

Economics, Politics and Europe

The Czech Centre-Right's Solutions to the Political Challenges of 2020

Ed. Lucie Tungul



Wilfried
Martens Centre
for European Studies



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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 closely associated with the Christian Democratic Union (CDU). At home as well as abroad, the civic education and dialogue programs aim at promoting freedom and liberty, peace and justice. Primary concerns are strengthening representative democracy, promoting European integration, expanding transatlantic relations and increasing development cooperation.

The Wilfried Martens Centre for European Studies (WMCES) 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.

Contributors



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Abbreviations



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ANO	Action of Dissatisfied Citizens
CAATSA	Countering America's Adversaries Through Sanctions Act
CAP	Common Agricultural Policy
CETA	Comprehensive Economic and Trade Agreement
ČŠI	Czech School Inspectorate
ČSSD	Czech Social Democratic Party
CSU	Christian Social Union
EC	European Community
EDA	European Defence Agency
EP	European Parliament
EPP	European People's Party
ERDF	European Regional Development Fund
EU NACE	Statistical Classification of Economic Activities in the European Community
EU	European Union
EUTM	European Union Training Mission in Mali
FDI	Foreign Direct Investment
FEP	Framework for Educational Programmes
GDP	Gross Domestic Product
GNI	Gross National Income
GRU	Russian military intelligence service
INF	Intermediate-Range Nuclear Forces
KDS	Christian Democratic Party
KDU-ČSL	Christian and Democratic Union – Czechoslovak People's Party
KSČM	Communist Party of Bohemia and Moravia
MFF	Multiannual Financial Framework
NATO	North Atlantic Alliance

NDC	Notionally-defined contribution
NGO	Non-Governmental Organization
ODS	Civic Democratic Party
OF	Civic Forum
PAYG	Pay-as-you-go
RT	Russia Today
SEP	School Education Programmes
SLK	Mayors for Liberec Region
SME	Small and medium-sized enterprises
SPD	Freedom and Direct Democracy
STAN	Mayors and Independents
SWOT	Strengths, weaknesses, opportunities and threats analysis
TEU	Treaty on European Union
UK	United Kingdom
UNHCR	United Nations High Commissioner for Refugees
V4	Visegrad 4
VAT	Value Added Tax

Introduction

Lucie Tungul



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Sustainable development is one of the terms which we have heard so many times that we often do not even think about its importance. Most people see it as some form of environmental activity, although it is a much broader concept. It is linked to general social responsibility to ourselves and the community we live in and it is also an ethical approach to our everyday decisions. Most people agree that we should lead our lives responsibly, but when discussing in detail what they mean by this concept, they give us many different ideas. Even more disagreements arise when pondering the role citizens, institutions, businesses and the state should play in building a responsible society. It is clear that the concept of responsible society is based on shared societal values which different individuals understand differently based on their ideological approach and historical discourses.

A recent publication dealing with the Czech middle class (Tungul et al. 2019) demonstrated that the Czech middle class is crucial for the Czech economy but suffers from relatively low interest in politics and relatively low voter turnout; a large proportion of middle-class voters vote for parties which have been “able to effectively mobilize economic, political and (partly) ethnic grievances” (Charvát and Maškarinec 2019). Despite the increasing economic prosperity brought by relatively high economic growth and low unemployment, the major part of the Czech (and European) society finds itself in a condition of “disenchantment” (Drea 2019) or “disillusionment” (Greenberg 1996), which leads to increasing feeling of polarization. Although a recent Czech Radio survey (Kočí, Zlatkovský, and Cibulka 2019) showed that the Czech society is less divided in terms of attitudes than we often believe, the perceived amount of polarization creates an impression of stagnation and decay. It is associated with a low degree of trust in political institutions and democracy as such. Czech politicians are facing an environment that prefers non-political politics (Havelka 2016), which is reflected, for example, in the support of “caretaker” governments, “apolitical” political parties, movements and political candidates. Despite these obstacles, we need to boost the confidence in democratic institutions, the rule of law and the independence of the media, along with the support for a society that is sustainable in the long run and offers its citizens prospects for improving their quality of life, which does not affect only higher incomes but a large number of other relevant areas.

This publication addresses a number of issues that are closely linked to this situation. First, Petr Pavel and Marek Ženíšek draw attention to the development of the Czech society since 1989, especially the effects of Czechia’s NATO and EU membership, and discuss the current domestic and foreign policy challenges and threats. The authors perceive Czech membership in both organizations as the Czech political elites’ responsibility which ensures domestic stability, but they also highlight the need to be responsible partners to those who guarantee Czechia’s economic and military security.

In the next chapter, Jakub Charvát and Pavel Maškarinec evaluate the thirty-years development of the Czech party system, with special emphasis on its qualitative and quantitative transformation after the 2010 parliamentary elections. They analyse the electoral geography and the electoral behaviour of the centre and centre-right voters in the Czech regions. They observe the fragmentation of the centre

and the centre-right and evaluate the possibilities of a merger or an electoral alliance of the smaller centre and centre-right parties as the answer to the increasing influence of populist movements. They recommend that the parties interested in such cooperation take into account the spatial aspects of their electoral support.

One of the topics that the Czech populists accentuate is the question of social solidarity related to the pension system reform, a vital issue in a responsible society. Although the new Pension Committee is currently working on reforming the pension system, a fundamental change is not expected due to the minority government's reliance on nationalist and/or communist votes. Ondřej Schneider in his chapter criticizes the current set-up of the Czech pension system because it is unsustainable given the demographics of the Czech society. Good economic results, he argues, only have led to unfortunate political interference in the system, which further weakens it. He proposes comprehensive reforms of the tax system, education and social security system, which would strengthen the labour market participation rate. The pension system itself should be more modern and transparent.

In the following chapter, Radim Štěrbá assesses the state of the Czech primary and secondary education system. In addition to the analysis of the initial concepts of the system, he deals with the modification of the school curriculum within the current educational policy strategy. He argues that some of the proposed revisions may undermine the intended outcome of better education. He specifically criticizes its overcrowded content and proposes a balance between the emphasis on knowledge and skills.

One of the major challenges of the Czech and European societies will be digitalization, robotization and industry 4.0, but also changes required to adopt a more friendly approach to the environment and our immediate surroundings. Consumers and businesses are already experiencing market changes. In the med-term perspective, the aforementioned well-designed reforms of the education and the pension systems should respond to these challenges. A great deal of responsibility lies with the corporations, but also the government and its institutions which can create the right environment for business activities. In Czechia, as in Europe, small and medium-sized enterprises (SMEs) play an irreplaceable economic role. Jan Vavřina's chapter explains why innovations are essential for maintaining business competitiveness. The effects of innovation must be seen in terms of their economic efficiency, but also their non-financial overlaps. The author emphasizes the need for continuous monitoring of the outputs, results and impacts of innovative activities so that companies and the government can develop appropriate and relevant policies and tools. Returning to our concept of responsible society, the effective management of state resources supporting economic growth should also ensure the sustainability of business activities in all economic areas of economy, including small and medium-sized enterprises and innovation.

The issue of innovation and business support is also an important part of the EU Cohesion policy which is together with Common agricultural policy a key area of interest for Czechia. Major changes in the Cohesion policy are expected in the upcoming new programming period, the 2021-2027 Multiannual Financial Framework (MFF). According to the proposed MFF, a major part of the European Regional

Development Fund and the Cohesion Fund spending should be directed at innovation, support for small businesses, digital technology, industrial modernization, struggle against climate changes and a transition to a low-carbon and circular economy. Its declared aim is to support policies that create a society of responsible citizens, businesses and government institutions. Petr Toman's chapter investigates the need to reform the revenue side of the EU budget, including an analysis of the proposed new resources and the impact of the negotiations on the future of the Cohesion policy.

The 2019 Brexit negotiations have shown what can happen, if the elites behave irresponsibly. Boris Johnson as the new British Prime Minister has advocated leaving the EU without a deal, which means that the United Kingdom (UK) has found itself in a very chaotic situation with negative consequences for the EU and other British trade partners. The decision of some convinced Brexit supporters to oppose "wild Brexit" indicated the hazardous nature of such policy for the economic and political stability of the country. In her analysis, Monika Brusenbauch Meislová demonstrates that even after an adoption of the Brexit agreement, the truly difficult negotiations would start – she presents the main issues of the upcoming negotiations of the future EU-UK relations. Brusenbauch Meislová also claims that the Brexit negotiations present an opportunity for Czechia to defend its interests in these negotiations. In order to remain a credible EU partner and an ally of Britain, Czechia will have to act responsibly and wisely.

One of the areas where Czechia met with great criticism in the EU and has been described as an irresponsible partner many times is its attitude to the migration crisis and the following efforts to create instruments that would address similar crises in the future. Vít Novotný demonstrates that despite many statements, Czechia has fulfilled many of its obligations and is not as uncooperative as often believed. Novotný shows that the clash between the Czech government of Prime Minister Babiš and the EU is often rather rhetorical because Czechia meets many of its obligations in this area. Novotný warns against provoking verbal conflicts because they are irresponsible and dangerous - they threaten to destabilize the domestic democratic system and break down international partnerships that help promote Czech national interests.

Credibility is an essential factor in international negotiations and agreements. In this respect, the final chapter of this publication Aaron Walter analyses the extreme polarization which defines Donald Trump's era in the U.S. foreign policy. He discusses the differences between the official US policy towards Russia and Trump's rhetoric. Like the first chapter by Pavel and Ženíšek, Walter warns against Russia's threats Western alliances and democracy, including destabilization of Russia's immediate neighbourhood and interference in Western elections. Walter advocates the need for a strong response to Russian threats and the enhancement of alliance cooperation.

A responsible society is based on a range of economic, political and social decisions that are made daily by individuals, corporations and politicians. It reflects shared social values and standards, but also individual needs and differences. It is not possible or appropriate for the society as a whole to agree on their precise definition and implementation. It is essential, however, to create a society where people are

aware of their personal responsibilities and know that they are conditioned by active participation and that their individual decisions are directly linked to the general degree of prosperity.

Czech Democracy Thirty Years since the Velvet Revolution

Petr Pavel and Marek Ženíšek



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Summary: The year 2019 marks the thirtieth anniversary of the collapse of the Communist regime in Czechia, the twentieth anniversary of Czech accession to NATO and the fifteenth anniversary of Czech accession to the European Union. These anniversaries are important for Czechia and logically open up space for the evaluation of the country's past, present and future. The following text is a reflection on the evolution of the Czech society since 1989, with special regard to Czech membership in NATO and the EU, and the current domestic and foreign policy challenges and threats. The authors conclude that the questions people are asking thirty years since 1989 cannot be answered by rejecting democracy or by thinking about leaving the organizations which are vital for securing Czech national interests.

Keywords: freedom, democracy, European Union, NATO, USA, China, Russia, Ukraine, hybrid threats, civic engagement

Introduction

Important anniversaries have symbolic power because they lead to contemplation about the past, the present and the future. Similar to 2018, when Czechia celebrated one hundred years since the declaration of an independent Czechoslovak state, the year 2019 commemorates as many as three important milestones; the thirtieth anniversary since the fall of the communist regime, the twentieth anniversary since Czechia entered NATO, and the fifteenth anniversary since it joined the European Union (EU). Even though they were truly important events of Czech history, many people perceive the primary direction of Czech domestic and foreign policies after 1989 negatively, question it and do not consider the years 1989, 1999 and 2004 as significant.

The events of the 1989 Velvet revolution raised the hopes of many Czechs that things would change for the better, that Czechia would return to the group of democratic countries guaranteeing freedom, security and prosperity for their citizens. After the long period of unfreedom during World War II and the forty years of building “a developed socialist society”, only a few people were capable of fully understanding the scope of such change and how to implement it. There was no certified manual, no systematic method for a rapid, efficient and problem-free transition from a society centrally controlled by the Communist Party to an open society based on the principle of a free, informed and accountable citizenship. There were also no instructions how to transform a centrally planned economy – industry, agriculture, services and the financial sector - into a free market model based on competition and the laws of supply and demand. The ability to prepare and implement such changes is closely related to a topic that is very controversial in Czechia – the authority and participation of elites. Since 1918 the Czech elites have been ravaged several times; first by the Nazis, then by the expulsion of the Czech Germans, and after 1948/1968 by the Czechoslovak communists.

After 1989, the expectations of a great part of the Czech society were focused on the positive changes – better material and social conditions, study and career prospects, availability of goods, travelling

opportunities, the right to speak freely, choice of political representation in free elections, and many others. Regardless of the expectations, almost all of them were connected with hopes that the country would achieve the desired changes within a very short time and without a more profound political engagement of the people. One of the major weaknesses of the Czech and other post-communist societies has been the relatively small role of the citizen and civil society in the continuous formation and cultivation of democracy, “the worst form of government, except for all the others.” It also applies to the adoption, the use and the strict implementation of the value system which forms the basis of every functioning democratic society.

Big, often unclear, and sometimes even unrealistic expectations caused some frustration when confronted with real life. A democratic, liberal and open society with free media brings a fuller image of life in all its positive and negative aspects. Unlike regimes which control and censor the media, the citizens were suddenly informed of problems, which existed before, but which were concealed in the spirit of positive reporting about the regime’s achievements. The complex transformation brought many cases of unlawful conduct which the legal system, being part of the transformation itself, was not always able to manage consistently. This resulted in the declining people’s trust in the rule of law and law enforcement. Revolutions attract not only idealists and visionaries but also opportunists and predators. How much space is left to them when the public sphere returns to normal is fully in the hands of the citizens and a transparent system of public control. Many people felt “surprised” over the years that freedom and democracy were not permanent and automatic and that these values could be lost quickly and easily without active involvement in public life and without constant alertness.

Joining NATO

Immediately after the regime collapsed at the end of 1989, the speed and complexity of which surprised even the “men of November”, there was a need to set the basic direction for the country. Following the experience of building communism and “international help” in August 1968, the slogan “Back to Europe” was an understandable expression of the effort to build as quickly as possible on the democratic tradition of the First Republic (1918-1938), to join the democratic world and its institutions, especially NATO and the EC/EU. These efforts were powered by the disintegration of the Soviet Union in December 1990, followed by the dissolution of the Warsaw Pact in February 1991, the emergence of a security vacuum in Central and Eastern Europe and rising conflict in former Yugoslavia. During the long-term confrontation with the Warsaw Pact, NATO had proven its importance, resilience and effectiveness to deter and avert war. NATO was clearly a guarantee of security and a strong contractual base for its members, as expressed in particular by Article 5 of the Washington Treaty. Gaining a strong and long-term guarantee of security had become one of the main priorities of the country’s political elites.

Although perceived primarily as a military organization, NATO defines itself as a political alliance of

countries sharing the same values and interests, as a zone of cooperation seeking to find shared answers to essential security issues and solidarity in crisis management. The primary instrument is represented by political consultations not only among the Member States but also with all partner countries. The secondary effect of membership is a safe environment for investment which can be directly reflected in the prosperity of the members, as the Czech case has shown. With the exception of some political parties which consider NATO an aggressive instrument of U.S. expansionary policy, most political parties and Czech citizens perceive NATO membership positively. According to the Slovak NGO Globsec (2019), which surveyed the views of the Visegrad countries on geopolitical issues, membership in the EU and NATO and their attitudes to conspiracy theories, 80% of Czechs supported NATO and 91% of young people aged between 18 and 24 wished that Czechia remained in NATO. It should be noted that support in this age group was the highest of all V4 countries.

Accession to NATO meant a fundamental transformation of the Czech army. Since the early 1990s, the army had worked intensively on NATO-compliant capacity building, joined peace operations, and combat operations. The army also benefited from the offer of some NATO countries, especially the USA, the UK, France and Germany, to participate in training, education programmes and shared practice exercises. The Army learned about the partners' experiences from expert teams which had a major impact on the rapid reform of the army.

In general, Czechia continued to see NATO and the dominant position of the USA as the crucial factor for its security because the current concept has proved to be effective and functional and also because Europe has thus far failed in its attempts to create its own European Army or joint defence system. The idea of a Common European Army had already arisen in the 1950s (Pleven plan) or during the presidency of Charles de Gaulle in France and was actually directed against the dominance of the USA in Europe, which might be the reason of its failure. The concept of a common European Army should not duplicate NATO. What seems rational, however, is the modernization of the European armies, meeting the commitment to spend 2 % of their GDP on defence, and streamlining existing EU military concepts, such as Battlegroups, Pooling&Sharing and the Military Mobility project. Strengthening these concepts and structures could result in deeper regional cooperation among the European countries. Moreover, the defence cooperation between NATO and the EU has improved through harmonization of defence planning processes in both organizations, as well as the acquisition and research and development processes through NATO Support and Procurement Agency and European Defence Agency (EDA).

Czechia is currently falling behind its total defence spending. The budget has been increasing nominally since 2015, but the value of 2010 (47 billion) was reached in 2017. Czechia does not meet the targets of spending 1.4% of its GDP by 2021 (originally 2020) or 2% of its GDP by 2024 and allocating at least 20% of this amount to investment (modernization) The Czech President committed to these targets at the NATO summit in Wales in 2014. Adequate expenses on defence and a modern army are necessary to meet the commitments made to collective defence; the country should also address the issue of

outdated military technology. The aim of the modern army is primarily deterrence which requires a fully functioning army. Every member of NATO should have such an army so that NATO may function efficiently and fulfil its role.

Czechia in the EU

While the Czech ambition to join NATO was primarily motivated by security concerns, the aspiration for EU membership aimed mainly at improving the quality of life. It was not so much the idea of European integration but the intriguing objective of reaching Western European standards of living and lifestyle which attracted 77% of Czech voters who voted for EU accession in the 2003 national referendum. Despite the low voter turnout of 55%, it was a great success). The vision of linking the Czech market of goods, labour and services with Western Europe, joining the Schengen area without border controls, the possibility of using financial resources from the EU Structural Funds, joining various multinational projects and programs in science, research and education as well as building defence capabilities (the latter in recent times), all of these and many more were initially very attractive and desirable outcomes of the EU membership.

Yet, the extent of the EU's policies and competences, the complexity of its structure, processes and procedures, the conviction of a large part of the Czech public that the EU aims to regulate and normatively control almost every area of life, the different views of the integration process and a certain detachment of the Brussels institutions from the European people created a large space for opponents of EU integration. It is difficult for the voters (and sometimes also politicians) to understand the EU which provided an opportunity for various myths and misrepresentations to arise. Together with the lack of positive communication strategy, it has led to a situation where a large percentage of the Czechs are eurosceptics even though it is not difficult to present convincing arguments which prove that the benefits of the Czech EU membership far outweigh the costs.

After Donald Trump's victory in the U.S. presidential election, a number of factors had a negative impact on the EU-U.S. relations, which was reflected in the concerns about the future of NATO and the EU. With Brexit as another factor, integration efforts intensified in one part of Europe and led to a rise of nationalism and populism in other parts of Europe. The common feature of the Czech EU and NATO memberships is the "us and them" perception, as if NATO and the EU were some sort of independent institutions outside their member states. It implicates taking credit for all achievements and conveniently blaming "them" for everything that goes wrong. It happens quite often that a project or a new initiative goes through the entire complex decision-making procedure without any major comments and, once approved and put into practice, it becomes subject to the severe criticism of those who were supposed to act so that the subsequent criticism was avoided. The arguments to leave NATO and the EU without Czechia using all the possibilities of an active and responsible member country to remedy what it considers to be wrong

or inoperative and without presenting better alternatives to EU and NATO memberships, are harmful and irresponsible, as the current Brexit negotiations clearly show.

Changes in the Last Decade

Since the end of the East-West confrontation, the world has undergone a very dynamic development, not only in the security area. The initial euphoria but also disappointment, humiliation and frustration after the Cold War were replaced quite quickly by optimistic prospects for building partnerships, cooperation and good relations. The trend began to reverse at the end of the first decade of the twenty-first century with the Russian intervention in Georgia and later the annexation of Crimea and direct support for separatists in Eastern Ukraine. This was followed by an increase in the influence and territorial expansion of the terrorist from the so called Islamic State, intense fighting activities in Iraq and Syria, continuing conflict in Afghanistan (at the beginning of which NATO applied Article 5 of the North Atlantic Treaty for the first time in history; this Article states that “any weapon attack against one or more member countries in Europe or North America will be seen as an attack against all the members”), in Yemen, Somalia, the so-called Arab Spring, the migration crisis and its consequences - all contributed to the frustration and scepticism about the prospects for a safe future. At the economic level, the U.S. mortgage market crisis worsened the atmosphere and had a worldwide impact.

The first warning point came in 2007. With the successful accomplishment of the peace process in Chechnya, Russian President Vladimir Putin turned his attention to other places. At the NATO Summit in Bucharest in 2008, he threatened Ukraine with breaking up the country based on the ethnicity principle and with occupying the territory populated by Russians. It was apparent from Putin’s conversation with the U.S. President George W. Bush that he did not consider Ukraine an independent state (Fedorov 2017: 116). In 2014, Russia occupied Crimea and, following a referendum integrated Crimea with its national territory. Through aggression against Ukraine, Russia violated the UN Charter, the Final Act of the Helsinki Conference on Security and Cooperation in Europe, Declaration of the Principles of International Law on Friendly Relations and Cooperation, the Charter of Paris for a New Europe, the NATO-Russia Founding Act and other acts that guarantee peace in Europe. Europe should continue to support Ukraine against Russia; Ukraine gave up its nuclear arsenal in exchange for Russia’s guarantee of its territorial integrity (Šír 2017) but the Western countries and Poland should also guarantee Ukraine’s independence and sovereignty because they pushed Ukraine to accept the disarmament agreement with Russia (Snyder 2003: 246).

The greatest threat coming from Putin’s Russia is not necessarily military. Russia returned to a superpower expansionary policy with new technologies, now collectively called hybrid threats. One of its basic aims is to weaken and divide unity and, at best, cause the collapse of the Western democratic institutions using intensive information, propaganda, cybernetic, energy-based, influence-based and

other - predominantly non-military - actions against the background of modernization, intensive training and limited use of military tools. These activities are aimed at reducing the citizens' confidence in state and international institutions (especially NATO and the EU), elected representatives and generally in democracy.

