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National Backgrounders – European Foreign Policy

Country Profile

The Czech Republic

Capital:	Prague
Geographical Size:	78 866.2 km ²
Population:	10 512 419 (2014)
Population as % of total EU population:	2.1% (2014)
GDP:	€ 149.491 billion (2013)
Defense Expenditure:	€ 1.597 million (2013)
Official EU language(s):	Czech
Political System:	Parliamentary republic
EU member country since:	1 May 2004
Seats in European Parliament:	21
Currency:	Czech Koruna (CZK)
Schengen area member?	Schengen Area member since 21 December 2007
Presidency of the Council:	Once: in 2009

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a. Political System

Since its split from Slovakia in 1993, the Czech Republic has been an independent constitutional parliamentary democracy. In 1989, Czechoslovakia already existed as a democracy and a free market economy. Today, the country is divided into 13 regions.

The President of the Czech Republic is the head of state and the Supreme Commander of the Armed Forces. He is able to appoint and dismiss the Prime Minister and the other ministers, and to summon and dissolve the Chamber of Deputies. He also holds the power to sign laws. Since 2012, the President is elected by popular vote instead of parliamentary vote with elections taking place every five years. It is possible for a President to hold this position for a maximum of two consecutive terms. Miloš Zeman (Party of Civic Rights, *SPO*) has held this office since 2013. The Prime Minister and Head of the Government currently is Bohuslav Sobotka (Czech Social Democratic Party, *ČSSD*). The executive power lies within the Cabinet of the Czech Republic, which is appointed by the President upon recommendations of the Prime Minister. The Cabinet is currently made of a coalition between the Czech Social Democratic Party (*ČSSD*), the centrist and populist “ANO 2011”, and the Christian and Democratic Union – Czechoslovak People's Party (*KDU-ČSL*).

The legislative power in the Czech Republic lies in a bicameral parliament. The Upper House is the Senate (81 seats), which members are directly elected for a six-year term, as a third of the Senate is newly elected every two years. It has the power to discuss and approve draft bills from the parliament, propose bills, as well as voice its opinion on international treaties or issues concerning defense (e.g. declaring war). It is currently made of members of the Czech Social Democratic Party (*ČSSD*) in majority with 33 Senators, followed by members of the Civic Democratic Party (*ODS*) with 14 Senators. The Lower House is the Chamber of Deputies (200 seats), which members are directly elected every four years. For thematic work, the Chamber of Deputies is divided into 18 committees. Its members are able to discuss and approve laws, vote down the Government, and set up the budget. It is currently made of members the Czech Social Democratic Party (*ČSSD*) in majority with 50 seats, shortly followed by members of the ANO 2011 party with 47 seats, and members of the Communist Party of Bohemia and Moravia with 33 seats.¹ The composition of both Houses is very democratic (proportional representation) and divided among the various political parties.

The supreme law of the Czech Republic lies in the Constitution and the Charter of Fundamental Rights and Freedoms. The current Constitution exists since 1993 and has been amended several times, most recently in 2013. Furthermore, a new civil code was introduced in 2014. Several kinds of courts exist in the Czech Republic. One of the highest courts is the Supreme Court, whose judges are appointed by the Chamber of Deputies and are formally elected for life by the President. In the Constitutional Court, 15 judges are appointed by the President and confirmed by the Senate for a ten-year term that can be renewed.²

b. Foreign Policy

In July 2015, the Czech government adopted the new *Concept of the Czech Republic's Foreign Policy*, which describes the Czech Republic as a “small country in a global context and a medium-sized country on a European scale”.

¹ Kábelová A., "Czech Republic Political System", *Czech Republic*, January 25, 2010. Web. Accessed June 12, 2015. <http://www.czech.cz/en/88070-czech-republic-political-system>.

