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Economic Crisis - Resuscitation of the Lisbon Strategy?

Václav Bacovský

The Czech Presidency made a great effort to include an explicit link to Lisbon Strategy (LS) in the European Council's conclusions that mainly refer to the economic crisis. The document encourages to speed up structural reforms in member states and to harmonize recent short-term measures with those mid-term and long-term proposed in LS.

Although the Czech Republic belongs among the member states evaluations for 2008 to the praised countries, the overall situation in EU was rather unsatisfying. The only positive was a slight increase in employment (65 %, the aimed goal is 70%) and the rise of VAT. However, the economic crisis shall show itself soon in the growth of unemployment and economic recession.

The outlooks for 2009 are even worse. EU stands behind its competitors practically in all indicators of innovation. The expenses to research and development remain overwhelmingly behind the set target of 3% GDP (recently 1,84), there is a very low level of investment to human capital and problems also arose in disseminating the internet accessibility. At least it could be welcomed, that the European Council financially encouraged the high-speed internet dissemination in rural areas.

Although the Czech Presidency fights actively for fulfilling the Strategy as well, the key issue persists - reforms resulting from LS scilicet fall within national competence and couldn't be managed by Brussels itself. Nevertheless, the Czech Presidency has an opportunity to push forward the Lisbon Agenda significantly: finding a political consensus for the Community Patent

would be a great success, which would distinctively save time and money to all European enterprises.

Despite the fact that everyone in EU swears by LS, it remains (aside from Scandinavian countries) a dead document at the national level. Even economic crisis doesn't bring about any change, when European governments, afraid of short-term rise of unemployment, preferred to support traditional branches (car manufacturers) rather than opening of new markets (transition to knowledge-based economy).

Czech Presidency in the Half-time, or Who Laughs Last

(An extract from an article published on RESPECT.cz)

Ivana Jemelková

The Czech presidency has crossed its half-time. Just a few days ago, it appeared that after the turbulent first months the situation stabilized and after the relatively well-managed spring economic European Council, the Czech Republic "only" awaits the April G20 Summit associated with the visit of President Obama and the May "icing on the cake" in the form of the Eastern Partnership summit. Afterwards, the attention will be shift to the European elections and after the June European Council Meeting the presidency will be peacefully passed over to Sweden. Then, in spite of all initial doubts, we will be able to congratulate ourselves on slightly "eccentric" performance, but quite fairly managed job. However, erasing 24th March 2009 from the calendar would be more than necessary.

It seems to be extremely difficult to evaluate three months of the Presidency after the recent whirling of events. Whatever the Czechs had done before the government fell, appears now to be lost in a fog. World media and politicians are interested only in the next development and how the situation will affect credibility and effectivity of the Presidency. The first reactions are rather sceptical. Let us reconstruct, at least in an outline, how the Czechs were doing while leading Europe before the domestic earthquake.

The third month was fully devoted to the presidential "E" for economy. Following the informal summit, which smartly stated on 1st March that the leaders see "no protectionism" in Europe, the Czechs managed to streamline the European crisis response to - comparing to the U.S. - the minimalistic form of a 5 billion euro package. The biggest contributor to EU budget, Germany, insisted on tightening the rules for use of these funds as well as erasing the word "Nabucco" from the summit conclusions' section on energy. Eastern countries did not get any special treatment either; however, the overall atmosphere was relatively satisfactory.

Another March debate issue was the continuing enlargement of the European Union. Croatia and Western Balkan countries have been eagerly knocking on the European door; however, according to the current EU development, it appears their ambitions will stay unfulfilled at least for some more time. [Article continues here](#) (in Czech only)

Government's Fall Will Complicate the Position of the Czech Presidency

(An extract from an article published on AMO.cz)

Václav Nekvapil

The absence of domestic political consensus concerning the development of European Union was a major complication of forming the program already at the beginning of the Czech Presidency. In fact, it wasn't easy to reach an agreement towards the "Europe without Barriers Program" in the government itself and what more, the ceasefire with the opposition couldn't be reached, despite of appeals from both sides. In spite of all this, no doubts that the opposition would "fire from all its cannons" at the government, forcing it to spend more time flying from Prague to Brussels than sitting on their MP benches, did not come true.