The former General Secretary of NATO, Anders Fogh Rasmussen, warned at the Alliance summit in 2015 against the high probability of Russian intervention in the Baltic Sea countries as test of unity in the Alliance. He did not mean direct intervention but cyber and hybrid threats. The Baltic States are in a different situation than Ukraine and Georgia, due to their EU and NATO membership, but are still the most vulnerable members of NATO due to Putin's efforts to revise the transatlantic security system. The decision at the Wales summit to strengthen NATO's presence in the Baltic countries and other countries bordering Russia was a logical reaction to the imminent Russian aggression in Europe. Two years later, the 2016 Alliance Summit in Warsaw approved specific defence measures against hybrid and cyber threats. Meanwhile, the NATO exercise and demonstrative "dragoon ride" in March 2015 signalled the Alliance's readiness to intervene even in cases of limited aggression, while shortening the effective intervention time from weeks to days (Šír 2017: 255).

China has also vigorously returned to the global scene with the ambition of becoming the dominant power of this century and changing the world's security, economic and financial systems to suit its visions. For this purpose, China uses a wide range of instruments, predominantly non-military with the exception of Southeast Asia. To a certain extent, this range is similar to the Russian one. China also intensively uses economic and financial instruments to extend its influence. Through big investment, China succeeds in dulling resistance to the undemocratic form of government, non-respect for human rights (including the Uyghur minority), suppression of opposition, the abuse of the so-called social credit, media censorship and other negative features of the Chinese state. China is gaining an increasing influence on virtually all the continents.

Conclusions

All the above-mentioned factors, whether local, regional or global, affect Czechia. The growing complexity of the international environment, reinforced by the negative effects of Russia and China and the new information and communication technologies, results in the polarization of the society and distrust of the traditional pillars of the state. Top political leaders, with a few exceptions, tend toward simple populism and contribute to the ongoing erosion of the value system. Contradictions in the implementation of the Czech foreign policy, especially between the President and the Government, have a negative impact on the prestige and position of Czechia in the West.

The list of negative tendencies, without simultaneously emphasizing all of the positive changes, can lead to the conclusion that we are approaching a significant milestone in not only Czech, but also European

and world history. Some talk about the “exhaustion of liberal democracy”, about new alternatives, about the need to reconstruct the world order but the questions people ask today cannot be answered by rejecting democracy. Instead, citizens should be ready to participate in public life so that the restored democracy (and all the benefits and problems associated with it) does not lead to authoritarianism or an undemocratic regime due to their indifference, contentment or disinterest.

Recommendations:

- The problems of democracy cannot lead to rejection of democracy. The answer to indifference lies in active citizenship.
- One of the fundamental aims of Russia is to weaken and divide Western unity and, at best, cause the collapse of democratic Western institutions. These activities aim at reducing the citizens's trust in national and international institutions (especially NATO and the EU), elected representatives and democracy in general. These threats need to be actively addressed.
- NATO is a key factor in Czech security. Czechia currently spends far less money on defence than required by its NATO obligations. Czechia has long been involved in reducing the Alliance's overall defence capabilities. Its obligations must be met in the shortest possible time.

A Geography of Electoral Support for Centre-Right Parties and Possibilities for Their Cooperation

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Summary: After the Communist regime collapsed, Czech party system was characterized by the relatively rapid and smooth emergence of the left-right axis which gradually took the form of a traditional socio-economic dimension and became the main cleavage of the Czech party system (Matějů and Řeháková 1997; Hloušek and Kopeček 2008). Prior to 2010, the Czech party system appeared to be largely stabilized, at least in terms of the continuity and stability of the main political parties and their identities, while manifesting a high degree of nationalization of their electoral support (Stauber 2017). This system was described by many domestic and foreign scholars as one of the most stable in post-communist Europe. The 2010 and 2013 parliamentary elections and subsequent political developments indicated, however, that it was only a fragile (Deegan-Krause and Haughton 2010) and temporary stability (Linek and Lyons 2013); the Czech party system began to undergo relatively significant quantitative and qualitative transformations.

Keywords: Czechia; regional elections; electoral geography; centre-right parties; pre-electoral coalitions

Czech Centre-Right Parties over Time¹

This chapter primarily focuses on developments on the centre-right side of the Czech political spectrum which underwent a relatively mixed development over the past 30 years. The roots of the Czech centre-right parties can be found in Civic Forum (*Občanské Fórum*, OF). After the dissolution of OF, the Civic Democratic Party (*Občanská demokratická strana*, ODS) began to present itself as the main centre-right party, which was confirmed by the results of the 1992 parliamentary elections. Apart from ODS, the centre-right was also represented by the Civic Democratic Alliance (*Občanská demokratická aliance*, ODA) but this party only received a fifth of the electoral support of ODS. The ODS tried to integrate the centre-right part of the political spectrum in the first half of the 1990s, but with only partial success. Negotiations between ODS and Christian Democratic Party (*Křesťanskodemokratická strana*, KDS) were successful; first forming an electoral alliance in April 1992, they merged at the end of March 1996. On the other hand, negotiations with ODA, Liberal Democratic Party (*Liberálně demokratická strana*), Conservative Party – Free Block (*Konzervativní strana – Svobodný blok*) and Club of Committed Non-Party Members (*Klub angažovaných nestraníků*) were unsuccessful.

In the second half of the 1990s, the centre-right parties began to face an identity crisis (Kunc 2000: 218). Internal party tensions within ODS and ODA increased, and both faced scandals related to their funding. The crisis of centre-right parties culminated at the turn of 1998 with a split within ODS in the autumn of 1997 (the so-called Sarajevo Assassination) and with the subsequent establishment of the Freedom Union (*Unie svobody*, US) in early 1998. ODS withstood the crisis, however, and defended its position as the strongest centre-right party in the 1998 parliamentary elections (ODS won more

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than three times more votes than US), which was later confirmed in the 2002 and 2006 parliamentary elections – 35.38%). This development had fatal consequences for ODA; non-participation in the 1998 parliamentary elections resulted in a loss of voters and the subsequent marginalization of the party (ODA was dissolved in 2007). The presence of the US, which largely replaced ODA in the party system, did not contribute to the rise of duality in the Czech centre-right. In 2002, US formed a coalition with the Christian and Democratic Union – the Czechoslovak People's Party (*Křesťanská a demokratická unie – Československá strana lidová*, KDU-ČSL) as the “Coalition”, and the US joined the coalition government led by the Social Democrats (for more details, see Pšeja 2005; Charvát 2012). US was later defeated in the elections and formally ceased to exist in early 2011.

Thus, in the first twenty years of the post-1989 development, the Czech party system was characterized by the presence of one dominant political party on the centre-right, ODS. The Civic Democrats seemed to have survived several crises without much harm (the financial scandals of the 1990s, the so-called Sarajevo Assassination and the subsequent departure of some ODS party members to US, Klaus's departure for the presidency of the country at the beginning of 2003, or his later resignation as honorary ODS chairman). Some complement, but also a potential competitive alternative to ODS on certain specific topics, was represented by smaller centre and centre-right parties which achieved partial and temporary successes (not only) in the parliamentary elections (Červenka 2011: 45).

Furthermore, analyses of the links between the various social groups and Czech political parties at the individual level indicated the considerable stability of these links throughout the 1990-2010 period. The influence of class voting on electoral behaviour was constantly increasing (Smith and Matějů 2011), which was in sharp contrast to the situation in traditional Western democracies. Party support in Czechia was largely based on three dimensions (social class, religion, generational affiliation) and the left-right ideological orientation (Linek and Lyons 2013). Similarly, research conducted at the aggregate level found that socio-economic factors explained the largest proportion of interregional differences in electoral support among parties and resulted in the stabilization of the geographical distribution of party support in the Czech regions (Bernard and Kostecký 2014). Centre-right parties were more successful in the regions that prospered economically, while leftist parties gained more support in regions with structural economic problems. In other words, while the centre-right parties (ODS, ODA, US) were more successful in the regions with high development potential (especially on the axis connecting Prague with the regional cities of west and north-east Bohemia, i.e., Pilsen and Liberec), the leftist parties were stronger in the regions with low development potential; with the exception of the industrial agglomeration of Ostrava – Karviná – Frýdek-Místek where much higher support for leftist parties was detected (Pink and Voda 2012; Maškarinec 2017).

More precisely, the areas with the highest support for ODS were concentrated in places with a higher number of self-employed persons, university graduates and white-collar workers earning higher salaries. ODS, on the other hand, enjoyed lower support in regions with higher unemployment or with more

Catholics. Czech Social Democratic Party (*Česká strana sociálně demokratická*, ČSSD) and Communist Party of Bohemia and Moravia (*Komunistická strana Čech a Moravy*, KSČM) mobilized, in contrast, the voters mainly in places with high unemployment and with a smaller population of self-employed persons, university graduates and white-collar workers. The success of KDU-ČSL could be explained by anchoring the party in the Catholic environment which was historically spatially limited to Southern Moravia. Finally, the territorial support of ODA and US, the parties of the liberal centre-right, largely copied electoral geography of the ODS in terms of their better results in regions with higher number of graduates and entrepreneurs, higher purchasing power parity and a lower rate of unemployment (Kostelecký 2001; Pink and Voda 2012; Maškarinec 2017).

A new relevant centre-right alternative, TOP 09, appeared in the 2010 and 2013 parliamentary elections with the support of the Mayors and Independents (*Starostové a nezávislí*, STAN); some of STAN members were invited to TOP 09 candidate lists. Moreover, the election results of TOP 09 and in particular its success in the 2010 parliamentary elections in Prague, a former ODS stronghold, anticipated that ODS could lose its position as the strongest centre-right party. This scenario came true as early as 2013 when TOP 09 passed ODS by more than half of the votes, which temporarily made TOP 09 a small (11.99% of votes) but strongest centre-right party. We could speak about the duality of the Czech centre-right, although it should be emphasized that the centre-right parties were weakened significantly in the 2013 elections, especially in competition with the new parties led by ANO 2011. The position of the centre-right parties did not improve much in the most recent parliamentary elections in 2017, although a significant change was that ODS and TOP 09 changed their positions once again (ODS gained 11.32% and TOP 09 gained 5.31% of votes) and that TOP 09 lost the support of STAN which, after unsuccessful courting with KDU-ČSL, eventually participated in the elections with its own candidate list (they got 5.18% of the votes).

The above-mentioned fragmentation of centre and centre-right voters, who divided their votes into an ever-increasing number of political parties, thus opened up a political and partly also scholarly debate on whether it would be more advantageous for the centre-right parties to form some sort of an alliance or a cooperation in the forthcoming elections. And if so, what could or should this cooperation look like, or who (which parties) it should concern. This chapter contributes to this discussion by considering the spatial aspects of electoral support of selected political parties in the 2017 parliamentary and the 2019 European elections, and with a view to the forthcoming regional elections in autumn 2020. We will focus mainly on questions as to in which regions, or in what format, the possible electoral cooperation of selected parties makes sense in terms of the spatial distribution of their electoral support. With regard to ideological affinity, four centre and centre-right parties were included in the research, namely ODS, TOP 09, KDU-ČSL and STAN. The deliberate omission of the Pirates is due both to the specifics of their electoral support (protest votes and votes of young people, mostly urban liberals) and especially to the fact that in the case of the Pirates it is impossible to rely on their willingness to participate in the electoral coalition with any of the four above-mentioned parties.

Electoral Geography of Czech Parliamentary Elections since 2010

Although the results of parliamentary elections since 2010 have been repeatedly assessed as electoral (political) earthquakes in terms of both electoral strength and the number of relevant actors, electoral geography does not show these changes as dramatic as the results at the national level expected. There was a group of new parties represented by TOP 09, STAN and Pirates, whose spatial support largely mirrored the areas in which the ODS or the parties of the liberal centre-right were historically strong (cf. Havlík and Voda 2016; Maškarinec 2017), i.e., the regions with high development potential (especially the above-mentioned development axis of Pilsen – Prague – Liberec); and apart from STAN, especially in the large urban centres (Prague, Pilsen, České Budějovice, Liberec, Hradec Králové, Pardubice, Brno, Olomouc and Opava). Similarly, the initial success of ANO 2011 in the 2013 parliamentary elections (as well as the success of Public Affairs, VV, in the 2010 elections) was largely based on addressing voters in regions with traditionally stronger support for centre-right parties (employers, self-employed, urban intelligentsia).

While the rise of ANO 2011 in 2013 was mainly linked to the changing affinities of centre-right voters in central, north-east and east Bohemia (also the election strongholds of VV in 2010 with the exception of Central Bohemia) along with the mobilization of new segments of voters in the “leftist” region of north-west Bohemia, the core support areas of ANO 2011 in the 2017 elections were the “leftist” regions of north-west Bohemia and north and north-east Moravia. From the spatial point of view, ANO 2011 occupied most of the areas traditionally dominated by leftist voters. The success of Tomio Okamura’s parties, i.e., Dawn of Direct Democracy (*Úsvit přímé demokracie*, Dawn) in 2013 as well as Freedom and Direct Democracy (*Svoboda a přímá demokracie*, SPD) in 2017, was based mainly on reaching out to voters in the periphery (often rural and border areas). The geography of support for Dawn was unusual because the movement was able to win votes in the typically leftist regions of north, south, and south-east Moravia. With the exception of eastern Moravia, the results in the largest cities of the country were very weak, which suggests that the movement’s support was coming mostly from small towns and villages (often peripheries). This was also confirmed by the results of the SPD in the 2017 election, where the movement got support almost exclusively from the left-wing voters after a small area of higher support in Eastern Bohemia disappeared. Thus, in terms of space, ANO 2011 (and to a large extent SPD) occupied most of the areas traditionally dominated by leftist voters, while at the same time the geographical patterns of support for ANO 2011 and SPD largely overlapped with underdeveloped areas.

In total, the distribution of the Czech parties’ spatial support in the 2017 elections indicated the possible renewal of the left-right division in Czech politics, with a significant change in the actors (and their strength) on both sides of this spectrum. Regarding the fact that the programmatics of most new parties (with the exception of TOP 09) is not entirely clear (especially their positioning on the traditional left-right axis), we cannot speak about class realignment but rather about spatial re-stratification of Czech party politics where traditionally centre-left and centre-right voters have largely abandoned “their”

(established) parties. Their voting has not surpassed, however, the traditional division of Czech politics between centre-left and centre-right regions.

Distribution of Regional Support for Centre-Right Parties and Their Possible Cooperation

When focused on the distribution of interregional support for individual parties (compare Balík et al. 2013; Ryšavý 2013; Pink and Eibl 2018), it is apparent that ODS, the former centre-right hegemon, kept its strong position in the 2017 parliamentary elections in Prague only, while in the 2019 European elections it also performed well in its “traditional” regions of Central Bohemia, Pilsen, Southern Bohemia and Hradec Králové. ODS faced low support in three out of four Moravian regions (Olomouc, Zlín and Moravia-Silesia), in Northwestern Bohemia (Karlovy Vary and Ústí nad Labem) and in Vysočina region. The increase in the number of regions with higher support for ODS can be interpreted in two ways. First, it is associated with overall increase in support for ODS, which must be seen, however, through the lens of lower participation in European elections, which traditionally benefits centre-right parties whose voters are more willing to vote in second-order elections.

Spatial distribution of voter support for KDU-ČSL has not changed in the three electoral earthquakes. The core support for KDU-ČSL remained concentrated in Moravia (especially in the region of Zlín, Southern Moravia and Vysočina) with only limited success in the three regions of Northern Bohemia.

The results of TOP 09 and STAN provide an interesting comparison. While the two parties ran together in the 2010 and 2013 parliamentary elections and in the 2014 and 2019 European elections (in the 2019 European election, the candidate list also included representatives of the Green Party, Liberal Ecological Party and other smaller regional parties), they ran separately in the 2017 parliamentary election, which allows for a comparison of their spatial support. It demonstrates that when running alone, STAN was able to reach a wider voting base only in the regions of Liberec (12.82%) and Central Bohemia (8.07%); keeping in mind that its success in the region of Liberec was actually the victory of Mayors for the Liberec Region (*Starostové pro Liberecký kraj*, SLK) led by the popular governor Martin Půta. In other regions, the electoral support for STAN was significantly lower, around 5% of the vote; the party did not even receive 3% of vote in the Moravian-Silesian Region and it remained below 4% in the regions of Southern Moravia and Ústí nad Labem. TOP 09 achieved a strong result in the 2017 election only in Prague (12.64% of votes) and passed the 5% threshold only in Central Bohemia (6.33%), Southern Bohemia (5.30%) and Hradec Králové (5.13 %). It performed very poorly in the regions of Moravia-Silesia and Zlín (below 3% of votes), as well as in the regions of Olomouc, Ústí nad Labem and Karlovy Vary and in the region of Vysočina (below 4%).

Table 1 Regional Party Support in the 2017 Parliamentary and the 2019 EP Elections

Region	2017 Parliamentary election					2019 European election			
	ODS	KDU–ČSL	TOP 09	STAN	<i>Pirates</i>	ODS	KDU–ČSL	TOP 09 + STAN	<i>Pirates</i>
Prague	16,22	4,76	12,64	5,05	17,59	18,88	4,77	20,74	19,12
Central Bohemia	12,92	3,01	6,33	8,07	12,08	17,28	3,74	14,16	15,25
Southern Bohemia	12,12	5,38	5,30	4,57	10,51	14,44	6,63	11,34	13,73
Pilsen	12,09	3,49	4,82	4,85	10,01	15,58	4,20	11,04	12,44
Karlovy Vary	8,83	2,36	3,68	5,28	10,04	11,46	2,61	9,77	12,32
Ústí nad Labem	9,47	1,80	3,63	3,62	8,24	12,48	2,07	8,28	11,54
Liberec	10,28	2,05	4,22	12,82	11,42	13,77	3,00	13,93	14,92
Hradec Králové	11,56	5,84	5,13	5,08	10,73	14,31	6,78	11,11	14,31
Pardubice	10,96	6,81	4,20	4,97	10,51	13,75	9,62	9,48	14,00
Vysočina	9,89	9,24	3,86	4,28	9,92	13,23	12,97	8,48	13,12
Southern Moravia	11,88	8,97	4,51	3,63	9,11	13,58	11,70	9,59	13,14
Olomouc	8,92	8,26	3,24	4,44	8,49	10,97	9,42	9,20	11,72
Zlín	9,78	11,41	2,86	5,82	8,43	11,35	15,11	7,99	11,56
Moravia-Silesia	7,47	6,45	2,58	2,64	8,64	12,47	8,59	5,79	10,73
Total (Czechia)	10,89	5,70	4,79	5,37	10,41	13,83	7,23	10,78	13,42

Data source: Volby.cz

When focusing on what possible coalition formats would allow the centre-right formations to achieve a more significant success in the upcoming regional elections, the overall result for Czechia is indecisive; it is better to look at the individual regions. It demonstrates that separate candidate lists of TOP 09 and STAN would mean a significant risk of failure in regional elections. Regarding TOP 09, a separate candidate list could under some circumstances succeed in Central Bohemia. The results of the 2016 regional elections demonstrated that TOP 09 achieved higher success only in coalition alliances (for example in the regions of Karlovy Vary, Southern Bohemia and Southern Moravia). Similarly, a separate candidate list of STAN would have a greater chance to succeed only in the regions of Liberec (here, however, it would not be STAN but SLK), Central Bohemia and Zlín. Electoral cooperation of both parties thus seems to be the only way to gain representation in most regions. The 2017 parliamentary election

and the 2016 regional election results indicate that joined candidacy lists where TOP 09 is a junior member would be a good strategy. The joint candidate list of TOP 09 and STAN could probably achieve greater success and join the regional government only in the region of Liberec, as evidenced by the clear victory of SLK in the 2018 municipal elections (the candidate list included representatives of TOP 09 and KDU-ČSL).

Any benefit of possible involvement of KDU-ČSL in the (centre) centre-right electoral alliance is rather questionable. In most Czech regions, electoral support for this party is rather marginal, with the exception of the regions of Hradec Králové and Pardubice. And only in these two regions, would it make any sense to consider the possibility of KDU-ČSL joining an electoral coalition, whether with TOP 09 and STAN or with TOP 09, STAN and ODS. Similarly, it is questionable whether such cooperation would be beneficial for KDU-ČSL in Moravia because both TOP 09 and STAN are very weak in most Moravian regions. There is also a question of how the voters of these parties (especially the voters of KDU-ČSL) would view the possible cooperation of KDU-ČSL and TOP 09 in some Moravian regions. It should be noted that the possible electoral alliance of TOP 09, STAN and KDU-ČSL probably cannot win in most regions. The region of Zlín might be an exception, as this is a region where KDU-ČSL and STAN receive high support in regional elections. If similar electoral cooperation should occur, however, it seems appropriate that any candidate list in Bohemia should be based on the STAN brand, while in Moravia it should ideally be based on the KDU-ČSL brand.

The only significant way for the centre and centre-right parties to succeed more than ANO 2011 is the involvement of ODS. Such an involvement would enable the parties to defeat the Andrej Babiš movement and make a significant decision on the future direction of regional politics in the individual regions, especially in the regions of Central Bohemia, Southern Bohemia and Pilsen. In these regions, ODS could take the leading position in the electoral coalition. Regarding the remaining Czech regions, this role could be attributed to STAN (or to SLK in the Liberec region), while in the case of the Moravian regions, KDU-ČSL could take the leading position, except for the Moravian-Silesian region, where ODS is the strongest of these political parties.

Conclusion

In the third decade of the post-1989 development, the Czech party system is undergoing a significant quantitative and qualitative transformation, including the transformation of the centre-right side of the political spectrum. Its increasing fragmentation stimulates thoughts of the possibility of electoral cooperation between centre and centre-right parties. Our chapter approached it from the perspective of electoral geography, i.e., the spatial distribution of electoral support for ODS, KDU-ČSL, TOP 09 and STAN. The analysis revealed that the distribution of support for KDU-ČSL, TOP 09 and STAN complements one other across Czechia. In Bohemia, the STAN and TOP 09 brands could serve as the

basis of cooperation. STAN is in a very good position in the regions of Central Bohemia and Liberec, while TOP 09 enjoys significant above-average electoral support in Prague and also in Central Bohemia. KDU-ČSL is losing ground in Bohemia (electoral gains in the regions of Pardubice and Hradec Králové could be described as average only) and the core of KDU-ČSL's popular support is in Moravia; significant above-average support can be found in three Moravian regions (the regions of Zlín, Southern Moravia and Vysočina). It is thus clear that if the centre and centre-right political parties want to consider electoral cooperation, their strategies should take into account the spatial aspect of their electoral support so that they can take full advantage of the potential this cooperation offers.

Recommendations:

- Take into account the spatial aspect of electoral support in case of electoral cooperation.
- Separate candidate lists of TOP 09 and STAN present a significant risk of failure, especially in regional elections.
- TOP 09 and STAN electoral cooperation (with TOP 09 in a junior position) could gain them representation in most regions.
- The advantage of involving KDU-ČSL in the (centre) centre-right electoral alliance is somewhat questionable.
- If a TOP 09, STAN and KDU-ČSL electoral bloc is formed, the candidate list should carry the brand of STAN in Bohemia and the brand of KDU-ČSL in Moravia.