² “Czech Republic”, *The World Factbook 2015*, Central Intelligence Agency, last update October 28, 2015. Web. Accessed November 11, 2015, <https://www.cia.gov/library/publications/the-world-factbook/geos/cz.html>

Having limited human resources and funding, active involvement in various multilateral structures enhances the opportunities for the state's foreign policy, contributes to national security and prosperity, and preserves the liberal-democratic constitutional architecture³. The starting point for the values expressed by the Czech foreign policy is represented by the country's sense of belonging to the **Euro-Atlantic area**, institutionally underscored by its membership in the European Union (EU) and North Atlantic Treaty Organization (NATO)⁴.

In regards to bilateral relations, the Czech Republic has a priority list of groups of states that it would like to cooperate with. The list is as follows:

1. Global powers such as US, Russia, China;
2. European nuclear powers;
3. Neighbors and stable central European countries such as Germany, Poland, Slovakia, Austria, and Hungary;
4. Eastern and South-Eastern Europe, especially Eastern Partnership countries; and
5. Developed democracies such as EU member states, Israel, Japan, Australia, Canada, and the Republic of South Korea.⁵

There is a sizeable portion of the Czech population that harbors pro-Russian sentiments, or at least views Russia as morally equivalent to the United States⁶. According to Martin Ehl, journalist for a Czech daily newspaper, the current President Miloš Zeman is very sympathetic towards **Russia** (and China)⁷. The Czech foreign policy *Concept* paper mentions "constructive cooperation with the Russian Federation primarily in economic and cultural areas", while at the same time it says the Republic will "hinge on the Russian Federation's respect for international law and for the territorial integrity and sovereignty of its neighbors"⁸.

Policy fields of special interest to the Czech Republic are human rights, transition policy, public diplomacy, and innovation of export and import promotion policies. Furthermore, the Czech Republic feels obliged to further transition policy as the country itself successfully transitioned into a democracy and free market economy. Thus, the Czech **Transition Promotion Program** specifically works to implement several projects in countries such as Belarus and Bosnia & Herzegovina, as well as in North African countries concerned by the Arab Spring. In addition, the Czech foreign policy focuses on Czechs living abroad, through diplomatic missions. It is important for the Czech Republic to be involved in **development cooperation and humanitarian aid**, nationally as well as internationally, through organizations such as the EU. Moreover, emphasis is put on education with the help of Czech university scholarships for students from developing countries. Further specific goals and actions are outlined in the *Development Cooperation Strategy of the Czech Republic 2010-2017*.⁹

³ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 2. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

⁴ *Ibid.*, p. 3

⁵ *Ibid.*

⁶ Klvaňa T., "Czech foreign policy: Western after all", *Aspen Review Central Europe*, Issue 2 ("State vs. Economy"), 2015, p. 34. Web. Accessed November 11, 2015.

http://www.aspeninstitute.cz/upload/pdf/Aspen_Review_2015-2.pdf

⁷ Ehl M., "Letter from Prague", *Judy Dempsey's Strategic Europe*, Carnegie Europe, January 30, 2015. Web. Accessed November 11, 2015. <http://carnegieeurope.eu/strategieurope/?fa=58860>

⁸ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 16. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

⁹ "Development Cooperation and Humanitarian Aid", *Ministry of Foreign Affairs of the Czech Republic*, February 27, 2013. Web. Accessed June 15, 2015.

http://www.mzv.cz/jnp/en/foreign_relations/development_cooperation_and_humanitarian/index.html

European Union (EU)

In 2003, a national referendum with a positive turnout of 77% finalized the accession process of the Czech Republic to the European Union. The Czech Republic joined the EU in 2004, forming the **Visegrád Group** coalition with Hungary, Poland, and Slovakia (the alliance was initiated in 1991 with the aim to accede the EU). An area of special interest for the Czech Republic in the EU is the relation to the Eastern non-EU member states. Thus, the Czech Republic lays a huge focus on the Eastern countries of the European Neighborhood Policy and appreciated the formation of the **Eastern Partnership** in 2009¹⁰. Czech governments were historically known as “Euroskeptic”. However, in an attempt to improve Czech relations with the EU, the new Prime Minister Bohuslav Sobotka has adopted a **pro-European approach** since February 2014¹¹. For instance, the new cabinet stated its “interest to have a uniform, strategically run EU Common Foreign and Security Policy (CFSP)”¹².

