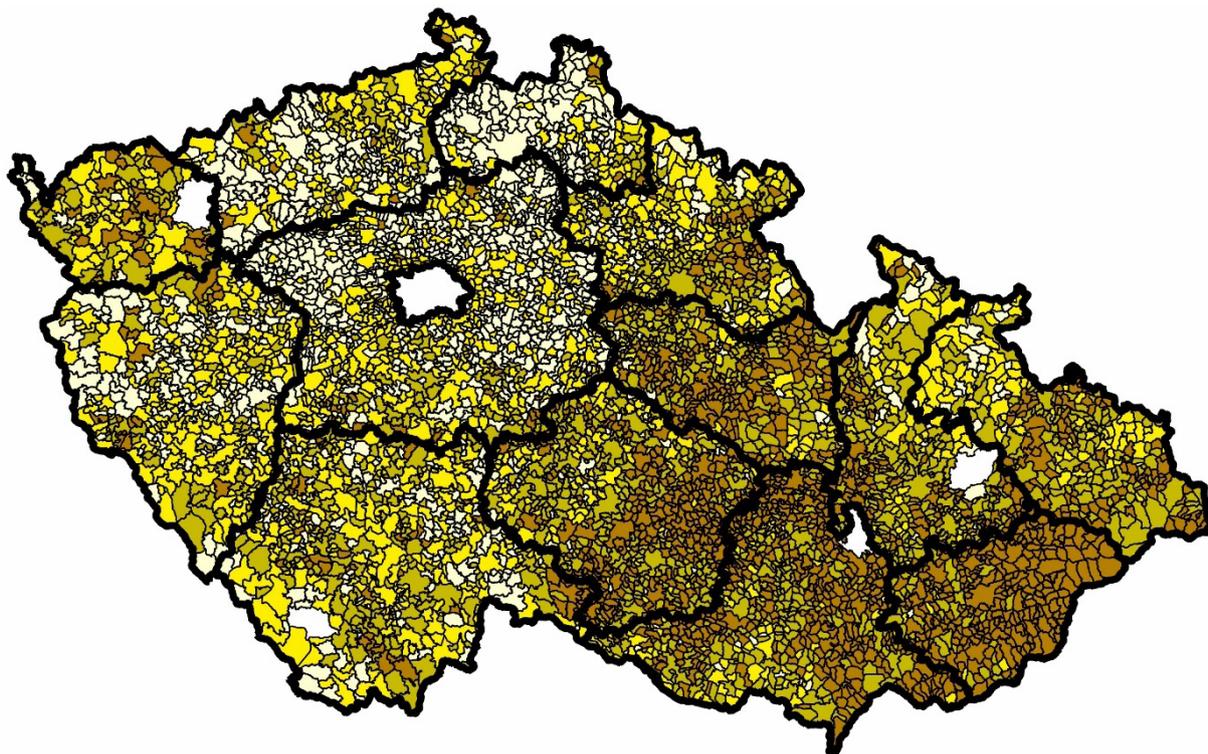
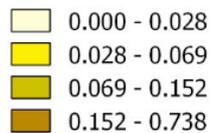
Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office (volby.cz), processed in QGIS.

Map 2: Territorial support for ČSSD in the 2016 regional elections by municipalities (quantile)



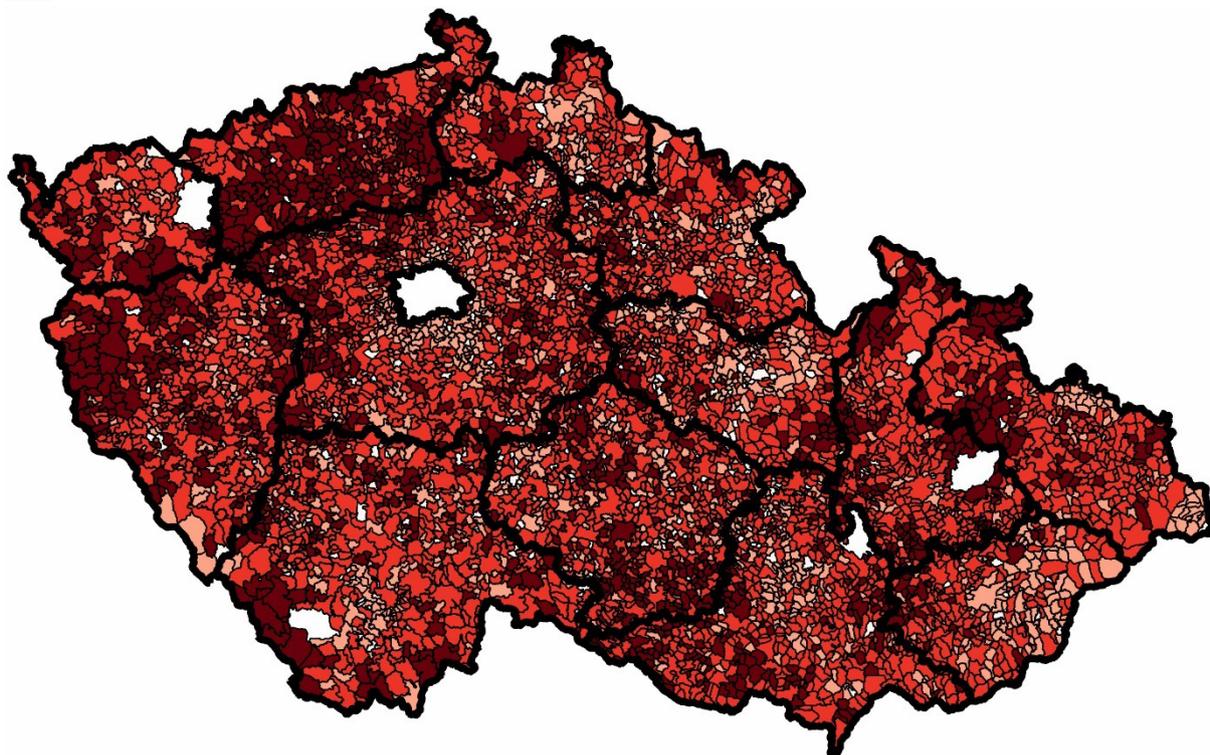
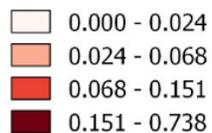
Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office (volby.cz), processed in QGIS.

