

## Two decades on from the break-up of Czechoslovakia: Departures, diversions and destinations

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with a foreword by **Tim Haughton**

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On the stroke of midnight on 31 December 1992 a state disappeared from the map. Czechoslovakia, which had been forged in the aftermath of World War I, divided. A potent cocktail of factors mixing long-standing resentments, nationalism, weaknesses in institutional design, different views of economic transformation and political opportunism proved toxic for the longevity of Czechoslovakia. The split was largely driven through by two men, Václav Klaus and Vladimír Mečiar, who won the 1992 elections in their respective parts of the federation. Klaus and Mečiar had different views on two themes that had fuelled post-communist Czechoslovakia's imbroglio: the speed of economic reform and the degree of autonomy Slovakia should have in any new constitutional settlement. Indeed, they could not agree on much, but splitting the state offered an easy – if rather drastic – solution to their disagreements.

Two decades on, there appear to be few differences between the two republics. Both countries have ended up in much the same place. The post-communist challenges of democratisation, 'marketisation', state-building and integration into the EU and NATO, have largely been met. Moreover, relations between the two states and their citizens have perhaps never been better. The current Czech and Slovak governments of distinctly different political hues held a joint cabinet meeting in 2012. Even TV talent shows cross state boundaries in their search for superstars from Czechoslovakia.

Nevertheless, all is not rosy and harmonious in Central Europe. Corruption still pervades too much political and business life in both the Czech and Slovak Republics, fuelling disillusionment among voters and providing ample ammunition for new political parties promising to eliminate shady behaviour. As the case of the Czech party Public Affairs illustrates so well, however, many of these anti-corruption parties prove in practice to be less than exemplary and are just vehicles for the pursuit of other business interests.

Whilst after 20 years the end points may be similar, the journeys have been very different. The split not only strengthened the positions of Klaus and Mečiar, but made it easier to pursue radical political and economic strategies, especially in Slovakia. Slovakia's sinuous

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path over the past two decades included periods when it was labelled the "black hole of Central Europe"; a spell when it became the star in the neoliberal firmament with a radical socio-economic package, including a trend-setting flat tax. More recently, under left-leaning Prime Minister Robert Fico, Slovakia was admitted into the Schengen zone and the euro. The country's radical shifts in policies over the past two decades owed much to the dominant politicians who pushed them through, but were also facilitated by a relatively weak civil society that rarely exerted influence.

Initially the Czechs seemed to be unburdened when they parted company with the Slovaks. The country appeared to be a trail-blazer for Thatcherite economic reform, but Václav Klaus' clever neoliberal rhetoric failed to match the reality. It was a social democratic government under Miloš Zeman that pushed through many of the economic and political changes necessary to ensure EU accession. Klaus returned to high office in 2003 as president, using his albeit constitutionally weak position to undermine his domestic rivals and lambast the European Union with relentless eurosceptic rhetoric. He even played a role in bringing down the government of his former party colleague, Mirek Topolánek, during the Czech Presidency of the Council of the EU in 2009.

Even Klaus, however, recognised that there is no alternative to EU membership for the Czech Republic. Small states like the Czech and Slovak Republics are vulnerable to the harsh winds of the global markets. They need to be inside the large tent of the European internal market, not least because their prosperity is highly dependent on the motor of the European economy, Germany.

In short, the split offered domestic politicians more room for manoeuvre to pursue their preferred packages of policies, but ultimately such small, trade-dependent economies need to exercise self-restraint and be part of large regional groupings like the EU, especially in austere times.

Developments in both countries in the coming years will hinge to a great extent on broader trends in the European (and world) economy. Nonetheless, recent experience would suggest that in terms of EU politics, the Slovaks will be rather passive whilst the Czechs will be a little more troublesome. In the domestic front, political discourse and competition in both states will largely revolve around the question of competence and corruption.