According to Vladimír Bartovic from the *EUROPEUM Institute for European Policy* in Prague, Great Britain has long been considered a natural ally for the Czech Republic in policy areas like the single market, the liberalization of trade, and a strong transatlantic partnership. The Czech government also shares British concerns that the Economic and Monetary Union policies that affect all the EU Member States should be debated in the EU-28 format. Thus, it is a shared opinion amongst Czech political leaders that a Brexit would harm the EU as well as Czech interests. Hence, although we can expect that the Czech Republic will pursue solutions that will accommodate British demands, the country is also unlikely to support a “Brexit”¹³.

c. Peace & Security Policy

The Czech Republic’s foreign policy works to ensure the security and **stability** of the Euro-Atlantic area, as well as the strengthening of the **cohesion and efficiency** of NATO and the EU. It aims to attain these objectives by:

- Preventing local and regional conflicts;
- Delivering functioning and transparent arms control systems (including the non-proliferation of weapons of mass destruction);
- Safeguarding energy, resource and food security; and
- Tackling illegal migration, curtailing radicalization and combating international terrorism and organized crime.

The framework ensuring the country’s security is determined primarily by the *Czech Republic’s Security Strategy*. The Czech Republic is actively involved in peacekeeping and crisis management missions, undertaken above all within the framework of NATO, the EU’s Common Security and Defence Policy (CSDP), the OSCE, the UN, and multinational coalitions. The frontline security interests of the Czech Republic and its allies include Eastern Europe, the Western Balkans, North Africa, the greater Middle East, and the Sahel. Besides

¹⁰ “The Eastern Partnership”, *Ministry of Foreign Affairs of the Czech Republic*, December 12, 2012. Web. Accessed June 15, 2015.

http://www.mzv.cz/jnp/en/foreign_relations/european_union/the_eastern_partnership.html.

¹¹ Ehl M., “Letter from Prague”, *Judy Dempsey’s Strategic Europe*, Carnegie Europe, January 30, 2015. Web. Accessed November 11, 2015. <http://carnegieeurope.eu/strategieurope/?fa=58860>

¹² Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic’s Foreign Policy*, Prague, July 13, 2015, p. 3. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

¹³ Bartovic V., “Czech Republic: A desire to accommodate British demands, but without treaty changes”, *European Politics and Policy*, London School of Economics and Political Science, November 4, 2015. Web. Accessed November 11, 2015. <http://blogs.lse.ac.uk/europpblog/2015/11/04/european-views-on-the-uks-renegotiation-the-czech-republic-hungary-sweden-and-lithuania/#One>

military and civilian operations and missions, which focus on immediate crisis response, the Czech Republic actively promotes policies pursued by the international community and the European Union towards the long-term stabilization of these regions, including the alleviation of migratory pressures¹⁴.

European Union (EU)

Czech security is closely linked to the political and economic stability of the EU. Therefore, besides being part of the Common Foreign and Security Policy (CSFP), the Czech Republic also cooperates with other EU member states on issues such as internal security, cyber security, and the protection of infrastructures. The country also supports policies pursuing the diversification of supplies of strategic resources¹⁵. The Czech Republic has been part of the following CSDP operations: EUFOR Althea in Bosnia & Herzegovina (400 soldiers), EUFOR Concordia in Macedonia (2 soldiers), EUFOR Tchad/RCA (2 soldiers), EU NAVFOR Atalanta (3 members of Armed Forces) and EU TM Mali (38 soldiers). Besides these missions, the Czech Republic has also participated in a variety of battlegroups together with Slovakia in 2009 and with several countries in 2012. A **Visegrád Battlegroup** is planned for 2016. The Czech Republic would like to make this Battlegroup permanent due to the close relationship the countries already have.