Map 3: Territorial support for KDU-ČSL (including coalitions with other subjects) in the 2016 regional elections by municipalities (quantile)



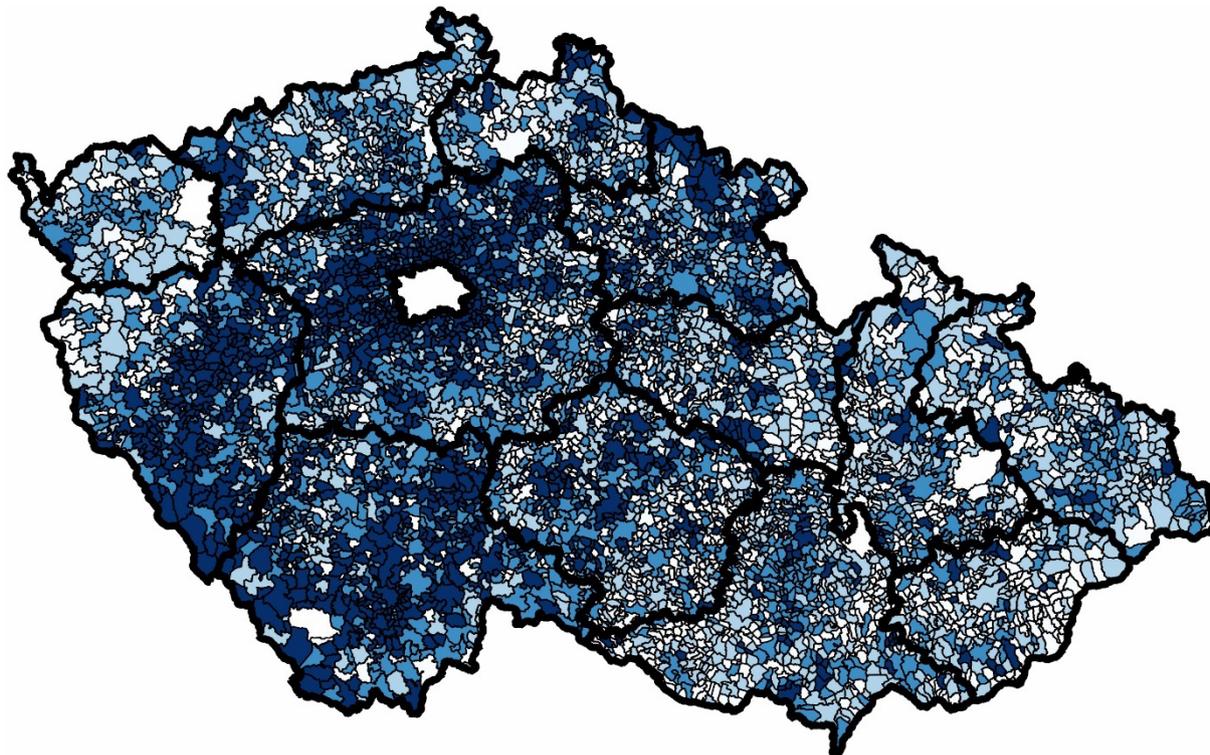
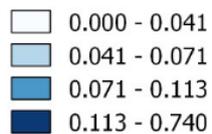
Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office ([volby.cz](http://volby.cz)), processed in QGIS.

Map 4: Territorial support for KSČM in the 2016 regional elections by municipalities (quantile)



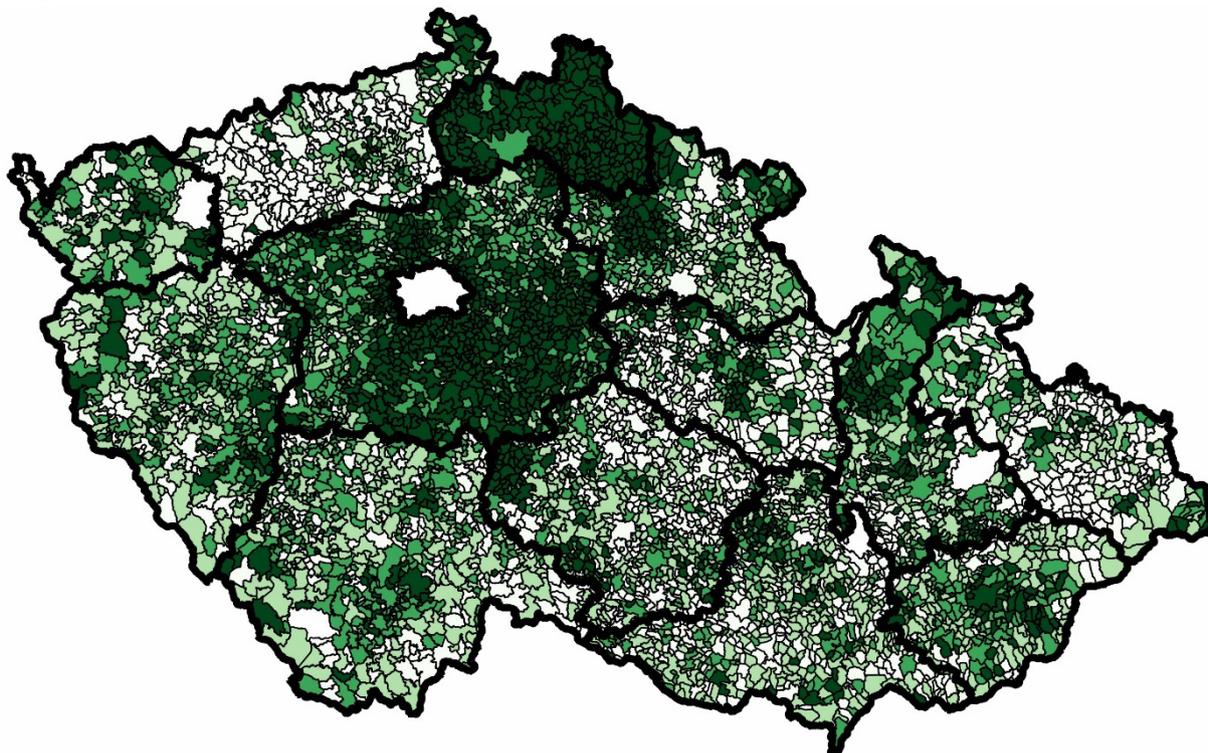
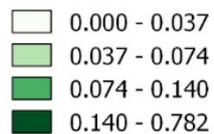
Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office (volby.cz), processed in QGIS.

Map 5: Territorial support for ODS in the 2016 regional elections by municipalities (quantile)



