

**PL-CZ**

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# **POLISH-CZECH FORUM 2023**

| Report



**Institute of New Europe**

# AUTHORS



## **Artur Bartoszewicz, Ph.D.**

Doctor of Philosophy in Economics at the Warsaw School of Economics. Expert in the field of public policy, including state and economic strategies. Expert at the National Centre for Research and Development and the Digital Poland Projects Centre. Chairman of the Program Board of the Institute of New Europe.



## **Marcin Bartoszewicz**

Student of the International Economics at Warsaw School of Economics and Medical Studies at Warsaw Medical University.



## **Aleksy Borówka**

Deputy President of the Institute of New Europe, Doctoral Candidate at the University of Wrocław. Former President of the Polish National Association of Doctoral Candidates. Laureate of I, II, and III International Geopolitics Olympiad. Author of a dozen scientific papers concerning security, politics, and international relations.



## **Karel Sál, Ph.D.**

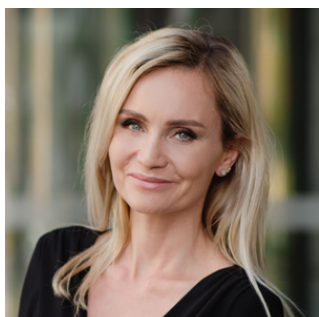
Analyst at the Institute for Politics and Society, political scientist focusing on electoral systems, electoral behavior, and electoral group targeting. Expert in opinion polls and new research techniques. His works in IPPS focus on the disintegration of traditional ideological systems, the issue of freedom of speech, the future of European integration, and Czech domestic politics.

# AUTHORS



## **Šárka Shoup, Ph.D.**

Director of the Institute for Politics and Society. Šárka covers transatlantic, economic, and migration issues. She holds a doctoral degree, an engineering degree, and two master's degrees. Her doctoral research was on the issue of migrations. She studied in Mexico and France.



## **Katarzyna Obłąkowska, Ph.D.**

Doctor of Philosophy in Politics and Administration at Warsaw School of Economics, sociologist, and expert in public policies and social research, with a particular emphasis on cultural heritage, tourism, identity, trust, and social and economic development. Member of the Program Board of the Institute of New Europe.



## **Sandra Krawczyszyn**

Communications and Promotions Coordinator at the Institute of New Europe, a graduate student of sinology at the University of Warsaw, and a graduate student of master studies "Contemporary China Studies" at Renmin University of China. Author of "Jadeitowy Podcast" and publications concerning Chinese society.



Projekt "Intensyfikacja współpracy Polsko-Czeskiej w zakresie priorytetów polityk zagranicznych obu państw w 2023 roku" ma na celu dostarczenie merytorycznych podstaw do intensyfikacji współpracy polsko-czeskiej na polu priorytetów polityki zagranicznej obu państw. Zadanie dofinansowane ze środków Ministerstwa Spraw Zagranicznych Rzeczypospolitej Polskiej w ramach grantu "Forum Polsko-Czeskie 2023". Kwota dofinansowania z grantu wynosi 55 000,00 zł

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# INTRODUCTION

This report has been developed as a part of the project “Polish-Czech Forum 2023” which aims to create substantial reasons for intensifying Polish-Czech cooperation in terms of priorities of foreign policies of both countries. The destabilization of the European security architecture as the result of the second phase of the Russo-Ukrainian war led to significant political changes within the region of Central-Eastern Europe. In particular, measures aimed at supporting Ukraine in defending itself against unreasonable military aggression led to strengthening bilateral and multilateral cooperation in the region with a particular emphasis on the cooperation between Poland and Czechia. Noticeable improvement in Polish-Czech relations creates a chance to strengthen cooperation in terms of common challenges within the international space, to which priorities of the presidency of the Czech Republic in the Visegrad Group refer. In the framework of cooperation of the V4, the Czech Republic will focus on supporting Ukraine, combating illegal migration to the European Union, or on measures to include Bulgaria and Romania in the Schengen sphere. There is no doubt that along with the development of engagement of Poland in the region of Central-Eastern Europe, relations with the Czech Republic become one of the most important fields of implementation of the foreign policy of the Republic of Poland. However, to further deepen and strengthen the Polish-Czech cooperation, it is necessary to understand a range of social factors influencing Czech policies. In the chapter devoted to the influence of the Russo-Ukrainian war on the foreign policy of the Czech Republic, Karel Sál, Ph.D. underlines the meaning of the perception of the Russian Federation in the political memory in terms of a threat, that Russia posed, is posing and will be posing against Czechia. Importantly, the Czech Republic is included on the so-called list of hostile countries of Russia. It is worth noting that understanding the characteristics of political phenomena in Czech society, with a particular impetus on the focus on internal politics and strong support for the European Union policies, is key in terms of the development of positive relations with Czechs.