According to Tomáš Weiss from the Charles University in Prague, the decision to contribute to the EU Training Mission (EUTM) in Mali - despite the fact that the Czech Republic had no major interest in the region - was not a result of any significant political debate or any shift in Czech political and public approach to the EU. Country elites always shared the view that NATO must remain the anchor of Czech security policy and that the CSDP is not worth taking the risk of undermining Atlantic cooperation¹⁶. However, the decision of the Obama administration to cancel the plans for the third site of ballistic missile defense system in the Czech Republic in 2009 provoked the civil service and some of the conservative politicians into a re-assessment of current policies towards CSDP¹⁷.

North Atlantic Treaty Organization (NATO)

The Czech Republic has been a member of NATO since 1999 and sees the Organization as a main source of national and international security. The Organization is NATO is seen as the **major focus of international security policy**. The Czech Republic will increase defense spending to 1.4% of GDP by 2020, and will make efforts to bring defense spending closer to 2% of GDP (NATO *indirect* funding system)¹⁸ should the long-term sustainability of public finances allow so. In the period 2014-2015, the Czech Republic contributed to 0.94% of the total *NATO Common-Funded Budgets & Programmes* (NATO *direct* funding system)¹⁹.

¹⁴ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 5. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

¹⁵ *Ibid.*, p. 6

¹⁶ Weiss T., "Confused and divided: Czech foreign and security policy in the EU", in Fiott D. (ed.) "The Common Security and Defence Policy: National Perspectives", *Egmont Institute*, No. 79, May 2015, p. 87. Web. Accessed November 11, 2015. <http://www.egmontinstitute.be/wp-content/uploads/2015/05/ep79.pdf>

¹⁷ *Ibid.*, p. 88

¹⁸ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 5. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

¹⁹ "NATO Common-Funded Budgets & Programmes", *The North Atlantic Treaty Organization*, Web. Accessed November 12, 2015.

http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2014_06/20140611_20140601_NATO_common_funded_budgets_2014-2015.pdf

The Czech Republic works towards raising the level of interoperability between Czech armed forces and the forces of the country's allies, as well as towards strengthening **complementarity of NATO and the EU** in safeguarding of defense and security. The three areas of specialization for the Czech Republic in NATO are Chemical, Biological, Radiological and Nuclear Defense, passive surveillance systems as well as military health service. Another area of special interest is the fight against terrorism, made possible by sharing intelligence, developing response capabilities and cooperating with a variety of partners. The Czech Republic also supports NATO's open door policy towards those states which show an interest in membership and meet the necessary conditions²⁰.

United Nations (UN)

As one of the founding members (as former Czechoslovakia) of the UN, the Czech Republic believes that the United Nations, due to their emphasis on collective security, should be one of the main actors to address the global challenges of the world and should practice effective multilateralism. For instance, active participation in international arms control systems and in efforts at disarmament and the non-proliferation of weapons of mass destruction are important means of protecting security interests²¹. Furthermore, the Czech Republic supports the further development of the "Responsibility to Protect" doctrine.

Since joining the UN as the Czech Republic in 1993, the country has been very active in several elected organs and programs, especially in the Economic and Social Council (ECOSOC) in which the country held a seat for three terms over the last years. Moreover, the country has participated in more than 30 peacekeeping missions with over 3,000 military and civil personnel²². In September 2015, the Czech Republic had 11 nationals engaged in peacekeeping missions (MINUSCA in the Central African Republic, MONUSCO in the Democratic Republic of Congo, UNAMA in Afghanistan, UNDOF in the Golan Heights and UNMIK in Kosovo)²³. For the period 2013-2015, the Czech Republic contributed 0.31% of the UN Peacekeeping budget²⁴. Specific policies the Czech Republic supports within the UN are human rights, counterterrorism, as well as climate protection and sustainable development. The Czech Republic has long championed reform efforts to make UN actions more efficient. This includes the reform of Security Council membership²⁵.