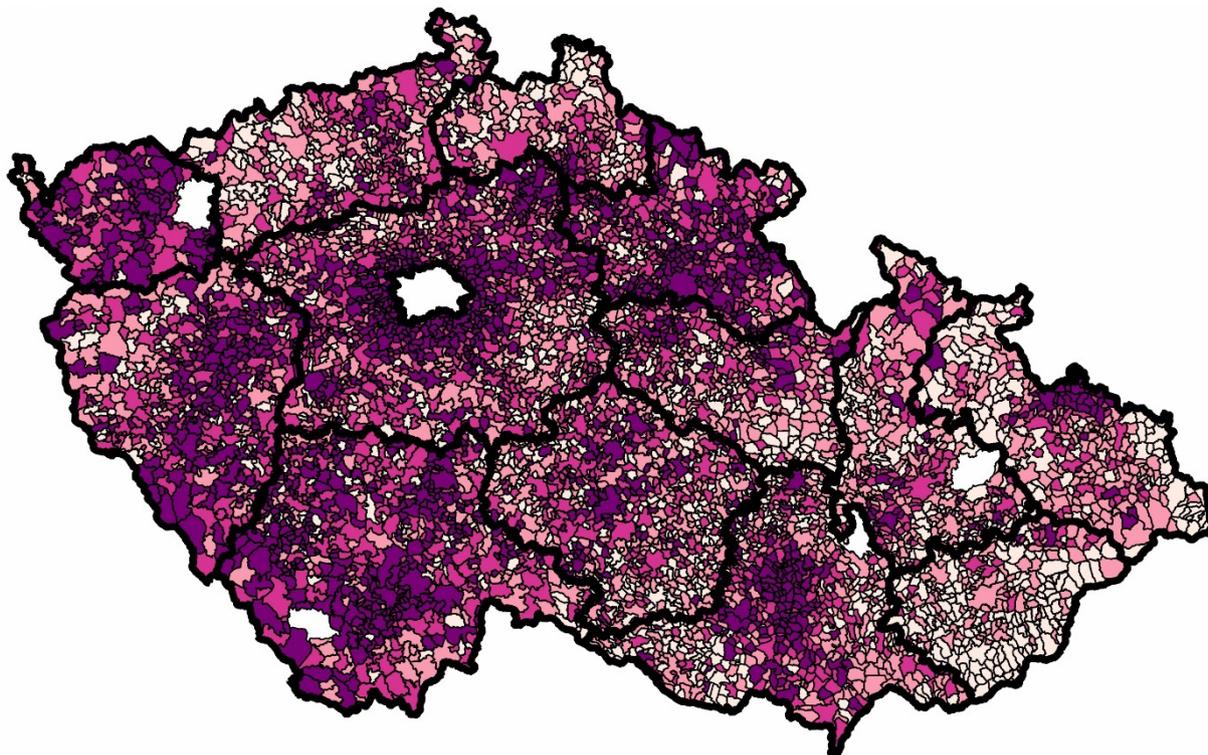
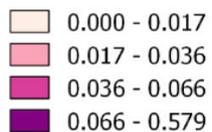
Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office ([volby.cz](http://volby.cz)), processed in QGIS.

Map 6: Territorial support for STAN (including coalitions with other subjects) in the 2016 regional elections by municipalities (quantile)



Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office ([volby.cz](http://volby.cz)), processed in QGIS.

Map 7: Territorial support for TOP 09 (including coalitions with other subjects) in the 2016 regional elections by municipalities (quantile)



Note: the support structure is divided into four quintiles, i.e. each interval of support contains a quarter of the municipalities. Source: adapted from the Czech Statistical Office ([volby.cz](http://volby.cz)), processed in QGIS.

# Chapter 8: Media and Political Communication

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**Abstract:** The issue we are facing at present is not a lack of information but a lack of reliable information. We are witnessing the growing transformation of Czech society into a post-truth society with a vast plurality of information and opinions but with a certain resignation on actual truth. The media are the primary tool of political communication and have undergone a major change wherein a number of them have been taken over by powerful businessmen. Additional factors affecting the media include the rise of social media and the introduction of new communication strategies and tools, including so-called “infoganda”. The primary current threat seems to come from the pro-Russian influence which is aimed at undermining democratic institutions in the country. Czech centre-right parties have repeatedly warned against the Russian influence and have available several tools to resist it including support for higher media literacy and fact-checking projects and the implementation of a better communication policy.

**Keywords:** Communication, Media, Social Network, Media Literacy, Migration, Infoganda, Russia

## ***Introduction***

The problem we are facing at present is not a lack of information but a lack of reliable information. Political communication often suffers from low quality debates and politicization which create an environment where the political parties competing for votes conduct discussions based on what the voters want to hear, with what is actually said being merely a fraction of what could have been said (Evans 2004). We are witnessing the growing transformation of Czech society into a post-truth society with a vast plurality of information and opinions but with a certain resignation on actual truth.

Media are important actors of political communication as the government and state in general depend on their ability to communicate with the public. The media consequently play an active political role and are one of the public sphere institutions, often called the Fourth Empire. We have recently witnessed a number of changes, some related to the structure of the Czech media, particularly the commercialization and rise of social media, others related to the introduction of new communication strategies and tools, including the combination of information and propaganda, which is sometimes referred to as “infoganda”,<sup>28</sup> a dangerous development because while propaganda represents “biased and unbalanced reporting” that openly and actively influences public opinion, infoganda is the propaganda “behind the cover of objective reporting” (Kenterelidou 2005: 14) or it simply presents false news.

This chapter first summarizes the development and role of the Czech media since 1989 and the relationship between media and the public. It then investigates two currently important media trends, the discussion of migration effects on Czech society and pro-Russian propaganda. Finally, the chapter places these issues within the context of post-truth society.

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<sup>28</sup> The term is relatively old but the press first used it during the first Persian Gulf war in 1991, when the media combined news coverage with broadcasting prepared by the Pentagon.

## ***Political Interests and the Media***

The fall of Communism in Eastern Europe led to the democratization of the press, which was freed from the practices of the Communist parties using the media for propaganda purposes and for the promotion of their worldview. The media were gradually democratized, old media privatized and deregulated, with parliaments adopting laws allowing free enterprise. Numerous media outlets emerged as a result contributing to plurality and diversity boosted by journalists' enthusiasm often accompanied by a lack of professionalism (Gross 2011). The Czech Republic was perceived as a success story in the transition process in journalism. Freedom House repeatedly labelled the country "free" during the short period of two years (1989-1991) and has maintained the status ever since. Matonytė (2008: 126) claimed that the Czech newspapers *Právo* and *MF Dnes* were among the examples of balanced and fact-based reporting in Eastern Europe.

Cheteryan (2009: 206) has argued, in contrast, that post-Communist journalists were not able to abandon the habit of serving ideological purposes and that the new media began to "serve the emerging political-business elite". He described the pro-government and opposition media as propaganda tools or critics of the elites, often naively admiring the West during the transition period. The post-Communist media, thus, tried to tell the readers what was right and wrong rather than inform them (2009: 210). The media reflected political and business interests and the struggle for power.

This perspective makes the change in the media ownership patterns particularly interesting. Certain powerful Czech business tycoons entered the media market in 2013, namely Andrej Babiš who bought the publishing house MAFRA<sup>29</sup> and Daniel Křetínský and Patrik Tkáč who bought Czech News Center (CNC)<sup>30</sup>. The two combined control 60% of the printed media market. Babiš also owns the most influential radio station, *Impuls*. Freedom House (2015) has consequently warned against the concentration of power and the oligarchisation of the Czech media sector, even referring to the process "berlusconization", referring to the situation when politicians are involved with broadcasting.<sup>31</sup>

Freedom House (2015) also noted the decreasing quality of Czech journalism connecting it with the results of the economic crisis and the subsequent lack of financing. The media has turned to the practices of live broadcasting, tabloid-style content and so-called Google journalism. The same Freedom House report stated, however, that the Czech Republic had a strong tradition of investigative reporting and that certain Czech newspapers were continuing in this tradition.

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<sup>29</sup> The MAFRA group owns the most-read Czech daily, *MF DNES*, and the oldest daily, *Lidové noviny*, *Metro* is distributed free of charge, the weekly *5plus2*, TV station *Óčko*, radio *Impuls* and others.

