

POLICY PAPER

Implications of Brexit in EUs Decision Making for the Czech Republic

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- **If Brexit happens, the EU will be deprived of the largest non-Eurozone country with a reputation of a “single market pioneer”.**
- **In the minds of Czechs, the loss will be even greater as the Czech public administration, and to certain extent also politicians, usually considered Czech support to deepening of the Single Market as the positive contribution of the Czech Republic to the European integration.**
- **In this sense, the UK has been perceived as a country that could help the Czech Republic in its effort to become an influential and respectable EU member state.**



Introduction

On the other hand, one might think that the UK's popularity in the Czech Republic is slightly misplaced. Brexit was primarily driven by an absolute refusal of one of the Single Market's pillars – the freedom of movement. Secondly, the latest sociological data¹ suggest that economic aspects of the EU are either not understood by the Czech citizens, or they simply take them for granted and do not consider them as vital. It seems that Czechs primarily require the EU to provide protection against the "outer world" – preserving peace and social cohesion, but also "quality of life" – safe products, clean environment and high quality of the health system. Issues such as free trade or harmonization of the Single Market do not occupy a high spot on their priority list.

That said, Brexit poses unique challenges to the EU's decision making and reducing its impact only on Single Market or international trade would be a simplification. This policy paper therefore strives to broaden the debate about Brexit implications of Czech position in the EU from narrowly trade focused to a comprehensive deliberation about EU's changing political landscape. The paper will consecutively elaborate the change of arithmetic in QMV system, Brexit's impact on the European political arena, and on selected policy areas. The aim is to provide reader with a comprehensive assessment of Brexit's impact on the Czech EU policy and suggest further steps that might help the Czech Republic to adapt to new status quo.

Weight of the Czech Voice after Brexit

The current Lisbon QMV system stipulates that in order to reach a decision, at least 55% of the member states must vote in favour of the bill, and these states must simultaneously represent 65% of the EU's total population. A blocking minority must gather at least three countries

representing more than 35% of the EU population. Importantly, these numbers were not coincidentally made up – they were cautiously calibrated with respect to the contemporary balance of power, as well as the presumed accessions. As one senior Czech government official from Foreign Ministry anonymously admitted, if there was another negotiation, the required percentage for QMV would be set higher and number of states needed for blocking minority would decrease. In other words, the current QMV system was also calibrated with respect to the UK membership.

Based on calculations conducted by CERGE-EI Institute, the most populous states – Germany, France, Italy, Spain and Poland – will see significant gains in terms of the weight of their voice in voting QMV-regards, whereas other member countries will experience a slight decrease in weight of their voice. Furthermore, the possibility to reach a blocking minority without Germany, will be practically unfeasible. From the Czech perspective, it is important to mention that Poland will, due to the size of its population, become a strong and important actor – CERGE-EI stipulates that its presence in winning coalitions will be decisive in 13% percent more votings.²

These calculations should, however, be taken with caution. Although they suggest a quite extensive shift in voting power, as Swedish Institute for European Policy determined, the real impact of Brexit will be mild. By analysing past QMV voting, the researchers came to the conclusion that around 90-95% of voting would have had the same result, had the UK not been a member of the EU³. Furthermore, they also claim that the Czech Republic would not be the most effected member state in the informal negotiation networks, as the UK tended to communicate more with Ireland, Denmark and Sweden. Overall, it seems that the Czech voting power will not significantly suffer nor gain from Brexit. The Czech Republic will only have to

¹ Sociological data were gathered by STEM agency and Behavio labs in cooperation with the EUROPEUM Institute for European Policy at the beginning of 2019. More information accessible in Czech on: https://www.irozhlas.cz/zpravy-domov/eu-evropske-volby-studie-vyzkum-data-euroskeptici_1904290706_jab

² See: https://idea.cerge-ei.cz/files/Brexit_MachacekHrtusova_CZE.pdf.

³ Huhe, Narisong, Naurin, Daniel, Tomson, R.: „With or without you? Policy impact and networks in the Council of the EU after Brexit“. Swedish Institute for European Policy Studies, 2017.

accustom to new reality when larger states will play a greater role in the EU's decision-making process.