## The Czech Republic: A return to Europe?

Martina Rubešková and Helena Schulzová

When Czechoslovakia dissolved on 31 December 1992, Czechs believed they were heading towards a brighter future. As sad as the parting of Czechoslovakia was for many Czechs, there was also a certain sense of relief. Slovakia was perceived as an economic burden and the rise of political star Mr. Mečiar was seen as worrisome. Czechs thought they were heading for prosperity in a western safe haven. Yet, 20 years on, the country is still facing painfully familiar problems, which remain unsolved even after two decades of independence. Some key structural reforms need completion. Czech political culture is still quite immature; as can be seen in the instability of coalition governments, the presidential election campaign or the notoriously difficult relationship between President Václav Klaus and the government, which stretches beyond the borders and influence of Czech EU policy.

### *How to celebrate an anniversary?*

The presidents of both Slovakia and the Czech Republic marked the 20<sup>th</sup> anniversary of the dissolution of Czechoslovakia by an amnesty; an amnesty that freed thousands of petty criminals, mostly in the Czech Republic. However, the amnesty granted by President Klaus also – in passing – ordered courts to halt legal proceedings against those whose cases had been ongoing for at least eight years and faced a maximum sentence of ten years' incarceration. The amnesty caused public outcry and, by intervening in judicial proceedings, undermined faith in the rule of law. President Klaus and his office argued that many trials that stretch over such a long period of time are inhumane. On the contrary, others point out; as a consequence, a number of high-profile fraud cases from the time when President Klaus was still prime minister would not be subject to prosecution. In the wake of the amnesty the Senate of the Czech Republic resorted to a rather extreme step. At the end of his presidency, Mr. Klaus faced a high treason charge, which was narrowly forwarded to the Constitutional Court by the Senate. Apart from the amnesty, Václav Klaus might have to explain, among other things, his refusal to sign the Czech Parliament-approved amendment to the Lisbon Treaty on the new rescue fund for the eurozone and his failure to nominate constitutional judges. It is now up to the discretion of the Constitutional Court whether or not to address the charge laid against President Klaus.

The amnesty probably also had some influence on the first-ever direct presidential election, which took place only days afterwards. Yet, its effects might be hard to decode, since one candidate – Miloš Zeman – was endorsed by Mr. Klaus, whose own popularity dropped from 53% to 26% within a month, due to the amnesty. The other candidate – Karel Schwarzenberg – is a member of the coalition government that takes at least partial blame for the amnesty, since it was co-signed by the prime minister. In the end, it was Mr. Klaus' former political archrival Mr. Zeman who won the election with the help of a smear campaign. Mr. Schwarzenberg was hampered by the fact that he is associated with a very unpopular 'austerity' government, whereas Mr. Zeman, who withdrew from politics ten years ago, was prime minister in times of relative affluence between 1998 and 2002 and retained popularity, despite being associated with several scandals in the past.

The election also showed that the Czech Republic is increasingly socio-economically divided: only in large cities does the current conservative government retain some share of support. Support for Mr. Schwarzenberg came from bigger cities, whereas Mr. Zeman was largely elected by rural voters. The popularity of the left, including of the communists, is growing in

regional politics, too. Nine out of thirteen regions are now ruled by coalition governments of social democrats and communists.

These events cast an ironic shadow over the anniversary and are quite symptomatic of the problems that continue to face the country. Czech coalition governments are by and large unstable and it is not unusual for them not to see out their full term of office. The direct election of the head of the state was debated for the last decade and was finally approved in early 2012, only a year before the end of Mr. Klaus' tenure. This left a relatively short timeframe for adopting and implementing laws, which in the end turned out to be far from perfect and marred the election with constitutional complaints and a threat to delay the election.