²⁰ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 5. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

²¹ *Ibid.*, p. 6

²² "Czech Republic in the UN", *Permanent Mission of the Czech Republic to the United Nations, the OSCE and Other International Organizations in Vienna*, last update September 27, 2015. Web. Accessed November, 2015. http://www.mzv.cz/mission.vienna/en/organisations_covered_by_the_permanent/united_nations/czech_republic_in_the_un/index.html.

²³ "UN Mission's Summary detailed by Country", *United Nations Peacekeeping*, September 31, 2015, p. 10. Web. Accessed November 12, 2015. http://www.un.org/en/peacekeeping/contributors/2015/sep15_3.pdf

²⁴ United Nations General Assembly, "Implementation of General Assembly resolutions 55/235 and 55/236", *Report of the Secretary General*, December 27, 2012, p. 3. Web. Accessed November 12, 2015. http://www.un.org/en/ga/search/view_doc.asp?symbol=A/67/224/Add.1.

²⁵ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 3. Web. Accessed November 11, 2015.

http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

Organization for Security and Co-operation in Europe (OSCE)

The Czech Republic has been a member of the OSCE since 1975 (as former Czechoslovakia) and believes that it is an important body for conflict prevention and post-conflict rehabilitation. Moreover, the country highly values the OSCE Human Dimension and regularly supports it with extra budgetary contributions²⁶. In 2014, the Czech Republic contributed to 0.1% (€ 200,347) of the Organization's unified budget²⁷, and 8 nationals were involved in its staff²⁸.

Council of Europe (CoE)

The Czech Republic became a member of the Council of Europe in June 1993. In 2014, the European Court of Human Rights issued 8 judgements concerning the country, of which 4 were violations and 3 were non-violations. In 2015, the Czech Republic contributed to 0.76% (€ 3,162,179) of the unified budget²⁹.

Strategic Culture

The prevention of armed conflict through diplomatic, political, or other non-violent means is of primary interests. The Czech Republic has a comprehensive security system as outlined in the most recent national *Security Strategy*. New security threats and an increasing number of non-state actors mark these challenges. Thus, even though direct military threats remain low in the Czech Republic, non-military threats such as supply security, migration, and economic and financial crimes exist. Further aggravating the situation is a decline of stability and security in the EU's neighborhood. According to the *Concept of the Czech Republic's Foreign Policy*, a direct threat to the territory of neighboring countries, posing by extension a threat to the Czech Republic, is not entirely inconceivable, since their security is indivisible within the framework of NATO³⁰. Overall, at times it seems as if the Czech Republic prefers to **bandwagon**, especially when looking at the priorities of bilateral relations and favoring NATO over CSDP due to US military support.

The security interests of the Czech Republic are divided into three levels. The first ones are vital interests to safeguard sovereignty, territorial integrity and political independence. The government as well as all other public authorities are responsible for this task and may use all legitimate tools to address these vital interests. Secondly, strategic interests are to ensure social development and prosperity of the country. These are often tied to specific regions or in cooperation with various international organizations. Thirdly, there are other otherwise important interests that have the goal of strengthening the resilience of the society against security threats.

²⁶ "Czech Republic in the OSCE", *Permanent Mission of the Czech Republic to the United Nations, the OSCE and Other International Organizations in Vienna*, last update September 27, 2015. Web. Accessed November 11, 2015.

http://www.mzv.cz/mission.vienna/en/organisations_covered_by_the_permanent/osce/czech_republic_in_the_osce/index.html.

