

16 Alone at Last

On October 24, 1992, the Czech government held a solemn ceremony at Vyšehrad, seat of the Přemyslid dukes. It began with the hymn “Hospodine, pomiluj ny,” evoking memories of the Cyrilo-Methodian mission to the Slavs. Following appropriate speeches, the dignitaries laid a wreath at the plaque commemorating Vratislav I, the first king of Bohemia, who had died 900 years before.¹ In this way the politicians who would in a few weeks bear responsibility for the newly emerging Czech Republic anchored its statehood in the history of medieval Bohemia. At the same time, however, they also anchored it in the history of Czechoslovakia, which Klaus claimed in his remarks as “an inseparable part of Czech history, . . . at the time of its birth the logical culmination of the Czech liberal and democratic tradition, created jointly by such personalities as Palacký, Havlíček, Masaryk.”²

Yet the new Czech Republic would also be significantly different. As one historian commented, “we cannot hark back to history—this state has never been a Czech state, it has always been mixed.”³ Now it was less mixed than ever before. In Pithart’s words, the Czechs’ “house-mates” had been removed from their home: first the Jews and Germans, then the Ruthenians, finally the Slovaks and the Hungarians. Thus the civic principle, “instead of being a demanding and praiseworthy value toward which we strive, is the only practical possibility: we Czechs (and Moravians and Silesians) are after all here by ourselves.”⁴ The Czechs

were not quite “by themselves” in their new state, but they continued in traditions marked out by both Czechoslovakia and the Czech national renaissance as they pursued this “only practical possibility.”⁵ Selecting and commemorating traditions helps define the nature of the state, so perhaps the appropriation of the democratic traditions of the first Czechoslovak Republic can serve to anchor and legitimize democracy in its Czech successor.⁶

GOING IT ALONE

As they began life in their new state, the Czechs could find security in a sense of continuity. Klaus’s ODS led the coalition government, Havel returned—this time as Czech president—to the Castle, and the government pursued continued economic transformation.⁷ Further privatization, including coupon privatization, had been postponed by the conflict over the state. Now it could be undertaken with renewed gusto.⁸ Beginning in April 1994, a second wave unfolded, involving fewer enterprises owing to the loss of Slovakia, but attracting more Czech participants. By the end of 1994, more than 80 percent of the country’s GNP was produced by the private sector.⁹ It seemed that coupon privatization was going to work.

The Economic Transformation: Success?

The Czech government certainly viewed the transformation as a success. Its leaders preached a neo-liberal, free market message that won them the favorable regard of Western financial actors, and the Czech reputation as the leader among the transforming economies had more behind it than rhetoric. Geography placed the Czech economy between two advanced Western economies, Austria and Germany. History gave the Czechs the interwar republic’s industrial reputation, suggesting that they could reclaim that status. Normalization gave them low foreign debt, since Husák’s regime had been loath to borrow abroad. Klaus’s government served out its full term, which created an impression of stability.¹⁰ Fiscal responsibility, avoiding deficit budgets—Klaus even suggested a balanced budget law—maintaining a stable currency, and striving to control inflation encouraged investors. By the end of 1994, Klaus was speaking of the “post-transformation” stage in the Czech econ-

omy.¹¹ The Czech Republic's entry in 1995 to the OECD (which the Czech press referred to as "the rich mens' club") was touted as recognition of success.¹²

Through the mid-1990s the Czech Republic's economic performance suggested that it had successfully met the initial challenges of transformation (see Table 5). It was cited as evidence that radical reform not only succeeded, but also reaped political benefits.¹³ Klaus's government enjoyed popular support that other post-communist governments could only envy.¹⁴ Yet some analysts pointed out that this apparent success could be explained by other factors. In spite of his Thatcherite rhetoric, Klaus postponed badly needed structural reorganization of state-controlled enterprises while preserving a significant level of social support.¹⁵ Low unemployment was thus not evidence of success, but a symptom that the reckoning had been postponed. Optimists suggested that the Czechs might get away with it, if the private sector could absorb the unemployment created by eventual restructuring. Other critics drew attention to the rising trade imbalance. Only the explosion of tourism to the Czech Republic, and the intangible asset of Prague, prevented the budget from being in the red.¹⁶

Not by Bread Alone

Klaus's coalition had to settle two constitutional "leftovers" from the breakup of Czechoslovakia. The Czech constitution provided for an upper house, the Senate, which Klaus was in no hurry to create. Under

TABLE 5
SELECTED ECONOMIC INDICATORS
FOR THE CZECH REPUBLIC, 1993–1997

Year	1993	1994	1995	1996	1997
GDP growth (percent)	−0.9	2.6	4.8	4.1	0.3
Unemployment (percent)	3.5	3.2	2.9	3.5	5.2
Consumer price inflation (percent)	20.8	10.0	9.1	8.8	8.5
Trade balance (US\$ billions)	0.34	−0.44	−3.8	−5.8	−4.4

SOURCE: Compiled from the U.S. State Department, Bureau of Economic and Business Affairs, *Country Reports on Economic Policy and Trade Practices* <<http://www.state.gov>>.

the constitution, if the lower house were dissolved, the Senate remained in session to provide continuity. Without a Senate, therefore, theoretically the government could not be dismissed. After three unsuccessful drafts, parliament passed legislation creating the Senate in the autumn of 1995, though arguments over when to hold the elections continued. Elections were finally held in November 1996.

The second “leftover” involved setting up a regional administration between the central government and the local communities. Such structures had been common in Bohemian and Moravian history, and in Czechoslovakia the introduction of land-based administrative units had recognized Bohemia, Moravia-Silesia, Slovakia, and Ruthenia. Setting up regional governments, whether at the land level or in districts, might have undone the balance of power in the Czech system, which favored Klaus’s coalition. Given separate Moravian political sentiment and strong regional disparities in unemployment, a regional challenge to Klaus could not be discounted. Therefore, he remained adamantly opposed to any change in the centralized administration. He proposed more numerous small units, the opposition supported larger units, and the issue was not resolved before the elections of 1996.