Pension Reform: Options and Challenges

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Summary: The Czech pension system is ill-suited for the forthcoming demographic changes over the next 20-30 years. The recent robust economic performance has improved the system's short-term financial performance but has also encouraged increasing political meddling that has weakened the medium- and long-term outlook for the system. In order to improve the pension system performance, wider reforms of tax, education and social security systems should increase labour market participation. The pension system needs to be reformed toward a modernized, more transparent system whereby the basic pension, not earnings-related, is transferred to the state budget. The contributory pension system should be stabilized by the re-introduction of a flexible retirement age with full pension adjustment, or by the introduction of a notionally-defined contribution system (NDC) system. Last but not least, a state-sponsored, authorized and regulated pension savings pillar with an opt-out option should be introduced to help build private savings that would supplement future pensioners' income.

Keywords: pension system, pension reform, pay-as-you-go, Czechia, labour market, retirement, pension fund

Introduction

The ageing process in Czechia will intensify in the future. While the total population is projected to decrease from 10.6 million at present to 10.5 million in 2050 and to 10 million by 2070, the working age population will decrease from almost 7 million currently to 5.5 million by 2070 (European Commission 2018). Over that same period, the number of people older than 65 (and thus eligible for an old-age pension according to the current legislation) will increase by 50% from 2 million to 3 million in 2050, before subsiding somewhat to 2.8 million in 2070 (European Commission 2018).

These demographic developments will drastically change the arithmetic of the current pension system (Czech Fiscal Council 2018, European Commission 2019a). The share of the population in the retirement age to working age group will rise rapidly from roughly 28% now to 57% in 2050 (as per the 2018 Ageing Report, the Czech Ministry of Finance estimates are 1-2 percentage points lower). In the not too distant future, one pensioner will be supported by less than two working-age people. Even with the assumed increases in the labour participation rate from 60% to 67% in 2050 (Ministry of Finance 2018), the financial costs of the current system will be unbearable. The system will have to adjust, but the arithmetic is uncompromising: either pensions will have to decrease in value or taxes (social contributions) will have to rise significantly. Both adjustments will be painful for the pension system participants and will have a major negative impact on the economy.

In this chapter, we argue that to avoid this scenario, the Czech pension system has to change profoundly, and this change should occur as soon as possible. Reforms to the pension system need to incorporate interactions with the labour market, reforms of the tax system, revamping of the country's immigration policy and changes in the educational system, namely universities. These structural reforms should

alleviate pressure from the demographic ageing and should also streamline the current system and make it more transparent.

Focusing on the pension system, reforms need to revamp the existing pay-as-you-go (PAYG) system and modernize and widen the funded pillar. The current PAYG system currently consists of two pillars. The “basic pension” is independent from contributions and must amount to at least 9% of the gross average wage. The “earning-related pension” is derived from the earning history with very progressive reduction for higher earnings (Schneider 2011). These two PAYG pillars need to be separated formally and their financing reformed. There is no need for the basic pension to be financed from the social security contributions and its costs should be transferred to the general tax system (Schneider and Šatava 2012). This reform would reduce the pension system costs by 18% and it would allow for a modest reduction in social security contributions that could be targeted at families with children. It would also shift roughly CZK 80 billion (1.5% of GDP) to the general government budget, which would require appropriate reforms in spending programmes and/or taxes.

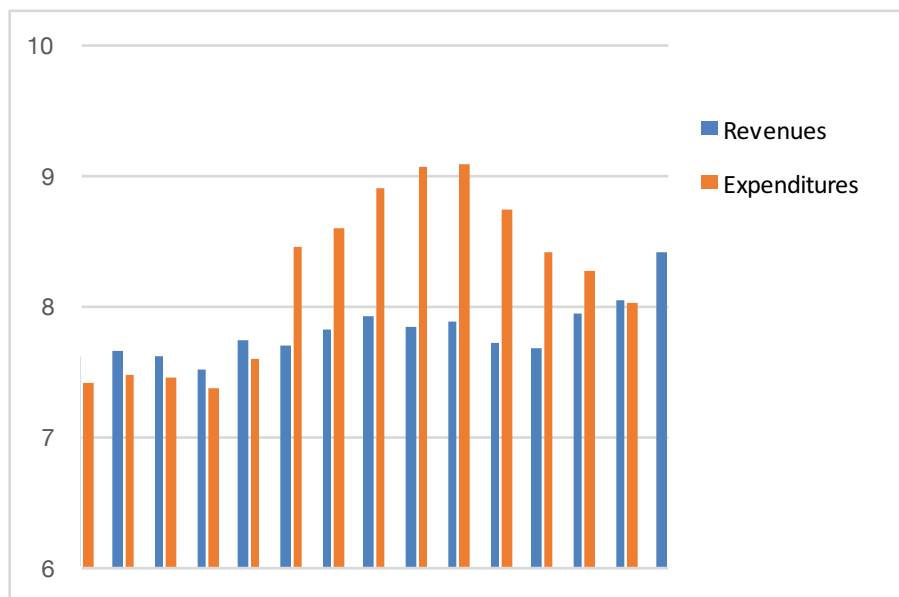
To increase future pensioners' income in a sustainable fashion, the role of individual funded savings for old age must increase. The systemic reform, including private funds, introduced in 2013 was undermined by the political opposition and failed to attract sufficient momentum before it was cancelled in 2016. We argue that a reform centred on a state-controlled fund that would function as an asset manager distributing private savings among privately managed funds would be a better option as it would eliminate all marketing and advertising costs and would improve the system credibility.

The Czech Pension System in the European Context

1. The Existing System and Its Increasing Politicization

The Czech pension system represents a typical mature PAYG system common in Europe. Public pension expenditures peaked at 9% of GDP in 2013. The falling unemployment and rising wages lowered the number of the newly retired in 2015-2018 and helped lower expenditure back to 8% of GDP last year. Revenues, long stable at about 7.5% of GDP, were also buoyed by low unemployment as of 2016 and reached an all-time high of 8.4% of GDP in 2018. The system's balance is closely correlated with the business cycle: surpluses during the boom years 2006-2008 and again in 2017-2018 and deficits during the recession and weak recovery between 2009-2016 (Schneider and Šatava 2013). Overall, the state budget subsidized the pension system by approximately 6% of GDP in the last 15 years since 2004 (Chart 1).

Chart 1: The Czech Pension System Balance in 2004-2018 (% of GDP)



Source: Česká správa sociálního zabezpečení 2018.

While the Czech pension system does not, as yet, represent a major fiscal burden, its long-term sustainability is undermined by increased political manipulation, the total dominance of financing from public budgets and, correspondingly, low private funds available for pensioners (Schneider 2012). The modest and voluntary pension savings pillar that was introduced in 2014 was abolished after two years in 2016. More importantly, the PAYG pillar sustainability was weakened by the decision to re-introduce a fixed retirement age of 65 years in 2017 instead of the continuing extension of the retirement age in line with the increase in life expectancy as approved in 2011. The new system should “take into account” changes in life expectancy (Ministry of Finance 2018), but the adjustment remains arbitrary and subject to political pressure. The September 2019 decision by the Czech government to keep the retirement age fixed at 65 years of age illustrates this politicization.

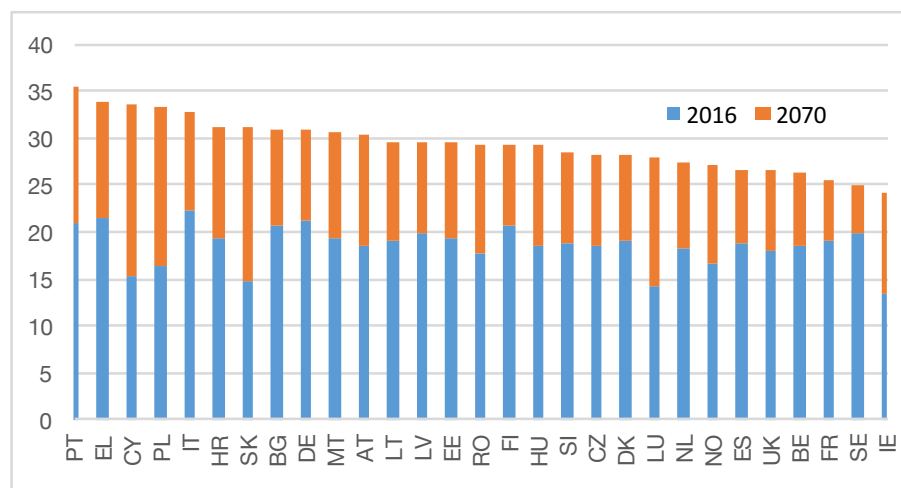
The government has also modified the indexation formula for existing pensions and made it more generous. It consequently went above the formula and implemented “extraordinary indexation” in 2015 (an extra 1.8% to all pensioners), in 2016 (an extraordinary one-off payment of CZK 1,200, i.e., roughly an extra 1% to all pensioners) and in 2020 (the average pension will be raised by CZK 900, i.e., by roughly 7%). By the end of 2021, the government plans to increase the average pension to CZK 15,000

monthly. Pension expenditures will by roughly CZK 30 billion (0.4% of GDP) higher in 2021 due to these “extraordinary measures”, than otherwise would have been the case.

2. The European Context

The demographic outlook for the Czech pension system is on par with many other European countries (European Commission 2019b). The ageing of the European population structure reflects the future dynamics of fertility rates, life expectancy and net migration. While the fertility rate is expected to stabilize at 1.8, still well below the stable level, life expectancy is expected to rise by almost 9 years for men (to 85 years of age in 2070) and by 6 years for women (to 89 years of age). These increases are comparable with other European countries. Net migration flows are expected, however, to remain negligible: the Czech government assumes that net migration will average roughly 10,000 per year, less than 0.2% of the labour force. The share of elderly (defined as people 65 and older), which is currently below the EU average at 18.6%, will rise by 10 percentage points to 28.3% by 2070, again in line with the EU average (Chart 2).

Chart 2: Share of Elderly (65+) in the EU Countries in 2016 and in 2070 (% of Total Population)

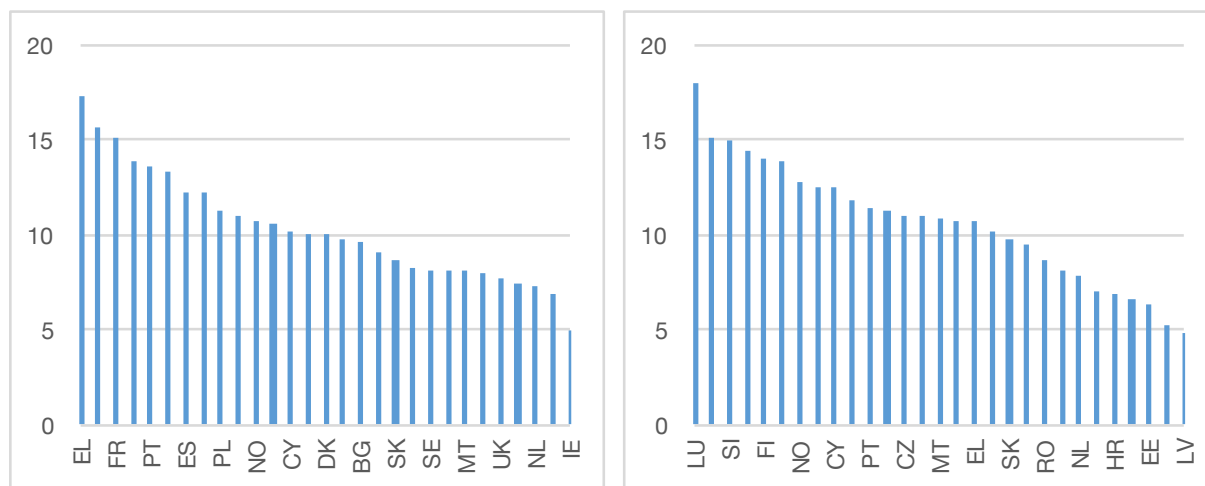


Source: European Commission 2018.

The ageing process will have an important budgetary impact that goes beyond the pension system (Holzmann 2012). Health care and long-term care expenditure will rise as well, and the reduction of the working age population will diminish potential GDP growth. This chapter however, focuses only on the pension system. The European Commission estimates that average European pension system

expenditure will remain broadly unchanged between 2016 and 2070, but this stability masks wide differences across the EU members (Charts 3 and 4). Several countries, namely Luxembourg, Slovenia and Belgium expect significant increases in pension spending while others, most prominently Greece and Croatia project a fall in pension spending (estimates are based on the current legislation that is often changed when projected lower pensions provoke political backlash - Gora, 2013).

Chart 3: Pension Expenditures in 2016 (% of GDP) **Chart 4: Pension Expenditures in 2070 (% of GDP)**



Source: European Commission 2018.

While the Czech pension system compares reasonably well within the European landscape, its recent direction is worrying. We have already discussed the increasing political meddling in the system's generosity. Moreover, the changes implemented since 2016 have moved in an opposite direction from the prevailing approach in the EU countries.

While the Czech government reduced the (future) statutory retirement age, most EU countries have raised it since 2009 (the striking exception being Poland that reduced its retirement age in 2017). In some cases (Greece, Sweden, France and Finland), retirement age was raised significantly by 2 years or more. All EU countries, except Luxembourg and Sweden, foresee further increases in pension ages (Sweden has abolished the statutory retirement age, however). The progression of statutory retirement age over the period 2008-2060 should be largest in Denmark (6 years), Greece (5 years), Italy (4 years for men and 7 years for women, the current government proposed to lower the retirement age, but has not legislated it yet) and in Slovakia (5 years for men and 9 years for women) (Carrone et al. 2016). Most EU countries also tightened the requirements for early retirement to narrow the gap between the

effective and statutory retirement ages. Some countries even abolished the notion of statutory retirement age completely (e.g. in Sweden, where the retirement age is flexible).

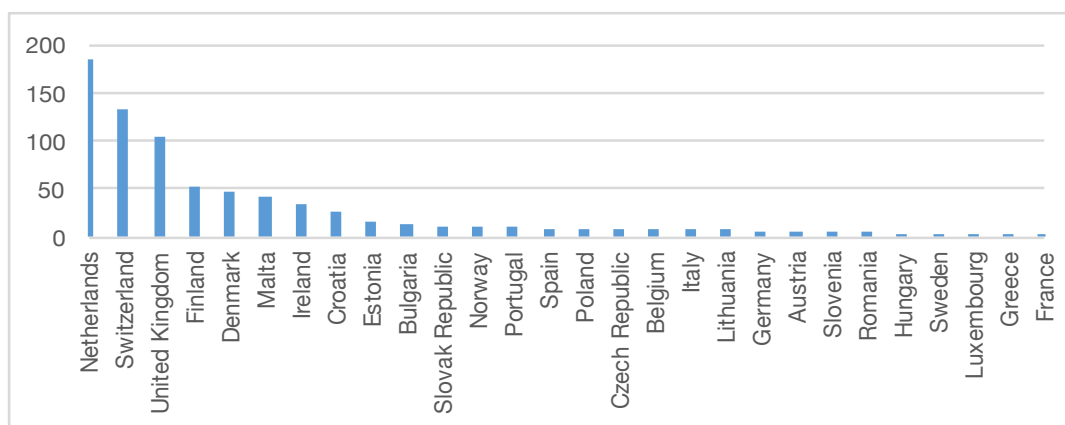
The Czech developments have diverged from the EU in the benefit formula as well. Several countries have moved to a less generous indexation rule either moving to a strict pure price-indexation rule (France, Belgium and Portugal) or adopting a mix of partial wage and price indexation (Greece, Croatia, Romania and Finland). Other countries chose to reduce annual accrual rates either directly (Greece, Italy, Luxembourg, Austria, Slovakia), or indirectly via an increase in the contributory period to receive a full pension.

One of the most important features of pension reforms over the last decade has been the introduction of automatic stabilization mechanisms adjusting the key pension parameters to changes in life expectancy (Carrone et al. 2016). The Czech government, instead, stipulated that the “standard” retirement should last 25% of a lifetime, without any notion as to the basis for this number.

Nine EU countries use the simplest stabilization mechanism which the Czech government discontinued in 2016: an automatic adjustment in retirement ages with respect to life expectancy (Italy since 1995, and more recently Finland, Portugal, Greece, Denmark, the Netherlands, Slovakia, Malta and Cyprus). A partially overlapping set of eight countries links pension benefits to life expectancy (Latvia, Poland, Sweden, France, Spain and again Italy, Finland and Portugal). The most thorough and automatic balancing mechanisms, that should explicitly guarantee financial sustainability, exist in Sweden since 1998 (reduced indexation in case the pension system is in deficit), in Germany since 2004 (both the contribution rate and pension indexation are automatically adjusted so that the statutory pension scheme is in balance), in Spain since 2013 and in Lithuania since 2017 (reduced indexation). In all, more than half of the EU Member States use some form of stabilization mechanisms to control pension system rising expenditures. Czechia has recently removed the one mechanism it has established, denying the existence of the forthcoming pension system crisis.

Future Czech pensioners cannot rely on accumulated private savings either. As the OECD reports, private pension funds held less than 9% of GDP in assets in 2017 (last year for which comparable data is available). This is the median value in the EU while the highest savings exist in the Netherlands (180% of GDP), followed by Switzerland (134%) and Great Britain (105%). Interestingly, the countries with lowest private pension savings (Sweden, Greece, France) have introduced the most sweeping reforms of their publicly financed systems (Chart 5).

Chart 5: Private Pension Fund Assets As % of GDP



Source: OECD 2019.

In summary, the Czech pension system fares rather well in comparison with other European systems as far as its current performance is concerned. Its performance has been improved, however, by the ongoing extension of the retirement age that is set to expire in the next decade. The pension system has also benefited from the recent economic boom in the region and remains highly dependent on the business cycle, which may undermine its performance even over the short-term. More importantly, recent changes to the Czech pension system have undermined its medium-term sustainability, removed some of its stabilization features and made potential future adjustments politically more sensitive and thus less effective.

3. Reform Options

To achieve long-standing and sustainable reforms of the Czech pension system, reforms of its wider context are necessary. The pension system is a reflection of the country's labour market (how many people work, how many remain out), the education system (when people join the labour market, what is their wage path), other social and tax systems features (namely family support) and the financial market development. Only when these sub-systems work reasonably well can the pension system deliver old-age security. While this short analysis does not aspire at a comprehensive description of these reforms, we sketch out the main principles of these reforms.

Despite low unemployment, the Czech labour market still under-utilizes the country's labour resources. This is most pronounced among vulnerable groups such as young families and older workers. The work participation among young women is undermined by incentives to stay out of the labour market (long

maternity leave) and by a lack of early-age care for children (Kališková 2017). The greater availability of pre-school facilities would facilitate higher work participation of women and would, at least partially, ameliorate the wage gap between men and women which is the second widest among EU Member States in Czechia, according to the Czech Statistical Office. The tax code should be amended as to lower extremely high implicit taxation of a second income in families with kids. A version of earned income tax credit, successfully applied in other countries, would make employment more attractive and would also reduce the above-mentioned wage gap.

Early retirement remains popular despite recent changes that tightened requirements. Indeed, almost 27,000 newly retired persons in 2017 (30% of the total) were early retirees (Česká správa sociálního zabezpečení 2018). The tax (and social security contribution) systems should treat workers older than the statutory retirement age more leniently, perhaps eliminating their contributions completely, so as to motivate higher participation (and lower public pension expenditures).

The reforms in the narrower pension system should accompany or follow these wider systemic changes, as they would facilitate adjustments in the labour market. Higher transparency of the old-age pension system, namely annual transparent information of hitherto contributions to the system and expected benefits, is arguably the most important. This should provide participants with a better assessment of the system's sustainability. The current two parts of public pensions - basic and earning-related, could be formally separated, with the basic pension shifted to the general state budget as it has no insurance substance and functions exclusively as a poverty-prevention mechanism.

Second, the system should be improved by re-introducing some form of automatic stabilization mechanism that would lessen the government role in the pension system and would partially de-politicise its reforms. The simplest stabilization mechanism, currently used in nine EU countries, is a link between life expectancy and retirement age. This can have the form of a fixed number of years in "expected" retirement. More ambitious reform would transform the earning-related pension system to a notionally-defined contribution system (NDC), whereby individual contributions are recorded and even appreciated (by a government specified coefficient), so participants know how much funds they have in their notional accounts. The final pension is then determined by the account balance at retirement and the government specified annuity formula. The NDC system typically improves labour participation incentives and introduces a stronger stabilization mechanism (Gerard 2019).

The NDC system does not change, however, the financing of public pensions: they continue to be paid from current contributions, as there are no savings and no accumulated capital. The demographic developments described above will permanently change, however, the pension system arithmetic. Greater financial resources have to be allocated to the pension system to guarantee an adequate level of income in old age. As increasing the participation of public funds (and taxes) would have negative consequences on the labour market, more robust participation of private funds is required. This can take several forms. The current voluntary system, with almost 4.5 million participants seems too feeble

and too expensive at the same time. The average contribution is less than 3% of salary, insufficient to build a sizeable asset for retirement. At the same time, the government spent more than CZK 7 billion in subsidies to the system last year, making it a very expensive saving incentive programme.

An alternative to the existing voluntary programme would be a default opt-out saving programme where every new labour market entrant has their savings account opened at a state-authorized institution, possibly a public entity or a private asset manager. There are several ways the saving account can be organized (Jackson 2017). The Swedish option, where several private fund managers compete for contributions, but are unable to identify the clients, thus abolishing marketing costs, is one. This could be complemented by the state subsidy for the first five years of participation, where contributions would be paid by the state and only after the introductory period shifted to the participant. Participants would have a right to opt-out of the system, but they could also set their contributions above the legal minimum.

The introduction of a publicly managed and regulated savings pillar would help alleviate the expected fall in pensions from the PAYG pillar. A careful design of the savings pillar could diffuse some of the concerns that plagued the 2013 reform. It would namely remove or alleviate fears from the inappropriate long-term management of assets, as a public authority would guarantee safety of investment (from fraud risk, not market risk). Accumulation of sufficient assets that would provide a relevant portion of old-age pension income is a long-term process, but Czechia has few other options left if it wants to prevent widespread poverty of the future generations of pensioners.