### *Arrested development*

In the early years of its transformation, the Czech Republic became accustomed to being cast as the 'valedictorian' of the former communist countries. Yet, in some respects, the country has gone through a period of what could be described as arrested development, with some crucial reforms being postponed or ignored ad nauseam. The last 20 years have left the country with a relatively low level of trust in the judicial system. Scandals that shamed corrupt judges and politicians undermined the credibility of the system, and corruption is consistently cited by citizens as one of the most pressing problems. Outstanding issues that haven't been tackled by any government – left or right – include strong legislation on public service, which should depoliticise the hiring and careers of civil servants. Strong anti-corruption laws are still lacking, as is major healthcare reform. Extremely protective lifelong legislators' immunities were a subject of criticism for decades, yet the willingness of legislators to reform it is doubtful.

Despite the fact that it has been talked about since the early 1990s, reform of the pension system was only approved in 2012, yet the government did not manage to find consensus with the opposition Social Democrats. In return, the opposition is threatening to overrule several key features of the reform as soon as they form a government, which with all probability is going to happen after the next general election. The new civil code may meet a similar fate, which is prepared and should be put into practice as of 2014, as the current opposition is quite vocal about the fact that it does not approve of the new code prepared by the government. The new civil code is needed and would mean a true revolution in the Czech legal system; the current one is still based on the architecture (and logic) of the old communist code, and presents a confusing compound of numerous amendments and legal relics from the past.

Twenty years of an independent Czech Republic might be a turning point, in several aspects. The year 2012 was ground-breaking as there were several unprecedented high-profile arrests, including a serving member of parliament. Corruption cases of high-ranking officers and politicians are no longer taboo, nor are their prosecutions rare.

### *EU as the only option*

The first tasks of the new Czech foreign policy after 1993 seemed pretty clear, as did the internal development, but somehow both became mired in complications along the way. Popular belief in the prospect of a better future by becoming part of the European Union was clearly evinced in the main political rallying cry "Return to Europe". Integration into the EU was one of the main precepts written into the manifestos of most Czech political parties and accession to the EU was top priority for the government of Václav Klaus of the Civic Democratic Party. Today, after almost ten years in the EU the benefit of the membership is

still being questioned. Indeed, in the last few years the Czech Republic could become characterised as growing into an unruly, recalcitrant adolescent in the EU family.

Accession to the EU wasn't only a political priority but was also supported by the majority of the public, who saw it as the only viable option for a return to democratic values and also for the country's economic development. Unfortunately, there has been a lack of discussion about the real meaning of Czech EU membership and about the duties and responsibilities that go with it. The consequences of this lack of public debate continue to be felt, and the political events of recent years are proof of this, with the fall of the government during the EU Presidency, the negative stance towards the fiscal pact and Klaus' requested opt-out from the Charter of Fundamental Rights.

According to most analysts, the newly elected President Miloš Zeman is 'EU-friendly', unlike the outgoing Václav Klaus, as Zeman labels himself a euro-federalist. So it might seem paradoxical that Václav Klaus, with starkly different views on the EU, supported Miloš Zeman during the presidential campaign. Their alliance goes back to the Opposition Agreement signed in 1998 between their two parties, which allowed Zeman to form a minority government. To this day they continue to hold similar opinions on a range of different issues, despite formally occupying opposite ends of the political spectrum. They share power interests, are opposed to a strong civil society in political discourse and in terms of Czech foreign relations they are supporters of warm relations with Russia – (Zeman even suggested that Russia should become an EU member in 20-30 years' time). These shared opinions are more important than their opposing positions towards the EU.

### *Strategy wanted on the EU*

One of the main political issues is the EU fiscal treaty, which Prime Minister Petr Nečas of the Civic Democratic Party refused to sign a year ago. Pundits mostly put this refusal down to internal politics and Václav Klaus' hardline resistance to any policy coming from Brussels or the EU. The Civic Democrats were also bound to resist any EU Treaty that could lead to deeper European integration. One of the government coalition parties, TOP 09, with its leader Karel Schwazenberg, is trying to push the government to sign the fiscal pact. TOP 09 argues that the Czech 'financial constitution' currently being debated in parliament has much stricter conditions than the fiscal pact, so there is no reason to refuse to join it. The prime minister argues that there is no need to sign the fiscal pact until the Czech Republic introduces the euro, but the government is yet to set a target date for its adoption.