Klaus’s preference for centralization shaped his attitude to civil society, setting him at odds with President Havel. In separate speeches on the anniversary of the “Velvet Revolution” in 1994, they stated their positions. Havel argued against relying on the political and economic system to stabilize itself. “Parties and power are only the means to fulfill the goals of the common good,” he insisted. “Parties should listen to the multifaceted opinions of a pluralistic civil society, as expressed by all individuals, groups, and organizations, including educated people, experts, academics, and intellectuals.”¹⁷ Klaus, pointing to the democratic political system with independent parties and a free market, continued: “Nothing else needed to be done. Some people, however, still want to take advantage of the collapse of communism to create something more than ‘just’ a free society. . . . For them, it is not enough that our country has free citizens—they would like it to have better citizens.”¹⁸ The practical problem involved was establishing nonprofit status for churches and other organizations involved in public interest activities. At the end of September 1995 a bill finally created legal foundations for “organizations for the public benefit.” It granted exemptions from property, inheritance, and gift taxes as well as a 30 percent income tax write-off to

organizations engaged in charitable, educational, social, and similar activities.¹⁹

Other issues also continued beyond the breakup of the federation. The lustration law passed in 1991 remained valid in the Czech Republic, and in the autumn of 1993 another law declared the communist regime illegal and unjust, opening up the possibility of prosecutions for crimes committed in service to the regime in spite of the standard statute of limitations. An Office for the Documentation and Investigation of the Crimes of Communism (ÚDV) was set up, but its work went very slowly. The ÚDV brought charges of treason against five former leading party officials, as well as a group of police and secret police officers, in 1995, but the state prosecutor's office sent them back as incomplete.²⁰



The once and future Czech presidents: President Václav Havel and Prime Minister Václav Klaus at a government meeting, April 1993. (ČTK photo)

As the five-year term of the lustration law approached its end in 1996, parliament approved its extension to the year 2000, overriding Havel's veto.²¹ Both issues provoked discussions about the past, guilt, collaboration, and resistance, but little progress toward trials and their potential catharsis.

The communist past was linked to the problem of corruption. The public believed that former managers and communist officials benefited from the economic transformation, parlaying their connections into a lateral move into the economy, where they were doing very well as "red capitalists." Probably the most notorious privatization scandal was the Lizner Affair, which began in October 1994 when the head of the Center for Coupon Privatization, Jaroslav Lizner, was arrested with 8,334,500 crowns in cash in his briefcase. He was accused of taking it as a bribe from a company wanting to buy a stake in one of the major dairies. Lizner was convicted and sentenced to six years in prison (he was released three years early for good behavior). To the end he denied any wrongdoing, and hinted that he was the victim of intrigues from high places.²²

Since privatization was so intimately bound up with Klaus and the ODS, the Lizner affair had political repercussions. So did scandals over party financing. Each party had funding difficulties, since they almost all started from nothing and ran up significant debts in the earliest political campaigns. Even before the breakup of the federation, the ODS, ODA, and KDU-ČSL had been involved in dubious loan transactions, and the ČSSD suffered from bad bookkeeping and high debts. In November 1994, the ODS organized a fund-raising dinner with Klaus at the Prague Žofín for heads of businesses, many of them state-owned. The reservation fee was 100,000–250,000 crowns. Quickly dubbed the "Meal of Fortune," the affair sparked legislation forbidding state-owned firms from donating to political parties.²³

In spite of these and similar scandals, Klaus approached the upcoming elections in 1996 with his customary conviction that he was on the right course. The elections, he said, would decide whether or not the Czech Republic would continue down the path of economic growth, low unemployment, political stability, and an increasing standard of living. "We are the only country of the former Eastern bloc in which the post-communist left wing has not returned to power. I believe that it will still be so after the elections."²⁴

THE “CZECH ROAD” BITES BACK

The results of the elections, held on May 31 and June 1, 1996, proved Klaus right—barely. The governing coalition lost thirteen seats and fell two seats short of a majority in the Chamber of Deputies. The ODS was still the strongest party, with about 29.6 percent of the vote, but many discontented voters had rallied around the ČSSD, which gained almost 26.4 percent, or three times as many votes as in 1992.²⁵ To form a majority government without the ČSSD would have necessitated cooperating with the Republicans, and all parties treated them, and the KSČM, as “untouchables.” Eventually, Havel brokered an agreement that the ČSSD would “tolerate” a Klaus-led minority coalition government. The socialists received key positions in parliamentary committees and the post of chairman of the Chamber of Deputies for party leader Miloš Zeman.

The rise of the ČSSD appeared to be a Czech version of a regional pattern in which reforming governments had been thrown out and the left returned to power. As early as 1994 the ratio of contented to discontented voters in Czech society was nearly equal, and that discontented vote swung behind the Social Democrats—not toppling the right-wing reformers but limiting their freedom of movement. In any case the ČSSD differed from the other regional left-wing parties in that it was not a successor to the former communists, though Zeman had been a KSČ member. The elections of 1996 seemed to be a step toward consolidating the Czech party system, offering voters a clearer and more stable choice between left and right alternatives.²⁶

The Economic Transformation: Failure?

Klaus faced the Czech Republic’s increasing economic difficulties at the head of a minority government. Though the 1996 figures were not very different from the previous year, the trade deficit continued to grow, and the structure of GDP growth (driven by consumption, not capital investment) was worrying. The closing of the Privatization Ministry in July 1996 was thus not the triumph it should have been.²⁷ August brought signs of trouble in the banking industry, as the country’s sixth-largest bank, Kreditní Banka Plzeň, collapsed, and the government had to take over Agrobanka Praha, the largest private bank and fifth-largest

overall, the next month. Nevertheless, at the beginning of 1997 Klaus sounded his usual self-confident tone, remarking that “you can say anything about the Czech economy except that it is stagnating,” and predicting GDP growth of 5 percent for the coming year.²⁸