Conclusion

The Czech pension system is ill-suited for the demographic change in the next 20-30 years. It relies overwhelmingly on state budget financing and creates minimal savings for future higher expenditures. The recent robust economic performance improved the system's short-term financial performance but has also encouraged increasing political meddling that has weakened the medium- and long-term outlook for the system. In order to improve the pension system performance, reforms must address wider inefficiencies currently embedded in the tax, educational and social security systems. These reforms should be aimed at increasing labour market participation, especially among young and elder workers. The pension system needs to be reformed toward a modernized, more transparent system whereby the basic pension, not earnings-related, is transferred to the state budget. The contributory pension system should be stabilized by the re-introduction of the flexible retirement age with full pension adjustment, or by the introduction of an NDC system. Last but not least, the current government has to acknowledge its responsibility not only for this year's pensioners and their well-being but also for future generations. The introduction of a state-sponsored, authorized and regulated pension savings pillar with an opt-out option would help to gradually build up private savings that would supplement future pensioners' income and lessen their dependence on the ever more stretched government budget.

Recommendations:

- Increase labour participation of young and older workers and of parents of young kids by reforming the tax and social security systems to improve incentives to participate in the official labour market.
- Separate basic and earnings-related pension sub-systems and transfer the basic pension system to the general government budget.
- Reform the earnings-related pension system by the re-introduction of stabilizing adjustments in the statutory retirement age or by converting the system into a NDC pension system with an in-built demographic stabilization formula.
- Introduce a state sponsored, authorized and regulated savings pillar to allow future pensioners to build up private savings.

Current Trends in Primary and Secondary Education Policy

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Summary: The chapter examines the current trends (directions and topics) of educational policy in Czechia and Europe. It explains its original concepts in a wider context and provides a critical reflection. It focuses in particular on the amendment of school curricula, one of the key elements in the current Czech educational policy strategy. As part of the revised curricula, we observe several trends, which may hamper the improvement of school education. The distinctive features are the currently overcrowded curriculum and conflicting tendencies causing content emptiness. The author offers a possible solution in a so-called third way. This is presented within the sociology of the curriculum developed in the second half of the twentieth century, which balances the absolutization of factualism on the one hand and the emphasis on skills with knowledge relativization on the other.

Keywords: education policy, curriculum, framework educational programme, educational content, pedeutological model, pedocentrism, social realism

Introduction

Educational policy and its concepts are primary priorities of state policy. Czechia is at present witnessing an intensive attempt to modify and redefine education policy. In this context, we often hear about the shortcomings of the current system, or even about its crisis. Literacies are declining (nature science, mathematics, readership), media literacy is limited (Prokop and Dvořák 2019). In the context of the current school curriculum,² the most criticized issue is lack of clarity in defining educational objectives with an emphasis on skills and attitudes (Stuchlíková et al. 2017).³ The last report of the Czech School Inspectorate (ČŠI 2018) on this topic mentioned the over-dimensioned content of Framework Educational Programmes (FEP), high numbers of pupils in the classroom with no individualised teaching, lack of space for deepening pupils' knowledge and marginalized development of their skills and attitudes. Thus, we need to prepare and, in particular, to implement adequate changes in the attitudes towards education. The following text introduces the starting points and suggestions for the future Czech educational policy. It provides a wider perspective on this issue in relation to the educational policy itself and also to the current "white paper", as well as to somewhat generalizing pedagogical theoretical concepts that form the basis of these trends and their historical context.

2 Curriculum in the broader sense represents the content of all the experience obtained by pupils at school. It is defined in the curriculum documents, for instance in educational programmes including objectives, content, methods, ways of organization and evaluation of education. Czechia currently uses Framework Educational Programmes (FEPs). See for example Průcha (2005).

3 Cf. Straková and Simonová 2005.

A Historical Excursion and the Conflict of Pedagogical Paradigms⁴

In connection with the above-mentioned facts, it is important to emphasize that recurring crises appear not only in the economy but also in the education system and we now entered one such period. The consequences of these crises result in varying success of education system reforms, the emergence and modification of pedagogical theories and the concepts on which these reforms are more or less based. These crisis phenomena are cyclical in nature and we have encountered them in the past when pedagogical paradigms clashed.

For a wider understanding of these phenomena and to relate them to current events, we can recall the situation at the turn of the twentieth century which was characterized (with some simplification) by a clash between the so-called pedeutological and pedocentric models. The pedeutological model placed the activities of a teacher, who was the main initiator and organizer of teaching activities, at the centre of pedagogical activities. The role of a pupil in this model was often primarily limited to a mechanical learning and memory reproduction of the information learned. It emphasized the “passive role of a pupil” and authoritative position of a teacher.⁵ This approach was criticized and “generated” a reaction in the pedocentric model⁶ - the emergence of so-called reform education. The reformists advocated individualization, the activity-based teaching, an anti-authoritarian approach and the free development of a child (Kasper and Kasperová 2008).⁷ It should be emphasized, however, that pedocentrism was supposed to eliminate the shortcomings of the school system at that time. Paradoxically, its consistent application resulted in new difficulties, the general marginalization of the curriculum (educational content, knowledge in general) and a decline in the education levels (Strouhal 2013; Štěrbá 2016).

The pedagogical paradigms (pedeutological versus pedocentric paradigms) can also be defined as so-called traditionalist versus pedocentric paradigms where the above-mentioned pedocentrism places the interest of a pupil above the interest of society while emphasizing the free development of the pupil. In contrast, traditionalism focuses on tradition and the past and gives priority to society (Prokop 2005), that is, it maintains what has worked well in the past. The so-called Burrell/Morgan two-dimensional model provides a complex structure of pedagogical paradigms. It is based on the objective/subjective and stability/change dimensions.⁸ Applying the left-right political spectrum approaches to school policy, we can say that stability is represented by liberal-conservative thinking, while activism is often represented

4 As perfectly described in “Those who do not learn history are doomed to repeat it.”

5 The rise of this model is associated with socio-economic needs, a demand for skilled labour, when the needs of the emerging market-capitalist mode of production at the time (the second half of the nineteenth century) were met by a school system based on quantification and measurability of results. This so-called herbartism, more precisely Ziller's herbartism, differed significantly from Herbart's original teachings. It was an extreme type of the pedeutological model characterized by the authoritative approach of a teacher towards pupils, by formalism, materiocentrism and schematism (Kádner 1923; Štěrbá 2016).

6 The pedocentric model is based on the individual needs and interests of a child (Kolář 2012).

7 In English speaking countries, it was called progressive education; in Italy activism; in German speaking countries reform pedagogy; in France new education (Singule 1966; Štěrbá 2016)

8 Cf. Průcha (2005) and Štěrbá (2016) for further details.

by neomaxism. Conservatives support subject matter, while progressivists promote action-based teaching with practical experience (Štech 2013). As Štech (2013) further points out, the criticism of abstract schoolwork “detached from life”, often in terms of its emphasis on knowledge of the discipline and advocating the need for “competences”, was characteristic for the leftists in the past, while it is currently also supported by neo-liberals.

The Current Situation of the Education Policy

After a short historical excursion and familiarization with the origins of the current pedagogical paradigms, we will focus on the current state of education policy (the development of the Czech education policy up until 2030) and the related trends in curriculum revision. We will introduce some of the core ideas and subsequently provide their critical reflections.

The core document for the coming period is the “Strategy of the Czech Republic’s Education Policy up until 2030” (Strategy 2030 2019).⁹ The expert group involved in the preparation of this strategy identified two strategic objectives. The first, and one could say the main, strategic objective states that education should focus on acquiring competences for an active civic, professional and personal life. The second objective focused on the reduction of educational inequalities and a fairer approach to education. In a certain form, both the strategic objectives were also included in the previous strategy and were evaluated in its reviews (Stuchlíková et al. 2017). The solution of educational inequalities - the reduction of external differentiation - is mainly related to the improvement of mainstream education, i.e., improving the quality of primary education strongly influenced by the curriculum and by the didactic procedures implemented by teachers (Stuchlíková et al. 2017).

This brings us to the main strategic problem, the revision/modification of the curriculum. According to the aforementioned expert group (Strategy 2030, 2019), it builds on competences for an active civic, professional and personal life (the first strategic objective). While the strategic objectives answer the question of “what needs to be achieved?”, the so-called strategic lines answer the question “how?” and are naturally linked with the long standing problem that the Czech education system is underfunded.¹⁰

9 While taking into account the importance of conceptual educational documents, this issue is somewhat polemic. As strongly pointed out by the National Institute for Education consultation group on the revision of the Framework Educational Programme (Opinion 2019), the main objective should be the creation of the “National Education Programme of the Czech Republic” which includes the long-term objectives of the Czech education policy. The 2030 Strategy itself should be based on this National Programme. The lack of concept and systematic education policy together with the absence of long-term objectives and priorities are also highlighted by the Identification of Priority Topics in Education (SKAV 2019).

10 The issue of the underfunded Czech education system is part of a broader problem with improving the quality of teaching at schools. Supporting teachers as a key element of the educational process is seen as an important prerequisite for improvement. This support also includes the issue of teachers’ salaries and the related attractiveness of the teaching profession for high-quality candidates, as well as the issue of maintaining high-quality teachers in the profession. As stated by Stuchlíková et al. (2017), “the relative salary level of Czech teachers in regional education (in relation to the salaries of Czech university graduates) remained since 2014 the lowest of all EU and OECD countries (although teachers’ salaries in Czechia are currently improving slightly).

Nevertheless, the change in the content and method of education seems crucial for fulfilling the main strategic goals (Strategy 2030 2019). This clearly implies that it is essential to focus on the curriculum, which entails a clear definition of the objectives (or content) of education, as stated in the previous Strategy (Stuchlíková et al. 2017).

Curriculum Revision Trends

Revision of the curriculum is one of the key processes by which political representation seeks to solve current problems at both the national and international levels. Aware of the possible oversimplification, we can recall the impact of the traditional left-right division on the criticism of globalization as discussed by Dvořák et al. (2018) - some centre-right parties see globalization as a threat to national identity, while some leftist parties as a reason behind rising inequality and as a threat to various minorities.¹¹

Looking at curriculum theories, a group of sociologists around B. Bernstein, the so-called social realists, criticized as far back as the 1960s the trend of emptying the content of the curriculum, relativization of traditional subjects and prioritization of skills over knowledge (we can generally call them literacies - or competences - but the current definition of competences or literacies talks about a sum of knowledge and skills, abilities as well as attitudes and values).¹² In their criticism, they pointed out that marginalization of knowledge and, in this context, promotion of progressive teaching practices (e.g. constructivism) over traditional transmission, for example, can lead to poorer educational results of the disadvantaged groups.¹³ Social realists are strongly aware of the danger of extreme positions in the traditional¹⁴ and progressive¹⁵ approaches to knowledge in the curriculum. They propose a so-called “third way” based on the knowledge of the discipline (mastering concepts of the discipline, their structures and hierarchy) which are prerequisites for critical, constructive thinking (Dvořák et al. 2018).¹⁶

The rhetoric of “permanent self-overload” also resonates very strongly in the contemporary curriculum policy (Liessmann 2015). This is related to the trend of shifting societal and social issues/topics to schools (for instance, financial education, new media, military education, environmentalism, gender

Its negative effects are reflected in the lack of adequately educated teachers and intellectually endowed young candidates interested in the profession.” Thus far, the non-systematic procedures in education are insufficient (often only promises made by the government). One solution could be to link average teacher salaries to salaries of public employees (deputies or judges), cf. Stuchlíková et al. 2017 or Education at a Glance (OECD 2018)

11 In the curriculum we can find this return to traditions with emphasizing content knowledge, the opposite approach is relativizing them (cf. Dvořák et al. 2018; Štech 2013).

12 The relationship between competences and literacy is described in detail in Valenta 2015.

13 The so-called transmissive approach of teaching involves the transfer of comprehensive knowledge from teacher to pupil, often by frontal teaching based on explanation. In the constructivist concept, the pupil with the facilitation of the teacher creates the relevant knowledge; the pupils' previous experience with the given topic (the so-called pre-concept based on the pupil's activation) is very important (Kosíková 2008).

14 When absolutized, it can degrade to mere memorization, as e.g. in herbartism.

15 It may lead to a complete retreat from the knowledge level and its degradation to triviality.

16 For more details, see Dvořák 2017.

and multiculturalism),¹⁷ because new topics and issues continually emerge in society reflecting its development. No one asks, however, whether a pupil can handle it all and whether this type of education should address all the current/future problems of the world (Liessmann 2015).¹⁸ This trend was also reflected in the report of the Czech School Inspectorate (ČŠI 2018) mentioning the overcrowded contents of the current Framework Educational Programmes, which have steadily and often less than logically increased the teaching content in recent years.¹⁹ The consequences of these trends are obvious; teachers do not have enough time to deal with these topics sufficiently and teaching is limited to activating the lowest cognitive processes only.

The trend of shifting societal topics to schools leads to over-dimensional curriculum content but it should not be replaced by its opposite, i.e., an empty curriculum content emphasizing the skill aspect of competencies. Although competencies (or key competencies) can be defined as the summary of knowledge, skills, abilities, attitudes and values,²⁰ we may risk a suppression of the knowledge component.²¹

The competency/literacies trend is based on the criticism of abstract and “life-detached” curriculum/ knowledge that the school gives to pupils, failing to prepare them for a future civic and professional life. The main objective of the 2030 Strategy is education that prepares individuals to acquire competences

17 These topics naturally contain knowledge-based content. Nevertheless, one can encounter a progressive or conservative approach within them. For example, the issue of multiculturalism can be approached from the position of liberal multiculturalism or the so-called communitarianism.

18 School should address current social topics, but we are talking about their extensive concretization in the curriculum, for example as cross-subjects topics. We also do not criticise a completely natural partial update of the existing courses due to new scientific knowledge, technical progress, etc.

19 Incorporating financial education and civic preparation for state defence.

20 Cf. Framework Educational Programme (FEP) for grammar schools (Jeřábek et al. 2007).

21 For example, the Czech School Inspectorate (ČŠI) mentions the need to strengthen the application component (literacies, competence) in education (ČŠI 2018). The summary of the analysis (Prokop and Dvořák 2019) mentions the overcrowded curriculum (in addition to shortcomings in teaching of civic subjects) and the dominance of frontal teaching. The main problems specified include declining literacies (comparison with OECD countries), limited media literacy and civic education (civic engagement). Furthermore, the document explained the implications of the overcrowded curriculum such as focus on acquiring knowledge rather than controlling understanding (the authors somewhat unfortunately use the term “truly master”) and superficial or missing knowledge. Overcrowded curriculum leads to insufficient media and social literacy. The summary statement of the Focus Groups (FG) connects overcrowded curriculum with insufficient teaching time, detachment from children’s needs (unfortunately, it is not clear what it means), and not teaching pupils the necessary competences. It should be added that the content knowledge in Czech civic education significantly decreased between 1999 and 2009 (one of the sharpest declines in international comparison) (Soukup 2010). The level of civic knowledge is related to civic attitudes and behaviour of pupils. Research has shown a connection between civic engagement (future voter turnout) and civic education knowledge. The significant influence of civic knowledge on pupils’ attitudes towards democratic values has also been demonstrated (Soukup 2010). One might ask whether this decrease in knowledge is caused by introduction of the Framework Educational Programmes (FEP) (or School Educational Programmes, SEP) which brought to schools a focus on the so-called competence concept of teaching - e.g. developing skills and abilities. Will a further emphasis on literacies and competence lead to a further decrease in knowledge? Do the relevant actors perceive literacy and competence as a summary of knowledge, skills, abilities and attitudes, or do they refer to skills only?

for an active civic, professional and personal life (Strategy 2030 2019). Liessmann (2015) points out that today's modern world is the result of abstract knowledge of scientific disciplines. "Education has its roots in the distance of education to life, not in the vicinity to it ... if education was life in the sense of immediate life actions, then it could be left for life" (Liessmann 2015). This approach completely ignores the fact that the principle of culture is that the future generations build on the knowledge and experience of the previous generations. The future generations must learn the knowledge of past generations, their achievements which are part of the relevant scientific fields, in a suitable educational form and in a relevant institution/school established for that very purpose. The point is "to acquire foreign experience, especially the natural experience of older generations in the form of cultural values" (Liessmann 2015).

Social realists see the negative consequences of criticising "life-detached knowledge" in the strong reduction in knowledge content based on relevant scientific disciplines. They emphasize the importance of "powerful knowledge" and recall that the main aim of the knowledge transmitted by the school is not to strengthen elitism and to emphasize inequalities, but to enable the pupils to improve themselves and to transcend their social environment. A school should provide pupils and students with overlaps between the worlds they come from, an overlap/perspective that provides an understanding of the world, i.e., not just what they know from their everyday life (Štech 2013). This understanding is made up of knowledge from various fields that has been accumulated by past generations of thinkers and social and natural scientists. The "concept of near-life learning" promotes cultural amnesia where the glorification of life as a place of learning causes hostility to actual learning. It rids the school of its function, which legitimises its existence in modern society, i.e., being a space free of the demands and necessities of life. The one that focuses only on immediate feasibility and usability will remain limited (Liessmann 2015).

Conclusion

Discussing the critical flaws of educational systems and their possible elimination is not something new. Arendt (1994) addressed them in her well-known work *The Crisis in Culture*. She claimed that crises provide an opportunity for reflection and allow us to discover the essence and meaning of various activities, in our case education. If the reflection is insufficient and does not lead to the essence of the problem, then the problem will not be resolved and will reappear at some point. Arendt recalls that the education/school system has been used since the eighteenth century as a policy instrument to shape/influence citizens. She highlights the negative tendency to create "new" societies by distancing from the existing - old things. She reminds us that "every new generation grows into an old world" and that this detachment from the past and traditions prevents the creation of something new. The old world, our past and tradition, cannot be simply deleted or removed. In contrast, "it seems to me that conservatism, in the sense of conservation, is of the essence of the educational activity, whose task is always to cherish and protect something — the child against the world, the world against the child, the new against the old, the old against the new" (Arendt 1994). She criticizes the reformed pedagogical trends which

marginalize knowledge and give preference to practical skills through play – activity-based teaching (she compares it to language teaching where we would not learn grammar and composition and would only converse instead). Without the theory, such individuals would remain children - infantile, detached from the adult world, and from our perspective possessing only trivial knowledge (Arendt 1994; Štěrba 2016). In summary, schools should provide true education based on adequate knowledge and develop a balanced ratio of knowledge, skills, attitudes and value aspects of the pupil's personality.²²

Recommendations

- Carry out a thorough expert analysis of the current education system on the basis of new or existing relevant research, surveys, meta-analyses. Learn the strengths and the weaknesses, identify opportunities and threats (SWOT).
- Formulate long-term objectives of school education policy based on the SWOT analysis and debates with the experts and the general public.
- Involve the main educational stakeholders (incl. Faculties of Education, the teaching community, government) in the modification of key curricular documents - education programmes.
- Avoid educational trends seeking to override the knowledge content of the curriculum, particularly emphasizing the skill aspects.
- Use expert discussions between the professional and pedagogical public to formulate the so-called core curriculum, which would include the fundamental knowledge content necessary in formal education.
- Conceptually and as soon as possible resolve the long-term underfunding of the Czech school system.

²² For example, relevant taxonomies of educational objectives.

Innovative Activities As a Factor of Competitiveness of Small and Medium-Sized Enterprises

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Summary: Innovation plays an important role in creating and sustaining the business competitiveness. The complexity of innovation activities is associated with a number of both objective and subjective factors influencing the success rates of innovation. Therefore, the non-financial aspects connected with the planned results, outputs and impacts of implemented innovations or other externalities with socio-economic impacts are also an important area of innovative activities. In the European Union, innovations and their related effects are regularly examined in the Community Innovation Survey coordinated in the Member States by Eurostat. The chapter uses the above-mentioned Innovation Survey to analyse some financial aspects of innovation, showing that for some of the examined economic sectors innovation activities improve financial performance compared to enterprises without reported innovation activities.

Keywords: innovation activity, innovation effects, competitiveness of small and medium-sized enterprises

Introduction

Continuing globalization of economic systems is considerably associated, among other aspects, with growing competition in the domestic markets. The domestic markets are relevant especially for small and medium-sized enterprises (SMEs), which make up the majority of economic entities in the EU Member States. Increasing global competition puts pressure on the competitiveness of SMEs operating in the EU single market in terms of both cost and the complex production utility linked to its qualitative aspects. Thus, global economic globalization affects the competitiveness of SMEs and is associated with the need to implement innovation in each sub-area of economic activity. Innovations must also become, however, an integral part of national economies, i.e., integration projects like the EU. The EU policies' focus on the competitiveness of businesses operating in the Member States is based on the Lisbon Strategy for Growth and Jobs launched in 2000 (Beranová et al. 2016). The objective of the Lisbon strategy was to make the EU the most competitive and dynamic knowledge-based economy in the world. SMEs have become an important focus of attention through the so-called Small Business Act adopted by the European Council in 2008, followed by sub-measures adopted by the European Commission with the aim to implement a strategy for economic growth known as Europe 2020 (European Commission 1995-2019). This strategy was focused on supporting investment in science, research and innovation, specifically aimed at improving the business environment and related conditions for innovation capacities of business entities. Its measures were implemented in order to restart economic growth in the EU after the world economic crisis, starting in 2008. Public expenses on innovation were and are meant as an important measure in this context.

Innovation can be defined in a variety of ways where we can identify different levels of similarity in the components that make up the innovation. The prevailing view connects innovation with the requirements for a novel solution and successful implementation of innovative steps. The principles of linking local innovation steps and their wider social benefits are also emphasized specifically with regard to the

use of public funds. Innovation, i.e., the innovative steps, are important aspects of creating competitive businesses and national economies. We should emphasize, however, that innovations are associated with a large number of both objective and subjective factors influencing the success of innovative steps (cf. Elert et al. 2017; Veber et al. 2017).

Survey of Innovative Activities

Data on innovative activities of EU businesses are collected every two years through the so-called Community Innovation Surveys. The surveys divide the information on innovative activities into product and process innovations using a representative sample of businesses in the individual EU Member States. Product innovations specifically concern products manufactured or services provided; process innovations concern the organizational and marketing aspects of innovation activities (Eurostat 2019b).

At the end of the first quarter of 2019, Eurostat published Community Innovation Survey data related to innovations implemented in enterprises established in the EU Member States between 2014 and 2016. The survey found that around 51% of EU businesses with 10 and more employees reported innovation activity over this two-year period. A high increase in innovative activities was identified for enterprises based in Estonia, Portugal, Finland and Croatia. The largest proportion of innovative businesses was found in Belgium, Portugal, Finland, Luxembourg and Germany. Businesses based in Czechia lag behind the EU average; the share of innovative enterprises stands at 46%. Compared to the other Visegrad countries, Czechia had a higher share of innovative enterprises (Hungary 29%, Poland 22%, Slovakia 31%) (Eurostat 2019a).