The Czech Republic strives to implement the policy of strategic partnership with Poland and the resolution of the conflict concerning the Turów lignite mine highlights the increasingly positive perception of the value of bilateral cooperation. In the chapter concerning the issue of Czech engagement in the Visegrad Group and the Three Seas Initiative, Marcin Bartoszewicz emphasizes the constant existence of a certain dose of conflict within Polish-Czech relations. In the view of Eurosceptic approach of Hungary and changes in the Slovak political scene after elections conducted in September 2023, Poland becomes the main partner of cooperation within the V4 format. In parallel, the development of the Three Seas Initiative's infrastructure could contribute to diminishing the negative impact of the results of the multidimensional crisis, but the future of Czech engagement in the 3SI format is uncertain. The low awareness of Czechs in terms of results and profits from investment in the regional development of transportation, energy, and cyberinfrastructure causes less than every tenth of Czechs to know about the existence of the Three Seas Initiative. The Czech Republic is a country characterized by a well-developed and competitive military industry. Aleksy Borówka, in the chapter concerning good practices of the development of the military industry, shows the example of the success of Czech enterprise which produces firearms. The Czech defense system is significantly based on a social foundation, which is positively impacting the security of the Czech Republic. Similar to Poland, Czechia is a country particularly vulnerable to the rise of energy prices, which was proved by Katarzyna Obłąkowska, Ph.D. In those terms, Poland has an opportunity to tighten bilateral relations through the development of energy infrastructure, allowing Czechia to diversify its fuel supply and also to cooperate in terms of international transfer of electricity. Simultaneously, maintaining good neighborly relations will be important in the scope of endeavors for the energy transition of countries of the Central-Eastern European region, including Poland. The space for tightening the cooperation in terms of the foreign policy of both countries is combating illegal migrations. Šárka Shoup, Ph.D. indicates the necessity of common, European endeavors to stabilize countries of origin of migrants. Actions for securing external EU borders will be a field of possible enhancing the Polish-Czech Cooperation. Artur Bartoszewicz, Ph.D., pointing out the increase of trade between Poland and Czechia, also shows numerous challenges of economic cooperation deriving from a protectionist approach towards domestic production in the Czech Republic. It is worth mentioning that Czech society is characterized by strongly developed economic patriotism. The chance for strengthening bilateral relations is also to undertake joint economic projects that are prospective in many sectors of the economy; however, the efficiency of such activities is dependent on understanding the characteristics of the Czech Republic and the ability to seek resolutions, allowing to achievement of mutual benefits.

# CHAPTER 1

KAREL SÁL, PH.D.

## “IMPACT OF THE RUSSO-UKRAINIAN WAR ON THE FOREIGN POLICY OF THE CZECH REPUBLIC”

The beginning of the second phase of the Russo-Ukrainian war hit the Czech Republic in a different situation than other countries in the Central and Eastern European region. At that time, the Czech Republic was already included in the list of enemy countries of the Russian Federation<sup>[1][2]</sup>, due to measures taken by the Czech side after the announcement of a Russian-organized terrorist attack in Vrbětice, in which 2 Czech citizens were killed. Russia's failed attempt to quickly conquer Ukraine thus only accelerated the processes that had already begun, which we could describe as a Czech-Russian rift.

### **Czech-Russian relations: A short introduction**

The nature of the relations between the Czech Republic, Russia, and Ukraine is largely defined by historical milestones and events of the 19th and especially the 20th century. Relations between the Czech political scene and Russian government circles can be dated back to the middle of the 19th century, which is characterized by the Slavophilism of some Czech national politicians and thinkers in the then Austria-Hungary. The romantic idea of tsarist Russia (e.g., Karel Kramář) as a possible ally based on cultural proximity and guarantor of the national self-determination of the Czechs was fueled primarily by an incomplete image of a backward country on the edge of Europe. Ukraine is largely defined by historical milestones and events of the 19th and especially the 20th century.

The study tours of Czech intellectuals had a mostly devastating effect on the reputation of Russia, as evidenced by the paraphrase of one of the most important Czech revivalists, Karel Havlíček Borovský: **"I went to Russia as a Slav, and I came back as a Czech."**[3]. The Bolshevik coup and the situation of the volunteer Czechoslovak legions in Russia, which militarily opposed the emerging Soviet Union, brought about a definitive collapse of romanticized ideas. In 1918, the Czechoslovaks won their first and last naval battle with the Red Army on Lake Baikal. After the establishment of the republic (1918), Czechoslovakia became a destination for Russian emigrants fleeing the Bolsheviks. Relations with the Soviet Union in the first half of the 20th century were determined by the foreign-political situation, especially the danger arising from Nazi Germany. In 1935, Czechoslovakia signed a defense treaty with the Soviet Union, which, however, proved to be completely dysfunctional during the Munich crisis (September 1938) and the subsequent occupation of the rest of Czechoslovakia by Nazi German forces (March 1939).

The end of World War II brought a new and positive image of the Soviet Union in Czechoslovakia. The liberation of a large part of the territory from the occupiers made the USSR a guarantor of independence after former allies the United Kingdom and France failed to advance on the eve of World War II. The refusal to participate in the Marshall Plan and the subsequent communist putsch (1948) already meant Czechoslovakia's complete orientation towards the Soviet Union.

Another turning point that shapes the attitude of the Czechoslovak public towards Russia as such to this day is the invasion of the armies of the Warsaw Pact in August 1968. The then leadership of the Communist Party of Czechoslovakia (KSČ) flirted with the idea of liberalizing the regime, which was completely unacceptable to the Kremlin. Although the invasion was undertaken by almost all members of the Warsaw Pact (including the Polish People's Republic, the Hungarian People's Republic, and the German Democratic Republic), the main occupier for most of the Czechoslovak public was the Soviet Union and its leader Leonid Ilyich Brezhnev. After the 1989 Velvet Revolution, a contingent of an incredible 73 and a half thousand Russian soldiers and about 40 thousand of their family members[4] were moved back to the USSR.