Miloš Zeman is of the same opinion and does not expect the euro to be introduced before 2017. As such, even though there are stark differences between Klaus and Zeman, the substance of changes may not stretch very far. Zeman demonstrated his openness towards the EU by the intent to fly the EU flag over the Czech castle after nine years of EU membership. These superficial changes won't alter what really matters – having the Czech Republic back in the heart of Europe and the EU. Even so, it is the government that decides on foreign policy and Miloš Zeman has agreed that the Czech Republic should have just one voice heard abroad. This is an encouraging sign, given Klaus' tendency to promote his own stance rather than that of the government. Even though the Czech president does not possess extensive formal powers, the position allows him to influence public discourse – as Václav Klaus understood during his ten years as president.

Nowadays, the task of the government is clear. It has to decide if the Czech Republic is willing to 'return to Europe' and influence the dynamics and shape of EU integration or become a permanent troublemaker - under the influence of the EU but without the benefits of having a real 'seat at the table'. Notwithstanding this, the last thing the Czech Republic needs at the moment is a president who will follow the same line as Václav Klaus. Instead,

the Czechs need someone to remind them of their economic ties to the EU (more than 85% of Czech exports go to the EU and the economy is closely linked to Germany) and both the responsibilities and the benefits of being members of the EU. However, with the Civic Democrats in government it is very unlikely that the Czech position towards the EU will change. The party's euroscepticism and tendency to 'look up' to the British Conservative Party influences relations with their coalition parties. Indeed, the EU is the primary bone of contention within the governing coalition and this creates a lack of strategy towards Brussels and EU matters in general. Perhaps because of the bumpy start, Slovakia realised early on that the EU is its only option for stability and prosperity, whereas the Czechs kept a certain sense of entitlement that sometimes shapes the Czech position towards the Union.

As pessimistic as this commentary may sound, 20 years since their independence the Czechs enjoy a much higher standard of living, with the freedom to travel and work all around Europe. Trust in a brighter future has receded, also due to the economic crisis that hit the country fairly hard, but Czechs are learning that democracy, once achieved, remains a system that has to be constantly built upon, with no fast and easy solutions. To this end, the EU does not offer a magic wand, but remains the best option, helping to reinforce democratic structures. Nevertheless, many discussions and decisions about the Czech Republic's role in the EU lie ahead, not just for Czech political actors but also for Czech society.

## Slovakia: Fewer problems, more Europe, no initiative

Michal Šimečka

Twenty years after independence, Slovakia's transformation makes for an intriguing narrative. In the 1990s, Slovakia nearly descended into Belarus-style dictatorship and isolation, but, after ejecting its strongman premier Vladimír Mečiar in 1998, leapt to become a success story of European integration and economic growth. The pro-business reforms implemented by the governments of Mikuláš Dzurinda also paved the way for Slovakia to join the eurozone in 2009, second only to Slovenia among the post-communist EU members.

Remarkably, neither successive government turnovers nor the global economic downturn have distorted the upbeat picture.

Slovakia comes across as an island of political stability in a region troubled by eurosceptic strongmen and weak cabinets. Elected by a 44% landslide in March 2012, the socialist Smer party of Robert Fico governs with a near-constitutional majority. Defying fears that single-party rule would beget polarisation or even undermine democracy, Fico has opted for a pragmatic agenda of fiscal consolidation via modest increases in income and corporate tax rates. The Hungarian minority issue - a perennial political resource for nationalists in both countries - all but disappeared from public life.