Effects of Innovative Activities

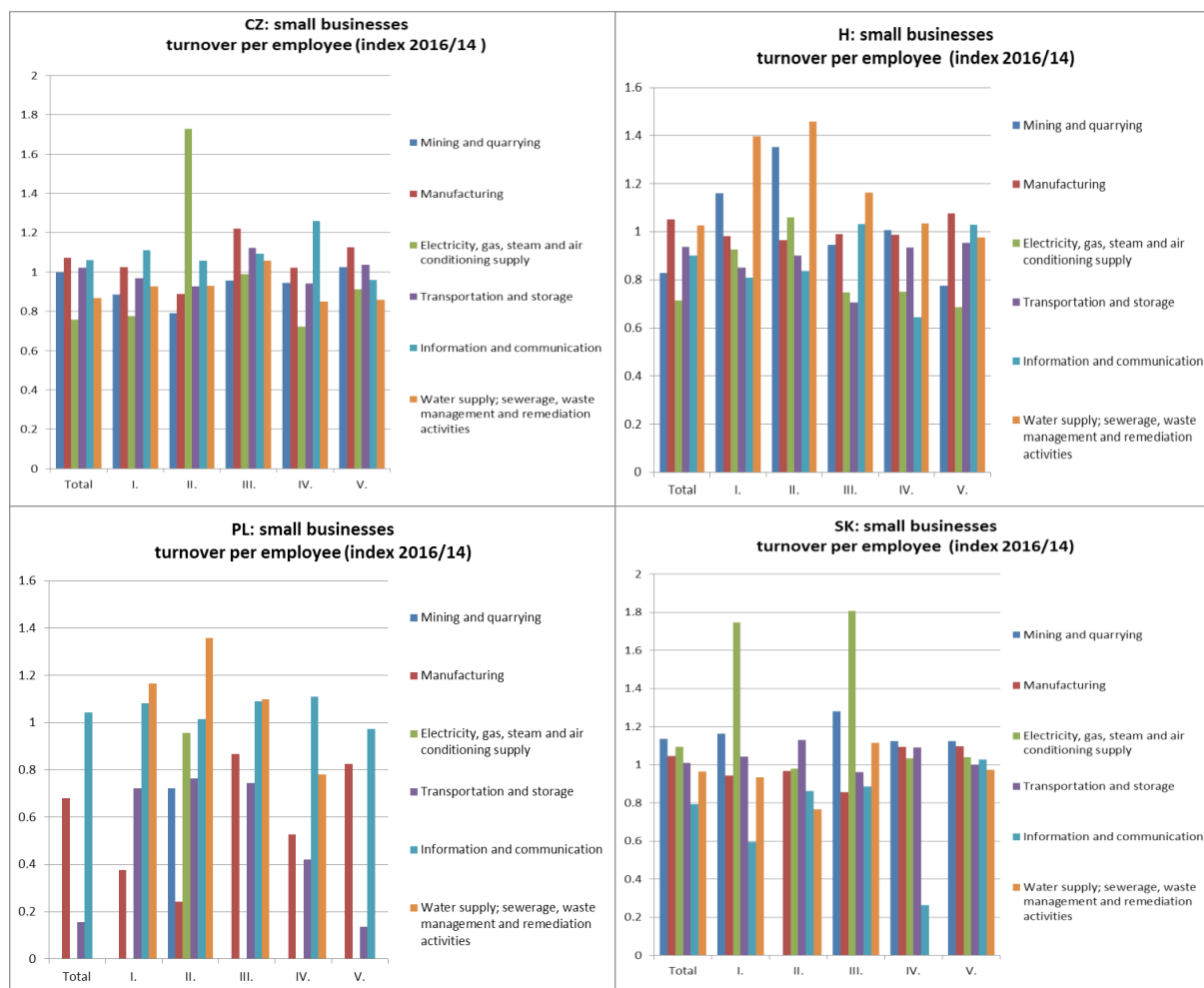
Innovative activities of businesses are associated with individual initiatives of entrepreneurs seeking solutions of a complexity of mutually related changes when creating and increasing the utility value of customer products for customers. This is inevitably connected with efforts to optimize costs and to linking of funds. Changes in products or services and production methods are therefore called innovations. These are only carried out at the moment when the practical implementation of the invention takes place which necessarily induces changes in the behaviour of a particular innovative business. These changes in the behaviour of a business are referred to as the effects of realized innovations, which may be financial and non-financial in nature. In summary, these changes are associated with the development of their competitive capacity (Martinovičová et al. 2019).

Identifying the Effects of Innovative Activities from Community Innovation Survey Data

Data outputs from the 2014-2016 Community Innovation Survey have been publicly available via Eurostat since the end of Q1 of 2019. Available data from the survey are anonymized and aggregated with respect to the basic attributes which include: the EU Member State based on the registered office of the enterprise, the prevailing economic activity of a given business entity according to the EU NACE classification and economic size of the enterprise (more than 10 employees). In this article, we focus on the monetary effects of innovations through the ratio indicator of turnover in thousands EUR per employee. The data for all business size categories were analysed focusing on selected sectors of economic activities from the so-called key areas of interest of the Community Innovation Survey. Specifically, the following sectors based on the economic activity classification of EU NACE were analysed: mining and quarrying (section B), manufacturing (section C), electricity, gas, steam and air conditioning supply (section D), transportation and storage (section H), information and communication activities (section J) and water supply, sewerage, waste management and remediation (section E). From the geographical point of view, it focused on Czechia and the other Visegrad countries (V4), i.e., Hungary, Poland and Slovakia. This partial analysis focused on growth rate, i.e., decrease in the monetary effects of innovation between 2014 and 2016, including European Innovation Survey enterprises that have not declared any innovation activity.

Figure 1 shows selected economic activity sectors of small enterprises in the V4 in the following innovation activity categories: Category I. - Implemented innovation or ongoing innovation activity, Category II. - Exclusively product or process innovation, Category III. - Exclusively product or process and organizational or marketing innovation, Category IV. - Exclusively organizational or marketing innovation, Category V. - enterprises without innovation or innovation activities.

Figure 1: Categories of Innovation Activities for Small Enterprises and Their Development Measured by the Turnover Index Per Employee in the V4 (2016/2014)



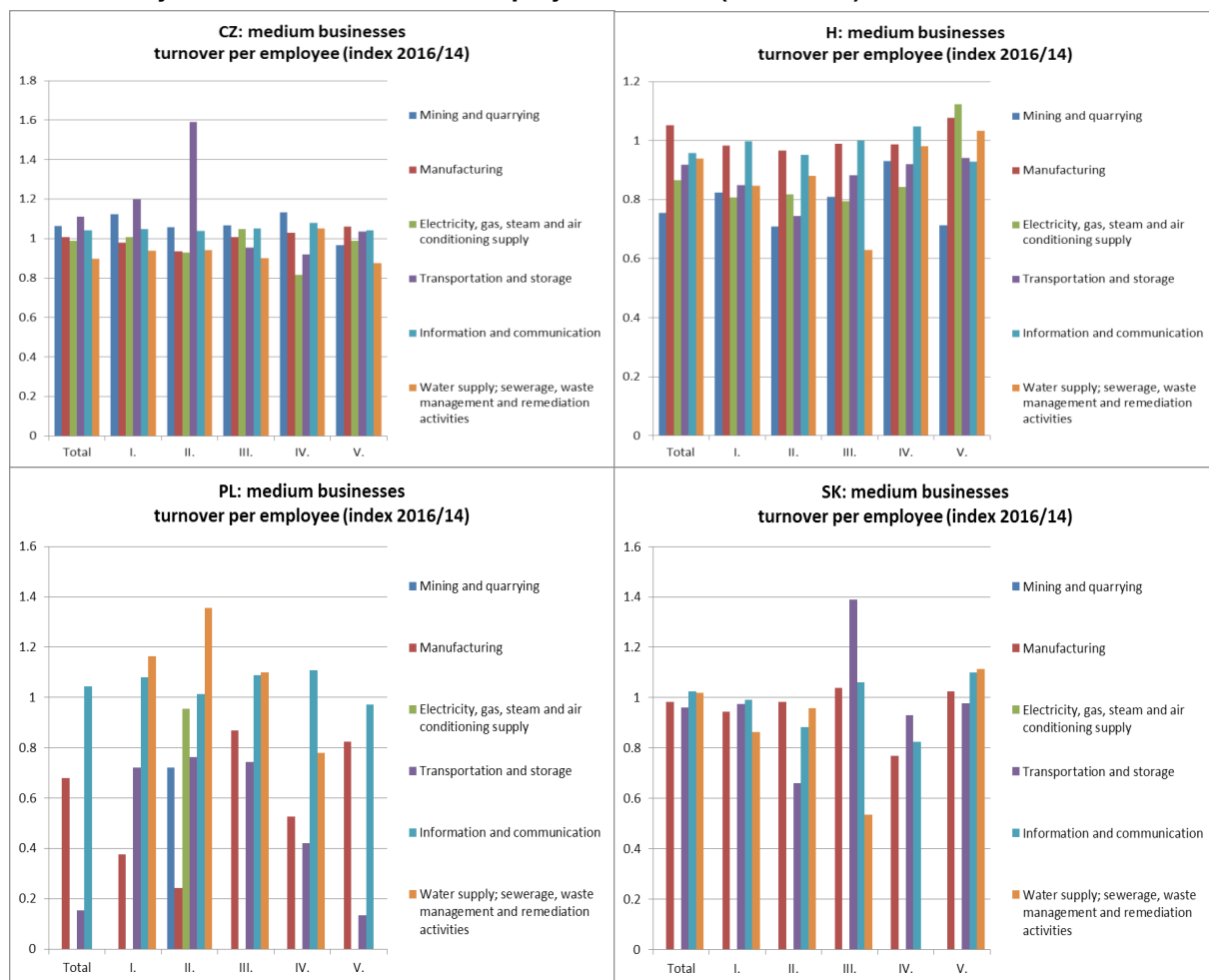
Source: Author, based on Eurostat data (©2019a)

Note: No data was available for Poland in the following EU NACE categories and sections: in total - Sections B, D, E; Category I - Sections B, D; Category III. - Sections B, D; Category IV. - Sections B, D; Category V. - Sections B, D, E.

In the 2016/2014 period, the highest growing monetary effects of innovations measured by turnover per employee in the monitored innovation activities of small enterprises were identified in the sectors Production and distribution of electricity, gas, steam and air conditioning. These enterprises were based in Czechia and Slovakia. The innovations were recorded in Categories I, II and III linked to product, process, organizational and marketing innovations. The lowest monetary effects of innovation in the monitored 2016/2014 period were identified in the Transportation and Storage sector.

Figure 2 shows selected economic activity sectors of medium-sized enterprises in the V4, with regard to the monitored categories of innovation activities and economic sectors.

Figure 2: Innovation Activity Categories of Medium-Sized Enterprises and Their Development Measured by the Turnover Index Per Employee in the V4 (2016/2014)



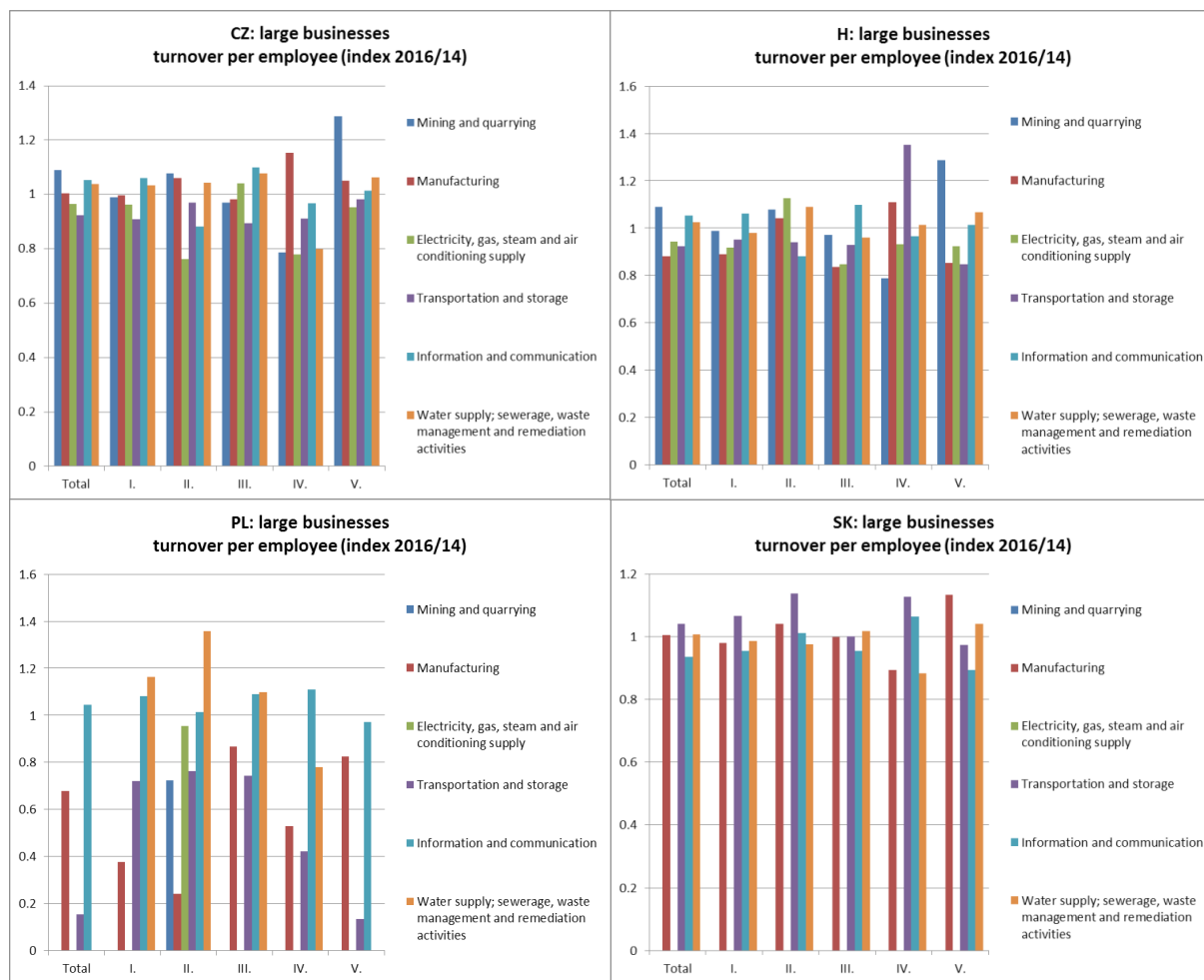
Source: Author, based on Eurostat data (©2019a)

Note: No data was available for Poland in the following EU NACE categories and sections: categories in total - Sections B, D, E; Category I - Sections B, D; Category III - Sections B, D; Category IV - Sections B, D; Category V - Sections B, D, E. No data was available for Slovakia in the following EU NACE categories and sections: categories in total - Sections B, D, Category I - Sections B, D; Category II - Sections B, D; Category III - Sections B, D; Category IV - Sections B, D, E; Category V - Sections B, D.

Measuring the innovation activities of medium-sized enterprises, the highest growth of innovations' monetary effects measured by turnover per employee was identified in the Transportation and Storage sector. These enterprises were based in Czechia and Slovakia. The innovations were recorded in Categories II and III linked to product, process, organizational and marketing innovations. The lowest monetary effects of medium-sized enterprises' innovations were found in the Manufacturing sector.

Figure 3 shows selected sectors of large enterprise economic activities in the V4 countries, again with regard to the monitored categories of innovation activities and economic sectors. Measuring the innovation activities of large enterprises, the highest growth of innovations' monetary effects measured by turnover per employee was identified in the sectors Transportation and Storage and Water supply, sewerage, waste management and remediation. These enterprises were based in Hungary and Poland. These innovations were recorded in Categories II and IV linked to product, organizational and marketing innovations. The lowest monetary effects of large-size enterprises' innovations were identified in the Manufacturing sector.

Figure 3: Categories of Innovative Activities for Large Enterprises and Their Development Measured by the Turnover Index Per Employee in the V4 (2016/2014)



Source: Author, based on Eurostat data (2019a)

Note: No data was available for Poland in the following EU NACE categories and sections: in total - Sections B, D, E; Category I - Sections B, D; Category III - Sections B, D; Category IV - Sections B, D; Category V - Sections B, D, E. No data was available for Slovakia in the following EU NACE categories and sections: categories in total - Sections B, D, Category I - Sections B, D; Category II - Sections B, D; Category III - Sections B, D; Category IV - Sections B, D, Category V - Sections B, D.

In order to statistically verify the monetary effects of innovations by turnover per employee, a statistical verification of data available from the 2014-2016 Eurostat Innovation Community Survey was carried out across the business size categories in the V4 countries. The data of the innovation activities I category (implemented innovation or innovation activity in 2014-2016) and the data of category V (enterprises without innovation or innovation activities in 2014-2016) were compared. The purpose of this statistical verification was to determine whether the turnover per employee differs between innovative and non-innovative enterprises in the selected sectors of economic activity mentioned above.

Table 1: Findings of the Statistical Verification Comparing the Turnover Per Employee Indicator between Innovative and Non-innovative Enterprises in the V4 Countries in 2014 and 2016.

Industry	Category of innovation	Year 2014			Year 2016		
		F-test for variance - P-value	T-test - P-value (one sided)	Mean value of indicator Turnover per Employee (th. EUR)	F-test for variance - P-value	T-test - P-value (one sided)	Mean value of indicator Turnover per Employee (th. EUR)
Mining and quarrying	I.	0.3692	0.4860	102.15	0.4109	0.3397	105.80
	V.			101.40			116.80
Manufacturing	I.	0.0007	0.0634	136.52	0.0002	0.0372	132.23
	V.			97.84			95.57
Electricity, gas, steam and air conditioning supply	I.	<0.01	0.0418	2247.31	<0.01	0.0488	2112.74
	V.			491.95			463.22
Transportation and storage	I.	<0.01	0.2276	116.72	<0.01	0.0345	111.50
	V.			162.28			83.76
Information and communication	I.	0.0165	0.0224	121.48	0.0089	0.0141	123.73
	V.			98.89			98.11
Water supply; sewerage, waste management and remediation activities	I.	0.0353	0.1324	89.79	0.4321	0.1312	73.59
	V.			68.78			63.60

Source: Author based on Eurostat data (2019a)

Note: Values highlighted in red indicate a statistical significance level of 5%

Statistical verification of the available data measuring monetary effects of innovations confirmed that significant differences between innovative and non-innovative enterprises existed in some sectors. It was not statistically proven that turnover per employee was higher for innovative enterprises than in enterprises without innovative activities in sectors such as Mining and Quarrying or Water supply, sewerage, waste management and remediation.

Conclusion

Innovative activities must be seen as an important instrument for increasing the competitiveness capacity of all sizes of businesses. Innovation is therefore interesting for business owners and management as well as government authorities which use public funds to finance innovative changes in enterprises. The complex aspects of innovative activities raise the question of the economic efficiency of change other than its financial level. The effects of innovation can also be seen at the socio-economic level, i.e., its non-financial overlaps. Therefore, the output, results and impact of innovative activities should be repeatedly verified to provide relevant documentation both for the enterprises' internal reports and the economic and growth policy-makers.

Recommendations:

- Support relevant innovative business activities, mainly small and medium-sized enterprises (SMEs).
- Improve measures verifying the effects of innovation, in particular with regard to use of public funds.
- Implement additional methodological framework for non-financial effects of innovative activities to obtain a comprehensive view how sustainable are related business activities.

The Future of the EU Cohesion Policy in the New Multiannual Financial Framework (MFF)

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Summary: The proposed 2021-2027 Multiannual Financial Framework (MFF) reflects the need to finance new European Union priorities. It also addresses traditional budgetary priorities (cohesion and agricultural policies) and the need for new own revenues of the EU budget. The MFF negotiations are still in progress. The reform of the budget revenues and the ongoing search for consensus on the new resources are difficult. The resulting consensus on the form and size of the MFF will determine the priorities, focus and form of all major EU policies, including the Cohesion policy.

Keywords: multiannual financial perspective 2020+, new own revenues of the EU budget, cohesion

Introduction

The Multiannual Financial Framework (MFF) sets out medium-term priorities of the European Union (EU); it also sets annual expenditure limits for each priority. It is adopted for a seven-year period by an inter-institutional agreement, i.e., an agreement between the European Commission, European Parliament and the Council. For each year and for each range and parts thereof, the MFF establishes the level of expenditures; the total expenses for each year are determined in the form of payment allocations. The MFF also establishes the EU's annual budgets. After the Commission presents a proposal for a financial framework, the Council unanimously decides on the individual revenues and expenditures. A document must be approved by a simple majority of all the members of the European Parliament in order to be accepted. The Parliament may approve or reject the text of the proposal, however, its amendment is not possible. Negotiations on the future MFF are still in progress. This chapter discusses the overall position and resources allocated to Cohesion policy in the negotiated 2021-27 MFF, including the issue of the new own resources. The chapter also introduces the principles of the new Cohesion policy and discusses some important changes in its priorities and focus.

2021-2017 Multiannual Financial Framework Proposal

The European Commission presented its 2021-2027 MFF proposal (see Table 1) in May 2018 for a total amount of EUR 1,279 billion in the commitment appropriations (at current prices). The total amount of the proposed budget has slightly increased compared to the current 2014-2020 MFF. The revenue shortfall due to Brexit should be replaced by new budget resources and by savings in the existing programmes. The European Commission simultaneously proposes increasing the own resources limit from 1.2% to 1.29% of the EU-27 gross national income (GNI) to cover the budget expenditures. The new draft budget comes with important changes compared to the previous programming period and uses investment to respond to the current priorities and challenges which include research and innovation, youth, digital economy, environment, development aid, border administration and security and defence. The budget for Erasmus+ and the European Solidarity Fund should also be doubled.

