

## **The euro crisis and Germany's role through Czech perspective**

Vladimír Handl

**Is the Czech Republic “a European state without Europeans”? Vladimír Handl analyses the dissolution of the Czech consensus, its relationship to the German approach in rescuing the EU, the “nation-state-based” current in Czech politics and the risks of Euroscepticism.**

Czech policy does not have a uniform line on Germany and its European policy. On the one hand, there is relatively broad agreement on Germany's significance for the Czech Republic: Germany accounts for 31.5 percent of Czech exports and 25.6 percent of its imports, and is thus by far the country's largest trading partner.<sup>1</sup> Additionally, since the Czech EU presidency at the latest, Germany has been seen as the most important and mostly also the most accommodating EU member state. This is why the Foreign Policy Concept of the Czech Republic (2011) lists Germany for the first time as a “strategic partner” (!) and emphasises its key role in European politics, European security and the global economy.<sup>2</sup>

On the other hand, relations with Germany and the declared “strategic partnership” are not anchored in the Czech approach to the European Union because the Czech Republic lacks a coherent policy on Europe. Thus, also its relationship to Germany and the latter's workings in the EU remain ambivalent.

At the level of personalities, however, the issue of Germany's role in the EU is relatively unproblematic. Chancellor Merkel has developed a constructive relationship with Czech politicians, and she is viewed largely positively by the Czech public – after Barack Obama, she is the most trusted foreign political personality among Czech citizens.<sup>3</sup>

The ambivalent situation is thus mainly a consequence of conceptual and ideological (in)compatibility. The Czech political scene has long been divided on the nation state and the issue of shared sovereignty at the supranational level.<sup>4</sup> The “nation-state-based” political current views the nation state as the central building block, prefers intergovernmental integration, and in its radical form rejects all shared sovereignty. These positions are most strongly represented in Prime Minister Nečas's Civic Democratic Party (ODS) and its mostly neo-liberal programme. Its founder and the Czech Republic's current president, Václav Klaus, is viewed as a dissident in the EU, and advocates a de facto return to the pre-Maastricht arrangement.<sup>5</sup> Also in this group are the residual governing party Public Affairs (VV) and especially the opposition Communists (KSČM), whose conservative circles criticise the EU as a capitalist structure dominated by Germany. The “national-federative” position insists upon the nation state too, but to varying degrees also accepts a strengthening of supranational “shared sovereignty” in the EU, as well as the prospect of political union. This direction is supported by the governing TOP09, the opposition Social

Democratic Party (ČSSD), and the non-parliamentary Green Party and Christian democratic KDU-ČSL.

On a practical level, the distinctions are manifested with respect to the euro as well as ideas about the EU's future arrangement. The fact that the Czech Republic has not adopted the euro and will not do so in the near future (the ODS even wants a referendum on the euro) allows the government not to participate in the euro zone measures proposed by Germany, the European Commission and the ECB. At the same time, however, there is also growing concern in the government about the strengthening of decision-making mechanisms in the euro zone and the resulting weakening of the position of its non-members – i.e. elements pointed to by the “national-federative” opposition as well.

The Czech Republic's reaction to Germany's gradually emerging scenario for a resolution to the euro-zone crisis is thus markedly differentiated. Even in the executive – PM Nečas (ODS), Foreign Minister Schwarzenberg (TOP09), Finance Minister Miroslav Kalousek (TOP09) and President Václav Klaus (ODS) – there are differences on fundamental issues, and the opposition is divided as well. The situation is further complicated by the fact that German policy is not completely uniform either; the government's approach to addressing the crisis is characterised by gradual and often incomplete steps, and thus frequently draws criticism from Germany's left-wing opposition.