<sup>30</sup> CNC completed the acquisition of the Czech Ringier Axel Springer subsidiary in 2014. It is the largest media group in the Czech Republic. It owns the tabloids *BLESK* (the most read Czech daily) and *AHA!*, the daily *Sport*, the magazines *Reflex*, *Auto*, *Svět motorů* and *ABC*. 2016 data indicate that the CNC press had an average readership per edition printed 3.4 million people, followed by the groups Vltava-Labe Press and MAFRA. CNC also had the largest share of the market for the dailies, 37%, MAFRA was second with 32%. CNC took the lead among magazines as well (20%), followed by the group Bauer Media (19%) (Media Guru 2016).

<sup>31</sup> For more on this topic, see for instance Wyka: 2007.

## ***Media and the Public***

Research has clearly shown that people rely most on data that reach them easily and that they do not engage much in active searching for information. People select news which confirm their existing views and ignore those that oppose them. The dissemination of information depends on the stories that people hear and how they interpret them. The role of the media is crucial in this context. The tendency towards sensationalism and lack of interest in representing a Europe-wide perspective leads to an “us” against “them” approach.

The Centre for Media Studies (CEMES: 2011a) published a report on media literacy among people over 15 years of age in the Czech Republic. They found out that people considered the media “a key factor in society’s political life”. Although more than 80% of Czechs had regular and unlimited access to the Internet, television remained the main source of information. The European Broadcasting Union (EBU: 2016) published a Europe-wide survey revealing that Czechs trusted the radio the most, television and Internet scored almost the same with both having a positive image. Printed newspapers were slightly in negative numbers and Czechs trusted social media the least.

The Czech public has an apparent problem involving low media literacy. They are, in other words, lacking practical application of the basic attributes of critical thinking. Why was the text written? Which media provided it? Is it supported with facts and evidence? Are these reliable, etc.?<sup>32</sup> Media literacy is particularly low in the case of the Internet and social networks, where disinformation spreads very quickly as people fail to double-check and instead share the news. It is crucial to critically assess information and media literacy should be an inherent component of general education because it is a “dimension of current citizenship related to the increasing quality of public life and civic education” (Jirák and Wolák 2007:7).

Despite the introduction of media literacy into the Czech curriculum, children’s opinions are mostly affected by their parents and are often stereotypical (CEMES: 2011b). The prevailing opinion holds that reporting does not provide a realistic view of the world.<sup>33</sup> The Czech Council for Radio and Television Broadcasting (Rada pro televizní a rozhlasové vysílání, RTRV: 2015), which has been responsible for media literacy since 2010, called the Czech media literacy education insufficient because “its level was quite inconsistent, it lacked a uniform and global concept, and did not follow specific goals”. Individual tasks were shared by many institutions and authorities. The evaluation was not integrated and cooperation was limited. RTRV called for a coherent concept prepared with the cooperation of all interested parties and for the creation of life-long media education including within that vulnerable and senior citizens.

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<sup>32</sup> See for example the interview with the director of the programme One World, Karel Strachota (cited in Horvatova 2016).

<sup>33</sup> For more see CEMES 2011b.

## ***Two Current Themes – Migration and Russian Propaganda.***

Migration has been one of the major themes in Czech politics since at least 2015. Numerous groups that could be labelled anti-immigrant sprang up and despite their low electoral potential, their impact on society should not be underestimated. They have used the “alternative media” to spread fear within the country that a major immigration wave is under way threatening the established quality of its life-style. The Czech Republic lacks a major migration problem<sup>34</sup>. The issue at stake, however, is not the actual threat of a significant immigration wave but the fear its image arises in the public.

The fear of a massive influx of refugees was mostly based on disinformation and manipulation, which the democratic parties initially ignored or underestimated and in this way, handed control over the topic to the extremists and populists. When they subsequently realized the mistake, tried to join in the debate and introduce more facts, it was perceived as a decadence of the “intruders”. A number of mainstream politicians even adopted the fear rhetoric because the public opinion had become so negative that they were afraid to say otherwise. They consequently increased the credibility of their opponents.<sup>35</sup> Many Czech political parties have internally mixed feelings as to how to approach the migration topic and their statements and appearances are confusing for the public.

Democratic parties should not adopt the tactics of the populists because attempts to adopt the extremist rhetoric only strengthen the latter and limit the possibility of engaging in meaningful debate. Hansen (32) mentions the case of the UK where support for anti-immigration rhetoric from prominent politicians together with the anti-immigration campaign in the tabloids transformed “public suspicion [...] into loud, ugly opposition if a politician or party lends [immigration] its support”.

Another problem of the Czech media market is Russian propaganda. The journalist Libor Dvořák (neovlivní.cz 2016) has stated that over 40 websites “fed from Russia” operate in the Czech Republic. Dvořák and the journalist Sabina Slonková demonstrated that the goal of Russian propaganda was not to convince the public about some “truth” but to cram the space with information, various perspectives and theories, which would serve to suffocate the truth. People are not ready and often do not even have the time to actively verify the information that reaches them. A directly related problem is the inability to distinguish between the different levels of information reliability and these “alternative” attitudes are considered on a par with the information provided by respectable media (Kukal, cited in Šichanová 2015). The goal of this Russian infoganda is to undermine trust in established institutions and consequently better manipulate the public (Kalenský, cited in Bydžovská 2016).

The problem is not the existence of these servers per se because, as mentioned above, the social networks where this information is often shared, do not meet with much trust among Czechs. The problem is when the

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<sup>34</sup> In 2015, 1525 people requested international protection in the Czech Republic. Most of them were Ukrainian (694), Syrian (134), Cuban (128), and Vietnamese (81). Asylum was granted to 71 people and 399 people received subsidiary protection status granting them the right to reside in the Czech Republic for 1-3 years (Clovek v tísni n.d.).

<sup>35</sup> The Czech president Miloš Zeman, for example, shared the stage with the extremists Marek Černocho and Martin Konvička during the celebrations of the Velvet Revolution on 17 November 2015.

mainstream media and politicians adopt them. The server neovlivni.cz put together a list of Czech politicians who most often spread pro-Russian views and quoted pro-Russian servers. They included the president Miloš Zeman, former president Václav Klaus and Jan Mládek Minister of Industry and Trade.<sup>36</sup> Just as in the case of the extreme right, the statements and positions of the mainstream politicians and media, which seem to confirm such beliefs, increase the legitimacy of these public images and damage the trustworthiness of the established institutions.

The European Union has recognised the problem of Russian infoganda as well and in 2015 the foreign service hired experts who were expected to fight it by “correction and fact-checking of misinformation/myths” (Rettman 2015). The establishment of the Stratcom East team should, among other things, strengthen the media environment in the EU member states.<sup>37</sup> The Czech expert in Stratcom, Jakub Kalenský, stated for Euroskop in March 2016 that “Russia was in the state of permanent war conducted by non-military means” and the main “weapons” in this war were the media.