Table 1: The 2021-2027 MFF Proposal

Chapters of the 2021-2027 MFF (current prices)	billions of EUR
Single Market, Innovation and Digital Sector <i>sub-chapters: Research and Innovation; European Strategic Investments; Single market; Space programme;</i>	187.4
Cohesion and Values <i>sub-chapters: Regional Development and Cohesion; Economic and Monetary Union; Investing in People, Social Cohesion and Values;</i>	442.4
Natural Resources and Environment <i>sub-chapters: Agriculture and Maritime Policy; Environment and Climate Action</i>	378.9
Migration and Border Management	34.9
Security and Defence <i>sub-chapters: Security; Defence; Crisis Response;</i>	27.5
Neighbourhood and World <i>sub-chapters: External Activities; Pre-accession Assistance;</i>	123
European Public Administration	85.3
TOTAL COMMITMENT	1,279.4
Total outside the MFF ceilings	29.4

Source: European Commission 2018a

The proposed amount for Cohesion policy amounted to EUR 373 billion (EUR 226 billion for the European Regional Development Fund; EUR 47 billion for the Cohesion Fund; EUR 100 billion for the European Social Fund). Common Agricultural Policy was allocated EUR 365 billion²³ (incl. EUR 265.2 billion for direct payments, EUR 20 billion for market support measures and EUR 78.8 billion for rural development). In addition, the European Commission proposed a number of specific budgetary instruments outside the MFF limits in order to improve flexibility of the EU budget (such as the Flexibility instrument, Emergency Aid Reserve, European Union Solidarity Fund, European Globalization Adjustment Fund, Instrument contributing to Stability and Peace) amounting to EUR 29.4 billion.

²³ The EU's Common Agricultural Policy is being reformed and is excluded from the general Cohesion policy regulations.

A Difficult Search for the New Sources of the EU Budget Revenues

The proposed MFF already expects the reform of the budget revenues. The existing sources of the EU budget include the so-called traditional own resources - customs duties imposed on imports from third countries and levies established under the common organization of the sugar market; they account for about 10-12% of revenues. Furthermore, own resource from value added tax (VAT) accounts for about 10-13% of the budget revenues. The largest income item covering about 70-74% of the incomes (revenues) is based on each Member State's Gross National Income (GNI).

In May 2018, the European Commission proposed modernization of the existing own resources system. As concerns customs duties, it proposed a reduction in the amount that the Member States retain as collection costs, from 20% to 10%. The existing system based on value added tax should be simplified and after Brexit, the European Commission plans to phase out all discounts negotiated by the Member States. The GNI own resource will continue to serve its balancing function, but with a lower relative share of the total budget (see Annex 1).

The European Commission also plans three new own budget resources which should in the 2021-2027 MFF provide EUR 22 billion per year on average (about 12% of the Union's budget revenues), which would otherwise have to be covered by the Member States' contributions based on their GNI. It should be 20% of the revenues from the Emissions Trading Scheme (EUR 3 billion a year), 3% flat rate for the new and gradually introduced Common Consolidated Corporate Tax Base (EUR 12 billion a year) and the national contribution calculated upon the amount of non-recycled plastic packaging waste in each country amounting to EUR 0.80 per kilogram (EUR 7 billion at the rate of EUR 0.80/kg). The European Commission's initial objective was to reach an agreement on the MFF, including new revenues, before the 2019 European Parliament elections. The revised time schedule foresees that a half-way house on the MFF will be reached in autumn 2019.

Currently, the Member States give their highest support to the own source from plastic packaging. The idea of the Common Consolidated Corporate Tax Base has been abandoned because of insufficient progress on this proposal in the Council. Some countries still support, however, the new resource based on the share of emission allowances. Critics argue that this would reduce the significant resource that Member States use to finance the environmental measures at the national level. Proposals for financial transaction taxes, digital corporation taxation or some form of environmental taxation can return to the negotiating table.

The difficult search for a compromise may result in significantly lower new revenues for the EU budget than the planned 12% foreseen by the proposed MFF. With the reluctance of some Member States to increase contributions to the budget, this would involve cuts and adjustments to individual EU priorities with a possible impact on, for example, the volume of allocation and the form of the proposed Cohesion policy.

New Principles of Cohesion Policy

The EU's Cohesion policy aims at promoting economic, social and territorial cohesion of the Member States and reducing the differences between rich and poor European regions. The resources are directed to the poorest countries and regions, but - as in previous periods - the richer regions will not be excluded from cohesion funding either.

Box 1: Five Key Objectives of the Proposed Post-2020 Cohesion Policy

- 1) A Smarter Europe, through innovation, digitalisation, economic transformation and support to small and medium-sized businesses;
- 2) A Greener, carbon free Europe, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change;
- 3) A more Connected Europe, with strategic transport and digital networks;
- 4) A more Social Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare;
- 5) A Europe closer to citizens, by supporting locally-led development strategies and sustainable urban development across the EU.

Source: European Commission 2018b.

The major part of the investment from the European Regional Development Fund (ERDF) and the Cohesion Fund is to be allocated to innovation, support for small businesses, digital technologies and industrial modernization. It should also support the transition to a low-carbon and circular economy and the fight against climate change. The resources of the European Social Fund (ESF+) are intended to support the Cohesion policy Objective No. 4, i.e., investment in employment, education, skills, social inclusion and a novelty, equal access to health care. It newly accentuates the principle of “thematic concentration” each Member State must adhere to it when using ERDF funds. Objectives 1 and 2 of the Cohesion policy will receive 65% to 85% from the ERDF and the Cohesion Fund, depending on the relative wealth of the Member State. In the case of Czechia, 45% should go to Objective 1 (Smarter Europe) and 30% to Objective 2 (Low Carbon and Greener Europe), taking the entire allocation of the resources from the ERDF and the Cohesion Fund. The debate on the future of the Cohesion policy included a proposal to support exclusively the least developed regions. The final proposal continues to provide funding to all regions but with differentiated support rates.

The major factor affecting how much the Member States and their regions receive is still relative

wealth (weight 81%). Other criteria, reflecting the priorities of individual policies, are also used for resource allocation but are less important. Labour market and education criteria were used in the previous programming periods (weight 14%). The European Commission proposes migration flows and greenhouse gas emissions (weight 5%) as additional criteria for the 2021-2027 programming period. However, 75% of funding is still allocated into the less developed regions.

Estonia, Lithuania and some regions in Czechia, Poland and Bulgaria are moving from the less developed regions to transition regions category; in Greece and Spain, the number of regions classified as less developed has significantly increased, with a smaller increase in Italy and Portugal (See Annex 2 - New Map of Regional Eligibility for 2021+)

The proposed lower co-financing limits are a very significant change in the EU Cohesion policy (see Table 2).

Table 2: Limits for Financing

	Limits of EU co-financing
<i>less developed regions</i> (below 75% of the EU average)	max. 70%
<i>transition regions</i> (75%-100% of the EU average)	max. 55%
<i>more developed regions</i> (over 100% of the EU average)	max. 40%

Source: European Commission 2018b.

The calculation methodology together with the proposed co-financing limits, positive economic development, and low rates of unemployment result in the fact that countries such as Czechia, Poland or Hungary will receive less funds in the next MFF than they had up until now. Italy, Greece and Spain will, in contrast, receive more (see Annex 3). The Commission's proposal also foresees a "safety net" to prevent too rapid changes in the allocations to the Member States. The proposal anticipates a 24 % maximum reduction and a maximum 8% gain compared to the current financial period.

Conclusion

The final MFF, including the individual policy funding priorities, will be the result of a political compromise. The presented proposals may undergo significant changes during the autumn of 2019. The new key objective is to reach a consensus on the reform of the budget revenues, including finding new sources.

Recommendations:

- The share of emission allowances should not be used as a new own resource of the EU budget. It should remain as a national source used for funding environmental measures which enable a more efficient achievement of the same objectives. An example would be the comparison between the Integrated Regional Operational Programme (IROP) and the very successful Green Savings National Programme, financed primarily from emission allowances. Both programmes finance energy savings in apartment buildings but the far more complicated rules, the administrative load and the required project intensity at the IOP result in little interest and a largely wasted allocation for this sub-measure.
- In some areas, the Member States' flexibility and own decision-making should increase and it should not require the Commission's approval; greater reallocation between operational programmes and faster funding for new regional priorities such as drought and the bark beetle calamity in Czechia should become possible.
- We should ponder whether the proposed thematic concentration of 75% of the ERDF resources on two objectives of the EU Cohesion policy well reflects the Czech national specifics, regional problems and the efficient use of the EU funds.
- A responsible Czech budgetary policy should ensure sufficient national resources needed for the increased rates of co-financing in the future, without any increase in the total public debt.

Negotiating Post-Brexit EU-UK Relations: Challenges, Choices and Opportunities for Czechia

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Summary: Since the 2016 in/out British referendum, the European Union (EU) and British officials have been preoccupied with the task of negotiating the United Kingdom's (UK) departure from the EU. The date and, indeed, the terms of the UK's exit are still shrouded in mist but assuming that the Withdrawal Agreement is eventually approved, there is a much greater undertaking ahead – to negotiate the new, post-Brexit relationship between the UK and the EU. Yet, these negotiations will differ substantially from those concerning the country's exit. Against this background, the text reflects on some of the main aspects in which the forthcoming negotiations are going to differ from the withdrawal ones. It also outlines the central challenges, choices and opportunities that this implies for Czechia, with the final section providing policy recommendations for the country.

Keywords: Brexit, future EU-UK relations, negotiations, Czechia, policy recommendations

Introduction

Since the 2016 in/out British referendum, the European Union (EU) and British officials have been preoccupied with the task of negotiating the United Kingdom's (UK) departure from the EU. The date and, indeed, the terms of the UK's exit are still shrouded in mist but assuming that the Withdrawal Agreement is eventually approved, there is a much greater undertaking ahead – to negotiate the new, post-Brexit relationship between the UK and the EU. Yet, these negotiations will differ substantially from those concerning the country's exit. Against this background, the text reflects on some of the main aspects in which the forthcoming negotiations are going to differ from the withdrawal ones. It also outlines the central challenges, choices and opportunities that this implies for Czechia, with the final section providing policy recommendations for the country.

1 Negotiations on Future EU-UK Relations: Main Points of Difference

1.1 A Higher Level of Complexity

The mandate for the future EU-UK relationship will stem from the Political Declaration (a 26-page non-legally binding document agreed on in November 2018 which outlines the scope of the post-Brexit EU-UK relationship) but may still result in an entire host of outcomes. Thus, to transform the 8,192 words of the purposely ambiguous Political Declaration into a legally binding text will be a much more complex and wider task than the first phase of negotiations which only addressed a limited number of issues (especially in terms of citizens' rights, the UK's financial settlement, the Northern Irish border, jurisdiction of the Court of Justice of the European Union and relocation of UK-based EU agencies).

From what is known so far, the British government's ambition for the future relationship with the EU is that of an unprecedented “positive and constructive”, “deep and special partnership” that goes

beyond standard trade agreements and which will be broader in scope than any other relationship that currently exists between the EU and a third country (HM Government 2018). As such, it will have to go into more detail and cover a highly diverse set of policy issues, ranging from internal and external security, cooperation between police forces and data exchange to research, education, environment and the controversial area of fishing rights (Durrant et al. 2019). Simultaneously, both sides will have to establish robust governance arrangements to “ensure that the agreement is adhered to and resolve any disputes” (Durrant et al. 2019). As such, negotiating the UK’s future relationship with the EU will be more politically sensitive not only compared to the withdrawal talks but also to basically any other international negotiations that the EU has conducted.

1.2 A Different Legal Basis and More Complex Ratification Procedure

The ratification process for the EU-UK future deal will not only be lengthier but also more complex, and potentially also more dramatic, than the rather straightforward one for the exit deal (which “only” requires the consent of the British parliament, EU heads of state and the European Parliament). As Article 50 (TEU) does not contain any provisions on how the agreement(s) governing post-Brexit relations should be concluded, it will be the usual procedures for the negotiation of international agreements that will apply here. In all likelihood, the new agreement will take the form of a mixed agreement – i.e., international agreements which go beyond the EU’s exclusive competence and which are typically concluded under Article 218 TFEU.

On the EU side, such an agreement will be subject to joint ratification by the EU and its Member States. Put differently, once approved by the EU institutions, it would then need to undergo, in accordance with the individual countries’ own constitutional requirements, national ratification in EU27, involving the national, and in some cases even regional, parliaments (Círlig 2019; Durrant et al. 2019)²⁴. As such, each Member State will have a veto over the final agreement (Barnard and Leinarte 2018). A recent example of difficulties and monumental complexities related to mixed-treaty-making was the refusal by the Wallonian parliament in Belgium to ratify the EU-Canada Comprehensive Economic and Trade Agreement (CETA) (Rankin 2016). As Barnard and Leinarte (2018) succinctly remark, “CETA took almost a decade to negotiate, and nearly failed due to rejection by a sub-government representing as little as 0.7 percent of the EU’s population”. What is also important to note in this context is that the future EU-UK relationship might well be governed by not one, but several treaties, with different ratification procedures applied (Círlig and Puccio 2018).

1.3 Higher Time Pressure

The current plan is to conclude these negotiations after the UK has formally left the EU, i.e., during the transition period provided for in the Withdrawal Agreement, which is to last until the end of 2020 (and which might be subject to certain extensions beyond 2020). Even if both sides were able to launch

24 In Belgium alone, this will require the approval of the six regional and community parliaments.

future relationship negotiations immediately following the UK's departure, this still means that the time pressure will be even higher than was the case for the withdrawal negotiations. Provided that the UK leaves with a deal no later than the end of October 2019, there will only be 14 months to negotiate the future relationship. In addition, the complex domestic processes necessary for the ratification of the deal (see above) will necessarily require a great deal of time. Previous EU trade agreements, none of which were as wide-ranging as the deal that the UK is seeking with the EU, took much longer than this to negotiate – the landmark CETA, for instance, took seven years to negotiate and was altogether 22 years in the making (Henley and Roberts 2016).

For completeness sake, let me add that pending EU Member States' ratification, mixed agreements might be applied provisionally. In January 2019, the UK and EU agreed that if the deal could not be ratified in full by the end of the transition period, it would be applied provisionally. Yet, the provisional application only concerns areas of the EU's exclusive competence.

1.4 More Challenges for the EU's United Position

Another difference, and a point partly related to the previous one, pertains to the fact that the concerns of the individual Member States will feature more prominently than in the case of withdrawal negotiations, which will make managing their positions and building a common, collective EU position more difficult. Facing different levels of exposure to Brexit implications and enjoying varying levels of strength of their bilateral relationship with the UK, individual Member States will prioritize different aspects in the forthcoming negotiations. Let us consider, for instance, the likely emphasis placed by Poland and the Baltic states on a close security relationship or the one put by the Netherlands and Denmark on very close economic ties. As a result, the next set of negotiations is expected to test the EU's united front more than the withdrawal talks and there will be a need to navigate and reconcile these diverging preferences with maximum care.

It is also worth making the point that at least five EU Member States will hold elections in the period between the UK's currently anticipated exit of 31 October 2019 and the end of the transition period, meaning that their governments' negotiating priorities might change (Durrant et al. 2019). Further to this, one might also expect Member States raising last-minute problems.

2. Policy Recommendations for Czechia

As a Member State that has long regarded the UK as a strong partner within the European power game, Czechia is going to be weakened in the wake of Brexit. In what follows, six recommendations are put forward that Czech policymakers may wish to take into account to best handle the negotiations and shape them in a way that projects Czech interests. What is worth immediate mention, however, is the fact that the country should not take these steps alone. Instead, it should make use of flexible *ad hoc*

cooperation mechanisms of adding other Member States across the EU with which to cooperate on issues within the negotiations context.

- 1) Even if the UK's departure from the EU turns out to be acrimonious, bitter and disruptive (thereby, inevitably, negatively influencing the atmosphere of any post-Brexit negotiations), Czechia should help not only facilitate a mutually beneficial arrangement but also handle the wide-ranging negotiations on future UK-EU relations in an objective manner. As such, the country should, at the very least, have zero interest in a revenge policy and not take the risk of losing sight of the bigger picture. Of course, one cannot realistically expect Czechia to provide leadership, but it is advisable that the country attempt to prevent potential attempts of deliberately or punitively limiting the depth of the British attachment to the EU, as this would inescapably leave all sides worse off.
- 2) Instead of waiting until the end of the negotiation process and seeking the Czech parliament's retrospective approval (and running a risk that it will be denied), the Czech government should engage the Parliament from the very outset and keep it part of the information flow.
- 3) Negotiations on future relations will require far wider and more detailed input from the Czech government than the withdrawal negotiations. In order to shape the most positive outcomes from them, Czech policymakers should clearly articulate specific, workable and structured negotiating priorities about what needs to be negotiated between the UK and the EU and what desired benefits should be achieved by means of this future relationship. It is recommended that these negotiating priorities/objectives be based on clear-eyed and evidence-based insight into potential Brexit policy implications in various areas. Moreover, the priority-setting process should strive to be inclusive, transparent and open, where appropriate, to input from businesses, civil society organisations and think tanks. At the same time, Czech policymakers should be well aware of the areas of mutual interest and know exactly where to push for a close relationship between the UK and the EU. Prominent examples of areas in which sustained cooperation with the UK might be advanced, include, but are not limited to: cooperation on intelligence gathering and information sharing (especially in the context of cross-border organised crime and international terrorism), participation in EU research, education and technology projects, policy coordination towards Russia and cooperation *vis-à-vis* the Western Balkans or the Eastern Partnership. Having said that, any agreement will necessarily entail a great deal of economic, political and other costs and trade-offs, so all sides should be ready to compromise on their "red lines".
- 4) It is advisable that the Czech official position over the future negotiations converge, to the largest extent possible, with that of EU27. The EU's relatively successful and effective negotiating strategy during the withdrawal talks has been, after all, widely attributed to – what is generally perceived as one of the many ironies of Brexit – the co-ordination and unity of purpose *vis-à-vis* Brexit. Therefore, there should not be repetitions of either the Czech Prime Minister repeatedly advising the United Kingdom to hold a second referendum, or of the January 2017 incident when a leading member of

the Czech government broke ranks with the bloc, criticised the EU27 on its handling of Brexit talks and called for Czechia to undertake an independent initiative with the UK. Such breakaway positions and diplomatic blunders would only weaken the Czech (and, by extension, also the EU) bargaining power, both internally and externally, and compromise its credibility and reputation (Brusenbauch Meislova 2017).

- 5) Czechia should count with the UK pursuing the “divide and rule” diplomatic strategy as it did during the first phase of the negotiations, when the British government - knowing that EU27 Member States held sway over the Brexit talks – regularly lobbied EU27 governments directly. The UK’s government will be well aware of the fact that Member States’ interests and stakes in the future relationship will diverge much more than they did during the withdrawal talks, so the Czech policy-makers should expect much more attention devoted to the country from their British counterparts (Durrant et al. 2019).
- 6) From the Czech perspective, there is a strong case for close bilateral cooperation with the UK along a variety of fronts. The UK will, after all, remain a significant, if somewhat diminished, global actor even after its withdrawal from the EU. In order to ensure that the existing ties do not suffer too much in the turbulent post-Brexit times, Czechia should make use of the Brexit dynamics to forge closer, broader and deeper links with the UK. It might draw inter alia upon the concept of the Enhanced Political Dialogue, which was established between the two countries in December 2010 and which seems somewhat forlorn these days. In the meantime, Czechia should pursue this direction carefully so as not to break ranks with EU27. At the end of the day, Czechia’s first political priority is to protect the cohesion of the single market, so in this sense, constructing a privileged bilateral partnership with a post-Brexit UK comes second, should a conflict arise between these two choices.

Recommendations:

- Help handle negotiations in a balanced, objective and constructive manner.
- Engage the Czech Parliament early on.
- Set out well-defined, clear and realistic priorities as soon as possible.
- Keep a united front with the EU27.
- Be prepared for the UK playing a divide and rule diplomatic strategy.
- Use the Brexit momentum to build a closer bilateral relationship with the UK.

Czechia, the European Union and the Prevention of Illegal Migration

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Summary: The general impression of Czechia, and above all of the Babiš government, as being non-constructive players in the field of European migration policy is only partially valid. The government and its Prime Minister have, on the one hand, intentionally fostered confrontation with EU institutions regarding the no longer existing quotas for the redistribution of refugees and the abandonment of the United Nations Global Compact on Migration. The Czech government has endorsed, on the other hand, European policies for development and humanitarian cooperation and fulfilled its financial obligations under the terms of these concrete EU programmes. When and where the Czech policy was effective in restricting illegal migration, it was derived from the effectiveness of the particular European policy. An important example of humanitarian aid is the EU-Turkey refugee agreement where Czech financial contributions successfully ensured the cooperation of the Turkish government in the provision of aid to migrants and refugees and the prevention of their continuation of movement through Greece further to Europe. Where the Czech policy was unsuccessful in restricting migration, it was to a considerable extent also derived from the ineffectiveness of European policy. This was the case with the Emergency Trust Fund for Africa whose overall consequences for decreasing migration are in doubt.

Keywords: illegal migration, EU, Africa, Asia, Czechia, government of Andrej Babiš, refugee quotas, development aid, humanitarian aid

Introduction²⁵

Czech policy in relation to immigration is closely bound with European policy. Despite the formal provision of the Lisbon Treaty which stipulated majority voting in the question of immigration, Czechia has, in the same way as other Member States, the right of veto in these issues.²⁶ This not only gives Czechia a considerable voice during the formation of European policy, but also lays responsibility on it for the EU-wide situation. In the years 2018-19, Czechia did not avoid this responsibility and became involved in particular European policies. In the same way as the entire EU, the Czech attitude was also focused over these years on preventing illegal²⁷ immigration to the European Union. Illegal immigration is, by far, not the only area of migration policy, but also includes labour migration, family reunification, asylum policy and many other issues. The illegal migration itself has a range of aspects which include not only illegal crossings of the external border but also the abuse of visa-free access or tourist visas. This chapter focuses on certain aspects of preventing illegal migration.

²⁵ A shorter version of this chapter was published by the daily *Hospodářské noviny* on 1 November 2019..

²⁶ This is because temporary quotas for the distribution of refugees, which were enforced by a majority vote in September 2015, caused a serious political crisis which the Union has not yet recovered from. For this reason, the Member States have respected ever since the right of veto of every individual state in spite of the fact that the Treaty allows for a minority of states being outvoted by the majority.

²⁷ This chapter uses, for the sake of simplicity, the term illegal migration and prefers it to the technically correct term irregular migration.

Restricting illegal immigration is not important only because of security threats, although these cannot be ignored, but mainly in order to protect democracy in Europe. After the migration crisis from the years 2015-16, the Czech as well as European public felt endangered by uncontrolled migration and some voters were pushed into the arms of politicians who are prepared to put an end to the liberal democratic system. Another reason for the need to suppress illegal immigration was the preservation of the Schengen area which depends on perfect guarding of the external European borders in the interest of free movement through internal borders. This is also implied by the Policy Statement of the government of Andrej Babiš from June 2018 (Vláda 2018).