Instead, the continuing high current account deficit forced Klaus’s government in April and May 1997 to unveil two economic reform “packages” limiting wages in the state sector, social support payments, and government investments. The government also introduced import deposits, provoking threats of legal action from the European Union. At the end of May, the international financial markets passed their verdict on Klaus’s packages, which had not addressed his policy of a strong crown. Under their pressure, the central bank was forced to float the currency. The crown suffered a sharp drop, but within several months had returned to its previous levels. The deeper, structural problems contributing to the balance-of-trade deficit remained.²⁹

What had happened to Klaus’s economic miracle, when it seemed to have been so successful for so long? Coupon privatization failed to generate capital for the newly privatized companies or the state; it simply transferred nominal ownership to holders of investment coupons or the funds. Companies therefore lacked capital for badly needed modernization, and had to turn to the banks to find it.³⁰ The coupon privatization also could not ensure effective ownership and management of the privatized concerns. Very few individual investors could take an active role in running the companies in which they invested. The investment funds could not do so either, since the law governing them made it difficult for them to exercise effective corporate governance.³¹ The way was open for unscrupulous managers to siphon off the firm’s capital assets into dummy enterprises and eventually into their own pockets, a practice the Czechs called “tunneling.” Finally, the investment funds themselves tended to be owned or controlled by banks, again because of the shortage of capital. The major shareholder in the banks was the state, which created a different, but tangible, form of state control over the supposedly privatized companies. As a result, many managers ran up debts and losses as they had in the old days.³²

Klaus repeatedly stated that it was not possible to choose the perfect new owner, and that in fact the *first* owner of a newly privatized company was not important. He counted on the market to force owners to strive for efficiency and a profit. If they failed, more effective managers would buy them out, or, in the worst case, they would go bankrupt.

The market would ensure that in the end, the entire economy benefited. Criticisms of Klaus's approach focus on his lack of understanding for the conditions a functioning free-market economy requires.³³ He had a visceral dislike for any form of regulation, which matched the rhetoric of his self-proclaimed mentors like Milton Friedman and his admirers like Margaret Thatcher, who once called Klaus "my other favourite prime minister."³⁴ But he failed to appreciate that their attacks on regulation assumed long-standing rules and legal frameworks that clearly defined private property and protected the rights of property owners. Klaus rapidly transferred titular ownership into private hands, but without creating a regulated capital market, civil law agencies to enforce contracts, or efficient bankruptcy legislation. As one writer puts it, Klaus created private *possession* without creating private *property*.³⁵ And in such a system, the big fish eat the little fish. To quote a critical editorial, "Klaus's concept that the 'first owners' are not important, that the market will transfer property rights to 'responsible owners' was ridiculous: if Mr. Novák is the first owner of a lemon and he squeezes it dry, then the second owner does not get a lemon, but a lemon rind."³⁶

Klaus's difficulties dissolved the glue binding the coalition together. As long as Klaus was the economic miracle-worker, putting up with his autocratic manner to stay in the coalition was worth it. Now, he was losing support even among ODS stalwarts. In the end, another financing scandal brought about Klaus's downfall. Amid media accounts of donations from nonexistent foreigners behind which lurked shady privatization dealings, Foreign Minister and party co-founder Josef Zieleniec resigned. Further press rumors of a secret ODS bank account in Switzerland brought calls from Finance Minister Ivan Pilip and Interior Minister Jan Ruml for Klaus to step down. After the ODA and KDU-ČSL announced they were leaving the coalition, on November 30, 1997, Klaus submitted his government's resignation.³⁷

At this point Havel stepped in, fulfilling his constitutional duties by appointing a reluctant Josef Tošovský, head of the Czech National Bank, to lead a caretaker government. Havel entered the party strife in an address on December 9, 1997, in which he subjected Klaus's entire record as prime minister to thorough criticism. The problem, Havel asserted, was that transformation "stopped halfway, which is possibly the worst thing that could have happened to it." Only now had efforts begun to bring the economy's legal framework and the capital market into order. How could restructuring succeed, he asked, "when there are

so few clear owners, and when so many of those who represent the owners see their role not as a task, mission or commitment but simply as an opportunity to transfer the entrusted money somewhere else and get out?" Klaus, stony-faced, did not applaud, and afterward said that Havel "showed how deep is his ignorance of the workings of the market economy and a free society eight years after the fall of communism."³⁸ Havel's departure from a nonpartisan position resolved the immediate problem, but his open conflict with Klaus made it more difficult for him to return to that role afterward.

From Klaus to Zeman

Tošovský's cabinet finally won approval in mid-January, by promising to hold early elections in June.³⁹ During this transitional period, the political spectrum further reoriented itself. At the ODS party congress the rebels failed to unseat Klaus, who mobilized his supporters in lower party organizations. Most of the anti-Klaus ODS figures formed a new party, the Freedom Union (US), headed by Ruml. Opinion polls in mid-spring put the US ahead of ODS by several points, but during the campaign Klaus rallied once more, campaigning on the "threat from the left." In the elections on June 19–20, 1998, the ODS failed to overtake the ČSSD (which emerged the clear winner with 32 percent of the vote), but Klaus's party came second with 28 percent. The KSČM gained 11 percent, leaving US trailing the KDU-ČSL by 9 percent to 8.6 percent.⁴⁰ The extremist Republican Party failed to clear the 5 percent parliamentary hurdle.

Otherwise, the situation resembled 1996. The socialists could not rule alone, so a coalition with one of the center-right parties was necessary. Yet Ruml steadfastly refused, even though Zeman eventually offered not to take the post of prime minister. The KDU-ČSL rank-and-file refused to allow their leader, Josef Lux, to support the socialists. A coalition of ODS, US, and KDU-ČSL was theoretically possible, but the personal antipathies left by the way the coalition had come apart in 1997 prevented it. In the end the ODS and the ČSSD reached an "opposition agreement," in which the ODS tolerated a minority ČSSD government, receiving in return control of key parliamentary committees and the chairmanship of both chambers. They also agreed on proposing constitutional amendments to benefit the larger parties.⁴¹ The other parties denounced the agreement, and Havel openly expressed his own reserva-

tions. In the end, however, he accepted Zeman as prime minister in a “hidden silent grand coalition.”⁴²