²⁷ The Organization for Security and Co-operation in Europe (OSCE), *Annual Report 2014*, July 2015, p. 105. Web. Accessed November 12, 2015. <http://www.osce.org/secretariat/169971?download=true>

²⁸ *Ibid.*, p. 109

²⁹ "Czech Republic – Member state", *Council of Europe*. Web. Accessed November 12, 2015. <http://www.coe.int/en/web/portal/czech-republic>

³⁰ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 4. Web. Accessed November 11, 2015. http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

Specific threats for the Czech Republic include harm to political infrastructure, a high threat of terrorism, and cyber-attacks against the public as well as the private sector. Furthermore, migration exacerbated by instability in several countries can have negative impacts when integration is lacking. Thus, a EU Asylum policy is urgently needed. Organized crime is another worrisome aspect including corruption, human trafficking and drug dealing. Another trend has been the rise of terrorism, which the Czech Republic tried to deal with nationally and internationally. Indirect security threats include climate change as a trigger for conflict as well as natural and anthropogenic disasters that have the ability to spread diseases easily.

d. Economic Policy

European Union (EU)

The Czech Republic is closely integrated into the EU, which also means a high dependence and not much foreign investment. When joining the EU in 2004 the Czech Republic also became part of the European Monetary Union. This means that the country will adopt the Euro as soon as it fulfills all the necessary criteria, as it was not able to negotiate an opt-out clause. Thus, a Euro accession strategy was published in 2003 projecting an accession to the Euro in 2009/10. The most updated strategy from 2007 does not include a target date anymore but adaptations towards accession are still being made. In addition, the Czech Republic wants to make sure that the Euro area is able to cope with its own challenges before joining.³¹

In 2012 and 2013 the country experienced a slump due to less export demand in the EU and several austerity measures. Thus, the current economic policy emphasizes the need to strengthen international competitiveness through innovation and research. Furthermore, the risk and dependence on possibly unstable countries should be reduced. Other areas of economic reform are taxes whose policies need to be reformed in order to reduce tax fraud and make the whole system more efficient. Reforms in the area of corruption still lack implementation and need to be further enforced. In addition, the pension and health care system are in need of revision as the population of the Czech Republic is quickly aging.³²

The incumbent government wants to continue pursuing a market-oriented economy while keeping in mind a social and environmental balance as primary preconditions for economic growth. A focus has been put on promoting entrepreneurship, an efficient and transparent state administration, a well-functioning labor market, a sustainable pension system, and investment in education, research and innovation.

Key priorities within the government are:

- Promoting entrepreneurship, sustainable economic growth, and competitiveness of the economy and job creation with special emphasis on disadvantaged social groups and problem regions.
- Efficient use of EU structural funds, including funds for infrastructure development.
- Increasing the efficiency of public finance management, including administrative cost savings, review of mandatory expenditures and more transparent public procurement.
- Fighting corruption, financial crime and usury while promoting financial literacy of citizens.

³¹ "The Czech Republic's Integration into the EU – Monetary and Economic Policy", *Czech National Bank*. Web. Accessed June 16, 2015. https://www.cnb.cz/en/about_cnb/international_relations/cr_eu_integration/.

³² European Commission, "Recommendation for a Council Recommendation on the 2015 National Reform Programme of the Czech Republic and delivering a Council opinion on the 2015 Convergence Programme of the Czech Republic", *Official Journal of the European Union*, COM(2015) 254 final (May 13, 2015). Web. Accessed June 16, 2015. http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_czech_en.pdf

- Developing high quality and universally accessible services in the area of education, health care, social services, transport and security.
- Active membership in the EU including an active effort to create conditions for euro adoption.
- Adoption and implementation of the Civil Service Act to ensure the de-politicization of the state administration, define clear and transparent criteria for hiring, rewarding and promoting public servants.
- Efficient use of ICT in public administration and development of the internet economy.