The Current European Policy

In 2018-19, the Czech political debate had great difficulties accepting the EU's achievements in the fight against illegal crossings of the external European borders. In 2018, Frontex (European Border and Coast Guard Agency) registered 150,000 illegal crossings of the EU external borders. This number represented, in comparison with the critical year 2015, a decrease by 92 percent. In 2015, there were 1,822,000 illegal crossings, that is an almost unprecedented two million.²⁸ This rapid decrease can be one hundred per cent assigned to European cooperation. The decisive steps were the European-Turkish refugee agreement from the year 2016, throttling the Western Balkan route from the year 2016, and cooperation with Libya and other African states in the restriction of illegal border crossings.

The current European trend was initiated by the European Commission as early as the year 2015, and prior to the outbreak of the migration and refugee crisis. It was connected with the movement of hundreds of thousands of mostly Syrian refugees from Turkey to Greece and further on to Europe. The document The European Agenda on Migration outlined the policy which both the Commission as well as the Council have ever since been developing with varying degrees of success. This policy consists of cooperation with neighbouring countries with the aim of restricting illegal migration, including financial aid to the coastguards and border guards of these countries. In addition, the breaking-up of smuggling gangs should be added here. The Union has also developed cooperation with the countries of origin, both in Africa as well as in Asia. It does so with the aim of improving supervision over the protection of the borders of these countries as well as the control of migration policy.

Despite considerable achievements, the current European immigration policy still has a number of weak points. These include the insufficient administrative capacity of partner countries and different political and economic interests which complicate repatriation of illegal migrants and efficient controlling of borders outside the EU territory. Libya, a key partner country, is going through a civil war. The conditions in Libyan detention institutions for migrants are inhuman. The European Union, in cooperation with

²⁸ 150,000 illegal crossings are still a considerably high number. Moreover, new phenomena have emerged, such as submitting asylum applications by immigrants who have visa-free access to the Schengen area.

the United Nations High Commissioner for Refugees (UNHCR) and the African Union, are trying to evacuate the most vulnerable migrants from Libya. On the internal front, the EU is faced with an inability to reform the asylum system.²⁹ Despite shortcomings, it can be expected that the trends in strengthening the external dimension of migration policy will continue over the following years.

One manifestation of European efforts to involve development aid in the endeavour to prevent illegal migration is the Emergency Trust Fund for Africa established in the year 2015. The balance of the spent money until the end of the year 2018 was EUR 4.2 billion (CZK 109 billion). The fund covers 26 African countries. Some projects of the Fund focus on migration, some have aspects of various migration policies, and others are typical development activities, focused on economics and growth.

Czech Policy in the Years 2018-19

In 2018-19, Czech policy for preventing illegal immigration closely followed the policy of other European countries as well as that of the European Commission, including the replication of certain erroneous assumptions. Except for several specific points, the Czech policy thus helped fulfil the European Agenda on Migration. The official rhetoric of the coalition government of Andrej Babiš (ANO 2011 and the Czech Social Democratic Party), did not acknowledge this, but instead emphasized differences in Czech and European approaches and kept silent when it came to the areas of agreement.

An Imaginary Struggle over the “Existing Quotas”

Putting emphasis on differences was not restricted to the government of Andrej Babiš. As of 2015, the entire Czech discussion of migration, similarly to certain other Member States, continuously focused on criticism of the European Commission and the immigration and integration policy of western European countries. In the years 2018-19, the Czech political representation shut itself off inside this imaginary conflict. Regardless of its liberal-socialist composition, the Czech government joined hands with the European far right and the coalition government was also given indirect support by the extreme left and the extreme right in the Chamber of Deputies.

Since 2015, Czech politics has not been able to come to terms with its own responsibility for the immigration crisis from the middle of this decade when it, in the same way as the majority of other Member States of the EU, it refused to acknowledge the possible consequences of the Syrian civil war and accept the necessary steps on the European level.³⁰ It was also unable to sufficiently reflect either

²⁹ Stumbling blocks are certain controversial points included in the European Agenda on Migration, including the redistribution of refugees within the EU. Some observers criticize the European Commission, which directed the EU in the years 2014-19, for an inability to prenegotiate the necessary asylum legislative changes with the Member States.

³⁰ On 22 March 2016, the Chamber of Deputies adopted Resolution number 1144 on the solution of the European migration crisis. Without directly criticizing the EU-Turkey agreement, the resolution denounced its key part, that is to say the plan for the abolition of the visa regime for Turkish citizens. The Chamber did not realize at that point that without the European obligation

its positive contribution to the solution of the immigration crisis, this being the closure of the western Balkan route by the beginning of the year 2016, or its considerable contribution to the Union's policies on development and humanitarian aid.

The Czech government began to fuel the conflict with EU institutions already in its Policy Statement from June 2018. In the introduction itself, the government programme declares that “one of the main goals of this government is the struggle to secure the interests of Czech citizens in the European Union and the rejection of the existing refugee quota arrangement”. Retrospectively, the entire distribution scheme was a political mistake but the above is a misleading formulation. The duration of the contemporary distribution quotas, which were adopted against Czechia's will by the Council in September 2015, ended in September 2017. The sentence in the programme declaration of the Czech government from 2018 concerning the “existing arrangement” of the refugee quotas cannot be called anything other than either ignorance, or an artificial production of motives for the continuation of the political struggle at the European level.

The passivity of the Babiš government concerning solution to problems with disembarkation and distribution of migrants saved by European ships in the Mediterranean belongs to the same category. The ships have the legal duty to help passengers who find themselves in a state of emergency at sea. An objective problem thus exists where, by the absence of any help whatsoever to the Mediterranean countries, Czechia is losing its international credit. It is of importance to mention, at the end of this section, the Czech withdrawal from the Global Compact on Migration in December of the year 2018. Czechia negotiated this Compact up until the last moment, seemingly in good faith. The withdrawal of its consent with the Compact at the last moment revealed that the Czech government made a concession to conspiratorial attacks on this document which appeared in the European public space, instead of insisting on the agreement which improves international cooperation on migration. The Czech state thus lost part of its credibility which is so necessary for negotiations with African and Asian countries.

Assistance in the Countries of Origin

Part of the government rhetoric in the years 2018-19 was the emphasis on aid to people in the countries of origin and in the countries of “first asylum” (Vláda 2018). The goal is to prevent refugees and migrants from coming to Europe. Despite the Prime Minister's occasional almost absurd argumentation,³¹ and despite the hostile words of some politicians of the movement ANO 2011, the Czech policy was almost

to abolish the visa duty to the Turkish people, Turkey would not agree with the agreement and hundreds of thousands of refugees would continue to flow into Europe.

31 In September of the year 2018, a deputy of the European Parliament Michaela Šojdrová submitted a proposal that Czechia accepts 50 Syrian orphans from the Greek refugee camps. It was to be a symbolic humanitarian gesture. The Czech government rejected the project and Babiš stated: “It would be better to build a school in Jordan or in Lebanon than to take them here. Syrian children should live in Syria”. Babiš thus not only omitted the substance of the proposal, which is the acceptance of orphans from Greece, but also the fact that Syria was still experiencing civil war and sending children to some areas of Syria would mean putting them in danger.

identical to the policy of the European Commission and a range of EU Member States. In a number of policy areas, the Czech policy took the right direction. Czechia in the frame of European missions contributed, for example, to the stabilization of the countries which were undergoing a conflict. These included the training mission of the European Union in Mali (EUTM).³² This mission is an example of the activity at the place of origin of potential refugees because it trains the Malian army so as to be able to deal in the future with attacks from Islamist radicals. In August 2019, the government released CZK 700 million as part of the shared programme of the Ministry of Foreign Affairs, Defence and Internal Affairs. According to the Minister of Foreign Affairs, Tomáš Petříček, the point is “the linking of humanitarian aid, stabilization and contribution to socio-economic development [Ethiopia, Mali and Morocco] in such a way as to restrict migration pressures on Europe” (cf. Ministry of Foreign Affairs 2019).

Development Aid

The greater part of Czech development aid³³ does not contribute, however, to the restriction of illegal migration. Development aid, when it is effective, increases the wealth of the recipient country. If this wealth also contributes to the wealth of individuals, the result is an increase in emigration from the country.³⁴ In extremely poor countries (an example being Niger), people do not have the means to be able to leave the country. In countries which are somewhat wealthier (for example present-day Senegal or Morocco), people are then able to organize travel to the target countries, possibly with the help of smugglers. According to the “hump theory”, which is now generally accepted among specialists on migration, development aid can restrict emigration only from those countries whose income per capita is relatively close to the incomes in the target country (Arroyo 2019). This is not, however, the case of the countries of present-day Africa and Asia.

According to the current state of knowledge, development aid can be effective in reducing illegal migration if certain conditions are fulfilled. Due to a lack of space, only two of them will be mentioned here. One is that development aid succeeds in improving administration and public services of the given country. Ensuring this effect is possible in some countries, but very difficult in other situations. The second, and completely different, condition is making development aid dependent on the cooperation of the recipient country in improving its own migration policy, including public education, border security, and accepting its own citizens who have left the country illegally. With some success, the Union policy of the New Migration Partnership Framework from 2016 has been attempting to apply this condition.

Czechia is not by far alone in Europe in the presumption that development aid which leads to economic growth will limit efforts to seek better conditions elsewhere. This assumption is probably incorrect. This

32 I would like to express thanks to Jiří Schneider for the clarification of some aspects of this mission.

33 It is important to note that Czechia does not over the long term fulfil the obligations to development aid within OECD. Instead of the necessary 0.33% of the GDP, the Czech government spent only 0.13% on development aid in the year 2018.

34 This equation is only valid when we detach other factors such as, for example, views of the better future in the home country.

insight should, however, not lead to the discontinuation of this aid. Due to economic as well as political reasons, a richer and more stable world is in the fundamental interest of Czechia. It is almost certain that the surrounding world will grow materially over the following decades and the result of this will be an increased interest on the part of the inhabitants of African and Asian countries to move to Europe and other developed areas. European development aid can decelerate or accelerate this, but if migration theory is correct, it will be impossible to prevent the efforts of a number of Africans and Asians to come to Europe. The only possibility for the EU will involve close cooperation with the surrounding countries to improve the quality of migration and border controls. Such cooperation will not exist without strong political, economic, cultural and diplomatic links.

The already mentioned Emergency Trust Fund for Africa is an example of the conceptual confusion regarding development cooperation at the European level. This EU fund is a mixture of diverse projects; many of these are unlikely to contribute to controlling migration. While some of its projects are undoubtedly effective in relation to migration, others can “only” contribute to stabilization, economic growth and social development, and thus potentially increase migration to Europe. According to a statement from the Czech Ministry of Foreign Affairs from 24 April 2019, Czechia was in this year this Fund’s seventh most important donor among the EU states. The Czech success or the lack of it in the control of migration within the Emergency Trust Fund for Africa will thus fully depend on the success or lack of success of the entire fund.

Apart from contributing to the European funds, Czechia has a long tradition of standalone development aid. The Czech development aid has not yet taken migration into consideration, however. The Ministry of Foreign Affairs could therefore state, instead of the sentence mentioned at the beginning of this section, the following: “The contribution of development aid to the reduction of migration is indirect rather than direct. If a number of conditions is fulfilled, development aid can be a tool for fighting illegal migration. Otherwise, development aid can, conversely, contribute to migration.”

Humanitarian Aid

In contrast to development cooperation, humanitarian aid is focused on people who have found themselves in complicated situations due to war, conflicts or natural disasters. Humanitarian aid is usually not financial but rather material, and includes, for example, basic food, water or material for the construction of shelters. There is a much more direct relationship between humanitarian aid and migration than between development aid and migration. Humanitarian aid can very quickly and effectively stop or reduce migration from the countries in which the humanitarian aid is required. The Czech government has also been active in this field. In August 2019, for example, it announced the disbursement of 100 million crowns for Syria for the years 2020-21. Projects in Syria are to be “humanitarian, stabilizing and involving reconstruction” (Ministerstvo zahraničních věcí 2019).

As with development cooperation, the relationship between finances and migration is influenced by the conditions under which humanitarian aid is provided. The EU-Turkey agreement is a significant example of how European humanitarian aid and Czech participation in it can drastically decrease illegal immigration. From the year 2016 to August 2019, EUR 3.45 billion (CZK 89 billion) has been disbursed from the Fund. This sum is not much lower than the money so far disbursed within the entire Emergency Fund for Africa which covers more than two dozen countries. Due to the relatively high efficiency of the Turkish administration, these were well spent resources. Projects are financing not only the payment of cash to refugees but also the school system, public health and the development of infrastructure, and this also for the domestic population. A key element of the agreement is the fact that the Turkish administration provides care to refugees and prevents them from moving to Greece either on their own or with the help of human smugglers. Since 2016 the Czech governments have regularly contributed to the Turkish funds according to the schedule provided by the European Commission. The current government of ANO 2011 and the Czech Social Democratic Party is not an exception. In July 2019, the government approved Czech contributions to the funds for Turkey up until the year 2023.

In the area of humanitarian aid, Czechia also has a strong tradition of its own financing outside the EU. The health humanitarian programme Medavac belongs in this category. The non-profit organisations People in Need and the Charity of the Czech Republic are among the largest Czech implementors of humanitarian aid.

Conclusions

The analysis included in this chapter shows that the overall impression of Czechia and above all of the Babiš government as non-constructive players in the field of European migration policy is only partially valid. On the one hand, the government and its Prime Minister have intentionally fostered confrontation with EU institutions, regarding, for example, the no longer existing quotas for the redistribution of refugees and the abandonment of the UN Global Compact on Migration. On the other hand, the Czech government has fully endorsed European policies for development and humanitarian cooperation, fulfilled its financial obligations under these EU policies, and supported its own humanitarian programmes which usually contributed to reducing migration. The government did not contest the blanket assumption according to which economic growth as a consequence of development aid leads to the reduction of illegal migration. In contrast, growth can increase migration. Generally, it can be said that Czech achievements in preventing illegal migration have been European achievements and the same can be said about the failures. The challenge for the future is how to mitigate conflict with the EU institutions. Such a mitigation would not lie in the Czech representation passively obeying the preferences of the Commission or of other Member States; it would mean submitting quality proposals whose realization would steer the European policy closer to Czech interests. Another challenge is the creation of capacity among the officials of the Czech Ministries and other experts, for them to influence the European agenda in the way

of higher effectiveness of EU migration policies.

Recommendations:

- The misuse of migration issues has its limits in politics. Their overstepping destroys not only the democratic system, but also Czechia's ability to maintain international partnerships which are necessary for the ensuring of Czech interests in the EU and elsewhere.
- The Czech government should engage in recognising the effects of development and humanitarian aid on reducing illegal migration. This refers to the European as well as Czech aid. The government should support those projects which include a strong migration element, as it is the case of the EU-Turkey agreement. This does not mean, however, that it should stop financing those projects which do not have migration elements because foreign policy cannot be restricted to migration policy.
- In the long run at the European level, the entire Czech politics should present proposals that contribute to resolving European migration dilemmas. In order to do so, it needs to develop an administrative and expert core which is acquainted with the results of migration research.

U.S. Foreign Policy towards Russia in the Age of Trump

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Summary: American presidents' legacies are based more often than not upon their foreign policy. This is in part due to historical precedent as well as the charisma of the individual U.S. Presidents. Donald Trump is not an exception. To make a fair assessment of President Donald Trump's foreign policy halfway through his term in office is filled with challenges, not least is the truth of extreme polarization afflicting the Trump era. For the President's critics and opponents, there is little merit in his actions. For his supporters, he can do no wrong. Therefore, how to make a fair assessment? The following paper does not attempt to answer this complex question. However, the following paper does address one specific aspect of American foreign policy under President Trump: Russia. As candidate and now as President, Trump has in fact demonstrated a curious affinity for Russia in general and Putin specifically, often praising the Russian leader and rarely challenging Moscow's policy positions despite official American policy towards Russia being different. In this case study, the relationship *vis-à-vis* official American policy towards Russia since the President entered office, and his rhetoric, represents a two-Russia policy.

Keywords: Trump, Russia, American foreign policy

Introduction

American foreign policy in the age of Trump is a return to nationalism using populist sentiment. This is at odds with the image and narrative of the President. President Trump's actions over the course of his first two years in office have often been rash, ignorant, and chaotic. U.S. pundits often concentrate on his deeply flawed personality and his preference to announce policies on Twitter rather than examining analytically the substance of his administration's foreign policy. In brief, some of his individual foreign policies are substantially better than his opponents assert. Russia will dominate history's judgment of the President's foreign policy and therefore while a net assessment of the overall quality of the Trump administration's foreign policy halfway through his first term is not the intention of this paper, an examination on American foreign policy and Trump's attitude towards Russia is the aim. To understand this, it is instructive to accept that the past several decades of great power peace generally referred to as the liberal order did not apply to Russia-U.S. relations. It was driven by a struggle for global dominance between the United States and the Soviet Union. It was the balance of power between these two nuclear powers and U.S. hegemony in the past twenty years that has prevented another world war. The relationship with Russia since the President entered office, and his rhetoric, more often than not obscures rather than illuminate reality. Within the realist understanding of international relations measuring success of American foreign policy towards Russia shall be explored in this analysis by answering these questions: 1. whether his policies promote U.S. national interests. 2. what, if any, recommendations are offered to improve American foreign policy in Age of Trump.

American Foreign Policy

President Trump has appeared not only willing, but eager, to confront America's many enemies, adversaries and competitors, and to prevent them from making further advances. There have been both successes and the shortcomings of the Trump presidency thus far in regard to foreign policy. Broadly speaking a positive formulation starts with human nature observations and assessments making a virtue of necessity. The Trump administration calls it principled realism. And it does fit to classic precepts of realist foreign policy. In a candid and unapologetic omission, place your country first, whereby putting personal national interests first will in turn make all countries safe and more prosperous. This is really the Trump Doctrine. But, when looking at President Trump's personal view about Russia, American relationship with Europe, particularly Czechia, and official American policy towards Russia, this is not true. There is consistency in the President's rhetoric and personal relationship with Russian President Vladimir Putin and opposite consistency in official American foreign policy towards Russia.

Two-Foreign Policy Faces of Donald Trump towards Russia

Officially, the U.S.-Russia relationship has remained fraught throughout Trump's presidency, despite the President's rhetoric and images in the news. That has caused confusion for many in Washington and Moscow at this disconnect between what President Trump has said and not said about Russian President Vladimir Putin, and what his administration has done. Russia's global challenges to American national interests grow.³⁵ Moscow at the direction of Vladimir Putin has significantly stepped up efforts to confront the United States and its allies politically and militarily to counter American influence worldwide. Russia has invaded and annexed Crimea; intervened in and occupied parts of eastern Ukraine; deployed substantial military forces and a bombing campaign in Syria to successfully keep the Bashar al-Assad regime in power while defeating the American-supported opposition. Moreover, there has been a significant expansion of its armed forces³⁶. Other foreign policy successes are the interference in the political systems of the United States and European countries and continued threat of cutting off gas supplies as a leverage over energy-dependent European states. Yet, the disconnect between President Trump and his administration and Russia is striking. Whereas the President's attitude toward most major countries in the world is highly critical President Trump has consistently shown sympathy and understanding for Russian perspectives. This curious affinity for Russia in general and Putin specifically, suggesting it would be "nice if we actually could get along" (Trump 2018) while in November 2017, Trump said he hoped to find a way to lift sanctions on Russia to promote cooperation, again emphasizing on Twitter that "having a good relationship with Russia is a good thing, not a bad thing. . . . I want to solve

³⁵ See Blackwill and Gordon (2018). However, Gordon does not necessarily subscribe to all the conclusions contained here. Cf. Coats 2019.

³⁶ Russia has spent around \$70 billion, or 5.3 percent of GDP, on defense, the highest percentage spent on defense since the Russian Federation emerged in 1991.

North Korea, Syria, Ukraine, terrorism, and Russia can greatly help!” (Trump 2017). Moreover, before his meeting with Putin in Helsinki, the President noted that the Russian leader was “very nice to [him]” and that he was “not [his] enemy.... And hopefully, someday, maybe he’ll be a friend” (Trump 2018). He even excused the Soviet Union’s invasion of Afghanistan in the 1980s, bizarrely stating that it was justified because of a terrorist threat to Russia (Baker 2019). All of this is at odds with the official U.S. policy. President Putin perceives American foreign policies such as NATO enlargement, European missile defense deployments, and support for democracy around the world to be direct threats. On another area of mutual interest, Europe, the United States and Russia spar over influence with Moscow seeking to undermine the sovereignty, security, and democracy of its NATO members. On these points, the U.S. pursues its national interests and deploys the typical type of statecraft, meanwhile President Trump’s behaviour and rhetoric often causes concern. To paraphrase from Winston Churchill³⁷ to describe the personal relationship with Vladimir Putin and Donald Trump is apt as it is a riddle wrapped in a mystery inside an enigma.

The most recent and vivid embrace of Putin by Trump was July 2018 in Helsinki. Trump dismissed the unanimous conclusion of the U.S. intelligence community that Russia had intervened in the 2016 U.S. Presidential election and accepted Vladimir Putin’s assurance that it was not true. This set in motion a fascinating, but worrisome exchange between the President and his own Director of National Intelligence, Daniel Coats. Trump remarked bluntly when asked by reporters that they “think it’s Russia. I have President Putin, he just said it’s not Russia. I will say this: I don’t see any reason why it would be [Russia]”³⁸ (Trump 2018) whereby then Coats (2018) rebutted the President by stating, “We have been clear in our assessments of Russian meddling in the 2016 election and their ongoing, pervasive efforts to undermine our democracy, and we will continue to provide unvarnished and objective intelligence in support of our national security.” The evidence supports Coats and not the American President. Russia from 2014, has sought to influence American elections and undermine confidence in American democracy, through efforts both cyber and digital. Moreover, disinformation in U.S. social media has been planted and disseminated. Russia has used its state-funded and state-controlled media networks, such as Russia Today (RT) and Sputnik, to spread that disinformation, meanwhile purchasing advertising on U.S. social media sites such as Facebook to spread targeted information designed to anger or inspire political and social groups. Russia also had deployed tens of thousands of bloggers and bots to disseminate said disinformation, cooperating with American citizens and possibly the Trump campaign to discredit Trump’s opponent in the 2016 election, Hillary Rodham Clinton; while deliberating probing the election-related computer systems in at least twenty-one U.S. states. Faced with this evidence, then President-Elect Trump opposed President Obama’s December 2016 minimalist

37 Churchill, W., 1939. “I cannot forecast to you the action of Russia. It is a riddle, wrapped in a mystery, inside an enigma.” BBC broadcast, 1 October 1939.