Slovakia has had a relatively 'good' crisis. While growth plunged from double-digit pre-crisis highs to negative territory in 2009, it swiftly rebounded to an average of over 3% in 2010-2012. Slovakia's banking sector remains sound. So does its fiscal position, with public debt at 50% of GDP and the government pledging to bring the 2013 budget deficit down to 2.9%. The combination of rising unemployment (at 14% as of early 2013), price hikes and wage freezes may yet spawn major social discontent, but so far, the government has successfully headed off attempts at organised protest, most recently by teachers and healthcare workers.

Needless to say, Slovakia remains plagued by the deep-seated structural problems shared by many post-communist societies. High-level corruption and rent-seeking continue to flourish, sustained by networks of pliant law enforcement officials, judges and implicated political elites. Tellingly, the selection of a new prosecutor-general - who, if truly bold and independent, would see through trials that could wipe out an entire generation of politicians - has been the most combustible issue in Slovak politics in recent years.

Beyond the rule of law, Slovakia struggles with the enduring social misery and segregation of the 0.3m-strong Roma minority. Regional disparities are also profound: eastern regions, cut off from the main nodes of transport infrastructure, are unable to attract investment and jobs. The economy remains structured around a handful of behemoth enterprises, whose performance hinges on the health of the global automotive industry. The country has yet to reduce its near-total energy dependence on Russia.

### *The domestic consensus on Europe*

Nonetheless, in the big picture of the European crisis, Slovakia projects a constructive and stabilising image. Unlike the Czech Republic, it remains staunchly pro-European and clings tightly to the eurozone core. Despite some hesitation over the bailout for Greece, Bratislava supported all the recent crisis resolution initiatives - from the fiscal compact through to banking union to future Eurobonds - and partakes in the financial transaction tax project.

Euroscepticism of the petty variety espoused by the Czech centre-right is a marginal - and ineffective - force in Slovak politics. In November 2011, the Freedom and Solidarity party (SaS), a junior partner in the centre-right coalition led by Fico's predecessor, Iveta Radičová,

refused to support the Greek bailout package, arguing that poorer and more responsible Slovaks must not pay for the profligacy of wealthier Greeks. In the high-stake drama that ensued, Fico - in opposition at the time - offered Smer's votes instead, but extracted early elections in return. The fallout from the standoff has been instructive: SaS' ideological rigidity and irresponsible brinkmanship left it ostracised by fellow centre-right parties who backed the Greek package in the name of European solidarity. In the 2012 snap election, SaS garnered a meagre 5.8% of the vote.

The broad domestic consensus on EU policy comes down to a mix of realism and psychology. Hard-nosed calculations of national interests certainly play a role. As a small member state, Slovakia stands to profit from a stronger Community method. Meanwhile, the country's export-led economy is fully dependent on the fortunes of the eurozone, and its security (especially energy security) is inextricably tied to that of the EU.

But the political psychology and discursive framing of EU integration are just as consequential. It is worth recalling that, unlike the Czech Republic - whose inclusion in the first wave of NATO and EU enlargements was never in doubt - Slovakia spent the 1990s worrying whether the West would ever accept it. The memories of uncertainty - and self-perception as a periphery - continue to guarantee that the Slovaks' approach to Brussels is free of the over-confidence and entitlement that sometimes shape the Czech positions. Having stared into the abyss of autocracy and economic breakdown, Slovak voters still perceive EU membership as an existential affair: a barrier against excesses of national leaders. Some polls even show that EU institutions enjoy more trust and subjective legitimacy than national ones.

Ever-closer European integration is also integral to Slovakia's stylised identity as a success story. In the narrative, embeddedness in the EU's variable geometries - membership, the Schengen area, the eurozone, and now the German-led inner core - signifies the ultimate measure of success. Ironically enough, the narrative was orchestrated by the would-be eurosceptics: the centre-right opposition parties of the Dzurinda and Radičová governments whose electorates are disproportionately pro-European (neither newcomer SaS nor the Czech centre-right bear comparable pedigrees). As long as they remain afloat and Smer holds on to the mainstream socialist view on EU affairs, the domestic consensus will prevail.