The aim of the opposition to put an end to Prime Minister Topolánek's government right in the incomplete half of the Presidency came in the most unfortunate time. The management of the EU has its inner order, rhythm made by meetings of various Minister Councils and other bodies, forming their agenda with a contribution of the Czech Republic's government and Czech diplomats in Brussels. The decision-making process is spread into months and years and if the Czech Republic wants to "push through" the union bodies some of its agenda points within the pre-set time of six months, it has to negotiate consistently and with a coordination at numerous levels. Decision making in the European Union does not depend on power voting as in the Czech Parliament (as some of the Lisbon Treaty opponents want us to believe), but on a compromise negotiated with the other countries. The weakened homeland position may put an end to all the outlooks to put through at least some of the initial points of the Czech Presidency, moreover when our diplomats are in the middle of their negotiation talks. In addition, there are also several sudden worldwide events that need to be solved and by which is the Presidency almost fully occupied.

Weakening of the Czech Government may be also used by French President Sarkozy, who after repeated attempts to remain seen as the leader of EU during our Presidency drew off to the French domestic politics and left to Mirek Topolánek a relatively free field. [Article continues here](#) (in Czech only)

Comments on Recent Events

The Fall of Hungarian Government on the Horizont

On 23 March, Ferenc Gyurcsany asked Hungarian Parliament to vote no confidence to his cabinet. The Prime Minister explained his resignation as a consequence of low support for government's struggle against financial crisis. However, the main cause lays in the longstanding unpopularity of Gyurcsany himself and the incapability of MSZP, the major party-in-power, to trim Hungarian public spending, which has been extended by World Bank's, IMF and EU €15,6 billion loan. Gordon Bajnai, new PM candidate, who has already won support of both governing parties, will thus in his office fight against Hungarian fiscal problems. [More](#)

European War on Economic Crisis

On 19 and 20 March, Czech Prime minister Mirek Topolánek presided the meeting of European Council dealing with the coordination of the struggle against economic crisis and the creation of a common strategy for the upcoming G20 summit in London. The heads of EU member states made several crucial financial arrangements, which could help vitalize both the European and the global economy. While the Union is going to advocate doubling of IMF fund in London, EU member states outside of the Eurozone can use €50 billion from special crisis fund. [More](#)

European Expansion in the Post-soviet Space

Brussels summit on 19th and 20th March discussed also the EU foreign affairs. The European Council endorsed the Eastern Partnership, the new instrument in developing close relations with the Eastern Europe and the Caucasus. The EU thereby within the broadening of European Neighborhood Policy enhances its expansion to the areas considered by Moscow as its sphere of influence. The Eastern Partnership was also on agenda at the informal meeting of the EU Ministers of Foreign Affairs at Hluboká nad Vltavou. [More](#)

Interviews for PŘESEDNICTVÍ.CZ

“We have had intensive contacts with France. The French had interest in Czech officials speaking French, we were also in touch while formulating priorities and searching for common opinions for preparation of the 18-month presidency program. We meet with our French partners very often, and I can not say that there was any disharmony. Regarding to the current situation, the question is wheather it is only just the media presentation or it is really meant as a rivalry. I can not judge this and neither it is my role within the presidency team. It has to be clearly stated that our relations with the French offices in Prague continue in correct manners.”