38 This was a shocking public display of preference by a sitting U.S. President deferring to the private comments of another world leader over the evidence of U.S. intelligence agencies.

retaliatory measures against Russia for these activities, calling on “our country to move on to bigger and better things” (McCaskill 2016).

Nevertheless, the administration has pursued a reasonable Russia policy in spite of the President’s contradictory rhetoric. The American Congress passed the Countering America’s Adversaries Through Sanctions Act (CAATSA). The State Department lists thirty-six defence-related and forty-eight intelligence-related entities as groups that others could face secondary sanctions for conducting “significant transaction[s]” with (U.S. Department of State 2018). It designated and sanctioned twenty-four targets in March 2018, twenty-four individuals and the companies they controlled in April 2018, eight targets in June 2018, thirty-three targets in September 2018, and sixteen individuals in December 2018 under CAATSA for cybersecurity violations (Polyakova and Letsas 2018). Additionally, the Trump administration has taken actions not required by law. The Justice Department forced state-owned news outlet RT America to register as a foreign agent in November 2017. Then within a month the administration added fifty-two individuals, many of them Russian, to the list of sanctioned human rights abusers under the Magnitsky Act (Stubbs and Gibson 2017). Moreover, the administration has frequently pursued charges in absentia against Russians for a wide variety of destabilizing activities. Examples of this are the March 2017 indictment of three Russians by the Justice Department for the hack of Yahoo; sixteen Russian individuals and companies in February 2018 for 2016 election interference; twelve Russian intelligence agents in July 2018 for hacking the Clinton campaign; and seven agents of the Russian military intelligence service, known as GRU, in October 2018 for other malicious cyber activity (Polyakova and Letsas 2018). Sanctions were imposed on certain Russian individuals in response to the poisoning of Russian ex-double agent Sergei Skripal and his daughter in Salisbury, England. Additionally, the administration banned all remaining exports of potential dual use items to Russia, expelled sixty Russian diplomats from the United States, and closed the Russian consulate in Seattle (Harris 2018). Contrary, however to the President’s own assertion that he has been “tougher on Russia than any president, maybe ever,” (Trump 2019) such measures as those of former President Obama are not proportional to Moscow’s many destabilizing actions.

There are two notable exceptions, the INF Treaty and Ukraine. As to the former, Russia violated the treaty with their Novator 9M729 intermediate-range missile. The U.S. imposed import restrictions on two Russian defence companies for violations of the agreement in 2017, and in December 2018 Secretary Pompeo gave Russia a sixty-day notice that the United States would cease to abide by the treaty obligations unless Russia came back into compliance (Anderson 2018). Predictably, Moscow denied that its weapons systems violate treaty specifications and did not change its deployments before the February deadline. Moscow’s destabilizing actions in Ukraine have been met by a pro-Kyiv response from the U.S.

In terms of direct military assistance, it has gone further than the Obama administration in supporting that nation’s struggle against Russian-backed separatist forces. In December 2017, sniper rifles and

other small arms were delivered. Then in April 2018 the administration delivered 37 Javelin anti-tank rocket launchers and 210 rockets and Congress authorized \$250 million to be spent on additional lethal aid sales in 2019, and U.S. Special Representative for Ukraine Kurt Volker stated that the United States was “look[ing] at air defense” and other support for the Ukrainian Air Force and Navy (Rogin 2017, Boger 2018). Finally, in July 2018, the Defense Department released \$200 million in nonlethal defence aid to Ukraine (Bowden 2018; Browne 2018). The United States Congress, with the administration’s support, authorized \$420.7 million in economic assistance to Ukraine, \$10 million more than in 2017 in the 2018 State and Foreign Operations Appropriations Bill (Senate Appropriations Committee 2018). U.S. troops have participated in multiple military training activities with the Ukrainians since Trump took office, such as the September 2017 Rapid Trident air exercise and the October 2018 Clear Sky exercise (Browne 2017, RFE/RL 2018). All this has occurred while Putin continues his efforts to weaken and dismember Ukraine. In an apparent contradiction with its own hard-line Moscow-policy towards Ukraine, the United States took no punitive action against Moscow after Russian ships captured three Ukrainian vessels in the Black Sea as part of an effort to economically isolate the country’s east. This points to the continued challenge of analysing the Trump administration’s responses that remains deficient. Similarly, U.S. foreign policy is undercut when the President disputes, as he notably did at the Helsinki Summit, the intelligence community’s finding that Russia has interfered in U.S. elections. As such, the administration appears to be pursuing two Russia policies as the title of this section of the paper suggests. This contradiction prevents either from being totally effective.

The administration has used law enforcement measures and economic sanctions as the principal means of confronting immediate challenges. The Treasury Department, for example, placed sanctions designations against those connected with cyberattacks on behalf of the Russian military and intelligence services, and the Department of Justice handed down indictments against those working to undermine the U.S. political system. In October 2018, U.S. Cyber Command started operations to deter Russian operatives from interfering in the U.S. political system. However, efforts to hold Russia accountable for its aggression and subversion have not been fully effective because of the President’s resistance to exerting personal pressure on his Russian counterpart and as such Moscow’s refusal to change its behavior and its malign activity impairs Trump’s ability to properly conduct foreign policy.

This applies to imperiled U.S. allies on the Russian periphery. The administration delivered anti-tank weapons to Georgia in 2018 and held important military exercises with the Georgians on the 10th anniversary of the Russian invasion in 2008. In April 2018, President Trump hosted the presidents of Estonia, Latvia, and Lithuania at the White House, where he announced over \$160 million military assistance package, U.S. troop participation in multinational exercises, and funding to fight disinformation campaigns from Moscow. The President finds solid allies in central Europe, especially Czechia. Central Europe has populists and both Czech Prime Minister Andrej Babiš and Czech President Milos Zeman have the Trumpian “vibe”. Both consider themselves outsiders and are critics of the EU. Zeman vocally supported Trump when he was a candidate, and these men share a preference for President Putin.

Personally, Trump and Babiš have a good rapport. They complemented each other in their 7 March 2019 meeting. In the Oval Office, Trump praised Babiš and Czechia, stating how the Eastern European country is “safe” and has a “strong military.” Babiš said that he had a similar plan to make Czechia great again. Trump and Babiš and Zeman are known for their divisive, nationalistic and anti-immigrant rhetoric. With Trump’s antagonism towards Western European leaders and outreach to right-leaning populist Central European leaders who represent a challenge to the Western status quo is symbolic.

Conclusion

Trump continues to challenge accepted norms, break traditions, and respond to perceived slights, insults, threats or provocations with his own. The President’s actions have often been rash, ignorant, and chaotic. The core of his foreign policy message is that the United States will no longer allow itself to be taken advantage of by friends or foes abroad.

Trump, who has a reputation for embracing volatility in negotiations is established, seems particularly well suited to employ the tough bargaining positions as a tactical matter. However, this is not observed with Russia where the President’s admiring words for his Russian counterpart, is offset by his administration’s tough line on Russia. Building on Obama era policies the Trump administration has added further sanctions, expelling Russian diplomats, and providing lethal weapons to Ukraine.

Nevertheless, in conclusion, the outcome has been a disjointed Russia policy and retaliatory measures has been deficient. It is accurate to say that American policies generally promote U.S. national interests in relation to Russia on the issues and areas of the importance. As to what extent does the pillars of U.S. national interests, foreign policy, and statecraft effect Trump personal behavior and official American policy? It appears that there is little to no effect. There is the administration policy and the President. Examining the list of U.S. retaliatory measures, Russia has not been punished nearly enough thus far for its massive interference in the U.S. electoral process, and its many destabilizing activities in Eurasia and beyond.³⁹ Russian President Putin has a clear determination to undermine America’s standing and influence around the globe. The U.S. President has not effectively responded. Under Trump, the United States has had two Russia policies: what the President says and what the administration does. As such, a rapprochement with Moscow is not likely to occur, rather the reality indicates a return to great power rivalry.

39 See Dobbins, Shatz, and Wyne 2018. Report observes that “the United States has been slow to erect effective defenses or establish credible deterrence” against Russian interference in Western electoral processes, and that “building a concerted Western response to this threat has been difficult”.

Recommendations:

- Rebuild European allied consensus. The perception that the President gives special deference to Vladimir Putin is counterproductive with transatlantic allies. Vital to acknowledge basic truths about Russian President Putin's repression at home, and aggression abroad, in both the physical and cyber domains. European allies need reassurance not only words and petty division. The most obvious is within NATO, but much can be accomplished at the bilateral level between the U.S. and individual European states as seen already in the Baltic's, but potentially in Central Europe as well.
- Articulate a comprehensive strategy endorsed by President Trump. The administration's national strategy documents are the guidance. President Trump's statements suggest confusion. The administration should put together a comprehensive strategy toward Russia that explains what it seeks in the U.S.-Russia relationship. The new strategies effectiveness will depend on a clear presidential endorsement. Congress requested a similar strategy on China and should do the same for Russia.
- Challenge Russia's human rights abuses. It is clear that human rights continue to be one of the most effective pressure tools for Washington because Kremlin disagrees with the adoption of the Magnitsky and Global Magnitsky Acts. President Trump and Secretary of State Mike Pompeo should highlight to identify extrajudicial killing and/or unlawful incarceration of regime opponents in public and in broader bilateral negotiations.
- President Trump has a unique opportunity to capitalize on personal goodwill with key European allied nations. Czechia is ideally suited due to its President and Prime Minister's personal relationship with the American President. Therefore, a challenge to the Western status quo is more than symbolic, it has potential to be foreign policy strategy.

Conclusion

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In our publication *Economy, Politics, and Europe. The Czech Centre-Right Solutions to the Political Challenges of 2020*, we discussed several aspects of social responsibility from the Czech and European centre-right perspectives. Identification and analysis of the major local, regional, national and global trends are the starting points for understanding the individual and general aspects of social responsibility which demonstrates to the citizens, the corporations and the government how to contribute to a healthy economy and stable society. The aim is to build individual and social prosperity on the understanding and respect for our past, however complicated and often destructive, as well as on a future that will not have to repay our debt-fuelled high standard of living. This applies not only to public finances, education or the environment, but also to binding foreign policy commitments and political decisions that respect democratic principles and the rule of law, protect the system against the tyranny of the majority and lead to an open, secure and inclusive society.

From the point of centre and centre-right parties, the authors make several recommendations. As regards democratic government, support for civic engagement should counterbalance populist and authoritarian tendencies that offer seemingly simple solutions. While the Czech democratic left is facing an identity crisis, the Czech centre and centre-right parties are heavily fragmented. Their voters do not find them appealing, even though they often agree with their general programme objectives. The parties fail to convince the voters that they can solve crucial problems of the middle class, i.e., their core voters, who feel insecure about the present and the future. This party-voter “misfit”⁴⁰ has subsequently led to the support for populism and great intra-system and inter-system voter volatility (Charvát and Maškarinec 2019).

In the context of the struggle for democracy, we need to understand the external threats which are weakening the national democracies of the western countries, including Czechia. To this end, it is important to support Czech membership in key international organizations, especially in the European Union (EU) and NATO. The recent developments in the United Kingdom (UK) clearly show how dangerous it is for the country's economic and political stability to question the importance of EU membership. By vocally rejecting solidarity with the EU Member States and failing to fulfill NATO obligations, Czechia is losing its position of a reliable partner and its negotiating power is thus declining, despite the evidence that its interests and partners' interests are often similar. It is a fundamental question of Czech national interests to be among the core Member States of these organizations and influence their policies.

The external threats are largely linked to the use of technologies for propaganda which does not seek to convince citizens of its truth but of the absence of truth, thus undermining the confidence in the system as such. Along with the economic challenges of the labour market and the business environment, the crucial form of the long-term sustainable and successful struggle against increasing economic, social and political unevenness is a modern education system, which will not give up on knowledge but will

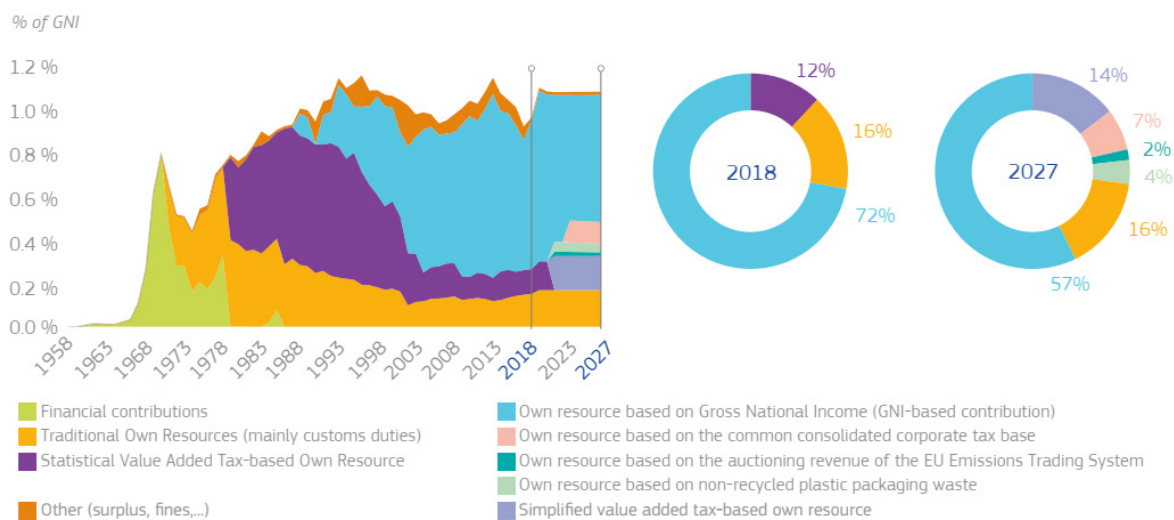
40 The concept of misfit was adopted from the Europeanization. For an analysis of “misfit” in policies or domestic structures, see, for example, Berglund 2019.

develop skills to help people respond to the new needs of the market and the threats posed by the new technologies. Such an education system will help build a competitive innovation-based economy and, together with a responsible pension reform, ensure sustainable and responsible prosperity for the middle class which today faces strong existential pressures.

Discussions on the future form of these policies should involve not only the experts but also the general public. The reforms need to be communicated clearly. All centre and centre-right parties should agree on the fundamental principles, regardless of the differences in the specific actions proposed. Their adoption should not be an instrument of political struggle. Individual parties should work together to break down the topics they can focus on according to their historical orientation. As they are medium and small parties, they do not have the capacity to cover all these very complex problems, but issue specialization could help them appeal to the different segments of the middle and the upper classes, where they traditionally recruit their voters.

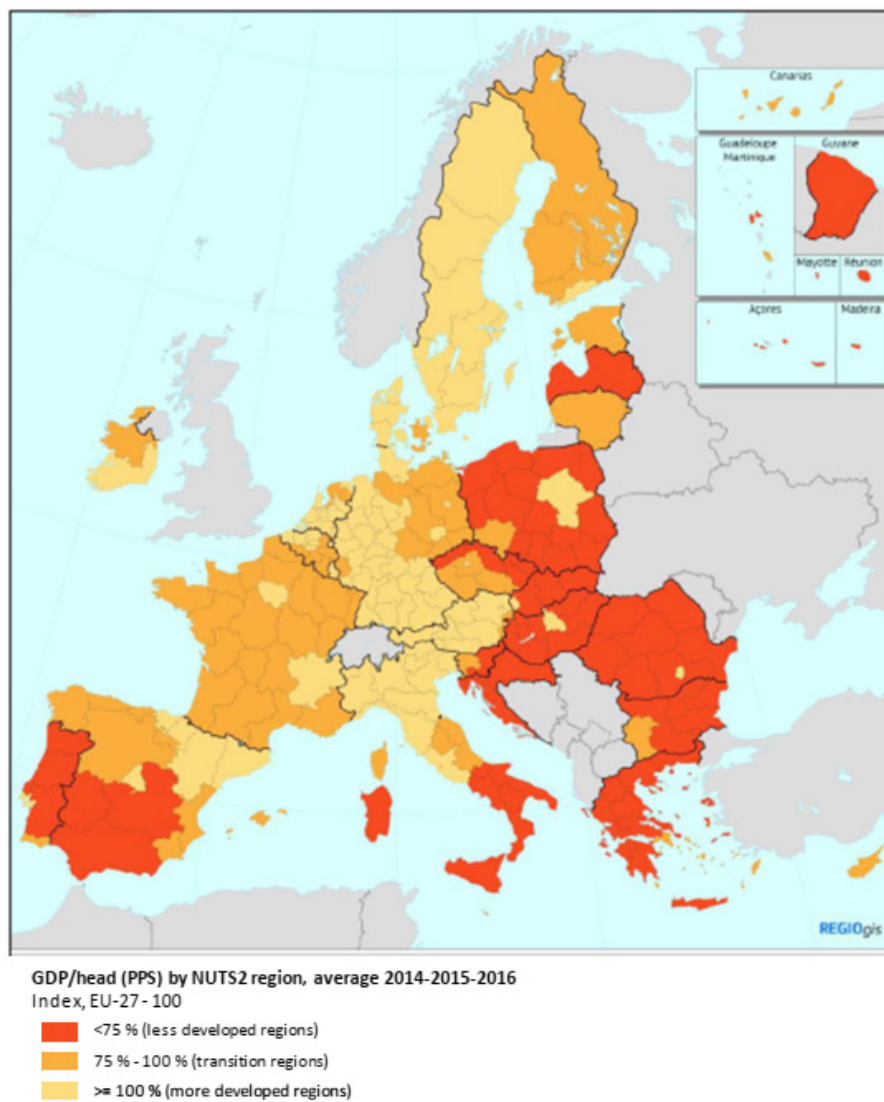
The fundamental clash of today's Czech (and also to some extent European) political scene is not the struggle between the parties of the democratic right and the democratic left, but the struggle against populism and extremism along with the struggle against civil disengagement and the undermining liberal democratic principles. A responsible society based on individual responsibility is one of the fundamental elements of sustainable development. A functional democratic state is like a balanced ecosystem that can handle a series of individual internal and external shocks, but any major imbalance can irreversibly damage it. The healthy condition of the society and the economy depend on it. It needs self-confident, active and responsible citizens who see politicians as partners, not as enemies. Rebuilding a sense of trust and shared responsibility, lacking in current Czech society and politics, will be the greatest challenge of Czech democracy. The next steps for the Czech centre and centre-right parties should aim at promoting responsible governance and responsible citizenship which could unite the partially fragmented society and support the necessary reforms in a manner that reinforces the belief that the future may be different than we thought, but it does not have to be an irreversible and complete end of the world as we know it.

Annex 1 – Evolution of the EU Budget Revenues



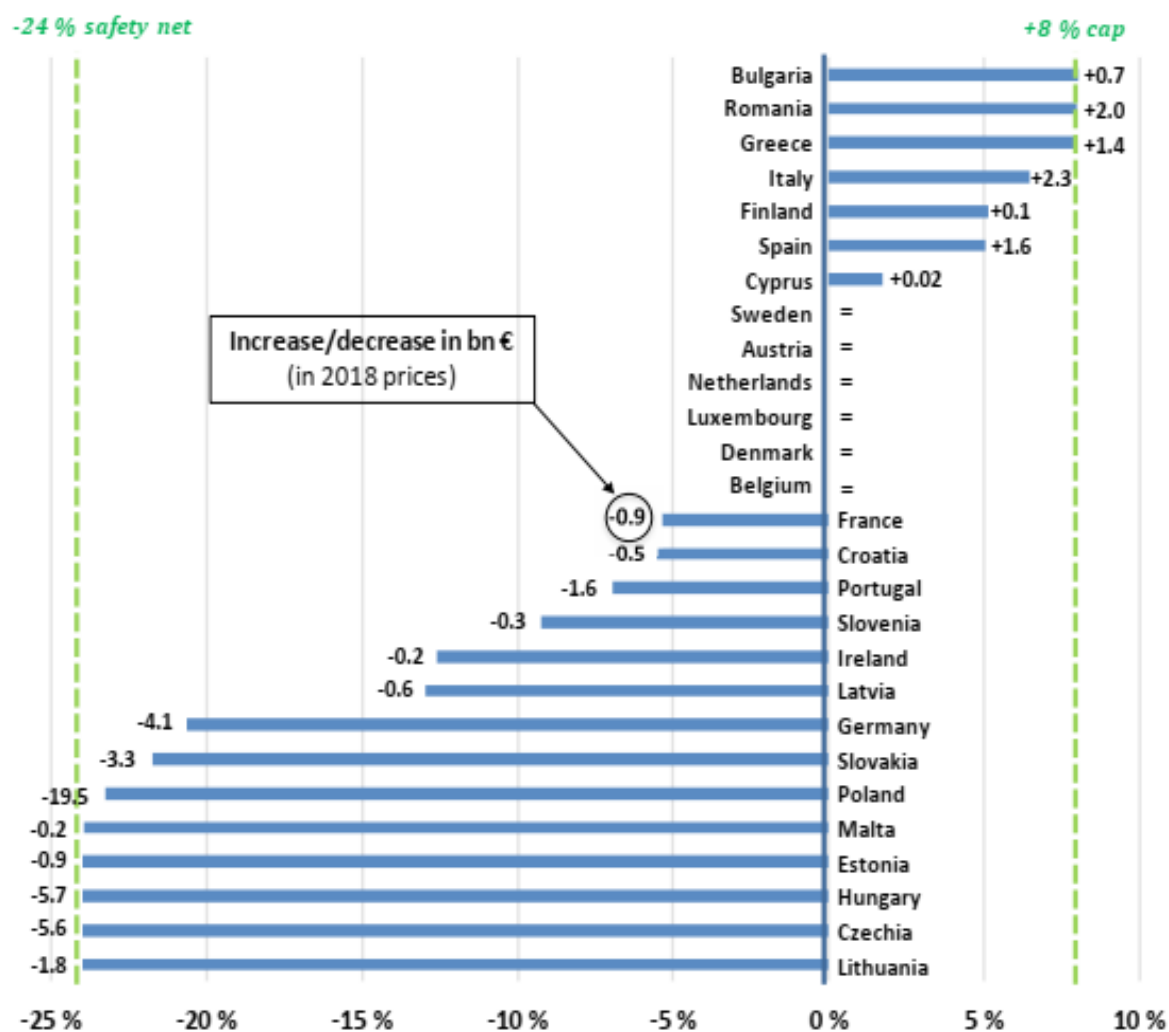
Source: European Commission 2018c.

Annex 2 – New Map of Regional Eligibility for 2021+



Source: European Court of Auditors 2019.

Annex 3 - Proposed Allocations to Member States (2021-2027 Compared to 2014-2020)



Source: European Court of Auditors 2019.

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