## ***A Post-Truth Society***

The greatest problem in current politics and media is not the fight against the increasingly targeted so-called “political correctness” but what we know as “post-truth” society, where the distinction between truth and lies is no longer important. Information is not defined as true or false, for the binary division between truth/ lies has disappeared. This is also known at times as post-fact society as it stems from growing relativisation, irrationalisation and a postmodern approach to facts. The rejection of global warming is one such example when scientific facts are called an “opinion”. When people denying global warming face hard data, they do not present counter-data but attack the scientists and institutions which conducted the studies and call them liars serving the interests of certain powerful interests groups or other powers (for instance Brussels). They are consequently labelled as being unreliable. The best example in the Czech environment is President Zeman’s refusal to apologize for the untrue statement he made about Ferdinand Peroutka.<sup>38</sup>

Telling half-truths, biasness, and fact manipulation are part of politics but the recent developments are worrying due to the growing distrust in truth and the decreasing feeling of responsibility for the consequences of one’s own actions. Higgins (2013) states that we must learn to live in this post-truth world, work with various perspectives reinforced by the multiplicity of views and opinions freely and openly accessible on the Internet. The declining authority of established institutions is a consequence of democratic development. Problems are not black and white and the solutions cannot be squeezed into the binary categories of true or false. Instead of worrying about this development, we should make use of it so that “taking multiple perspectives into account might alert us to more sites of possible intervention and prime us for creative formulations of alternative possibilities for concerted responses to our problems” (Higgins 2013).

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<sup>36</sup> For more see Holecova 2016.

<sup>37</sup> For more see EU External Action 2015.

<sup>38</sup> For more about this case, see for example Cesky rozhlas 2016.

Various fact-checking platforms and projects fighting disinformation have emerged recently, in the Czech Republic for instance [hoax.cz](http://hoax.cz), [demagog.cz](http://demagog.cz), [faktus.info](http://faktus.info), etc. Their work, however, assumes that truth is important and that uncovering the lies matter. In post-truth society their impact is, thus, limited as people have slowly abandoned a belief in the authority of one truth or truth in general. Cynicism is on the rise, which makes the lives of manipulators easier. The repeated revelation of the lies Czech President Zeman voiced about Ferdinand Peroutka had no effect on his popularity rating within Czech society. This trend can be traced back not only in post-Communist societies but also in the West as testified by e.g. Donald Trump, who has repeatedly lied during his presidential campaign. Despite this reality, fact-checking projects are important because many people are still interested in discovering the lies. Although there is almost never just one truth, they do not view lies as being merely an “opinion”.

## ***Conclusion***

Populism based on false data and disinformation can only be fought if public fears and insecurities are taken into consideration and if unpleasant discourse revealing inconvenient truths is not avoided. The public should feel as if their worries are being taken seriously. A well-established communication and information policy would allow the democratic elites to fight those forces which manipulate information and try to spread panic. They should use maximum of the information sources available to reach the maximum number of people.

The Czech Republic media environment is generally free. It is a pluralist democracy despite evidencing the perseverance of a number of undemocratic practices in the Czech political culture. The missing core of a democratic culture will take a long time to emerge and the result of these efforts are uncertain (Gross 2011). Democracy is still perceived as a form of government and not a state of society (Aron, cited in Gross 2011). The problems the Czech press shares with other former socialist countries rest on the inflated emphasis on ideology and the underestimated interest in information reliability. These factors inhibit the Czech media from becoming a true Fourth Empire. The main challenges faced today include the fight against “infoganda”, low media literacy and learning how to live in a “post-truth” society without giving up on truth.

## ***Recommendations:***

- Use the experts among its members and supporters to present more facts and data in those areas which are currently relevant in Czech political life and which are important for the public; keep the language clear and simple.
- Improve the communication policy to include feedback, contact with the public and allow for flexible reactions to their needs and demands. Provide information and a platform for an open public debate, do not silence different opinions.

- Contribute to the formation of a coherent concept of media literacy education with the cooperation of all the protagonists involved and to establish a platform for life-long media education.
- Support projects revealing “infoganda” and fact-checking platforms.



# Chapter 9: Civic Education. Democracy Needs Democrats

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**Abstract:** International surveys indicate that the interest of Czech young people in politics is the lowest in the EU. This leads to low participation in democratic processes such as elections or referendums. Parents and the family environment have the greatest impact on the development of political behaviour, but civic education provided by other actors is an additional way to expand young people's knowledge of democracy, develop their civic knowledge, and awaken their interest in politics and social affairs. Civic education is a relevant subject for every democratic state. It requires a systematic approach that develops pluralism and ensures the long-term nature of civic education activities and the finance for implementing them. Although civic education forms part of several government strategies and documents, their implementation has mostly been rudimentary. Civic education continues to confront the legacy of communist indoctrination and propaganda, and a lack of widespread understanding of democratic principles in civic education.

**Keywords:** Democracy, Pluralism, Civic Education, Propaganda and Indoctrination, Interest in Politics, Youth

## ***Introduction***

Democracy needs democrats. This was a mantra of the first Czechoslovak President, Tomáš Garrigue Masaryk in the Czech public debate about civic education. His words explain the need for a systemic civic education, and he understood the need for civic education in the newly founded state in laying the foundation of the Czechoslovak democratic political system. Masaryk therefore promoted the 1919 Act on Public Courses in Civic Education, which established the basis for civic education in the country. The Act required municipalities to establish special groups of “knowledgeable people”, who would provide free of charge courses in civic education “on state mechanisms, its operation in all areas of its activities, and about the rights and duties of Czech nationals” (Smékal et al 2010).

Conversely, during the socialist period in Czechoslovakia (1948-1989), the idea of civic education in a democratic spirit was completely abandoned and transformed into ideological indoctrination and propaganda controlled by the Communist Party. Ideological education dominated both formal<sup>39</sup> and informal education<sup>40</sup> (Drda, Škoda 2010) and intensified during the period known as normalization. A supplementary text<sup>41</sup> for schools, *Lessons from the Crisis Development in the Party and Society Following the XIII Convention of the Czechoslovak Communist Party*,<sup>42</sup> defined the goals that civic education should attain. An ideal student should never question the leading role of the Party, would always apply class-conscious thinking, welcome communist ideology, reject everything bourgeois and would accept collective ownership as the only acceptable model of property ownership (Činátr 2008).

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<sup>39</sup> Humanities subjects (history, geography, civic education, literature and languages) and courses such as mathematics, physics, or chemistry, which highlighted the successes of Soviet scientists.

<sup>40</sup> Schools organized “pioneer” organizations, in which children were enrolled from the second grade. Younger children joined its younger section known as Sparks.

<sup>41</sup> “How to Use the Document Lessons.”

<sup>42</sup> Approved on 10 December 1970, it described and interpreted the Prague Spring events and the Warsaw Pact military intervention.

Civic education did not receive much attention following the Velvet Revolution, in particular because of antipathy towards the ideological baggage of the former regime and a lack of knowledge of democratic civic education. In the first 25 years of modern Czech democracy, civic education proceeded without systematic government support. Although part of formal education, the quality of civic education varies at present. The International Civic and Citizenship Study (ICCS 2009) survey revealed that Czech students (aged 13-14) ranked among students in countries with above-average civic knowledge. More than half of the civic education teachers surveyed<sup>43</sup> in April 2016 stated that “an emphasis on students’ critical thinking” was their priority, although 69 % of secondary school students declared “no” or “limited” interest in politics. If parliamentary elections took place tomorrow, only 55 % of them would “definitely” or “probably” vote. The attitude to electoral participation is different from reality because surveys show that young people (18-29) are in the age group with the lowest turnout, which has not exceeded 50 % since 1998. It would seem that improvement is possible, but the question is how to change this unsatisfactory situation.