### **Issues of economic culture and rescuing the euro zone**

The two countries' governments share an affinity of economic cultures: a gravitation toward a balanced budget (the Czech Republic's state debt was roughly 42 percent in 2011), low inflation (2011: 1.9 percent), strengthening the competitiveness of the export-oriented economy and achieving a positive balance of trade. The Czech Republic thus backed German pressure to implement fiscal discipline including a balanced-budget requirement (*Schuldenbremse*) in the legislation of euro-zone member states. From the beginning, the conservative-liberal Czech government has fully backed Germany's efforts to enforce budgetary discipline in the EU, even at the price of significant budget cuts.

Also since 2010, the ODS (which left the European People's Party in 2009 and became a member of the European Conservatives and Reformists Group, ECR) has pursued a policy of isolating the Czech Republic from the euro zone and from legal instruments, institutional structures and any new integration efforts originating in the euro zone (the Euro Plus Pact, the European Stability Mechanism, the Fiscal Compact, common banking oversight and the emerging banking union).<sup>6</sup> The PM attempted to bridge this contradiction during a visit by Chancellor Merkel by presenting the Czech Republic as a “shadow signatory” to the Fiscal Pact committed to voluntary fulfilment of its provisions.<sup>7</sup>

TOP09 (which in contrast to ODS became a member of the European People's Party, EPP, in February 2012) has basically reacted to the course of German policy

with understanding, although the party is not completely unified. It supports accession to the Fiscal Pact, at least at a later date, and criticises PM Nečas on the grounds that non-participation in the Pact could seriously harm the Czech Republic.<sup>8</sup> Foreign Minister Schwarzenberg advocates the view that the euro should not be a fetish and that the EU would survive without it, although he does support the euro's rescue.<sup>9</sup> On the other hand, Finance Minister Miroslav Kalousek (TOP09), like the ODS, is mainly sceptical about efforts by German politicians to strengthen central control over member states' budgets, and is critical of expanding the European Commission's role, transferring budgetary authority and more binding coordination of economic policies. Kalousek – like the ODS, the Czech National Bank and President Klaus – also has concerns about the emerging banking union, including the ECB's new role.

Nevertheless, the focus on strict budgetary discipline and efforts to revive the European economy through exports are meeting resistance. The ČSSD rejects the notion that the European crisis can be solved by mere cuts and rescue packages.<sup>10</sup> It supports the Fiscal Pact, but considers it merely a partial measure which is missing a “second leg” – an active policy to support growth and create jobs.<sup>11</sup> Similar criticisms of the rescue measures have also been levelled by the minority “euro-activists” and the pragmatic wing of the KSČM.

The confederation of trade unions rejects a reduction in the budget deficits of EU countries as a “basic recipe for addressing indebtedness” because “it leads inexorably to a loss of dynamism in European economies and thus to a further deepening of the crisis”.<sup>12</sup>

Chief Justice of the Constitutional Court Pavel Rychetský (ČSSD) has rejected “a path of crude neo-liberalism” to resolve the European financial and economic crisis, which he believes would compel certain European countries – including the Czech Republic – to dismantle the welfare state and privatise the state's public functions, because it would lead to a deepening of uncertainty and “social abysses”.<sup>13</sup> The unions also reject the idea “supported by certain politicians (particularly in Germany)” that all countries can achieve trade surpluses and ensure economic growth through exports.<sup>14</sup> This view has strong support on the left, which argues that the German model is not applicable to euro-zone countries which lack Germany's industrial base; logically, not every country can achieve a trade surplus.<sup>15</sup>

### **Institutional questions**

The ODS is moving away from German policy, from its own coalition partner, TOP09, and in particular from the “national-federative” opposition when it comes to strengthening EU institutions and moving towards a political union. PM Nečas has designated stabilisation of the euro as a priority interest of the Czech Republic,<sup>16</sup> but rejected the Euro Plus Pact as well as the Fiscal Pact. He emphasises the intergovernmental principle in the EU, which of course figures prominently in Germany's euro rescue policy. In contrast to the German position,

however, he advocates a variable geometry for the EU in which the entire mechanism should be differentiated according to the subject of cooperation.<sup>17</sup> He thus prefers a sort of Europe “à la carte”.<sup>18</sup> Representatives of the ODS are also aware of the fact that the EU will have to unite in order for it to succeed and withstand global competition – but this must not be at the expense of the disciplined states in the EU’s north.<sup>19</sup>

The conservative-liberal Czech government is thus not unified in its position, and as a result keeps the Czech Republic outside the “main current” of EU development – a goal to which its prime minister professes to aspire.<sup>20</sup> President Klaus views efforts to rescue the euro zone and to move towards a political union as a slide towards socialism.<sup>21</sup> This has resulted in a partial de-Europeanisation of the relationship with Germany – for the first time since 2004.