The 1998 elections marked the first time since 1989 that there had been an alternation between government and opposition in the Czech Republic. In this respect, though undeniably the system still had problems electing a stable majority government, the elections were a signpost in the consolidation of democracy in the Czech Republic. The ČSSD government served out its statutory four-year term, and the Czech public has now seen that a left-wing government could be in power without the world coming to an end.⁴³

Zeman might have thought the world *was* coming to an end in 1998, considering the recession into which the Czech economy plunged. GDP growth slowed significantly in 1997 (ending the year at 0.3 percent), and in 1998 it contracted by 2.3 percent (see Table 6). The trade balance ended the year in the red at \$2.6 billion, while unemployment pushed double digits (on the year it ended at 9.4 percent, but in many localities it was much higher). Inflation broke the 10 percent level. Tošovský's government had already amended the bankruptcy law in January 1998, hoping to clear at least part of the three- or four-year backlog of unresolved cases. In April, a Securities Commission was established for the capital market, and banking legislation increased the Central Bank's powers to separate the banks from investment funds and enterprises. Nevertheless, the ongoing debt crisis forced major Czech banks to post record losses.⁴⁴ These difficulties, with the arrears in tax collections and the government's pledge to support social welfare and investment programs, drove the budget into deficit.

One of the ČSSD programs was a plan to revitalize key industries. The list of affected companies sounded like a roll call of the great names of Czechoslovakia's industrial past. There was Brno's Zetor enterprise, once a worldwide tractor exporter; Tatra-Kopřivnice, once maker of the black limousines favored by the communist bigwigs and still producer of heavy-duty trucks; Škoda-Plzeň, the heavy-machine branch of Emil Škoda's industrial empire; the metallurgical concern Vítkovice; and others. The program established a Revitalization Agency, which developed recovery plans in cooperation with a newly established Konsolidační Banka (KoB) under the direction of a consortium of the international financial companies, Lazard Frères and Latona. The program failed to reach its goals, partly because of divisions within the government and partly because of the reluctance of the foreign firms to invest capital in

the project. Though Tatra in particular demonstrated some promising signs of recovery, the whole program was wound up in 2001 and revitalization efforts continued through the Consolidation Agency, created from the KoB but operating without the restrictions imposed by a banking license.⁴⁵

Zeman's government also set about the delayed privatization of the banking sector. Speedy privatization, Zeman asserted, was the only way to drag banking out of its crisis. In the process, the government would have to separate commercial and investment banking, and "untangle the absolutely non-transparent ownership structure created by the ridiculous and dangerous coupon privatization."⁴⁶ The government planned to sell Československá Obchodní Banka, followed by Česká Spořitelna and finally Komerční Banka. Interested international financial institutions such as the EBRD saw the program as a way to move forward on restructuring as well as avoiding an Asian-style bad debt spiral.⁴⁷

To encourage foreign direct investment, the socialist government introduced an incentive package in 1998, later enhanced in May 2000. Both foreign and domestic companies that invested \$10 million or more through newly registered companies received tax breaks and other incentives. The enhancements lowered the investment required to \$5 million for regions where unemployment was 25 percent higher than the national average. These incentives attracted foreign direct investment: \$4.9 billion in 1999, \$4.6 billion in 2000, and \$2.3 billion by midway through 2001.⁴⁸ The Czech Republic showed reasonable economic growth starting in 2000, but it is vulnerable to world economic trends

TABLE 6
SELECTED ECONOMIC INDICATORS
FOR THE CZECH REPUBLIC, 1998–2001

<i>Year</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Real GDP growth (percent)	−2.3	−0.2	2.9	3.3
Unemployment (percent)	7.5	9.4	8.8	8.5
Consumer price inflation (percent)	10.7	2.1	3.9	6.0
Trade balance (US\$ billion)	−2.6	−2.06	−3.5	−2.3
Current account deficit (% of GDP)	1.9	1.5	4.8	5.0

SOURCE: U.S. Department of State, Bureau of Economic and Business Affairs, *2001 Country Reports on Economic Policy and Trade Policies: Czech Republic* (Washington, D.C.: U.S. Department of State, 2001) <<http://www.state.gov>>.

and the consequences of its own deficit and continuing balance-of-trade problems (see Table 6).

For the Czech Republic to integrate into the European Union, it will have to move away from the heavy industries and other traditions of the industrial age toward high-tech and service industries.⁴⁹ As anyone who experienced the communist era service standards can attest, there have been many changes, especially in retail services and in larger tourist localities. It is not easy to overturn two generations of conditioning, however, and many observers argue that the Czechs still have much to learn about service and entrepreneurship. And since by such measures as availability of consumer goods, comfortable lifestyle, and fundamental freedoms they are much better off than under communism, the incentive to change may be too weak to make a difference, at least in the short run.⁵⁰ It is, in any event, one of the barriers the Czech Republic will have to break through in order to move from being a leading post-communist state to being a standard Western economy and society.

Blbá nálada

The economic crisis into which the Czech Republic plunged in 1998 deepened a public sense of frustration and discontentment already visible in 1997. Havel during a television address in April referred to a “blbá nálada” (bad-tempered mood) taking hold among the population. At the time, the expression seemed to capture something about Czech society’s attitude. Ten years after the “Velvet Revolution,” it seemed that all the Czechs had accomplished was to end up where they had started. Had they really achieved so little, or was it rather that expectations for a rapid, decisive transformation had been too high?⁵¹

Certainly aspects of the political, economic, and social transformation could be criticized. Corruption and financial scandals helped bring down Klaus’s government. The ČSSD (which itself had a financing scandal in early 1998) seized upon corruption as one of its election themes, unveiling a “Clean Hands” campaign, and swearing that it would get to the bottom of allegations of corruption in privatization.⁵² Other aspects of the “Clean Hands” campaign targeted the civil service. Public perceptions changed little: Czechs were becoming less willing to pay bribes, but they still believed that corruption was a fact of life.⁵³ According to Transparency International, an anticorruption organization, the Czech Republic ranked behind Slovenia, Estonia, and Hungary among other

