Analyses OSW

CENTRE FOR EASTERN STUDIES 18.12.2025 www.osw.waw.pl

Babiš's new government: Czechia first

Krzysztof Dębiec

On 15 December, President Petr Pavel formally nominated the government of Andrej Babiš, formed following the elections to the Chamber of Deputies held on 3–4 October (see '*Parliamentary elections in the Czech Republic: Babiš's triumph*'). The oligarch's ANO party is the largest and most moderate force in the new three-party government coalition, which holds 108 seats in the 200-member lower house of parliament. The government is expected to easily secure a vote of confidence, likely in mid-January. The draft government agenda suggests an intention to focus on domestic issues. In line with its election pledges, the new cabinet plans to significantly increase social spending and raise public sector wages, while keeping the budget deficit below the 3% of GDP threshold. In the sensitive area of foreign and security policy, the Czech Republic is likely to adopt a more passive stance, and Prague's continued coordination of the ammunition initiative should therefore be regarded as uncertain. The Babiš cabinet will, however, focus its activity on selected aspects of the EU agenda – the ANO leader has announced, among other things, measures to halt the ETS2 system and to revise ETS1.

Political level: a coalition of pragmatic cooperation

The three parties which form the government coalition have similar sovereigntist elements in their respective platforms and share a pragmatic assessment of the benefits of their alliance. Talks on cooperation between the victorious ANO (80 seats), the xenophobic Freedom and Direct Democracy (SPD, 15 MPs), and the Eurosceptic Motorists for Themselves (13 seats) began immediately after the elections, culminating in the signing of a coalition agreement on 3 November. Although the alliance includes SPD, which had called for referendums on withdrawing from the EU and NATO, the draft government agenda explicitly rules out such moves, stating that the Czech Republic is a 'sovereign member state of the European Union and a reliable ally within the North Atlantic Alliance'. SPD, facing ANO's unequivocal opposition, dropped the controversial proposal without significant resistance, noting that 'voters clearly indicated that this is not an issue that concerns them at present'.

For SPD – a party that has existed for a decade but has been marginalised until now – entering government constitutes a significant achievement. However, its participation has a specific character: while key decisions related to coalition governance are to be coordinated with the leadership of the far right, SPD has relinquished the right to nominate political appointees to the cabinet. The three ministries assigned to SPD under the coalition agreement are led by experts with only loose ties to the party, reportedly selected by Babiš himself, according to local journalists. Despite this, and despite losing five seats compared

with the previous term, the party may still regard its performance as successful – not only due to its real influence, but also because its leader, Tomio Okamura, has secured the prestigious position of Speaker of the Chamber of Deputies, with other representatives holding key posts in parliamentary committees and, potentially, in state-owned enterprises.

Babiš will be the central figure in the government, given his party's position, his extensive political experience and personal traits, as well as the lack of governing experience among his coalition partners. He previously served as prime minister from 2017 to 2021 and, prior to that, as deputy PM and finance minister. He holds an undisputed position within ANO (a party he effectively owns) and is known for a top-down management style rooted in his business background. This clearly sets him apart from his predecessor, Petr Fiala, a consensus-driven politician who also had to contend with numerous opponents within his own Civic Democratic Party (ODS). Factors that appear to contribute to the durability of the new ruling bloc include the lack of alternatives to an alliance with ANO for SPD and an informal agreement between the leaders of the two parties aimed at preserving their parliamentary immunity in ongoing legal proceedings (see '*Parliamentary elections in the Czech Republic: Babiš on the verge of returning to power*'). However, the experience of ANO's former two-time coalition partner, the Social Democrats – who gradually lost support, in part due to Babiš's effective political marketing machine – may serve as a warning to the smaller parties in the current coalition. Additionally, the parliamentary groups of SPD and Motorists for Themselves include numerous individualists who may not always vote in line with coalition agreements.

The first test of the new coalition's unity is a dispute with President Pavel over the appointment of a leading Motorists activist as minister for the environment. The controversial influencer Filip Turek – previously caught giving a Roman salute, openly flouting speed limits, and publishing vulgar content – has met resistance from the head of state, despite his party having dropped plans to appoint him as foreign minister. To avoid delaying the appointment of the entire cabinet, both ministries are currently headed on an interim basis by the leader of Motorists, Petr Macinka. However, it is possible that the prime minister may file a constitutional complaint with the Constitutional Court in order to clarify the president's powers in such situations. A separate dispute between Pavel and Babiš concerning the latter's conflict of interest as the prime minister and the owner of the Agrofert holding has been resolved. The oligarch announced that management of the conglomerate would be transferred to a blind trust and assured that neither he nor any member of his family would derive any financial benefit from the company for the rest of his life, regardless of his political future.

Economic level: reconciling fire and water

ANO has returned to power on the basis of promises to focus on addressing the financial problems of ordinary Czechs. As a result, domestic issues dominate the draft government agenda. Topics related to European policy are relevant primarily when they affect citizens' sense of security (such as migration policy) or have a direct impact on household expenses (such as the ETS2 system). During the election campaign, ANO positioned itself as a party attuned to the concerns of ordinary people, in contrast to Fiala's 'antisocial' government, which was reluctant to offset the effects of rising living costs, including high energy prices. The new cabinet is therefore promising cheaper energy, 'fair pensions' and measures aimed

at improving housing availability. Contrary to concerns, the agenda does not indicate any retreat from increasing the defence budget, although it lacks clear commitments regarding spending levels as a share of GDP (beyond references to 'allied commitments'). The plan includes increased investment in cybersecurity and the protection of critical infrastructure, in the strengthening of air defence (a long-neglected area), and a range of initiatives aimed at enhancing the appeal of a military career.