Rethinking the European Political Arena

Before diving into suggestions on how to navigate in the new post-Brexit realities, a few general remarks describing the ideal approach to EU negotiations and coalition building must be outlined. Firstly, the Czech Republic must clearly define its positions based on a solid analysis created within the Czech public administration, and simultaneously needs to know what it can offer other states; what its additional value to entering a coalition might be. Traditionally, the Czech Republic has been known as a reactive player at the EU level, rather complaining about enacted decisions than coming up with own ideas. If the Czech Republic wants to be successful after the Brexit, it must change this modus operandi and become significantly more constructive.

The Czech Republic should also start thinking creatively about new future coalitions, not to limit its attention only to already existing and well-established partnerships (e.g. Visegrád 4). This mainly means not to interpret diverging opinions from the rest of the V4 as "a stab in the back", but rather an actual disagreement on given policy. The Czech Republic is not obliged to support its close allies in every single case, especially if copying others' positions would harm Czech reputation at the EU level. Such isolation could for instance happen, if the Czech Republic vocally supported Poland and Hungary in their disputes over the rule of law with the European Commission. On the contrary, Czech policy makers could take advantage of the Polish/Hungarian problems and present the Czech Republic as a moderate country, not slipping into systemic breach of the rule of law principle.

Thirdly, the Czech Republic should strive, primarily due to its rather small voting power, to position itself at dividing lines. The goal is to become a deal-broker, proposing innovative compromises that simultaneously lean towards the Czech ideal outcome. A perfect example of this tactic was the revision of the posted-workers directive, where

Czech negotiators, along with Slovaks and Austrians, managed to propose a compromise proposal that was eventually enacted.

Regional cooperation

As a consequence of Brexit, new regional groupings have emerged, and existing old and traditional cooperative partnerships started contemplating how they should change their modus operandi in the transforming European political arena. The Czech Republic must also adjust to new realities and, if viable, consider the viability of Czech participation in and outreach to regional communities.

The Visegrád Four

Visegrád Four is a well-known regional organisation consisting of Poland, Hungary, the Czech Republic and Slovakia. Although it had already been established in 1991, the cooperation became more commonly known during the migration crisis in 2015/16. Its brand suffered significantly due to the resistance to migration quotas as well as deteriorating rule of law combined with "cultural dispute about European values" unleashed by the Hungarian prime minister Viktor Orbán and Polish ruling party PiS. Nowadays, the brand V4 is, often righteously, associated with corruption, illiberal democracy and unconstructive opposition to solutions to important European questions.

There is no wonder that the presence of the Czech Republic in such a grouping poses a significant challenge. On one hand, it is a useful platform for discussion about European as well as regional issues such as culture, economy and transport courtesy of geographic proximity and historical relations and experiences. On the other hand, being perceived as devoted member of the V4 damages the Czech reputation. The V4 is often believed to be a united block, which results in many policy makers ascribing the Czech Republic qualities based on their experience with Hungary and Poland. Consequently, Czech counterparts in the EU are significantly more sensitive to any deviation of the Czech position from the EU mainstream, making it easier

for them to disqualify any constructive suggestion as “unconstructive” or “anti-European”.

Consequently, Czech policy makers should avoid promoting the, to the outside, entrenched V4 identity, lest Czechs risk being dragged into cultural disputes eagerly fuelled by Hungary. The V4 should solely be considered as an organisation created in order to facilitate regional relations and harmonize positions for EU issues, and never perceived as a Hungarian or Polish project whose leadership the Czech Republic is obliged to follow. Close alignment with the V4 might cause Czech isolation at the EU level, which is something that directly contradicts the Czech vital interests – being acknowledged as a respectable and constructive country with close and firm ties to the EU integration core

The Hanseatic League/New Hansa

The Hanseatic League, also called New Hansa, was established in February 2018 by eight EU member states⁴ as a reaction to Brexit process. The grouping stands for liberal economic policies, deepening of the Single Market and free trade. To a certain extent, its goal is to fill the power vacuum left by the UK. The participating countries hope that they might substitute United Kingdom in its efforts to counter Franco-German cooperation. Moreover, since the New Hansa consists of both Eurozone as well as non-Eurozone member states it makes the grouping a very useful platform for reaching agreement between Eurozone and the rest of the EU.