Civic education is included in various strategic documents adopted by the government, although the Czech Republic lacks any generally accepted principles of civic education for children, young people and adults. The consequences of neglected democratic civic education are demonstrated by the generation that was not burdened by life under Communism and grew up in a free democratic regime. OECD (2016) data from 2009 show that 6 out of 10 Czechs aged 15 to 29 were not interested in politics and consequently scored second lowest (after Lithuania) in terms of young people’s interest in politics. The ICCS (2009) survey displayed similar results. International research (Schulz et al 2009) indicates that interest in politics has a significant impact on voter turnout because it is one of the most consistent and reliable factors over the long-term in predicting attitudes to voter turnout. Several studies (e.g. Galston 2007, Collado et al 2014) have also shown its link to civic knowledge.

Low interest in politics among young people is not a purely Czech phenomenon. There is lower voter turnout and interest in politics among youth in other countries (Henn et al 2005, Russell 2005, Marsh et al 2007, Dalton 2008). A low interest in politics and political participation among youth are sometimes considered the main reasons for decreasing electoral participation. Schools are often seen as institutions which could revert this unfavourable trend by promoting civic education. A universal and generally accepted formula to ideally establish a system of civic education does not exist, and individual political parties differ in how they perceive the improvement of civic competences and young people’s interest in politics. Given the focus of this publication, this chapter discusses the perspective of conservative political parties as a counterweight to the social democratic view.

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<sup>43</sup> This chapter presents the results of survey conducted by the Institute of Sociology of the Czech Academy of Sciences in April 2016, based on a sample of 1953 students (aged 16-20) and 86 teachers from 86 secondary schools. The schools involved in the research were selected using a random sampling method to ensure representativeness by type of school (secondary grammar school, technical secondary schools and vocational schools), NUTS2 region level and the size of the municipality where the school was located.

## ***Civic education from a conservative perspective***

The basis of conservative politics is the understanding that people are free, have dignity, and are responsible for their actions and – in a broader perspective – for society. A conservative politician is involved in politics knowing that the main actors are the citizens. He/she looks for solutions “from the bottom up”, and does not consider the state a power centralizing entity that knows everything best and solves the problems of citizens in the way that socialists do. The state should, in contrast, only provide a framework for the functioning of society. Unlike liberals, a conservative politician views the state as important for outlining the rules of coexistence and for intervening when the rules are violated. To apply football terminology, one could compare the state to a rule-maker and a referee. There is a need to delineate the playing field, provide strict rules and oversee their observation. The state should not assume the role of a player because such a role belongs to citizens. A conservative politician always balances the role of the state and the citizens, does not look for black and white solutions, and accepts the different shades of grey.

Various perspectives can be found on civic education and the form it takes. It is balanced between two extremes: on the one hand, “indoctrination about democracy with the strong role of the state”, and on the other hand, it is left to the “invisible hand of the democratic market”. Post-communist countries have witnessed political indoctrination and Communist Party propaganda, and their experiences of civic education are more complicated because they lack the experience and understanding of democratic civic education.

What specific steps can schools take? Although current topics are important, the level of independent critical thinking and attitudes to voter turnout depend on the atmosphere during civic education class discussions (Campbell 2008). Having an open classroom climate has recently become a key theme in research on classroom and school effects. The “open classroom” concept indicates the degree to which students feel free to discuss political and social issues freely and openly and feel safe in expressing their own opinions on controversial topics. A positive effect of an open classroom climate on civic knowledge and attitudes toward future electoral and political participation has been observed in several studies (Torney-Purta et al. 2001, Torney-Purta 2002, Torney-Purta and Richardson 2005; Quintelier and Hooghe 2012, Martens and Gainous 2012, Campbell 2008, Geboers et al 2013, Isac et al 2014, Alivernini and Manganeli 2011). The question should therefore be what the situation is like in Czech schools.

An April 2016 sociological survey of schools revealed that 4 out of 10 students stated that teachers supported the formulation of students’ own opinions during class discussions. About one quarter of the students often experienced teachers who presented different points of view and almost half had such an experience “sometimes”. About one third of the students had this experience “rarely” or “never”. It is part of democratic practice to be able to express opinions freely and without persecution. About one third of the secondary school students (34%) felt that they could “often” express their opinions freely, and more than 41% students stated that they could often freely and openly disagree with their teachers. In contrast, approximately one quarter of the secondary school students stated that they could freely and openly disagree with the political and social opinions of their teachers only “rarely” or even “never”. Opening debates about controversial topics were experienced by one fifth (21%) of the students “often”, 40% “sometimes” and 39% “rarely” or “never”.

Previous research (Nesbit 2012, Schmid 2012, Kudrnáč and Lyons 2016, Kudrnáč 2015) has shown that parents and the family environment have the greatest impact on the development of political behaviour. However, schools have an impact too. The main advantage of the school environment is its ability to present democratic possibilities in the simplest way, and to add to and develop the knowledge of young people about democracy, develop their civic knowledge, and stimulate their interest in politics and social affairs.

The conservative approach emphasizes the need for establishing a generally accepted framework and rules for civic education. The debate about the principles of democratic civic education also took place in Western Europe, especially Germany in the 1960s and the UK in the 1990s. The Crick Report provided the basis for a change in civic education in the UK during the Tony Blair era. The results of the Brexit referendum would seem to indicate that it did not have a significant impact, as evidenced by the fact that turnout was lowest among the young. This is paradoxical given that a clear majority of young people wanted the UK to stay in the EU, were outvoted by the older generations, and will live longer with the consequences.

The debate on civic education in Germany culminated in the “Beutelsbach Consensus” which established that democratic civic education should follow the principles of “banned indoctrination”, i.e. no one point of view should be presented as the right one. The Beutelsbach Consensus also involved “controversy”, i.e. support for views involving pluralism and a discussion of controversial topics from various points of view; and finally “a focus on the student” – the effort to motivate citizens to think critically and form their own opinions.

### ***Civic education in Western Europe: protection of a pluralist democracy***

Civic education has a strong tradition in Western Europe. The birthplace of civic education is Germany, where the Allies, led by the USA, introduced it after World War Two. Germany further developed the subject into an extremely robust system of civic education, the core of which lies in support for pluralism understood as protection against the revival of political dictatorship. “Civic education should represent a pluralist, federally organized cooperation system based on subsidiarity, where the different political, social and ideological aims of its actors can fully manifest themselves. The state guarantees a variety of opinions, and apart from its own educational programmes, financed by the federal and state ministries and federal and state agencies, also co-finances non-governmental organizations (NGOs), including political foundations. It does not interfere with these organizations and respects their sovereignty in the content, projects and definition of key topics” (Kalina et al 2013: 35). The ministries provide the most financial resources to civic education in NGOs (76% in 2013).<sup>44</sup> Part of these activities are organized by the ministries (14% in 2013), while the smallest share goes to the Federal Agency for Civic Education (10% in 2013). “This ratio has been stable over the last decade irrespective of the current annual contributions” (Kalina et al 2013: 40).