Although the cabinet plans extensive social spending and has pledged not to raise taxes (and even to reduce corporate income tax from 21% to 19%), it aims to keep the budget deficit below 3% of GDP (it stood at 2.2% in the first half of this year). This is to be achieved by intensifying efforts to combat the shadow economy and, above all, by stimulating economic growth. That, in turn, is expected to result from the implementation of ANO's economic strategy, as reflected in the draft agenda. Responsibility for delivering these changes will lie with Karel Havlíček, the first deputy chairman of ANO, who will serve as deputy prime minister and minister of industry and trade. A native of České Budějovice and a former head of the SME association, he held the same ministerial post from 2019 to 2021. He is known as a pragmatic, pro-business politician and enjoys the trust of many Czech companies, which he involved in shaping ANO's economic strategy. Regardless of his efforts, the macroeconomic outlook is improving: the European Commission expects economic growth in the Czech Republic to exceed the EU average both this year (2.4%) and next year (1.9%, compared with 1.4% for the EU as a whole in both years).

It is expected that the new government will prioritise energy policy, with a focus on reducing energy costs and strengthening energy security. These overarching goals are reflected in commitments to revise ETS1 and reject ETS2. The average Czech consumer should experience a reduction in electricity prices as the renewable energy surcharge is to be shifted from electricity bills to the state budget. The new cabinet supports the long-term development of nuclear energy sources (in this area, continuity with its predecessors is expected), including SMRs, while also advocating the maintenance of stable sources (coal and gas) 'in appropriate proportion' over the next 10–15 years. A key step in ensuring energy security is considered to be the full takeover of the production segment of the ČEZ group, which accounts for around 75% of electricity generated in the country and in which the state currently holds a 70% stake.

International level: greater engagement in Brussels and a more restrained approach to Ukraine

Since the Babiš government is set to focus on domestic affairs, it will scale back the Czech Republic's involvement in supporting Ukraine. The future of the initiative that made the Czech Republic the coordinator of artillery ammunition deliveries to Kyiv – a flagship project of the Fiala cabinet – remains uncertain. Before the election, the ANO leader openly criticised the scheme, but afterwards softened his rhetoric, instead emphasising the need for an audit. Domestic media reported informal talks with Estonia regarding a possible change in the country coordinating the initiative. At the same time, the strong domestic arms industry is urging caution, as the project generates profits for the sector and thus benefits the Czech budget – a factor that may prove significant given the government's pledges to increase social spending.

The anticipated passivity in security policy is reflected in the 38-page draft government agenda, which makes no mention of Russia at all and refers to Ukraine only once – in the context of supporting efforts to end the war and eliminate the risk of armed conflict in Europe. Nevertheless, a reference to the 'consistent defence of international law and state sovereignty' may be interpreted as a gesture of support for Kyiv. Statements by Babiš (and his previous actions as prime minister), as well as by the new foreign minister, Macinka, make it clear that Prague does not intend to pursue relations with the Kremlin as close as those between Hungary and Russia, nor to adopt a similarly ambiguous stance to that of Slovakia. At the same time, the agenda primarily reflects the election campaign narrative that the Czech Republic and its citizens should be at the centre of attention. This is symbolically confirmed by Okamura's decision – in his new role as Speaker of the Chamber of Deputies – to remove the Ukrainian flag displayed on the parliament building which had served as a sign of solidarity with the country at war. During his first visit to Brussels on 11 December, following his appointment as prime minister, Babiš also responded in a reserved manner to proposals that EU member states should stand surety for Russian assets held in Belgium if these were used to support Kyiv and later needed to be returned.

Cooperation with neighbouring countries is set to play a central role in Czech foreign policy. The draft government agenda emphasises its importance both at the bilateral level (in the form of 'strategic dialogues') and within the Visegrád Group, which is to be 'renewed.' However, given the limitations of this format – mainly due to differing views among its members on the perception of Russia – a more realistic path appears to lie in the development of bilateral ties and the continuation of ad hoc alliances, depending on the issue at hand. This was effectively confirmed by Babiš in Brussels, where he stated that the Czech Republic is not forming any kind of bloc within the EU with the prime ministers of Slovakia and Hungary (despite ANO sharing membership with Viktor Orbán's party in the Patriots for Europe group) and that the Czech Republic is seeking allies 'everywhere.'

It remains possible that, on specific European policy issues such as opposition to ETS2, a coalition including Prague may coalesce around the core of the V4. Overall, the new government – in which European affairs have returned under the authority of the Prime Minister's Office – promises to be active in Brussels, both in defending national interests and in pushing back against deeper political integration. On the one hand, it aims to secure additional funding for the Czech Republic (for example, from the SAFE fund); on the other, it intends to defend the status quo in the event of any moves to transfer powers from the national to the EU level, including by opposing restrictions on the unanimity principle and the creation of a European army.