After the collapse of the Warsaw Pact and the fall of the USSR in 1991, a new period of relations between Czechoslovakia, Russia, and the post-Soviet states (Ukraine) began. In 1995, the visa requirement for Russian citizens was abolished, which resulted in an increase in emigration to the Czech Republic. In 1999, the Czech Republic, along with Poland and Hungary, became the first countries of the former Eastern Bloc to join NATO.



A year later, the Czech Republic reintroduced the visa requirement for Russians, precisely because of the high number of Russians who want to stay in. Relations during the first years of Vladimir Putin's government can be characterized as cautious, when Russia is understood as a peculiar but important element within the framework of European security policy and mainly as a stable supplier of cheap raw materials (mainly crude oil and natural gas) through the distribution network built in the 1960s of 20th century (Druzhba pipeline).

If we look at the program statements of the government of the Czech Republic since 2000, in the field of foreign policy we find vague formulations such as: "The government will continue to develop mutually beneficial relations with the Russian Federation and with Ukraine in all areas of common interest." [5]. Although the Security Information Service [6] regularly warned that the Russian diplomatic mission was carrying out hostile activities on the territory of the Czech Republic [7][28], the reaction of the Czech government and law enforcement agencies was lukewarm. In the Czech party system, the main proponents of good relations with Putin's Russia were the Communist Party of Bohemia and Moravia (KSČM; due to Soviet nostalgia and long-term orientation towards the USSR/Russia), less clearly also the Czech Social Democratic Party (ČSSD) and 2 presidents: Václav Klaus [8] and Miloš Zeman [9]. The Czech Republic corrected relations between Ukraine and Russia mainly in 2009, due to the acting Presidency of the Council of the European Union, it had to deal with the interruption of natural gas supplies to the eastern EU countries due to their disputes over transit fees.

**The Russian invasion of Georgia in 2008 (War in South Ossetia) created tension in the Czech Republic between the then government of Mirek Topolánek and the then president Václav Klaus.** The Czech Ministry of Foreign Affairs issued a statement stating that "the Russian Federation has become a party to the conflict thanks to its military actions against Georgia" and that "the Czech Republic fully supports the territorial integrity and sovereignty of Georgia and supports the dispatch of international troops for the purpose of establishing and maintaining peace and security in the conflict zones," [10], so President Klaus accused Georgia of provoking Russia [11][28].

We see a similar reaction in the case of the Euromaidan events in Ukraine and the annexation of Crimea 6 years later. While the government of the Czech Republic condemned the annexation of Crimea by the Russian Federation[12][29], the then president Miloš Zeman, despite comparing the aggression to the invasion of the Warsaw Pact troops from 1968, expressed understanding regarding the disintegration tendencies of the Russian-speaking population in Crimea and eastern Ukraine[13][30].

In the same year, ammunition warehouses in Vrbětice exploded, in which two Czech citizens (employees of a company dealing in military material) were killed. For a long time, it looks like an accident, the bigger the surprise comes 7 years later. The events in Vrbětice will move the Czech Republic from a supporter of pragmatic relations with Russia into the camp of official enemies.

### **Czech-Russian rift**

On Sunday, April 18th, 2021, an extraordinary press conference was convened by then Prime Minister Andrej Babiš (ANO) and Minister of the Interior and Minister of Foreign Affairs-in-Charge Jan Hamáček (ČSSD). **The prime minister told the media and television viewers that "there is reasonable suspicion" of the involvement of GRU agents Alexander Yevgenyevich Myshkin and Anatoly Vladimirovich Chepiga in the explosions in Vrbětice.** Actors known for the attempted murder of double agent Sergei Skripal in Salisbury, England, were supposed to be in southeastern Moravia during the critical days. When entering the Czech Republic, both proved themselves with cover passports issued by GRU intelligence, which they later used during the event in Great Britain[14].

**In response, the Czech Republic expelled 18 Russian "diplomats", whom the Czech secret services identified as a security risk.** In retaliation, Russia expelled 20 employees of the Czech embassy in Moscow the following day, including sixteen diplomats. The Czech side evaluated this step as unreasonable and, by expelling another 63 Russian employees of the embassy in Prague, equalized the numbers at the embassies of both countries[15]. The rift was completed by including the Czech Republic as the first European country and the first EU country on the list of so-called enemy countries of the Russian Federation alongside the United States of America[2].

After the parliamentary elections in 2021, the opposition coalition SPOLU[16] won, which, together with other like partners the Pirates and the STAN movement, wants to carry out a "revision of relations with Russia and China" for the first time as part of the government's program statement and also undertakes, that **"the construction of a new [nuclear] source in Dukovany (...) will not be built by Russian or Chinese companies."**[17]. The Russian attack on Ukraine, which began on February 24th, 2022, only confirmed the attitudes of the Czech political representation towards Russia, when all relevant actors, including the previously pro-Russian President Zeman[18], strongly condemned the invasion. An important moment in Czech foreign diplomacy towards Russia was the visit of Czech Prime Minister Petr Fiala together with Polish Prime Minister Mateusz Morawiecki and Slovenian Prime Minister Janez Janša in Kyiv on March 15th, 2022, which placed the Czech Republic among the states that significantly support the Ukrainian regime. As one of the first EU countries, the Czech Republic provided Ukraine with heavy weapons, including more than a dozen battle tanks T-72M or infantry fighting vehicles[19].