EU candidates in a “Corruption Perceptions Index” (thirty-ninth place out of ninety-nine countries). By 2001 the Czech Republic had slipped into a tie with Bulgaria and Croatia in forty-seventh place.⁵⁴ The index measured perceptions, which would change only slowly even if the situation improved, but these results were not encouraging for the “Clean Hands” campaign. Accusations of corruption continued to dog the ČSSD government.⁵⁵

Lustration returned to public attention in 2000. As the social-democratic government prepared a new civil service law, parliament extended the original 1991 legislation again, this time without specifying an end date, but exempting anyone born after December 1, 1971. Again parliament overrode Havel’s veto of the new extension.⁵⁶ A new lustration scandal broke when it was revealed that during the early 1990s the Ministry of the Interior had issued more than a hundred false lustration certificates. Since the ČSSD was divided on continuing the lustration law, some suggested that publicizing this problem was intended to convince the public and legislators that the lustration process was too flawed to continue. In the end, however, the new civil service law confirmed the lustration law’s provisions.⁵⁷

The communists attacked the lustration laws as a form of discrimination, but there were other areas where more pervasive and troubling discrimination ran deep in Czech society. The most sensitive area continued to be the relations between the majority Czech society and the 200,000–250,000 Czech Roma (Gypsies).⁵⁸ Subjected under communism to efforts to integrate them into socialist society, Roma lost traditional social customs and networks, while receiving greater security, employment, and pressure to send their children to school. The transformation hit them hard. Since most Roma workers were unskilled, their unemployment figures dwarfed the statistics for the population at large. Funding for social workers and the educational system dried up. The Roma organized politically, but their organizations fractured into competing, smaller groups until their political clout was completely dissipated. Without employment, with limited prospects for exerting political influence, and subject to regular discrimination and acts of ostracism or violence by the majority society, many Roma slid into crime and prostitution.

Havel has frequently spoken out on Roma issues, though his appeals met with “a stony public response.”⁵⁹ The central government is usually less sympathetic, since it is in frequent contact with local authorities

who not only are more likely to express prejudices but also have to deal on a daily basis with the problems between the Roma and their neighbors. Local authorities are often openly hostile to the Roma and resent what they see as the do-gooder attempts of the president or central authorities to instruct them on how to deal with a situation with which they, so the local officials argue, have no experience.

After the dissolution of the ČSFR, the law on Czech citizenship stipulated that applicants had to show a clean police record for the last five years, a provision referred to as the “Gypsy clause.” Many Roma in the Czech lands moved there from Slovakia after World War II, so they had to apply for Czech citizenship. Given their community’s statistically higher crime rates, proving a clean police record would be difficult for some of them. Under international criticism, the time period was reduced to two years in 1996. In 1999 a further change allowed former Czechoslovak citizens living in the Czech Republic since 1993 to gain citizenship by declaration. This change was intended to resolve the situation of the estimated 10,000–20,000 stateless persons (mostly Roma) still in the Czech Republic.⁶⁰

The town council in Ústí nad Labem provoked an international outcry over the “ghettoization” of the Roma by a plan to erect a wall separating Roma-inhabited apartment blocks from their neighbors, supposedly as a noise barrier. That plan was dropped, but at the local level town councils still try to deal with the “Roma problem” by moving Roma families out of central locations into housing in surrounding localities. This physical separation makes it harder for the Roma to find what meager opportunities for work or schooling exist.

Physical separation may also make them more vulnerable to the attacks, sometimes resulting in death, to which Roma have been subject. After several years of complaints that police were slow to investigate racially motivated attacks on Roma, the situation has improved. Nevertheless, fear and their hopeless economic conditions have driven thousands of Roma to seek asylum abroad, most dramatically in 1997 after a television documentary showed successful Roma immigrants in Canada. The asylum movement created bad publicity for the Czech Republic and the intended countries of asylum, resulting in the reintroduction of visa requirements in some cases.⁶¹ The Czech government created a commission on Roma affairs and a commissioner for human rights, and stepped up efforts to recruit and train Roma for the police force. Meanwhile, some Roma sum up their situation like this: “The communists

took away our violin and gave us a pickax; democracy has taken the pickax away and given us back the violin.”⁶²

The Roma are not the only victims of violence, often perpetrated by skinheads and other movements actively promoting neo-Nazi ideology and anti-Semitism. Arab, Indian, and African or Afro-Czech residents have also been skinhead targets. The government follows the radical movements with concern, but also has to define the line between guaranteed freedom of expression and propagating openly racist hatred. There are some 5,000 to 7,000 active members of skinhead groups, and the police have been criticized for not intervening more vigorously to stop anti-Semitic or other pro-Nazi utterances at their concerts and meetings.⁶³ Before the 2002 elections, some skinhead groups attempted to create a registered political party. Public opinion research indicated that in the event of an economic depression, a socially radical, ultra-nationalist movement could attract close to 20 percent of the vote.⁶⁴ Thus, the decline of the Republican Party after the 1998 elections may not mean an end to the threat from the far right to Czech democracy. Equally troubling is that, although only a tiny proportion of the population would condone the murders and other skinhead attacks, the racial prejudice behind them is much more widespread. On a more optimistic note, research has shown that Czech attitudes to the Roma are significantly better among Czechs who live in daily contact with them.⁶⁵

Czech women experience a different kind of discrimination, usually in the workplace. During the transformation women became unemployed at a much higher rate than men, though some Czech women were happy to get rid of the double burden.⁶⁶ Those who do seek employment often run into difficulties. In spite of legal prohibitions of discrimination on the basis of sex or appearance, women in traditionally patriarchal Czech society end up in lower paid, lower status jobs. Their role in political life has also declined: over 29 percent of the parliament members in the ČSSR were women, but in the Czech Republic only 15 percent after the 1998 elections. Of course under the old regime their position was a formality, not a sign of real influence, and the old communist women’s organizations quickly folded up after 1989. The KSČM currently has the highest proportion of women in its parliamentary delegation, which may cause an “allergic reaction” toward women in other parties. Nevertheless, there are popular female political figures and the role of women in politics may increase.⁶⁷