Despite this, however, the Czech government is playing the role of a sort of minimalist partner of the isochromatic CDU-CSU/FDP government: The German government’s main interest is concentrated on overall economic policy and the culture of budgetary discipline – Berlin needs the support of every individual country as a counterweight to the predominance of southern EU states. The significance of such cooperation was elevated by the victory of the left-wing candidate in France’s presidential elections.

The ČSSD, which has a good chance of winning the 2014 parliamentary elections, has a European agenda compatible with Germany’s permissive consensus on the EU.<sup>22</sup> The weakened Green Party and the KDU-ČSL, which are attempting a return to national politics, have a similar orientation. For example, the KDU-ČSL’s programme advocates a strong and solidary EU, and considers Germany to be without question the country’s most important EU partner both politically and economically.<sup>23</sup>

Chief Justice of the Constitutional Court Pavel Rychetský refers to the intrasocietal significance of continuing the integration process. He criticises the policy of “the gradual isolation of our country and its detachment from the common integrative effort” as deleterious, arguing that purely internal resources are insufficient for achieving necessary social change in the Czech Republic (the struggle against clientelism and the struggle for a renewal of shared values).<sup>24</sup>

## **German leadership in the EU?**

### **Relatively few reservations; rather, differentiated expectations**

The “nation-state-based” current in Czech politics views German leadership in the EU as problematic and potentially unacceptable. A minority was accusing Germany of hegemony and dictates even before the euro crisis. In 2010, Václav Klaus stated that “Germany [had] achieved through peaceful means the clear European *hegemony* which it had unsuccessfully sought in two world wars”.<sup>25</sup> Petr Hájek, the deputy chancellor to President Klaus, has stated that the Czech

Republic has come back under a *German protectorate* and that the European Union is an attempt to create a “*Fourth Reich*”.<sup>26</sup> This vision is also shared to a certain extent by the KSČM, which interpreted the consensus between the Czech and German governments on the policy of budget cuts as further proof that the Czech Republic has become a semi-colony of German capital.<sup>27</sup>

Much stronger is the position represented by most of the ODS, which underscores the principle of intergovernmental cooperation in the EU while at the same time criticising the fact that the main European initiatives are prepared mainly at the intergovernmental level in the Franco-German tandem and in smaller groups of countries.

By contrast, the “national-federative” current basically does not have a problem with German leadership, although Minister Schwarzenberg (TOP09) believes that the Germans should not present themselves as examples and rescuers.<sup>28</sup> The ČSSD and the Greens see Germany’s role as key, and advocate instead for greater conceptual elaboration of the reform strategy and greater solidarity within the EU.

The tasks facing German policy – facing Chancellor Merkel – are being discussed in the Czech press, and the course of this debate (with the continuing dominance of the neo-liberal discourse) in the serious dailies suggests marked empathy for the German position. On the domestic political front, Angela Merkel’s tasks are to formulate a convincing strategy for rescuing the euro, to win over German voters to her side, to muffle critics, to come to terms with the weakening of her coalition partner, the FDP, and to sort out the strained relationship with the CSU.<sup>29</sup> A relatively widespread view is that without a political solution (fiscal union, bond purchases by the ECB) it is probably not possible to stabilise the euro in the long term. Here, Germany is perceived not as a hegemon but as a cautious and unwilling actor which is slowly gravitating towards this solution.<sup>30</sup>