Another important change on the political map of the Czech Republic was the election of the new Czech President Petr Pavel in January 2023. The former Chief of the General Staff of the Army of the Czech Republic (2012–2015) and former Chairman of the NATO Military Committee (2015– 2018) has long held the view that Russia is a security threat.[20] Also in March 2023, for the first time since 1989 and due to the Russo-Ukraine war, the government of the Czech Republic updated its program statement[21] in which the challenges created by the war in eastern Ukraine were clarified, as well as the inclusion of measures in the field of energy security and energy diversification resources[22].

## Current situation and future

The current concept of the Czech Republic's foreign policy dates from 2015. In the Other Territories chapter, we can read about Russia: **"Czech policy towards Russia, including the degree of political and economic contacts, will depend on the Russian Federation's respect for international law and the territorial integrity and sovereignty of its neighbors."**[23]. Given that Russia has violated respect for international law and violated the territorial integrity of Ukraine, the concept is currently being reworked, which, according to information provided by Foreign Minister Jan Lipavský (Pirates), should be presented by the Minister of Foreign Affairs in mid-2023[24] which has not yet happened. However, we can expect Russia to be named as an acute threat to the Czech Republic, the EU, and NATO, and to significant support for Ukraine in the process of liberating the territory it held before 2014.

The updated security strategy of the Czech Republic explicitly states that "Russia is deliberately working against political, economic, and social stability in the Czech Republic. It is a fundamental threat to our security"[25] or that **"Russia still considers Central Europe to be a natural area of its influence. Russia questions the right of sovereign countries to choose or change their allies; purposefully destabilizes the states in its neighborhood, in the Western Balkans, the Middle East, and the African continent."**[25] In connection with this, the Ministry of Foreign Affairs prepared a document called the Report on the Review of Relations with Russia, in addition to general positions, it clearly states that sanctions towards the Russian Federation will be applied in the following years as well, and that "the Czech Republic must work with the Russian minority in the Czech Republic so that it is not a source of problems and risks, but an opportunity for the future establishment of relations between Czech and Russian society." Furthermore, the Czech Republic undertakes to "support Russian civil society and human rights defenders, Russian democratic opposition and independent journalists, as well as democratic exile." [26].

The effects of the Russian-Ukrainian war on the foreign policy of the Czech Republic are particularly in security. This means the Czech Republic's support for strengthening the role of collective defense in Europe, including support for the admission of Finland and Sweden to NATO. Furthermore, it is a matter of clearly naming Russia as an acute security threat to the Czech Republic when Russia is actively taking steps to undermine the freedom and cohesion of the Czech Republic. Related to this is the fulfillment of the commitment of 2% of GDP for defense, which the government committed to in its program statement as early as 2024[21][27], and massive purchases of new military equipment. In the area of energy security, he can see accelerated efforts to diversify oil and natural gas sources, purchase a share in an LNG terminal in the Netherlands (2022), support the expansion of the TAL pipeline, construct a gas link with Poland in the Moravian-Silesian region (STORK II - listed in the official list of Three Seas Initiative projects).

**Finally, there is the demand for the complete withdrawal of Russian troops from Ukraine (including Donbas and Crimea), security guarantees from the Russian Federation to Ukraine, support for Ukraine's membership in the EU and NATO, and the collective reconstruction of Ukraine.**

## RESOURCES

[1] As the first European country and the first EU member state.

[2] TASS, 2021, "Russian government approves list of unfriendly countries.", an article dated 14.05.2021 available on the Tass.com website, source: <https://tass.com/politics/1289825> [access: 30.09.2023]

[3] An exact quote from the original work "Slavs and Bohemia" by Karel Havlíček Borovský in the Pražské noviny from 1846: "The Russian frosts and other Russian things extinguished the last spark of all-Slavic love in me; I never had a trace of cosmopolitanism without it, so I returned to Prague in Bohemia." (Borovský, 1846; translated by the author). Borovský K. H., "Slovan a Čech", an article available at the Pražské noviny newspaper from 1846: February 15th, 19th, 22nd, 26th, March 1st, 5th, 8th, 12th, 1846. no. 14 to 21. pp. 53–64, 59–60, 63–64, 67–68, 71–72, 75–77, 81–82, 85–86.

[4] Pešková M., Jsem imigrant = Ja - immigrant : imigranti z bývalých zemí SSSR v České republic, 1 edition, publisher: Ústí nad Labem: Vlasta Králová, 2006, s. 49.

[5] PPV, 2002, Programové prohlášení vlády, source: [https://www.vlada.cz/assets/clenove-vlady/historie-minulych-vlad/prehled-vlad-cr/1993-2010-cr/vladimir-spidla/Programove-prohlaseni-vlady\\_1.pdf](https://www.vlada.cz/assets/clenove-vlady/historie-minulych-vlad/prehled-vlad-cr/1993-2010-cr/vladimir-spidla/Programove-prohlaseni-vlady_1.pdf) [access: 30.09.2023]

[6] In Czech: Bezpečnostní informační služba (BIS) – secret service of the Czech Republic.