Does this admittedly incomplete catalogue of challenges and prob-

lems mean that the Czech Republic has failed to navigate the third aspect of the triple transition, to a pluralistic civil society? Certainly many high hopes from the 1989 revolutions have been disappointed, and the need for a civil society remains one of Havel's recurrent themes.⁶⁸ If membership in organizations indicates civil society's strength, then the Czech Republic does have a weak civil society.⁶⁹ Czechs, it seems, are not "joiners"—and who can blame them, when one considers how the communist regime controlled such groups and used them to mobilize society for its ends? Instead of joining organizations, many Czechs still rely on the networks of friends that helped them during the communist regime. The Zeman government took steps to try to aid the development of civil society, creating a 500 million crown endowment to support NGOs in 1999, and in 2000 announcing that it would give another 1.5 billion crowns to groups dealing with human rights and the environment through its Council for Non-Governmental Organizations.⁷⁰ It also set up an office of "Public Rights Protector" to receive citizens' complaints of government violations of their rights. Such policies, and a scaling down of 1989's unrealistic expectations, helped some NGO activists in the Czech Republic to affirm that they are now "on the right path."⁷¹

The Czechs' "bad-tempered mood" of the late 1990s may have been born of transformational exhaustion, but they knew where they wanted to go, even if the shortest way there was not clear. One letter to a newspaper put it plainly:

Personally, I am in a good mood, but it could be better, if the political parties at least sometimes fulfilled their promises and politicians caught lying and cheating resigned on their own, if these parties had more decent people and fewer crooks among their candidates, if the civil service actually worked according to the valid laws, if the police began to catch thieves, tunnelers, and other criminals and the courts actually sentenced them, if the army was not impoverished, if the state would guarantee the security of the citizens and public order, if debtors had to return the money they borrow, if they succeeded in instituting a market economy, if the schools and the media would raise young people according to classical values, if the advertising agencies did not brainwash us, if the state actually took care of the environment and cultural monuments and at the same time prevented the development of prostitution and corruption, if someone would actually start to work on our laws so that they corresponded to the legal norms valid in the EU, if the Supreme Court would dissolve political parties that break the law, and finally if Article I of the constitution would take

effect and we would have a legally based and democratic state founded on respect for the rights of man and the citizen.⁷²

Yes, this is a bilious diatribe on the contemporary state of the Czech Republic, but it is also a satisfactory description of a democratic, free-market, civil society. Knowing where one wants to go is part of making a successful journey. As the “bad-tempered mood” lifted early in the new millennium, it seemed that the Czech Republic would get there in the end.⁷³

BACK TO EUROPE?

On March 12, 1999, in Independence, Missouri, the Czech Republic, Hungary, and Poland formally joined the North Atlantic Treaty Organization. Twelve days later NATO began bombing Yugoslavia. The Czechs, whose sympathy for the Serbs dates back to the nineteenth century, were reminded that joining the institutional structures of Europe might impose obligations, sometimes onerous ones, as well as confer benefits.⁷⁴ Nevertheless, in keeping with the slogan “Back to Europe,” the Czech Republic seeks continued integration into the economic, political, and security structures of Europe. Because these institutions in turn demanded specific Czech behavior and policy choices, going “back to Europe” had foreign policy and internal dimensions, playing a direct role in the process of Czech transformation.

Joining the Clubs

The ČSFR pursued membership in international organizations while leaving the Soviet embrace. After the breakup of the federation, the Czech Republic succeeded to the ČSFR’s membership in the United Nations, the Council of Europe, and the Organization for Security and Cooperation in Europe (OSCE). In October 1994 it signed an association agreement with the European Union, and at the end of 1995 it became a member of the OECD. If Czechs as individuals were not “joiners,” the same could not be said about their state, at least as far as European institutions were concerned.⁷⁵

The ČSFR’s acceptance into the Council of Europe confirmed that it had the minimum democratic institutions required for membership.⁷⁶ But Council membership went beyond a seal of approval; it imposed

obligations and allowed the Council to criticize domestic Czech policies in the light of its 150 conventions. Under the European Convention on Human Rights, for instance, a member of a minority could appeal to the Human Rights Committee and to the European Court of Human Rights, and the Council has not hesitated to speak up on Roma issues. Thus membership was an ongoing process of developing democratic institutions and practices, as defined by the Council's members over its half century of existence, not just a reward for initial good behavior. Membership in the Council of Europe was also important for the Czech Republic as a validation of acceptability to NATO and the European Union.

Even before the breakup of the federation, the ČSFR authorized the participation of Czechoslovak military units in the former Yugoslavia within UNPROFOR. When two Czech soldiers were killed in 1995, the Czech minister of defense spelled out the mission's political significance bluntly: Czech participation was "an investment in our own future security, in the sense that in case of a threat we will not remain isolated."⁷⁷ Czech cooperation with the international community in the former Yugoslavia, this time under NATO leadership, continued in IFOR and SFOR, adding to the more than 400 military observers who had served since 1989 in ten countries under UN, EU, or OSCE auspices.⁷⁸ Czech participation also reinforced the message that the Czechs were a realistic future member of the NATO alliance.

The ČSFR was one of the most enthusiastic Visegrád states in pursuing NATO membership, and when the alliance unveiled its Partnership for Peace program in 1994, the Czech Republic signed on with alacrity.⁷⁹ However, it viewed the Partnership only as a "first step" toward eventually joining the alliance as a full-fledged member.⁸⁰ Two lines of argument dominated Czech public pronouncements on NATO enlargement. The security argument frequently referred directly to the historical memories of Munich and similar past traumas. The fact that NATO decisions required consensus meant that "no decisions about us will ever again be made without us."⁸¹ The other argument was based on shared values. As might be expected, Havel expressed this approach to NATO membership many times. In a speech in Cracow in June 1996 he pointed out that, although the specific postwar strategic situation that had created NATO had changed, its other source, "the concept of the common defense of the values of the democratic, Western world against any threat," was just as valid today.⁸²

When the Czech Republic, Poland, and Hungary formally joined NATO in 1999, Kavan, Zeman, and Havel all stressed Czechoslovakia's unhappy history in the twentieth century. They welcomed NATO enlargement not only as a security guarantee but as a commitment to the values of democracy and an open society embodied not only in NATO but also in the European Union. Zeman linked NATO and EU membership explicitly when he noted that "since the emergence of the Czech Republic in 1993, our integration into NATO and the European Union was confirmed as the strategic foreign policy objective of every government in power regardless of its political orientation."⁸³ Frequently seen as two sides of one coin, in the end the process of joining NATO and the EU affected domestic aspects of the transition as well as foreign policy.