It is emphasised that Germany’s influence in the euro zone has of course grown, and that Germany has asserted its own interpretation of the crisis, according to which the main cause of the difficulties is excessive sovereign debt (in the Czech discussion, this view is often criticised as simplistic). Nevertheless, Europe “is decidedly not setting funds aside under some German dictate”, and during the past three years Germany has made concessions in its model that were previously unthinkable.<sup>31</sup>

There is no consensus on the risks and costs of a possible political union, nor by contrast on those of a euro-zone break-up. It is widely believed that Germany would benefit from both scenarios – either as EU hegemon (at least in the budgetary-financial sphere), or as a nation state liberated from “the reins of solidarity”.<sup>32</sup> Rather than for its leadership (or even its “dictate”), German policy tends to draw criticism for succumbing to pressure from southern EU countries (in particular France, Italy and Spain) on “collectivisation of debt” and for not being willing to admit this to its domestic audience.<sup>33</sup> With understanding it is stated that Chancellor Merkel “at least succeeded in bringing banks under a common

oversight regime”.<sup>34</sup> Understanding can also be found on the issue of the legitimacy of financial transfers; it is conceded that Berlin can establish a budgetary union and increase transfers to the south “only as fast as member states are willing to give up fiscal autonomy”.<sup>35</sup>

Cautious predictions are taking shape on the results of Germany’s parliamentary elections in 2013. If Angela Merkel wins, it is assumed that the present course will continue; if the SPD wins, there will likely be a change towards support for the idea of eurobonds and reducing the pressure on Greece and other southern states in order to give them “breathing room”.<sup>36</sup>

### **Conclusion: “A European state without Europeans” – prospects for Czech Euroscepticism**

Over the course of the euro-zone crisis, there has been an extraordinary increase in public scepticism not only towards the euro but also towards the EU in general, and for the first time this has become a majority view.<sup>37</sup> This trend is strengthened by the Eurosceptic posture of part of the political establishment and the ambivalent approaches of most government representatives. If the Weimar Republic was called “a democracy without democrats”, then the Czech Republic mostly presents itself as “a European state without Europeans”. The consequences of this emptying of the political space could be of fundamental importance.

Nationalism has no roots in Czech political life; no long-term nationalist party has ever been established here. The Czech Republic does not even have a populist actor such as Beppe Grillo in Italy, and both right- and left-wing populist groups remain marginal in society.

If, however, the Czech Republic is to contribute significantly to the stabilisation of the southern European countries, it can be expected that the public reaction will be identical to that in Germany: unwillingness to restructure the “profligate” states in contrast to which the Czech public and in part also Czech policy are increasingly defining themselves.

A dangerous situation could arise, however, if in the aftermath of the recent electoral defeat (see the de facto victory of the Communists in regional and Senate elections in October 2012<sup>38</sup>) a weakened ODS were to reconsider its traditional anti-communist campaign and choose to turn completely against the EU instead, making Euroscepticism its ideological and political programme.<sup>39</sup> Such a development on the political stage at a time of low EU popularity could fundamentally influence the demeanour of the Czech public and of Czech politicians vis-à-vis the EU, further marginalising the Czech Republic in the European integration process.

### **About the author:**

*JUDr. Vladimír Handl, CSc. (b. 1957) is a researcher at the Institute for International Relations (Prague) and teaches at the Department of German and Austrian Studies (Institute for International Studies, Faculty of Social Sciences, Charles University). He focuses mainly on German foreign policy, Czech foreign policy and the transformation of the successor parties to former Communist Parties in Central Europe.*

English translation: Evan Mellander

---

<sup>1</sup> The EU as a whole accounts for 81% of Czech exports and 64.2% of its imports. All figures are from: "External Trade by Group of Countries, January - July 2012". Table 3. Czech Statistical Office, 2012.

[http://www.czso.cz/csu/2012edicniplan.nsf/t/7000350F3B/\\$File/6001120703a.pdf](http://www.czso.cz/csu/2012edicniplan.nsf/t/7000350F3B/$File/6001120703a.pdf).