[7] Quote from the Annual Report of the Security Information Service for the year 2013: "In the case of the Russian diplomatic mission, the number of intelligence officers under diplomatic cover was extremely high in 2013, and in addition, it is supplemented by intelligence officers who travel to the Czech Republic independently (tourists, experts, academics, businessmen...)." BIS, 2013, s. 9; translated by the author).

[8] President in the years 2003 – 2013, elected indirectly by the parliament.

[9] President in the years 2013 – 2023, directly elected.

[10] Vláda ČR, 2008, "Konfliktem mezi Gruzii a Ruskem se zabývají ministři zahraničí EU", article from 12.08.2008 available on the website Vláda.cz., source: <https://www.vlada.cz/scripts/detail.php?id=39922&tmplid=50> [access: 30.09.2023]

[11] "The role of the Georgian president, government and parliament in the responsibility for provoking the war is indisputable and obviously fatal." source: Vaca, 2008; translated by author.

[12] The then Prime Minister Bohuslav Sobotka (ČSSD) declared: "We are definitely witnessing a propaganda war and an attempt by the Russian leadership to justify its actions in Crimea." source: Czech Television, 2014 (translated by the author, Karel Sál)

[13] ČTK, 2014, "Zeman nesouhlasí s ruskou vojenskou intervencí na Ukrajině a varuje: Vykopete příkop pro celou generaci", article dated 01.03.2014 available on the webpage Eurozpravy.cz, source: <https://web.archive.org/web/20140301220713/http://m.domaci.eurozpravy.cz/politika/88428-zeman-nesouhlesi-s-ruskou-vojenskou-intervenci-na-ukrajine-a-varuje-vykopete-prikop-pro-celou-generaci/>. "While I fully understand the interests of the majority Russian-speaking population of Crimea, which was annexed to Ukraine in 1954 by Khrushchev's senseless decision, we have our experience with the military intervention of 1968. And I believe that any military intervention creates a deep trench that cannot be filled in a generation. (translated by the author, Karel Sál) [access: 30.09.2023]

- [14] ČTK, 2021, Do výbuchu ve Vrběticích byli zapojení ruští agenti, oznámil Babiš. Česko jich osmnáct vyhostí, article dated 18.04.2021 available on the Ceskatelevize.cz website, source: <https://ct24.ceskatelevize.cz/domaci/3299339-do-vybuchu-municniho-arealu-ve-vrbeticich-byly-podle-zjisteni-ceskych-bezpecnostnich-accees>: 30.09.2023]
- [15] Polaczyková, M. T., 2021, "ČR vyhostí další zaměstnance ruské ambasády. Moskva se srovnáním počtů souhlasí", article dated 23.04.2021 available on the website Denik.cz, source: [https://www.denik.cz/z\\_domova/cesko-rusko-ambasada-diplomate-vrbetice-spor-20210422.html](https://www.denik.cz/z_domova/cesko-rusko-ambasada-diplomate-vrbetice-spor-20210422.html) [accees: 30.09.2023]
- [16] The electoral coalition was composed of three center-right parties: 1) Civic Democratic Party (Občanská demokratická strana, ODS), 2) Tradition Responsibility Prosperity 09 (Tradice Odpovědnost Prosperita 09, TOP 09) and Christian and Democratic Union – Czechoslovak People's Party (Křesťanská a demokratická unie – Československá strana lidová, KDU-ČSL).
- [17] PPV, 2022, Programové prohlášení vlády České republiky, source: <https://www.vlada.cz/assets/jednani-vlady/programove-prohlaseni/programove-prohlaseni-vlady-Petra-Fialy.pdf> [access: 30.09.2023]
- [18] "It is already clear today that the date February 24th, 2022, will go down in history in a tragic way, similar to, for example, September 1st, 1939, or September 11th, 2001. The current events in Ukraine testify to the fact that the relatively long period of peace in Europe was - let's see - on history in its entire length - rather the exception than the rule.", Soukup, 2022 (translated by the author, Karel Sál)
- [19] ČTK, 2022, Česko zřejmě poslalo Ukrajině několik desítek tanků a bojových vozidel pěchoty, article dated 05.04.2022 available on the E15.cz website, source: <https://www.e15.cz/valka-na-ukrajine/cesko-zrejme-poslalo-ukrajine-nekolik-desitek-tanku-a-bojovych-vozidel-pechoty-1389046>
- [20] ČTK, 2018, Rusko a Čína jsou pro nás větší hrozbou než terorismus, říká generál Pavel, article from 08.11.2018, available on the Aktualne.cz website, source: <https://zpravy.aktualne.cz/domaci/rusko-je-pro-nas-vetsi-hrozba-nez-terorismus-rika/r~9071d120e37a11e8b9390cc47ab5f122/>. "From Russia's point of view, we are part of NATO, and this is perceived as a security threat. So why should we feel that Russia is our friend.", ČTK, 2018 (translated by the author, Karel Sál)
- [21] PPV, 2023, Programové prohlášení vlády České republiky. Praha březen 2023, source: <https://www.vlada.cz/assets/jednani-vlady/programove-prohlaseni/Aktualizovane-Programove-prohlaseni-vlady-.pdf> [access: 30.09.2023]
- [22] PPV, 2023: "In connection with the security situation in Europe, the Czech Republic will strive to diversify resources and strengthen infrastructure aimed at moving away from raw materials from the Russian Federation.", p. 9; (translated by the author, Karel Sál)
- [23] MZV (2015). Koncepce zahraniční politiky ČR. 13. 7. 2015. [https://www.mzv.cz/jnp/cz/zahranicni\\_vztahy/analyzy\\_a\\_koncepce/koncepce\\_zahranicni\\_politiky\\_cr.html](https://www.mzv.cz/jnp/cz/zahranicni_vztahy/analyzy_a_koncepce/koncepce_zahranicni_politiky_cr.html) [access: 30.09.2023]
- [24] Český rozhlas, 2023, Nová koncepce zahraniční politiky by měla být hotova v polovině roku, article dated 19.01.2023 available on Český rozhlas, source: <https://cesky.radio.cz/nova-koncepce-zahranicni-politiky-mela-byt-hotova-v-polovine-roku-8772719> [access: 30.09.2023]
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# CHAPTER 2