The New Hansa presents a good partnership opportunity for the Czech Republic. It is not only a market-oriented grouping, but also consists of states which has not yet, or never will, adopt the Euro. Czech policy makers seem to understand this. On 21. February 2019, Czech officials, along with the New Hansa, took part in a preparatory meeting of finance ministers and harmonized its position for the upcoming ECOFIN session. Similar talks have continued since then, and for the time of being, this loose scheme of cooperation works well.

The question is obviously whether the Czech Republic should strive for a full membership in the grouping. It would surely help its reputation and might bring it closer to the integration core. However, the main obstacle seems to be lack of interest from the New Hansa’s side. The Czech Republic has no access to Baltic sea, and it is doubtful if Czechs are regarded as a valuable asset due to its close alignment with the V4.

Austerlitz Cooperation

The Austerlitz Format was established in 2015 by three Central European countries - Austria, the Czech Republic, and Slovakia, in order to strengthen regional cooperation, as well as provide a platform for discussion about European-wide issues. The establishment of the cooperation was enthusiastically welcomed among Czech civil servants and diplomats, who were alarmed by the growing rift between the EU and V4 during the migration crisis. The main concern was that the Czech Republic would be isolated along with other V4 member states, which might have been further strengthened had the Eurozone started developing into a strong EU core without deep links to the rest of the EU. In this respect, the Austerlitz format was perceived as an additional channel to V4. Czechs hoped it might have reminded the European audience that V4 was not a rigorous and formalized organisation, and that its members should not be confused with controversial Hungary.

The problem is that although the Austerlitz format has already proven beneficial in practice, e.g. it played a pivotal role in finding consensus over the revision of the posted workers directive, it still survives in a rather vegetative state. Czech public servants often complain that there is not enough interest on the Austrian side, and that the current Czech political elite does not appreciate the potential of the format.

Even though one might raise serious doubts about the sustainability of Austerlitz, it is still recommended that the Czech Republic invests energy and political capital in the cooperation. Further development of the format could allow

⁴ Hanseatic League consists of Ireland, the Netherlands, Denmark, Sweden, Finland, Latvia, Lithuania and Estonia.

Czechs to present themselves as a conciliatory country that is more clearly differentiated from the contemporary governments of Hungary and Poland. Moreover, Austria is not yet a member of any significant regional cooperation, and somehow stands at intersection between East x West as well as South x North divide. Close cooperation with Austria might strengthen the position of the Czech Republic as a deal-broker.

The most relevant policy areas⁵

The Single Market

As mentioned in the introduction, Czechs predominantly associate the UK with the preservation of liberal economic policies, fiscal prudence, efforts to deepen the Single Market as well as support to EU free trade agreements. Although rejection of the free movement was one of the main driving forces behind Brexit, we can assert with confidence that UK (still) belongs to the most economically liberal EU member states. For years, it also acted as a counterbalance of the Franco-German tandem, which had a pivotal role in consensus-finding at the EU level.

The UK leaving the EU means that the Czech Republic will have to be more precautionary and look for other partners than UK. From the Czech perspective, the harsh truth is that there is no other EU country that could substitute the UK, no one possesses its economic strength nor population and would simultaneously favour liberal economic policies. When countering the French/German influence, the small and mid-size member states will need to cooperate closer and coordinate its steps. For the Czech Republic, it mainly means reaching out to the New Hansa, which could, to some extent, fill the vacuum left by the UK. Another suggestion is to strengthen its cooperation in Austerlitz Format and become more flexible in creation of new case by case coalitions.

Eurozone

⁵ The following policy areas were also independently determined by the VoteWatch analysis looking at proportion of MEPs in various EP committees. They determined that CEE MEPs predominantly gather in Internal Market and Defense&Security

The most serious concern for the Czech Republic is the growing strength of the Eurozone. Until Brexit, the United Kingdom acted as the primary opposition to the monetary union, making sure that EU decisions are made by all member states, not only in advance by Eurozone countries. After the UK leave, the Eurozone will emerge in the EU as a decisive European player. No voting/blocking in the Council will pass without the consent of at least one Eurozone country.

Since the Eurozone can, according to the treaties, create a parallel Council, and France under the leadership of Emmanuel Macron is more than eager to create a two-speeds Europe, the Czech Republic could potentially end up at European periphery where its influence would be significantly limited. In other words, if the Eurozone started to spread its activity to EU-wide issues, the Czech Republic could not afford any longer to waver in terms of committing to the Eurozone.