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<sup>44</sup> These are the Federal Foreign Office, Federal Ministry of Defence, Federal Ministry of Interior, Federal Ministry of Family Affairs, Senior Citizens, Women, and Youth and the Federal Ministry for Economic Cooperation and Development.

A similar but much smaller system exists in Austria, where several ministries are responsible for providing civic education. The Federal Ministry of Education and Women's Affairs is responsible for school and adult education, and the Federal Ministry of Families and Youth supervises after-school youth education. The state level also contributes to the programme, and as in Germany, public broadcasters, political academies, trade unions and churches also play an important role. At least 131 organizations, which are fully or partially sponsored by the state and engage in political education, exist in Austria.

The variety of providers in Austria and Germany serves as a safeguard ensuring pluralism of opinion in the system of civic education. On the European level, the Council of Europe has engaged in the civic education agenda, especially in the context of backing of democratic citizenship and human rights.<sup>45</sup> It was added to the agenda of the EU ministers of education with the rise of extremism and the terrorist attacks in Paris on 17 March 2015.<sup>46</sup> The Youth of the European People's Party (YEPP) has also demanded more support for civic education in reaction to the rise of populism and declining voter turnout<sup>47</sup>.

### ***Civic education in the Czech Republic: a political agenda***

The Czech Republic lacks a generally accepted definition of civic education. The Association of Czech Experts in Andragogy defines it as “the part of education that enables independent, critical and active participation in public affairs on the part of citizens. Civic education develops capabilities and attitudes such as communication skills, critical thinking, an ability to work with information and interest in public affairs, which are good prerequisites for effective learning and constructive participation in civic activities” (Vývodová 2013: 31).

The Czech Chamber of Deputies took the first step in defining the framework of civic education by approving a resolution<sup>48</sup> on backing the development of a democratic civic education system, in December 2014. The resolution marked the twenty-fifth anniversary of the restoration of a free and democratic state governed by the rule of law in the Czech Republic. The Resolution clearly declared that “civic education in a democratic spirit is the opposite of indoctrination and political propaganda as pursued by non-democratic political regimes” and “emphasizes that the goal of civic education is to educate free citizens, that is, citizens capable of making their own critical judgments about public affairs, sympathetic to personal active engagement in public affairs and respectful of the political rights of other citizens”. It defines the principles of civic education in accordance with Western European good practices – an indoctrination ban, the presentation of controversial topics from multiple points of view and support for independent thinking. Deputies across the political spectrum voted in favour of the resolution; only a majority of the Communist Party deputies voted against it.<sup>49</sup>

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<sup>45</sup> Charter on Education for Democratic Citizenship and Human Rights Education. Adopted by the Committee of Ministers as part of the CM Recommendations CM/Rec (2010) 7.

<sup>46</sup> EU Education Ministers Declaration from 17 March 2013, the “Paris Declaration”.

<sup>47</sup> Resolution: Strengthening Citizenship Education in Europe, Congress in Porto. 16 May 2015.

<sup>48</sup> Chamber of Deputies document no. 1700.

<sup>49</sup> Chamber of Deputies of the Parliament of the Czech Republic, 23<sup>rd</sup> meeting, 30<sup>th</sup> vote, 4 December 2014, 11:44

Civic education was mentioned in the manifestos of two centre-right parties, TOP 09 and KDU-ČSL, during the 2013 parliamentary snap election. TOP 09 viewed low public participation in public affairs as a long-term problem. It also defined the consolidation of attitudes to democratic values and citizen virtues as a life-long process. It consequently promised to “encourage education projects that would increase public knowledge about the rights and duties of citizens and would enhance individual civic activities in public affairs” (TOP 09 2013). KDU-ČSL promised to “promote teaching of technical subjects and emphasize civic education” (KDU-ČSL 2013). The issue was picked up by politically active youth who connected it with rising support for populist movements. They adopted the “Declaration of the Czech Political Youth Organizations Celebrating 25 Years of Democracy” (Mladí lidovci 2014).

The government has mentioned civic education in several strategies and declarations that usually were not connected to each other. Civic education was included in the Czech Government’s Programme<sup>50</sup> in the section on education, and quality of education. It promised improved ethical education and active citizenship training in schools. This categorisation demonstrated a narrow perspective on civic education and did not reflect its interdepartmental nature. Activities related to civic education are included in the *National Strategy for Global Development Education*, produced by the Ministry of Foreign Affairs (MZV 2011), in the *State Programme of Environmental Education and Public Awareness in the CR*, written by the Ministry of Environment,<sup>51</sup> or in the *Czech Republic 2030 Strategy*, produced by the Office of the Government<sup>52</sup>. The political institutes established by amended Act 424/1991 on Association in Political Parties and Political Movements should also develop education in democracy, the rule of law, pluralism and human rights protection. It should promote active citizen participation in public life and improve the standard of political culture and public debates.<sup>53</sup>

The Ministry of Education, Youth and Sport (MŠMT) handles both the formal and informal civic education of children and young people. The formal part of civic education is included in educational programmes<sup>54</sup>, although the MŠMT is aware of its many weaknesses, especially the need to move the goals and content away from passive reception of information to active citizenship and broadening the educational content to “school as a laboratory of democracy” by using, for example, student self-government and school partnerships with local communities.<sup>55</sup>

The MŠMT is currently testing the effectiveness of the civic education tools that are being used – student parliaments. It is considering re-defining the already established pedagogical coordinators of student

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50 Signed in February 2014, ČSSD, ANO and KDU-ČSL.

51 For more information, see Ministerstvo životního prostředí n.d.

52 For more information, see Databáze strategií, n.d.

53 Act. 302/2016 Coll. Political institutes are entitled to an annual subsidy of 10 % from the total activity subsidy, which belongs to the party or movement. A party or movement is entitled to a subsidy if at least one deputy was elected on behalf of the party or movement in at least two of the last three consecutive electoral periods in the Chamber of Deputies including the current one, and the party or movement must have established or joined a political institute.

54 For more information, see the Situation Report on Civic Education from 16 June 2016, published by MŠMT on <http://www.msmt.cz/ministerstvo/novinar/reakce-na-clanek-ln-msmt-nebude-zrizovat-novou-organizaci>.

55 For more information, *ibid.*

parliaments and turning them into coordinators of civic education, and examines new possibilities for collaboration between the relevant actors.<sup>56</sup> The MŠMT is also considering training for teachers, since civic education is not part of their pre-graduation training.<sup>57</sup> It announced a funding programme to promote the activities of NGOs in pre-school, elementary, secondary and art-focused elementary education in 2016 to boost the development of civic skills of pupils and students.<sup>58</sup> Civic education in informal education is included in the strategic objective *Concept of Youth Support for 2014-2020*.<sup>59</sup> The MŠMT is also the responsible body for civic education in *Main Areas of State Subsidy Policy for NGOs in 2016*.<sup>60</sup>

An often-neglected area of MŠMT activities is adult civic education, mentioned by the *Czech Strategy for Education Policy until 2020*.<sup>61</sup> Civic education highlights the obvious general problem of Czech administration, which has produced several strategic documents but the implementation of which has been insufficient. The *Concept of Civic Education* is currently under preparation but has not been presented for public discussion as yet.