MARCIN ARTUR BARTOSZEWICZ, PH.D.

**"CZECH ENGAGEMENT IN THE VISEGRAD GROUP AND THE THREE SEAS INITIATIVE – A RELIABLE BASIS FOR INTENSIFYING CZECH-POLISH BILATERAL RELATIONS?"**

## **The path of Czechia and Poland to European Integration**

The 23rd of March 1920 marks the beginning of the modern-era formal Czech-Polish bilateral relations – on this day chargé d'affaires Vladimír Radimský, entrusted by the Foreign Minister of Czechoslovakia, delivered a cabinet letter in Warsaw, laying the ground for the activities of a permanent Czechoslovakian diplomatic envoy in Poland[1]. **Diplomatic relations between the two states in the short inter-war period were characterized by mutual reluctance, stemming from irreconcilably divergent foreign policy approaches. This time was labeled accordingly by Polish historian Andrzej Paczkowski as a state of “cold peace” or “cool neighborhood”.** [2] After World War II independent, interest-oriented bilateral relations between the two nations effectively did not exist – the imposed communist governments acted under the influence of the Soviet Union. Cultural centers and diplomatic posts were engaged in ideological propaganda efforts, targeting “friendly socialist states”. Any autonomous relations of lower-level private economic stakeholders, including merchants or bankers, maintained through honorary consulates, were combated. These honorary consulates were soon shut down. It was only in 1989, after the fall of communism in Czechoslovakia and Poland, that independent foreign policy, and therefore bilateral relations, could begin to be restored[1]. The official dissolution of Czechoslovakia on the 31st of December 1992 resulted in the automatic establishment of diplomatic relations between Poland and both successor countries – including the Czech Republic, on the next day – the 1st of January 1993. To maintain legal continuity the newly formed country ceded to treaties and agreements previously concluded with Poland by its predecessor[1].



The Czechs, Slovaks, and Poles shared the experience of having been forcefully drawn into the communist Eastern Block after World War II and successfully initiating a regime change in 1989. The nations faced common challenges on the path toward democratization, free market economies, and ultimately European integration. These common interests were recognized by their newly elected democratic leaders. The joint **Declaration on Cooperation between the Czech and Slovak Federal Republic, the Republic of Poland, and the Republic of Hungary in Striving for European Integration**, signed on 15<sup>th</sup> of February 1991 by the Presidents of Czechoslovakia and Poland, Václav Havel and Lech Wałęsa respectively, alongside the Prime Minister of Hungary József Antall, signaled the founding of an informal dialogue and discussion format of cooperation with an aim to fulfill these ambitions – the Visegrad Triangle. Soon after, in 1993, it would become the Visegrad Group, with four member states, due to the dissolution of Czechoslovakia. A historical parallel was pronounced in the selection of the meeting place – the eponymous Hungarian town of Visegrad alluded to a historical meeting of the kings of Bohemia, Hungary, and Poland in that very place back in 1335[3].

Meetings and consultations at various governmental levels within the Visegrad format were held in the decade between 1993 and 2003, with notable summits aiming to coordinate efforts to join European and Euro-Atlantic integration structures – the North Atlantic Treaty Organization (e.g. the meeting of Heads of States and Governments, Ministers of Foreign Affairs of the V4 countries and the American President, Bill Clinton in Prague in 1994; the V4 Ministers of Defence meeting in Warsaw in 1994 and Gdynia in 1996) and the European Union (the meeting of EU-Negotiators of the V4 Countries in Bratislava in 1999, in Brussels in 2000 and 2001; the 2002 Colloquium **V4 + Benelux on the future of Europe**; the 2004 Summit of Prime Ministers of the V4 and Benelux countries before the session of the European Council in Brussels)[4][5].

These efforts have culminated in the successful accession of the V4 states to both organizations. Three of the four Member States of the Visegrad Group officially entered the North Atlantic Treaty Organization on the 12th of March 1999, and Slovakia followed in 2004[6]. This marked an ambitious step away from the sphere of Russian influence. The 2004 Eastern Enlargement of the European Union presented as the continuation of the fulfillment of the ambitions of the four previous Soviet satellites. They, alongside six other candidate countries, managed to fulfill the necessary conditions and sign the Accession Treaty in 2003 in Athens. Fulfilling the Copenhagen criteria by the Visegrad members was synonymous with a confirmation of accomplishments. The Central European Countries could boast functioning strong and stable democratic institutions, successfully implemented market economies, and a legislative environment adapted to the requirements and political landscape of the European Union[7]. The objectives set on the conception of the format in 1991 had been achieved, however, the V4 states were determined to continue cooperation, from then on within the EU framework. This prompted another signal, giving hope for the future of the group, as the four Prime Ministers signed the Kroměříž Declaration of 2004 - **On cooperation of the Visegrad Group countries after their accession to the European Union**[8].