For the time of being, however, the Czech Republic needs to invest more energy into Eurozone issues.. This mainly means that Czechs must create positions on Eurozone issues, and actively communicate them. They might also want to consider joining the Banking Union and negotiate about participation in other Eurozone projects, should they emerge. It is vital that the Czech Republic is not left outside the real decision-making framework in the EU.

Lastly, Czech politicians and opinion makers must finally initiate a serious discussion about the final date for the Czech accession to the Eurozone. They must start explaining the Czech population, which is extremely negative towards the Euro, what the risks the current limbo state poses and explain the benefits of Eurozone membership. Without popular opinion makers seriously supporting the accession, the Czechs will never be convinced to join the Eurozone.

Defence & Security

committees. More on: <https://www.votewatch.eu/blog/concentration-of-nationalities-in-key-ep-committees-reveals-agendas/>.

In the last few years, the EU defence and security policies experienced rapid development, mainly marked by the introduction of PESCO. The Czech Republic belongs to the most enthusiastic countries and took part in the first wave of PESCO projects. Unfortunately, since the 2017 general election, the Czech policy makers have seemed to lose interest. Such an abrupt change in attitudes came as a surprise to many people. In the mind of Czech pundits, the PESCO cooperation meant much more than a beginning of future European defence capabilities, but also a tool designated to keep the Czech Republic close to the integration core.

One of the reasons for this policy shift might be that the new government led by Andrej Babiš simply favours a more intergovernmental Europe and does not perceive any risk in Czechs emerging at the orbit of the EU integration core.⁶ Another aspect could be that 'multi-speed Europe' has not (yet) materialized, and Macron's reform spirit is slowly petering out. In other words, something that seemed imminent in 2016 and 2017, does not any longer occupy the minds of Czech top politicians.

That said, from a strictly long-term perspective, it does not make any sense for Czechs to withdraw or limit their participation in PESCO. If Brexit happens, it will cause one of the biggest shifts in European balance of power since the end of the Cold War. With the unpredictable US president Donald Trump and a resurgent revisionist Russia, the EU needs to develop its defence autonomy. Another concern might be the unstable surrounding of the EU. As the Schengen crisis and fight against terrorism in sub-Saharan Africa showed, the EU's current military capability is extremely limited. The world has changed since the 1990s, and old partnerships are not guaranteed to last. If the EU wants to thrive, it needs to invest in its protection.

Finally, there is another case to be made with regards to Czech support to the EU membership. A deeper involvement in EU defence and security structures might

help to foster pro-EU sentiment within the population. Czechs seemingly lack a "grand narrative" for their membership in the EU, and the defence pillar of the EU might serve this purpose very well. In our sociological research, data showed that Czechs do feel insecure and would appreciate the EU to do more in this regard. Politicians and policy makers should take advantage of the sentiment and start presenting the EU as something that provides security to the Czech citizens. Letting slip such an opportunity might prove fatal in the long run.

⁶ The Czech government manifesto in deed contains different narrative from the Sobotka's cabinet. Whereas the previous government wanted to „bring the Czech Republic back to Europe“, promising a more constructive approach to the EU issues and closer

alignment with Eurozone, Mr. Babiš pronounced that the EU must „do less and better“ and decisions should be made collectively on strictly intergovernmental level.

Conclusions

- The fears of Brexit causing lasting political damage to the Czech Republic seem unjustified. The Czech Republic will only experience a slight decrease of its voting power in QMV system and its informal network will adapt.
- Czechs should, however, reconsider their current approach to EU negotiations. The Eurozone will become an even more major player post-Brexit, and the EU's political map will be more scattered. Simultaneously, new regional cooperation – such as the New Hansa – emerged.
- The Czech Republic should facilitate contacts with countries outside the V4 and restrain from any controversial V4 activity. This means mainly cooperation with the New Hansa, and within Austerlitz Format.
- Czech policy makers must become more active with regard to the Eurozone – facilitate contacts within the bloc and not ignore its problems. Furthermore, Czechs need to start debating the final date of the Czech accession to the Eurozone.
- The Czech Republic should more actively participate in European Defence & Security structures. Not only does the EU need to develop its defence autonomy, but promoting security aspects of the Union might potentially have a positive impact of the Czech perceptions of the EU.

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