<sup>2</sup> *Koncepce zahraniční politiky České republiky*. Praha: Ministerstvo zahraničních věcí ČR, 27 August 2011.

[http://www.mzv.cz/file/675937/koncepce\\_zahranicni\\_politiky\\_2011\\_cz.pdf](http://www.mzv.cz/file/675937/koncepce_zahranicni_politiky_2011_cz.pdf).

<sup>3</sup> Trust does not necessarily apply to policy within the EU: Czechs have even greater trust for Czech President Klaus, who represents the opposite end of the spectrum of opinions on the EU to the Chancellor. See "Důvěra vybraným politikům v mezinárodním kontextu – listopad 2011". Public Opinion Research Center (CVVM), press release, 29 November 2011.

<sup>4</sup> Weichsel, Volker (2007): *Tschechien in Europa. Nationalpolitische Traditionen und integrationspolitische Konzepte*, Berlin.

<sup>5</sup> Klaus, Václav: "The Bruges Group Speech about Europe", 3 May 2012, <http://www.klaus.cz/clanky/3091>.

<sup>6</sup> Beneš, Vít – Braun, Mats (2012): "Evropský rozměr české zahraniční politiky". In: Kořan, Michal – Ditrych, Ondřej (2012): *Česká zahraniční politika v roce 2011. Analýza ÚMV*. Praha – Ústav mezinárodních vztahů (in press), pp. 57, 59.

<sup>7</sup> "Tschechien will sich freiwillig an Schuldenbremse halten", *Der Spiegel-online*, 3 April 2012.

<http://www.spiegel.de/politik/ausland/tschechien-will-sich-freiwillig-an-europaeischen-fiskalpakt-halten-a-825549.html>.

<sup>8</sup> "Silné a jasné české ‚možná‘. Komentář místopředsedy TOP09 Marka Ženíška", 3 February 2012.

<http://www.top09.cz/co-delame/medialni-vystupy/zenisek-silne-a-jasne-ceske-mozna-8854.html>.

<sup>9</sup> "Ein Europe der Kleingeister". Spiegel interview with Karel Schwarzenberg, 9 January 2012.

<http://www.spiegel.de/spiegel/print/d-83504601.html>.

<sup>10</sup> Zaorálek, Lubor (2012): "Nečas Evropě nerozumí". Author's blog, 28 August 2012.

<http://www.cssd.cz/aktualne/blogy/necas-evrope-nerozumi/>.

<sup>11</sup> *Evropa a my. Zelená kniha ČSSD o evropské politice* (2012). <http://www.cssd.cz/program/program-podle-vas/evropa-a-my/>.