The Visegrad Group after accession remained a platform to support European integration efforts, not offer an alternative. The idea of cooperation in fields of common interest within wider, pan-European structures was imbued into the informal organization of the format. The format is not formal or institutionalized, instead based on the periodicity of maintaining contacts at multiple levels – from state head and ministerial meetings to expert consultations. The Visegrad Group does have a single institutional component – the International Visegrad Fund, established in 2000, aiming to support **“the development of cooperation in culture, scientific exchange, research, education, exchange of students and development of cross-border cooperation and promotion of tourism”**. The contributions to the fund by the V4 governments have been readily and steadily increased[9].

Twelve years after the accession of V4 countries, in 2016, a new form of cooperation and discussion within the EU was formed – as twelve Member States, including all V4 countries, met in Dubrovnik and launched the Three Seas Initiative. This project was inspired by the Presidents of Poland and Croatia[10]. Two formats have since existed, which V4 countries can use to support and further common interests. They must be viewed from the perspective of their bilateral relations – both shaping them and being shaped by them.

The Euro-Atlantic integration process was undoubtedly, overall, beneficial to all V4 countries. EU accession is estimated to have brought measurable economic gains (extra GDP per capita as compared to an alternative development path outside EU structures) to all four members of the Visegrad Group, with estimates for Poland and Slovakia being particularly high, while modest for Czechia and Hungary, owing in part due to the initial infrastructure differences[11]. The post-communist countries benefited significantly from access to the common market of goods, services, and labor, albeit concurrently experiencing certain shared “costs” of membership – a visible example being the East-West brain drain phenomenon[12]. NATO membership finally freed the countries from the post-Soviet influence sphere and granted long-term peace and security – a value crucial for socioeconomic development. The importance of joining NATO structures is obvious in light of the current war of Russia against Ukraine.

However, challenges have appeared since these landmark events took place. Following the fall of the Iron Curtain, the continent was one of gross inequalities – with the potential of Central Europe stunted by decades under Soviet influence[13]. The political arena of the European Union was, on the date of the Eastern enlargement, one of significant economic and political power discrepancies[14], and it has remained one to this day. With these inequities and newly emerging challenges facing the entire European Union – among the most recent the Migration Crisis of 2015, the ongoing Russian war against Ukraine, as well as conflicts emerging in various fields on the line European Institutions – Poland and Hungary, the role and unity of the V4 group is tested. Especially as the countries exhibit divergent approaches to the pressing issues and disagree on perspectives of furthering cooperation.

## The contemporary Czech perspective on the V4 group and the Three Seas Initiative

The Czech approach to these two formats of cooperation, as seen in the past two decades, can be best described as pragmatic and cautious. Two approaches were shaped in the early days after the initiation of the Visegrad Group – clashing viewpoints of two Czech Presidents. Václav Havel viewed the group as both a regional platform aiding accession efforts and as a regional player in the landscape of Central and East Europe. Václav Klaus favored an individual country approach towards the Euro-Atlantic institutions and deemed the Visegrad cooperation format to be little more than an ad hoc platform for jointly addressing the agendas of these institutions.[15] The spectrum between these two viewpoints has remained engrained in the foreign policies presented by successive governments. The concepts of the Czech foreign policy have, since accession, included the EU as a crucial framework for effective policy conducting and Germany as a key partner. The documents underline the economic interconnection and strategic importance and role of Germany in the EU, on the global economic stage, and in international security formats[16].

The Migration Crisis of 2015 and EU discussions on the relocation mechanism surrounding it brought on the intensification of cooperation within the V4 format, as countries issued common positions on migration starting in September 2015. Ultimately the attitude of Czechia towards the European proposals was gentler, as compared to that of Hungary and Poland, and some numbers of migrants were accepted[17]. That period also coincided with a wider shift in power towards the conservative and Eurosceptic camp in Poland and Hungary, as migration concerns contributed to the change in government in Poland. The newly elected government initiated deep judiciary reforms in late 2015. A swift mounting of tensions on the Warsaw-Brussels axis and unprecedented actions taken against the Member State over “rule of law” concerns followed soon after[18]. The constitutional changes in Hungary around that time also led to infringement procedures initiation, but overall, a gentler approach was adopted by EU institutions, due to Fidesz party membership in the powerful European People’s Party. Hungary additionally refused to back sanction calls against Poland[19]. A conflict was developing on the line EU – V4.

This resulted in the Czech foreign policy ideals of EU cooperation clashing with the idea of the V4 becoming “troublemakers” in the EU – as they stood in opposition to many initiatives originating in Brussels[19]. Highly skeptical opinions began to be expressed by the public in Czechia, labeling Visegrad as **“a toxic group; illiberal nationalists, xenophobes and Eurosceptics; ignorant of rules and norms, disrespecting the rule of law and liberal-democratic values”**. Overall, this idea of the pro-European aspects of the V4 cooperation becoming overshadowed by opposition to European institutions was challenging to accept by a growing part of the Czech society and political class. Some began to argue that the V4 format might have outlived its political usefulness when its perception in Brussels became tarnished. Worried voices appeared citing the risk of Czech foreign policy goals being debilitated. At the same time, contrasting opinions were present – focusing on the success of a united stand and increased cohesion of the group, following the common stance on migration[20].