The Thorny Road to the European Union

When Czechoslovakia signed its association agreement with the European Community in 1991, it was hailed as "perhaps the most important agreement Czechoslovakia has concluded since the war."⁸⁴ Yet in 1999, as NATO membership arrived and the EU accession process progressed, another article began with the words: "Do we want to enter Europe at all?"⁸⁵ Were the Czechs really losing their desire to go "back to Europe?" How far along the road to the goal of EU entry had they progressed, and what was now making them question whether they should complete the journey?

The initial phase of the journey unfolded in a way similar to NATO expansion.⁸⁶ Under pressure from the new democracies of Eastern Europe and wanting to stabilize them, the European Community sought to avoid a flat refusal to new members. Thus the association agreements, like the Partnership for Peace, sought to keep everyone happy without a binding commitment to enlargement. The associated countries received trade and customs concessions (though key EC industries still had protection), and were given a ten-year period in which to manage their economic transformations and bring their legal systems into line with the community's.⁸⁷

None of the hopeful associated states was content with this halfway house status, and they lobbied for binding promises of future membership. At the Copenhagen Council meeting in 1993, the EU adopted three general conditions for future membership: stable democratic institu-

tions, the rule of law, and human and minority rights; a market economy able to withstand competition from the EU economies; and the ability to take on the obligations of membership, including the EU common law, the *acquis communautaire*. Matters were delayed while the EU absorbed Austria, Sweden, Norway, and Finland. After the EU published clearer guidelines in May 1994, the Central and Eastern European countries were able to apply formally. The Czech Republic submitted its application in January 1996, and in 1997 the EU included it together with Poland, Hungary, Slovenia, Estonia, and Cyprus among the countries on a “fast track” to membership. Negotiations began in 1998, and since then the Czech government has insisted that early accession to the EU is its goal.

The negotiations proceeded on the basis of an “accession partnership” setting out the specific preparation strategy for each country. The European Commission publishes a yearly progress report in which the priorities in the accession partnership are evaluated, and areas for further work identified. Applicant countries also present a specific program outlining how they will prepare to adopt the *acquis*.⁸⁸ Since 1997, EU aid to the Czech Republic through the PHARE program (Polish and Hungarian Assistance for the Reconstruction of Europe) has been specifically targeted to help it meet these goals.

Preparation for EU membership thus involved complicated and coordinated reshaping of legislation, administration, and economic policies. The *acquis* are set out in twenty-nine chapters covering the entire gamut of public legal, administrative, and economic life. The annual progress reports evaluate not only the broad Copenhagen requirements for admission, but specifically address each chapter of the *acquis*, setting out the extent to which each requirement has been fulfilled and identifying specific priorities for further effort. The Czech Republic has met the first two criteria (democracy and market economy), if restructuring continues successfully, while in applying the *acquis* the most recent report lists many areas fully, largely, or partially fulfilled.⁸⁹ Entry into the “Europe” represented by the EU, then, begins to look like an incredibly intrusive, expensive, and bureaucratic exercise of “meddling in the internal affairs” of the applicant countries.

Expansion is not only a technical question; it also has a political side. Experience has shown that integration has to begin before admission and will continue afterward, no matter how well prepared a new member may be. Although the applicant countries may need transition

periods and exemptions, the EU must also ensure that current member states accept expansion, or it risks loosening the European integration already achieved. One issue already creating some difficulty is the free movement of labor. Germany raised the possibility of delaying this EU norm for the new member states for a period of eighteen years, later reduced to seven. Current member states also fear increased taxes if the economies of the newly admitted countries have to be raised to the EU standard. Current net recipients from the EU budget would prefer not to see aid from Brussels totally diverted to the East.⁹⁰ The applicant countries worry about their agricultural sectors, domestic small and medium-sized enterprises, and the need to put their financial houses in order. All this costs money, and adapting to the EU may last for years after formal admission. Nevertheless, expansion has built up its own logic, resources have been invested, hopes have been raised, and the EU is now at a point where it must accept at least some applicant states in the near future. The Czech Republic claimed to be prepared for admission by January 1, 2003.

Environmental and energy policy shows how EU accession is caught in a web of foreign and domestic concerns. Czechoslovakia received EC support for the environment through the PHARE program, continued after 1993. It helped install better monitoring systems, upgrade sewage treatment, and refit factories and power plants with scrubbing technology to reduce air pollution. PHARE also subsidized the contract with Westinghouse to improve safety and reliability at the Temelín nuclear plant.⁹¹ In 1999, Austria led an effort in the European Parliament against completion of the plant, whose original Soviet design (although different from the reactor at Chernobyl and modified by Westinghouse) was considered suspect. Austrian politicians warned that Temelín could endanger the Czech Republic's EU entry.⁹² In January 2002 Jörg Haider, leader of the Austrian right-wing Freedom Party, launched a petition campaign against bringing the completed reactor online.⁹³ The EU has called for the highest standards of safety in the Czech nuclear industry, and also facilitated agreements between the Austrian and Czech governments over voluntary environmental impact studies on the Czech side, but the problem of nuclear power and related environmental issues remains.⁹⁴

Another example of how EU admission intertwines domestic politics, public opinion, and foreign policy is that hardy perennial, Czech-German relations. At the Sudeten German organization's annual meet-

ing in 1996, while Czech-German negotiations over a joint parliamentary declaration were taking place, German Finance Minister Theo Waigel demanded that the Czech government repudiate the “Beneš Decrees” of 1945 that stripped the Germans and Hungarians of their property and citizenship. He implied that Czech EU accession could be jeopardized if Prague refused, another demonstration of the Sudeten German organization’s clout.⁹⁵ The declaration, ratified after nasty debates in 1997, affirms that “the entry of the Czech Republic into the European Union and free movement within this space will further ease the coexistence of Czechs and Germans.” Critics called it flawed from the start, and on the most important questions, such as restitution or the Beneš decrees, simply an agreement to disagree.⁹⁶

In the midst of the German election campaign in the summer of 1998, rookie Prime Minister Zeman criticized the presence of representatives of the Sudeten German organization at the Czech-German forum, comparing them to the Republicans and the KSČM in the Czech Republic. Chancellor Kohl reacted very strongly, and the exchange cast a pall over Kavan’s first official visit to Germany.⁹⁷ When a Social-Democrated coalition replaced the conservatives after the German elections and the Czech government turned to pressing domestic matters, the situation stabilized—until, that is, another election year for both countries.