### *The limits of contribution*

For the current government, the dilemma is how to navigate the Franco-German dissonances in pursuing deeper integration. As a fellow socialist, Robert Fico is compelled to stand behind François Hollande on issues such as Eurobonds, EU-wide growth measures or an end to all-out austerity. As Slovakia's premier, he must accommodate the views of Germany, a principal strategic and trading partner whose vision of strong community institutions is a better overall fit with Bratislava's interests than the French intergovernmental model. In this respect, fiscal prudence at home lends the Fico government enough flexibility vis-à-vis Germany to sustain the balancing act.

Unfortunately, the government's strategic thinking on Europe does not extend much beyond that basic calculus.

Having accrued economic credibility and political capital, the country is missing an opportunity to be pro-active: to put forth substantive ideas and build coalitions around them. Indeed, while it lacks Poland's size and structural power, Slovakia belongs to the eurozone core. Few European leaders command a stronger electoral mandate or possess more prime-ministerial experience than Robert Fico (Donald Tusk is one). Despite a reputation tainted by the 2006-2010 alliance with Mečiar and the hardline nationalists, Fico



carries considerable authority in the Council, as does his foreign minister, Miroslav Lajčák. All of this puts the country in a good position to shape the debate.

Slovak policy-makers, however, lack the political imagination and boldness of ambition displayed by their Polish counterparts. Bratislava is traditionally active in the EU's foreign and neighbourhood policies, especially in the Eastern Partnership and the Western Balkans. But on the truly weighty questions - how to complete the institutional architecture of the monetary union, restore competitiveness and balance in the eurozone economy and fix the gap in its democratic legitimacy - Slovakia's political elites seem bereft of any original ideas. This is partly due to Smer's disinterest in European matters and Fico's personal disposition to engage only when Slovakia's immediate interests are at stake.

Beyond that, Slovakia's reactive posture speaks to deeper structural constraints that are common to other small post-communist members. One is the shift inside the EU's power equilibrium: the UK, the new members' traditional ally on economic policy, is no longer a constructive player. Slovakia's re-orientation towards Berlin reflected more a default choice under uncertain conditions than a carefully calibrated response.

Finally, there are the intellectual limitations. It has been assumed that the 2004 cohort would inject fresh energy and ideas into the European project. But the relevance of the new members' post-communist transformations to contemporary European challenges is far from evident.

Consider the democratic deficit debate. In theory, re-constructing democracy is what Slovakia and other new democracies ought to be good at - and speak with authority on. Yet few actually do - except those who deride Brussels for its undemocratic encroachment on national sovereignty. The problem is one of conceptual misalignment. In the post-communist discourse, democracy remains interpreted as an antithesis to autocracy: a bulwark against the abuse of power by illiberal elites in a nation-state. But the EU is not haunted by a spectre of Brussels-based Mečiar; rather, it grapples with ensuring policy accountability and popular participation in a multilevel supranational structure.

Likewise, in economic policy, Slovak policy-makers should understand how to turn rigid economies into highly competitive ones. But transplanting Slovak ideas (e.g. a flat tax) onto the EU level is neither feasible nor entirely desirable. Slovakia's export-driven growth model implied a narrow understanding of competitiveness as a zero-sum game. It is of little use in a closed monetary bloc that trades largely with itself and remains beset by systemic imbalances; in the same way that post-communist democratisation yields little intellectual or moral guidance to the dilemmas posed by the corrosion of EU's democratic legitimacy.

To conclude, back in 1993, few would have envisaged that Slovakia would emerge as more economically dynamic or more firmly anchored in Europe than the Czech Republic. The narrative of an underdog that beats the odds is valid. But the country may need to transcend it to provide a meaningful contribution to the debate on EU's future.