Jana Hendrichová, Office of the Government of the Czech Republic, on 31st March 2009.
[Complete interview](#)

“Today's crisis developed as a result of an inability to regulate the activities of financial institutions providing loans and selling financial products to individuals. There was a large information asymmetry. People can stand a only certain degree of inequality and decrease of their living standards. Public programs and temporary state interventionism, which seeks to mitigate the impact of the depth of the crisis on citizens, is perceived in the European cultural environment as a way to avoid the growth of extremism and discontent of voters. However, for small opened economies such as the Czech Republic, protectionism constitutes a major threat, especially if it is focused on export-oriented products endangered by the temporarily decreasing demand.”

Dana Zdražilová, Dean of the Faculty of International Relations, University of Economics in Prague, on 24th March 2009. [Complete interview](#)

“American economic policy will lead to strong inflation. After all, they do not mind, because the dollar is and will remain the principal reserve currency. Thanks to high inflation, Americans will have better opportunity to repay their huge debts and they will gain liquidity into the country again as well. I would be surprised if Americans did not count on this scenario. On the contrary, I believe

they assume that a significant part of their costs will have to be covered by the rest of the world. We will have to pay our debt ourselves, and therefore must behave in an infinite caution. Europe must accentuate the rapid consolidation of public budgets. I am glad that this view, which was still in a minority two months ago and which, when I expressed it, was almost heretical, is now gaining more support in Europe.”

Miroslav Kalousek, Minister of Finance of the Czech Republic, on 23rd 2009. [Complete interview](#)

Interesting Publications

Centre for European Reform

The policy brief „[Is Russia a partner to the EU in Bosnia?](#)“ focuses on EU-Russian tensions in Bosnia and Herzegovina in 2007-08. It argues that Russia sought to undermine western efforts to build a viable government in the country. This brief concludes that Moscow’s policy towards Bosnia is doesn’t aim to build any ‘zone of influence’ in the Balkans but to weaken the authority of NATO, the USA and the EU.

Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE)

The analysis by Spanish think-tank called „[Making Kosovo work](#)“ deals with the situation in Serbia and Kosovo after last year’s declaration of independence of this former Serbian province. Author deals with the European future of both countries, the EU position and its activity in the region.

Centre for European Policy Studies

This Policy Brief called „[Learning from the Crisis: A Market Approach to Securing European Natural Gas Supplies](#)“, tries to propose concrete steps on how to use the market to secure the European gas supplies. Its aim is to come up with a crisis response mechanism to gas cuts, which is still missing in the current European measures to safeguard security of natural gas supply.

Invitations

International Conference: „[Prospects of Widening and Deepening of the EU under the Czech Presidency and Further](#)“

When: 2nd (from 14:00) – 3rd April

Where: Karolinum, Univerzita Karlova, Ovocný trh 3, Praha 1 and Senate of the Czech Republic, Valdštejnské náměstí 17, Praha 1

Organiser: The Charles University in Prague, Senate of the Czech Republic, EU-CONSENT

Guests: Dick Roche, Irish Minister for European Affairs; György Scöpflin, Member of the European parliament; Ondřej Liška, Czech Minister for Education

[More](#)

Conference: „[Current Security Threats in Europe](#)“

When: 4th April, from 09:15

Where: Metropolitan University in Prague, Prokopova 16, Praha 3

Organiser: Metropolitan University in Prague

Guests (e.g.): Jana Hybášková, Member of European Parliament; Oldřich Bureš, Head of Center for Security Studies

[More](#)

Lecture: „Searching for a New European Balance“

When: 17th April, from 10:00

Where: CEVRO Institute, Jungmannova 17, Praha 1

Organiser: CEVRO Institute

Guest: Petr Robejšek, Head of the International Institute for Politics and Economics in Hamburg

[More](#)

Expected Events

Summit G20 in London

The representatives of 20 most influential countries in the world will gather in the British capital on April 2, at the exact time when „trade is collapsing and protectionism is on rise“, in order to discuss a further approach to the global financial crises. According to commentators, the objective of the summit should be “to do no harm and to do something useful”. Despite this skepticism, the main priorities of the summit are the stabilization of financial markets, strengthening of the financial and economic system as well as the restoration of economic growth. According to the National Economic Council, the Czech Presidency will primarily promote a common approach of the EU countries to the fight against the crisis.