- 
- <sup>12</sup> “Stanovisko ČMKOS k návrhu státního rozpočtu a výhled české ekonomiky na rok 2013”. Českomoravská konfederace odborových svazů, 20 September 2012, p. 12.
- <sup>13</sup> *Otázky Václava Moravce*, Czech Television, 7 October 2012. <http://www.ceskatelevize.cz/ivysilani/1126672097-otazky-vaclava-moravce/212411030501007>.
- <sup>14</sup> “Stanovisko ČMKOS”, op. cit., p. 12.
- <sup>15</sup> Švihlíková, Ilona (2012): “Vzorná země”. *Lidové noviny*, 16 July 2012, p. 9.
- <sup>16</sup> 63.8% of Czech exports go to the euro zone, and the Czech Republic imports 50.5% of goods from the euro zone. See “External Trade by Group”, op. cit.
- <sup>17</sup> “Projev předsedy vlády Petra Nečase na poradě vedoucích zastupitelských úřadů České republiky”, 28 August 2012, Prague. <http://www.vlada.cz/scripts/detail.php?id=98470&tmplid=50>.
- <sup>18</sup> Nečas, Petr (2012): “Máme ‚luxus‘ svobodné volby”. *Lidové noviny*, 2 February 2012. <http://www.euroskop.cz/9002/20276/clanek/necas-mame-luxus-svobodne-volby/>.
- <sup>19</sup> Bauer, Jan (2012): “K federalizaci nelze dojít nespravedlností”. *Lidové noviny*, 3 July 2012, p. 9.
- <sup>20</sup> “Projev předsedy vlády Petra Nečase”, op. cit.
- <sup>21</sup> Klaus, Václav: “Global Governance and its European Variant”. 11 June 2012. <http://www.klaus.cz/clanky/3116>.
- <sup>22</sup> See *Evropa a my*, op. cit.
- <sup>23</sup> See e.g. *Volební program KDU-ČSL 2010-2014*, p. 37. <http://kdu.ecpaper.cz/#page=36-37>.
- <sup>24</sup> Rychetský, Pavel: “O rozpadu a renesanci hodnotového system”. 29 February 2012, *Česko hledá budoucnost*. <http://ceskohledabudoucnost.cz/index.php/cs/ocima-osobnosti/66-rychetsky>.
- <sup>25</sup> Klaus, Václav: “Klasický liberalismus se dostal v současnosti do viditelné defenzivy”. *Parlamentní listy*, 8 July 2010.
- <sup>26</sup> Petřík, Lukáš: “Železný: Z EU vystupovat nemusíme. Ona se úspěšně drojí sama”. *Parlamentní listy*, 3 July 2010.
- <sup>27</sup> “Grospič: Sociální škrty se souhlasem Merkelové”. *Haló noviny*, 21 August 2010. <http://www.kscm.cz/article.asp?thema=2742&item=50199&category=&previev=archiv>.
- <sup>28</sup> “Ein Europe der Kleingeister”, op. cit.
- <sup>29</sup> Sládek, Jiří (2012): “K záchraně eura vedou tři cesty”. *Hospodářské noviny*, 30 August 2012, p. 6.
- <sup>30</sup> Hudema, Marek (2012): “Sever proti Jihu. Potížisté opět táhnou zbytek Evropy do krize”. *Hospodářské noviny*, 15 August 2012, p. 2.
- <sup>31</sup> Houska, Ondřej (2012): “Německo: rozpačitý lídr”. *Hospodářské noviny*, 14 August 2012, p. 9.
- <sup>32</sup> Fištějn, Jefim (2012): “Na ztracené vartě”. *Lidové noviny*, 13 July 2012, p. 10.
- <sup>33</sup> Zlámalová, Lenka (2012): “Rozdělení společnými dluhy”. *Lidové noviny*, 12 July 2012, p. 8.

---

<sup>34</sup> Zlámalová, Lenka (2012): “Sjednocení soukromých dluhů”. *Lidové noviny*, 2 July 2012, p. 12.

<sup>35</sup> Bureš, Jan (2012): “Euro jako politický project”. *Lidové noviny*, 15 October 2012, p. 13.

<sup>36</sup> Schuster, Robert (2012): “Německo-francouzský motor v křeči”. *Lidové noviny*, 29 August 2012, p. 10.

<sup>37</sup> “Názory na Evropskou unii – duben 2012”. Public Opinion Research Center (CVVM), press release, 8 June 2012.  
[http://cvvm.soc.cas.cz/media/com\\_form2content/documents/c1/a6883/f3/pm120608.pdf](http://cvvm.soc.cas.cz/media/com_form2content/documents/c1/a6883/f3/pm120608.pdf).

<sup>38</sup> Cienski, Jan (2012): “Communists win Czech local elections”. *Financial Times*, 14 October 2012.  
<http://www.ft.com/cms/s/0/8fe182b6-1610-11e2-9a8c-00144feabdc0.html#axzz29pdJXqzy>. For the results of the regional elections and supplementary Senate elections (October 2012) see the Czech Statistical Office’s election server on [http://www.volby.cz/index\\_en.htm](http://www.volby.cz/index_en.htm).

<sup>39</sup> The author is grateful to Vít Střítecký, Institute for International Relations (Prague) for proposing this scenario.