Developing and planning of civic education requires monitoring of the current state and progress in both civic knowledge and attitudes to democracy and voter turnout. We believe that it was regrettable to abandon the Czech participation in international ICCS surveys. The Czech Republic participated in the predecessor survey, CIVED, in 1999 and consequently in the ICCS survey in 2009. It did not sign up for the following years, and an international comparison is lacking as to how young Czechs fare in their civic knowledge and attitudes, and to what extent this knowledge and these attitudes change over time. Whatever the policy or approach to civic education, one can only surmise to what the impact is and how efficient it will be when there is not a lack of data and research in this area will not remain a marginal topic.

## **Conclusion: what next?**

Parents and the family environment have the greatest impact on the development of political behaviour. Civic education provided by other actors is an additional way to expand young people's knowledge of democracy, to develop their civic knowledge, and encourage in them an interest in politics and social affairs. Civic education

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<sup>56</sup> The responsible body for authentication is the National Education Institute, the expert and methodological guarantors for education are the Centre for Civic Education and the Centre for Democratic Teaching. The budget is CZK 10,979,190 for a period of three years. For more information, see Ministerstvo školství, mládeže a tělovýchovy 2016a.

<sup>57</sup> For more information, see Situation Report on Civic Education from 16 June 2016.

<sup>58</sup> Module 1: Support for the development of civic skills in kindergartens, primary and secondary schools. The total subsidy amounted to CZK 3 million, of which 2/3 were allocated to Module 1. For more information see Ministerstvo školství, mládeže a tělovýchovy n.d.a and Ministerstvo školství, mládeže a tělovýchovy 2016b.

<sup>59</sup> Resolution No. 342/2014.

<sup>60</sup> Governmental resolution No. 470.

<sup>61</sup> Support and develop the work of schools, school establishments, and libraries as centres of life-long learning that provide initial education for pupils and students and a broader offering of additional education (professional, hobby, civic, requalification) focused on the adult population, including senior citizens, and participates in the system of recognition based on the National Qualification System for various groups of adults. (Ministerstvo školství, mládeže a tělovýchovy n.d.b)

is consequently a relevant subject for every democratic state. Practice abroad indicates that civic education is understood as an important prevention of enforcing non-democratic forms of government. This requires a systematic approach *that develops plurality, ensures the long-term nature of civic education activities and finance* for implementing them. The key actors are not only schools and teachers but also teaching faculties and state institutions that deal with this topic, such as the National Education Institute, political institutes, NGOs, trade unions, churches and last but not least public broadcasters.

In the Czech Republic there are specific civic education activities for both formal and informal education of children and youth or lifelong adult education. Civic education still faces the legacy of communist indoctrination and propaganda, and there is limited understanding of *democratic principles in civic education*, such as banning the promotion of one point of view only, presentation of multiple opinions, and the development of critical thinking. This broadly accepted framework would facilitate the work of both civic education teachers and state authorities as well as other protagonists in civic education. There is therefore a need to strengthen education and information about democratic principles of civic education and display good practice.

*Insufficient funding for civic education and research in this area, and the lack of a long-term perspective* are negative factors in the process. Civic education is one of several government strategies and documents; focusing on implementing them consistently is urgently required. In view of the key importance of provider plurality to ensure a variety of opinions, there is a need to choose instruments which would enhance *plurality* and prevent attempts to centralize civic education, which could lead to the dominance of one ideological view. Civic education would in such a case lose its negative connotation, the unwanted legacy from the era of one-party rule.

### ***Recommendations:***

- Increase information levels about the democratic form of civic education, including principles. Present examples of good practice.
- Improve the implementation of strategies which contain civic education. Encourage civic education by means which encourage plurality in society and have a long-term impact.
- Strengthen the development of civic skills, such as critical thinking, instead of teaching mere factual knowledge.
- Strengthen research into civic and political skills, competences and attitudes among both the young and the adult population.





# Conclusion

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The EU decision-making process combines a number of formal and informal procedures. When a new member state joins the EU, it participates in a relatively unknown level of political negotiations which potentially broaden its chances to promote national interests. In order to succeed, the member state needs to learn the dynamics of the environment, how to define its national interests and their relative significance. It also needs to develop efficient tools that would enable it to play a constructive role in the EU decision-making process while balancing national and European interests. The national level plays a crucial role in this process.

The Czech Republic joined the European Union 12 years ago and is no longer a new member state. It has obtained a great deal of experience and tried various approaches. The turbulent events on the European and domestic scenes, including the failed ratification of the EU Constitution and the troublesome path to the Lisbon Treaty, the financial crisis, the Eurozone crisis, rising Euroscepticism, the refugee and migration crisis, rising security concerns, and finally Brexit, have revealed the many weaknesses of the European Union, mainly its inability to handle more than one larger crisis at a time and the communication and cooperation problems of its member states, especially a deteriorating solidarity.

The Czech Republic has faced a period of instability on the domestic scene and the emergence of new business-firm and apolitical parties and movements while facing the consequences of an economic crisis. The EU and the Czech Republic face, along with many other EU member states, a challenging loss of touch with the public. The political leadership in the EU, and many of its member states, is unable to generate public support for its policies. Populism has risen on both the left and right wings of the political spectrum.

While many analysts, journalists and the public talk about a deep EU crisis and some even question its ability to survive these many challenges, it should not be forgotten that the process of European integration has experienced ups and downs in the past. While at times it was not able to continue on the pre-crisis path, it was able to reinvent itself and even take several steps back and consequently move forward. This is arguably the situation at present.

No-one can contest that European integration has provided Europe with an unprecedented six decades of peace and startling prosperity, but to time has come to contemplate a new turn for the future. The EU offers smaller countries such as the Czech Republic an extraordinary stability and protection from external influences and magnifies their role of medium-size member states. The Czech Republic should maximize these benefits. It has a unique opportunity to join the EU reform process and participate in its formation, contributing to a future course that will promote European values and culture. Our future common steps should also bear in mind the achievements of Czech and European economies.

Only active and constructive cooperation replacing negative resistance would help the Czech Republic defend and promote its national interests in the EU. We have addressed academics and professionals in order to analyze the situation in certain core areas and recommend steps the Czech centre-right should promote on the local, national and European levels to successfully resolve them. Their contributions suggest specific positive steps. It is in the Czech national interest that the Czech centre-right should once and for all put aside its differences

concerning the general attitude to the EU and ponder over possible venues of cooperation in promoting Czech interests. The country has many shared interests with the EU, be it economic prosperity, security, environmental sustainability, the well-being of its citizens or good governance. Seeking out common points of interest, instead of dwelling on differences, could significantly improve the Czech negotiating position in the EU. It would also satisfy the legitimate demands of the Czech public to respect and promote Czech national interests in the EU.

Czech EU membership has benefited the country and we see its future as a full active member of the European integration project. We would like the text you are reading to serve as the basis for future intra- and inter-party discussions and debate with the public. Based on expert opinions, we would like to open up the floor to various alternative views and suggestions that would take into account as many perspectives of our friends and supporters as possible. We believe that a more open and democratic dialogue with the grassroots would enhance the strength of the Czech centre-right as a democratic, constructive, active and pro-European force that can help resolve a number of the pressing issues on both the national and European levels.

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