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Czech Republic: The government of Babiš and the left

Krzysztof Dębiec

The minority government of Andrej Babiš, formed by his political movement ANO and the Czech Social Democratic Party (ČSSD), won a parliamentary vote of confidence in the night of 11 to 12 July with the support of the Communist Party of Bohemia and Moravia (KSČM). The vote ended a nearly 9-month period of complicated post-electoral coalition negotiations. An active part in the process of forming a government was taken by President Miloš Zeman, thanks to whom Babiš became premier in December 2017. At the same time, Zeman has used the ongoing coalition talks to increase his influence in the government; nevertheless, the dominant position in the cabinet remains that of the Prime Minister. Babiš, the second richest citizen of the Czech Republic, who as finance minister in the government of Bohuslav Sobotka (2014-17) guaranteed the Czech Republic a budget surplus, is currently backing a programme of extensive social spending. Thanks to such promises and a strategy of conducting a permanent campaign, ANO is retaining high and stable support in the polls (33%). Babiš's aim is to absorb the electorate of the left-wing parties, which will give him a majority in the Chamber of Deputies; this will probably complicate the work of the coalition, although it does not, for now, endanger the stability of the government. In the event of a crisis in his cooperation with the ČSSD and KSČM, Babiš's government should remain in power with the support of President Zeman, and can also count on cooperation with some of the opposition parties.

A long way to a vote of confidence

The period between the election and the government receiving the support of the Chamber of Deputies was so long because most of the parliamentary groups did not want to accept Babiš as a candidate for the position of head of government. At the same time, the head of ANO rejected the idea of another person assuming this post, even from within his own political movement. In the opinion of the conservative opposition and liberal groups, Babiš has been disqualified by the accusations that he committed fraud in obtaining EU funds for his own company (an investigation into the prime minister is being conducted by the police), that he cooperated with the Communist-era Czechoslovak Security Service (Babiš has denied this, but it has been confirmed by documents from the StB), and of a conflict of interest in connection with his ownership of the Agrofert Group, a giant in the agri-food and chemical sectors which is one of the largest companies in the Czech Republic (the group is formally managed by trust funds, but the prime minister's wife is on the board of directors).

Despite lacking a vote of confidence, Babiš has remained prime minister since December 2017, thanks to his cooperation with President Zeman. Soon after the October elections,

Zeman entrusted Babiš with the task of forming a government, and when his cabinet received a vote of confidence in January, he did so again, which some lawyers have interpreted as contrary to the spirit (albeit not the letter) of the Czech constitution. Even without the vote of confidence, Babiš's government has enjoyed full power, allowing it to carry out extensive personnel changes to state institutions and companies, among other actions. Babiš has also used this time to undertake a permanent election campaign, including a series of government sessions held around the country, during which it made generous promises of local investments. There has not been any major surge of support for his party, although ANO has managed to keep its support running in the range of 27 to 33%. Thanks to his cooperation with Babiš, President Zeman has acquired some informal influence on the composition of the new government. The President managed to block the candidacy of the ČSSD MEP Miroslav Poche (who had supported Zeman's opponent in this year's presidential election) to become minister of foreign affairs, accusing him of being open to accepting immigrants. Moreover, in contrast to the cabinet which ruled the Czech Republic from December 2017 to June 2018, Babiš's new government does not include the most pro-Atlantic politicians (the justice minister Robert Pelikán and the head of diplomacy Martin Stropnický).

The new government's program

Broad promises to redistribute the state's budgetary resources have been an important part in Babiš's new cabinet, which has been working from the end of June. The head of ANO was already betting on these promises during the campaign before the elections to the Chamber of Deputies, and some of the party's programme was prepared by people associated with the left. Spending can be increased thanks to the good state of the economy (GDP rose by 4.4% in 2017) and the state budget (the public finance sector shows a surplus of 1.6% of GDP, and public debt stood at 34.6% in 2017). In addition to increases in pensions and wages (for example, up to the level of 150% of 2017 salaries for teachers), the government announced the launch of social programmes aimed in particular at the increasingly electorally important group of seniors, as well as at students and young families (for example, a programme to expand municipal housing). Taking advantage of the healthy budget, the government has announced a reduction in VAT on a number of products and services, including the promise made during the election campaign that is considered as the most populist of all: reducing VAT on draught beer sold in pubs. And in the end, the biggest bone of contention during the coalition talks (a demand of the ČSSD) was also included: the introduction of payments of 60% of salary during the first three days of sick leave (currently the provision of sick leave applies from the fourth day of exemption).

