

# Czech government embarks on more austerity

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The new Czech government under Prime Minister Bohuslav Sobotka is adopting a programme that is closely aligned with the dictates of the European Union (EU). Most notably, this includes further austerity measures and a more Brussels-oriented foreign policy.

The ruling centre-left coalition consists of Sobotka's Social Democrats (CSSD), the right-wing conservative Christian Democrats (KDU-CSL) and the business-oriented ANO movement, led by billionaire and current finance minister Andrej Babis. The coalition controls 111 of the 200 parliamentary seats.

President Milos Zeman has backed the government and its political course. Leading politicians in the Czech Republic and Europe are hoping the new government, installed in office January 17, will be able to stanch the ongoing political crisis in Prague.

In June 2013, Zeman appointed a so-called government of experts under Jiří Rusnok, but it lost a parliamentary vote of confidence soon afterwards, prompting early elections in October. Previously, the centre-right government under Petr Necas had fallen due to a corruption scandal.

The early elections in October radically changed the balance of political power in parliament. The conservative parties suffered heavy losses. The CSSD emerged the strongest party despite its own serious losses. The scarcely two-year-old ANO movement, which emerged from nowhere to garner more than 18 percent of the vote, filled the political vacuum.

ANO founder Andrej Babis embodies the character of the new government. Babis, who is said to have been closely linked to former Stalinist intelligence circles, rose to become the second richest man in the country, acquiring a conglomerate of more than 200 companies. He is head of the largest bread production business in the Czech Republic and Slovakia. Last year, he took over the Prague's high-circulation *Mladá fronta Dnes* and *Lidové noviny* newspapers. Not without reason,

some critics call him "Babisconi," in reference to former Italian prime minister and media mogul Silvio Berlusconi.

Babis announced his intention to run the state like a business. Tax reduction and spending cuts in public and social services are his credo. He made his appointment as finance minister a condition for ANO's participation in government.

Accordingly, the coalition has stressed its intention to increase budget revenues and bolster state power. More precisely, this means tax increases and further redundancies in the public service. The establishment of an "efficient state administration" was one of the central themes of the election campaigns of the three coalition parties.

In his government policy declaration, Sobotka also announced plans to tackle high unemployment. In January, it reached 8.6 percent for the first time, amounting to more than 600,000 people. Unemployment is to be reduced by forcing its victims to work for less money. This is to be achieved by reforming labour legislation and slashing unemployment benefit payments.

The policy is in line with the Czech Republic's planned accession to the EU fiscal pact, which nationalistic circles had pressured the conservative government of former prime minister Petr Necas to abandon. In addition, the government now wants to annul exceptions to the European Charter of Fundamental Rights, negotiated by EU-sceptic and notoriously right-wing former president Václav Klaus.

The coalition government said it wanted to implement effective European policies and reinstate the Czech Republic to the status of a core country of Europe. Germany, in particular, is regarded as a strategic partner and the only country explicitly mentioned in the intergovernmental agreement. Furthermore, the government intends to obtain finance

from the EU's regional and structural funds, which it will use it to boost the country's economic growth and competitiveness.

Joining the euro zone, which has not been debated in public for the last two years, is also back on the political agenda. A possible date of entry is said to be 2020.

What stronger foreign policy alignment with Germany and the EU means in practice became clear with respect to the recent turbulence in Ukraine. The new Czech government recommended a travel ban on members of Viktor Yanukovych's government, as well as the freezing of bank accounts. Sobotka said: "If the sanctions are to be effective, they must be directed against those who carry political responsibility for the government in Ukraine." Prague thus positioned itself fully behind the policy of the German government and the EU.

This political course—whether enforced by the Social Democratic coalition government or their predecessors—is abhorred by the population. According to a survey by the CVVM agency, only 5 percent of Czechs were satisfied with the political situation in 2013. The CSSD and all the conservative parties stand discredited. An expression of this was to be found in the election success of ANO and other so-called "anti-system parties."

The disenchantment is sharpening as social unrest continues to mount. In addition to rising unemployment, poverty is on the increase. Nine out of 10 pensioners living in the Czech Republic now have to survive on less than €500 a month. More than 1.5 million inhabitants of the country are threatened with poverty and social exclusion. Approximately 128,000 have neither sufficient income nor adequate material assets or employment.

Few political observers expect the government to remain stable. A serious conflict is mounting within the CSSD due to the dwindling support from the population. Ultra-conservative circles within the KDU-CSL are extremely critical about participating in government. ANO lacks both a fixed party structure and a genuine party programme. The movement remains viable, however, primarily due to Babis's financial resources and political influence. Political scientist Jiří Pehe suggested to the *German Press Agency*, "The first serious crisis is likely to erupt when

the next budget is adopted."

Sobotka has tried to find support for his policies outside the government: "The government can find support for projects beyond the coalition, too," he said in a speech. He also referred to the social partnership dialogue, which means that his government will be collaborating closely with the trade unions. The unions have already supported the government and offered their services.



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