Summit EU – USA

An official EU – USA Summit will be held on April 5, following the Summit G20 in London and the meeting of the NATO in Strassbourg and Kehl. Aside from the top representatives of the European “27”, the major guest is going to be Barrack Obama, for whose visit struggled the Czech Presidency for a long time. According to the information from the White House, the aim of the President’s visit is to enhance the mutual partnership between the US and the EU. It is expected that Obama will give a speech on non-proliferation in Prague. The whole event puts considerable requirements on security issues – some parts of the city are supposed to be closed during the visit.

Meeting of the Justice and Home Affairs Council

A meeting of the Justice and Home Affairs Council is going to take place on April 6 and 7 in Brussels. The agenda of the gathering encompasses combating sexual exploitation of children and human trafficking. Ministers will be discussing possibilities of adjustment of the current legislative to new forms of criminality. Other topics will include reinforcement of sanctions, facilitation of criminal investigation and judicial proceedings and accenting of preventive action. Apart from these themes, the issue of the third countries employees is going to be discussed as well, targeting to facilitate the application procedure for prospective employees from outside the Union.

European Elections 2009

SNK ED and SOS Have Chosen Candidates

Vít Dostál

Josef Zieleniec and Tomáš Zatloukal, current Association of Independent Candidates – European Democrats (Sdružení nezávislých kandidátů – Evropští demokraté – SNK ED) MPs, will not run for the European elections. On the top of the slate is the political scientist Lukáš Macek, director of the Dijon branch of prestigious Sciences Po, who worked as an adviser of Josef Zieleniec and Jan Švejnar during his president candidacy. Both personalities are going to support Macek during his campaign. On the following places of the slate are the director of the foundation Our Child (Naše dítě) Zuzana Baudyšová, or member of the commissioner Günter Verhaugen cabinet Jiří Plecítý. Regarding its program, the party could be described as pro-European, pro-integration with main focus on the centre-right middle-class electorate. SNK ED acknowledges its affiliation with the political group of European People's Party in the European Parliament and it refuses fast accession of Turkey and Ukraine.

Primary election inside the Party of Free Citizens (Strana svobodných občanů - SOS) won Jiří Payne, former member of Civic Democratic Party (Občanská demokratická strana – ODS), member of parliament and external advisor of president Václav Klaus. As the parliamentarian he has been focusing on foreign and security policy. On further places of the slate are writer Benjamin Kuras and philosopher Miloslav Bednář.

Considering the government crisis and no probability of fast solution it can be assumed that the European elections will be medially overshadowed. This fact may be projected into lower turnout and fail of non parliamentary parties, since the parties present in the Chamber of Deputies will be directly involved into formation of new government and further subjects will have more complicated way to the electorate's awareness.

Authors' opinions are expressed in this newsletter. They needn't necessarily reflect views of Association for International Affairs.

Project Coordinator: Karel Ulík Secretary: Lenka Ryjáčková Mini-analyses: Václav Bacovský, Ivana Jemelková, Václav Nekvapil
Comments on Recent Events: Daniel Šitera Interview: Ivana Jemelková Publications: Jana Drlíková Invitations: Daniel Šitera, Karel Ulík
Expected Events: Katarína Lokšová European Elections: Vít Dostál Corrections: Lenka Ryjáčková (coordinator) Translations: František Klimo
Professional Editing: Ivana Jemelková, Karel Ulík Graphic Layout: Side2 Template: Petr Netuka Composition: Josef Vomáčka Office
Contact: newsletter.ep@amo.cz

Association for International Affairs (AMO) Žitná 27, 110 00 Praha 1 Tel./Fax: +420 224 813 460 E-mail: info@amo.cz / www.amo.cz