ANO's flagship projects include plans to improve the functioning of the state, among them the creation of a central website through which the citizen will be able to sort out administrative matters. The Czech government's response to the challenges of the shortage of skilled labour (in May unemployment was running at 2.3%, according to Eurostat) is a comprehensive programme of digitalization and the transformation of industry (known as Průmysl 4.0). The programme also includes Babiš's idea to build a new complex of buildings for state administration outside the centre of Prague, which would save on the high rental costs and expenditures on repairs in the often historic government buildings.

In European policy, the priority remains opposition to the relocation of migrants, the strengthening of the external borders of the Schengen area, and the maintenance of the four freedoms of the EU market. The subject of refugees – even though the risks of a wave of immigration are minimal – still resonates strongly in Czech society, and the Czech prime minister's fierce rhetoric on the subject is probably also aimed at winning over the anti-immigrant electorate. However, Babiš has avoided the strong anti-EU rhetoric which he had sometimes presented in previous years, stressing rather that the EU should "do less, but better". The new government's programme also includes support for a greater role for the member states and for the principles of subsidiarity and proportionality. At the same time, the new government has called for greater use of EU instruments to strengthen economic convergence between the member states. The Czech Republic does not intend to join the euro zone during the current parliamentary term (until 2021), reflecting the mood in the country (three-quarters of Czechs oppose the adoption of the single currency).

The Czech prime minister is glad to emphasise his pragmatism, something which is reflected in the government's foreign policy. The intent is for 'pragmatic alliances' to be a tool for the implementation of the country's European policy, key to which is cooperation and coordination with the strategic partners, Germany and France. Great Britain is considered to be 'a very important partner,' especially in the context of trade and security. The government's programme includes the stated desire for 'above-average' relations with Slovakia, and for the V4 to be 'an important platform for cooperation'. Poland, along with Hungary, is regarded as 'an important partner in terms of membership in the EU and NATO, and in bilateral relations'. Russia received one sentence, stressing the need to find a broad consensus between the EU and Russia in order to de-escalate tensions in Europe. The programme of the government, contrary to the view taken by the Communists, assumes that the Czech armed forces will be very active in participating in missions abroad (including in Afghanistan, Iraq, Mali) and on the eastern flank of NATO.

The Czech Republic's long-term goal in energy policy is to increase the role of nuclear energy and renewable energy sources and gradually reduce production from coal-fired plants. However, the prioritisation of ensuring energy security and self-sufficiency in the production of electricity, accompanied by protracted debates about the financing of new blocks in nuclear power plants, may in practice lead to a slower phase-out of coal as an essential element in the Czech power industry. Coal still provides 40% of the Czech Republic's energy mix, and its consumption generates more than half of the country's electricity; 10% of the coal consumed comes from imports, mainly from Poland. Nevertheless, we should not expect any changes in the Czech position on the issues of the EU's energy and climate policy; back in January, contrary to the view taken by the Industry and Trade Ministry and the industrial lobby, Babiš's government did not support Polish complaints on the revision of the National Emission Ceilings Directive.