Interviewed in an Austrian magazine at the height of the anti-Temelín drive in 2002, Zeman referred to Haider as a “post-Nazi” politician and to the former Czechoslovak Germans as “traitors” and “Hitler’s fifth column.” Klaus entered the fray with the suggestion that the Beneš decrees should be written into the accession treaty.⁹⁸ The EU’s official position was that accession was not linked to the decrees.⁹⁹ During a trip to Russia in April, Zeman got a statement of support from President Vladimir Putin, and once the Hungarian prime minister raised the issue, the Slovak government also backed the Czechs.¹⁰⁰ The Czech parliament, in an unusual display of unanimity, reaffirmed that the results of the decrees were “unquestionable, inviolable and unchangeable.”¹⁰¹ At the annual Sudeten German rally in May 2002, the CDU/CSU candidate for chancellor, Bavaria’s Günter Stoiber, called on the Czechs to repeal the decrees, stopping just short of making it a precondition for EU admission.¹⁰²

As the increasingly technical and difficult EU accession collected neuralgic points of international and domestic politics, public enthusiasm for the project fluctuated. The early euphoria of “back to Europe”

had long since vanished in the mundane details of 80,000 specific aspects of the *acquis*. One commentator compared the process to a poorly served wedding banquet, where the guest is forced like a child to eat bite after bite “for Daddy” (the EU) without ever seeing the whole menu, or enjoying the meal “for himself.”¹⁰³ The situation offered possibilities for a Euroskeptic, and Klaus seized them. He began insisting on protecting “national interests” and refusing to surrender sovereignty to the EU, and ODS voter support increased by three to four percent.¹⁰⁴ It seems certain that Czech EU accession will happen, whatever the exact date. But this step “back to Europe” is now taking place under the sign of fears that EU regulations will cause the adulteration of Czech *slivovice* or the death of *guláš* as we know it, instead of as an affirmation that the Czechs belong to Europe.¹⁰⁵

Thus at the end we return to where we started: the Czech location on the map of Europe. In the arguments over EU accession strong echoes of earlier symbols, rhetorical images, and historical myths resound. One of them is the “dream of Europe,” as a positive value, something to which the Czechs by culture, tradition, and history belong. That dream fueled the eagerness with which Czechoslovakia and its neighbors dismantled the CMEA, fled the Warsaw Pact, and knocked on the doors of Western Europe’s institutions. One editorial insisted that the Czechs should accept EU norms “so that we could become a standard European country, in which no solid investor, employer, or customer would have any reason to worry.”¹⁰⁶ The other echo recalled the dedication in 1910 of a plaque on Vítkov (Žižkov) hill outside Prague, on which these words were inscribed: “An insignificant handful of people overcame the serried armored ranks, because they were convinced of their truth. Then there were two sides. Europe and ourselves. And that Europe was pale, ghastly.”¹⁰⁷ This Europe was outside, alien, and potentially hostile, against which the Czechs had to defend “their truth,” standing alone against all.

These images of Europe defined Czech identity, either as the essence of Europe (democracy, freedom of thought, Masaryk’s concept of humanism), or as defending a Czech truth against the armored ranks of the “pale, ghastly” Europe (again, the Hussite period provides the myths). Alternatives to Europe were in a similar way a search for a Czech identity. Slavdom identified the Czechs as Western outliers of a new, better, purer Europe—the unspoiled Slavic world. Another alternative, so

strong in the discussions of Central Europe before 1989, was the search for a lost center, where everything naturally tended to synthesis, diversity, and tolerance. These two symbolic images seem to have exhausted their attractiveness. The Slavic identity was undermined by communist manipulation of its symbols and the experience of Soviet domination, though Zeman did seek Putin's support over the Beneš decrees in 2002. The idea of the lost center probably died with the general rejection of any "third way" in the rush to enter the West after 1989, and the historical record of the preceding century and a half did not support the tolerant, synthetic, and diverse image of Central Europe. There remains the temptation to use Europe to separate Czech identity from those beyond Europe's pale: Russia, the Balkans, "Asia."¹⁰⁸

Images of smallness and powerlessness also resounded in comments about EU accession. Klaus played on the nationalist note into the election campaign of 2002, but never said staying outside the EU was a viable option. Still, his attitude smacked of cooperating with the inevitable, resonating with historical interpretations of the Czech fate going back to Václav and Boleslav.¹⁰⁹ The counterargument appeals to opposing myth-images. Accepting that the Czech Republic will give up some formal sovereignty to join the EU, supporters claimed that in return it would gain much more. "The Czechs have often waited outside the doors while their affairs were decided, and most often during periods when they were 'sovereign'," wrote one editorial. "EU entry means never being outside the doors again."¹¹⁰

In 1848 František Palacký made the famous statement that if Austria had not existed for centuries, it would be necessary to create it. He did not mean the dynastic monarchy that did not survive World War I, but a federal Austria of free and equal nations. Perhaps, after the harsh schooling of the twentieth century, Europe may be ready to realize Palacký's dream on an even wider scale. The Czechs and the Czech Republic have the opportunity to be co-authors of that new Europe, and their own fate. Masaryk, were he alive today, might paraphrase one of his famous sayings and assert: "The European question must be a Czech question."