As a member of the EU, the Czech Republic also highly benefits from the EU's various funds. The EU spending on the Czech Republic is more than three times the amount the country contributes to the EU budget. Funds the country benefits from are the Regional Development, Social, Cohesion and Agricultural Fund, the European Fisheries and Agricultural Fund for Rural Development, and the European Social Fund³³.

Economic Diplomacy & Foreign Trade

The Czech Republic and the former Czechoslovakia have a long history with the World Trade Organization (**WTO**) and its predecessors. In the last few years, the Czech Republic has made efforts to advance the liberalization of world trade and to maintain and develop a predictable and transparent international trade system based on firm rules. The country has also been a member of the Organization for Economic Cooperation and Development (**OECD**) since 1995, following a long preexisting partnership between the two actors. In the early stages of the partnership the focus lay on preparing reforms and a new legislation towards a market economy. In 1991, Czechoslovakia, Hungary, and Poland were allowed to join the program "Partners in Transition" giving them access to several activities and the status of an observer in several OECD bodies.³⁴

The Czech Republic has transformed into a free market economy that can be characterized as small, open, and export-driven. The Czech export to gross domestic product ratio is approximately 80%, with the bulk of exports headed for the European Union. The main export and import partners are Germany, Slovakia, and Poland. The Czech Republic aspires to an open and predictable international economic order based on clear and fair rules³⁵. The Czech Republic will also work towards extending cooperation in trade and investments with developing countries, whether bilateral or trilateral³⁶.

The **United States** and the Czech Republic have a bilateral investment treaty. Successive Czech governments have welcomed U.S. investment, and the United States has been one of the Czech Republic's top investors. Leading sectors for U.S. exports to and investment in the Czech Republic include automotive parts and equipment, education, energy, franchising, information technology, medical equipment, scientific equipment, and the agricultural sector.

³³ Organisation for Economic Co-operation and Development (OECD), *OECD Economic Surveys – Czech Republic*, Overview, March 2014. Web. Accessed June 16, 2015, <http://www.oecd.org/eco/surveys/Czech-Republic-Overview-2014.pdf>

³⁴ "Accession of the Czech Republic to the OECD", *Permanent Delegation of the Czech Republic to the OECD in Paris*, January 21, 2015. Web. Accessed June 16, 2015. http://www.mzv.cz/oecd.paris/en/the_czech_republic_in_the_oecd/accession_of_the_czech_republic_to_the.html

³⁵ Ministry of Foreign Affairs of the Czech Republic, *Concept of the Czech Republic's Foreign Policy*, Prague, July 13, 2015, p. 3. Web. Accessed November 11, 2015. http://www.mzv.cz/file/1574645/Concept_of_the_Czech_Republic_s_Foreign_Policy.pdf

³⁶ *Ibid.*, p. 8

Moreover, the Czech Republic is a strong supporter of Transatlantic Trade and Investment Partnership (TTIP)³⁷.

Chinese companies are investing more and more in the Czech Republic. Advantages include a good central location in the middle of Europe and a cheaper, more educated labor force. Czech government is also planning to create economic and technological zones for Chinese investors in the Moravia-Silesia Region. In 2014, Chinese investments in Czech Republic amounted to almost 3.1 billion euro. **China** is currently the fourth largest trade partner of the Czech Republic. China is also becoming a great financial partner. The Czech application to join the Asian Infrastructure Investment Bank (AIIB) is currently under consideration. The Czech Republic is also working to ease the way for Chinese tourism and highlight the country's tourist attractions³⁸.

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³⁷ “U.S Relations with the Czech Republic”, *U.S. Department of State*, July 20, 2015. Web. Accessed November 11, 2015. <http://www.state.gov/r/pa/ei/bgn/3237.htm>

³⁸ Du Bois G., Davidova M., “China and Czech Republic, a recent political shift”, *Nouvelle Europe*, June 29, 2015. Web. Accessed November 11, 2015. <http://www.nouvelle-europe.eu/node/1906>

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