The government and its prospects

The dominant influence on the work of the government will be wielded by Premier Babiš, who as the *de facto* owner of ANO has filled the key positions in the state with loyal people. His political group, apart from the seat of prime minister, holds nine ministerial posts, with the ČSSD taking the other five ministries. In the end, this is something of a success for the

Social Democrats, who have only 15 seats in the Chamber of Deputies (out of 200), compared to the 78 mandates of their coalition partner. After long negotiations the Social Democrats won the interior ministry, which has been taken over by the ČSSD's leader Jan Hamáček, who also holds the rank of deputy prime minister. He is also provisionally running the foreign ministry in the aftermath of an unresolved dispute with President Zeman. The Social Democrats officially still express the hope that they will convince the President to appoint Poche as head of diplomacy, although the chances of this are negligible. The dispute over the foreign ministry strongly resonates within the ČSSD, which is torn between supporters and opponents of cooperating with Babiš and Zeman. In an attempt to reduce tension in the party, the Social Democrats' leader is likely to opt for a new compromise foreign minister. These internal party disputes are clearly weakening the position of the Social Democrats in the coalition. President Zeman, the ČSSD's former leader, is using the problems of this party to enhance his influence. It is true that a coalition with ANO was supported in a party referendum by 59% of the voters, but the critics of this decision include leading party activists, among them many senators, and one parliamentary deputy, the former head of the interior ministry Milan Chovanec, who refused to take part in the vote of confidence for the government. The dynamics within the ČSSD will depend on the results of the autumn's local and senatorial elections (every two years a third of the chamber comes up for re-election), as well as next year's elections to the European Parliament. In case of a poor result for the Social Democrats, critics of their cooperation with Babiš could try to seize power in the party.

The vote of confidence in Andrej Babiš's government represents a great success for the hitherto marginalised Communists. The party, which still commemorates the Communist coup of 1948 and demands the country's withdrawal from NATO, received policy concessions and most probably promises of positions in state-owned companies, in exchange for its support in the vote of confidence. The Communists have committed themselves to tolerating Babiš's cabinet, but in practice they can remain in opposition on many issues (especially in the areas of foreign and defence policy). Still, they can already boast about getting the government to accept one of their demands: taxation (at the rate of 19%) on the compensation for churches for stolen (during 1948-89) and unreturned property. However, the act implementing this demand – after expected parliamentary approval – will most probably be called into question by the Constitutional Tribunal. Regardless of the range of policy differences, however, the Communists should be ready to keep Babiš's cabinet in power, bearing in mind the pragmatic benefits of cooperating with the government, and the prospect of the weakening public support for their party.

Given that a large part of the government's programme might be associated with the left of the political scene, the real risk for both the ČSSD and the KSČM will be the continuing outflow of their voters towards ANO. The financial constraints of these parties, together with the permanent campaigning by ANO, will make it difficult for them to convince the public of the merits of a noticeable improvement in the standard of living thanks to economic growth and social transfers. On the other hand, the cooperation between the ČSSD and the KSČM with ANO improves the visibility of both parties on the political scene, and will make it easier to reach potential voters. Granting access to positions in state-owned companies and institutions is also an attractive way for these parties to limit the influence of the opposition within their parties.

If tensions between ANO and the Social Democrats and Communists rise, Andrej Babiš will probably attempt to form an alliance with the opposition parties. In the past, he has repeatedly argued for flexibility on policy issues and effectiveness in forming *ad hoc* coalitions (for example when filling important posts in the Chamber of Deputies). One political group potentially ready for cooperation is Freedom and Direct Democracy (SPD), which has 22 mandates (although it is gradually losing public support) and based its electoral programme on anti-Islamic and anti-immigration rhetoric. Babiš has distanced himself from the SPD due to its xenophobic rhetoric and its demand for a referendum on leaving the EU, but he has already sought support from SPD deputies for his parliamentary bills. A large space for manoeuvre in creating a coalition would be created if Babiš resigned as prime minister, which, however, is an unlikely scenario. A coalition would then be possible with some conservative groups (such as the KDU-ČSL), in which voices of internal opposition have been heard to say that the strategy of cutting off ANO was not the ideal approach. In this possible strategy of flexible alliances, Babiš cannot count on cooperation with the main opposition force, the right-wing Civic Democratic Party (ODS), whose support in the polls is gradually rising (about 13-16%). Since the beginning of the election campaign, the ODS has consistently rejected the possibility of concluding a coalition with ANO, and has strongly criticised the government's cooperation with the Communists, as well as the 'handouts' announced in the government's programme. In this way, the ODS is trying to bolster its position as the principal alternative to ANO.