Czechia has been hesitant to openly support or join the “revolution” of Hungary and Poland. However, under former Prime Minister Andrej Babiš (2017-2021), Czech-Hungarian relations were warm. Hungarian Prime Minister Viktor Orbán openly expressed his support for Babiš, calling at the 2021 Budapest Demographic Summit **“Andrej, you’re facing elections: please win.”**[21]. This coincided with the allegations of breach of conflict-of-interest rules and misuse of EU funds surrounding the then-Czech Prime Minister. Being called out at the European forum drew Babiš into further, this time personal, conflict with the institutions[22].

The Three Seas Initiative has seen Czech concerns based on similar worries of plans of instrumentalizing the forum against the EU and attempting to exclude Germany or minimize its role in decision-making processes. Attention was also brought to the central role of Poland in initiating and developing the initiative, with some drawing parallels to the Intermarium concept – branding the platform as one aimed at furthering Poland’s own interests[23].

Due to their lack of institutionalization, regional formats of cooperation, such as V4 and the Three Seas Initiative, depend strongly on the internal affairs and politics of the constituent countries. Therefore, the perspective of each constituent country is crucial – including that of Czechia, which had always signaled a cautionary approach to the initiatives. The most recent shifts in the Czech perspective were catalyzed first by the 2021 election in which the SPOLU coalition triumphed, forming the government with the left-wing, pro-European Czech Pirates and Mayors alliance[24], as well as by the eruption of the war of Russia against Ukraine. This event caused shifts in the credibility of many European partners (among them Hungary, but also Germany) and the need for cooperation in the field of energy security.

The new government of the Czech Republic has made endeavors to eliminate the “troublemaker” Visegrad designation and develop a different, more pro-Brussels approach. It also consistently diverges ways with Hungary. This progressive worsening of relations is a result of the countries' different approaches to the war of Russia against Ukraine. Following the victory of Viktor Orban in the 2022 Hungarian elections, Czech newspaper **Lidove Noviny** reported radical voices from the center-right ruling camp in the Czech parliament, even going as far as to call for dissolving the Visegrad Group. Marek Ženíšek, head of the Czech parliamentary foreign affairs committee, deemed the current cooperation in the V4 format meaningless, considering the Hungarian approach to the ongoing war. He instead called for individual cooperation with Poland, Slovakia, and the Baltic States. Speaker of the Czech Parliament's Chamber of Deputies Markéta Pekarová Adamová has suggested limiting the intensity of cooperation and possibly temporarily suspending membership in V4. Enthusiasts of the V4 such as European MP Alexandr Vondra expressed their confidence in the importance of dialogue and appreciation of differences between the Polish and Czech governments in the approach to Hungary. Chief advisor to Prime Minister Peter Fiala for European Union affairs presented an approach most consistent with the Czech foreign policy dogma, underlying that V4 membership is in the interest of Czechia, and election results in other member states do not change anything. He called to refrain from glorifying or condemning the format and underlined that the Czech Republic must continue to form coalitions on a much broader basis, as it always had[25]. Petr Pavel, the President of Czechia since 2023, has criticized the Visegrad Group over Hungary during his campaign and after the election, openly stating that nowadays he sees the group **“as more of a consultative forum without the ambition of detailed coordination of foreign or security policy”**.

After the election success, he visited both Poland and Slovakia but did not plan a trip to Hungary[26]. In August of 2023, he underlined the importance of regional formats of cooperation, refraining from the critique of the very core of Visegrad, but expressed his expectation of a change – so that the group is once again **“true to its founding spirit, which was democratizing and pro-European”**[27].

The approach of the Czech Republic towards the Visegrad Group is now particularly important and painfully visible. On the 1st of July, 2023, the country assumed the presidency of the format. The presidency will likely be a minimalist one, focused primarily on social aspects of cooperation, with little work in other areas. As foreign Minister Jan Lipavský is a member of the Czech Pirate Party, one traditionally skeptical of V4, this level of contact is likely to be marginalized[28]. The introduction to the **Programme of the Czech Presidency of the Visegrad Group 2023/2024** points to the conviction that **“V4 countries must stand by the principles on which they have constituted their modern democratic statehood [...] they must support Ukraine’s independence, sovereignty, and territorial integrity [...] its inherent right of self-defense against the Russian aggression”**. This resonates with the aforementioned differences among members[29].

The Three Seas Initiative on the other hand has seen a more positive shift in Czech perception[30]. The SPOLU coalition included increased involvement in this forum in its electoral program. This group is viewed from the perspective of having the support and involvement of the United States, and this becomes crucial considering Russia wages war on the European continent. Considering the use of energetic warfare against Europe by Russia, infrastructure projects such as the Stork II interconnector, which has the purpose of joining the gas systems of Poland and the Czech Republic gained importance. The project was introduced into the Three Seas Initiative investment framework. It replaced the Danube-Oder-Elbe waterway project, supported strongly by former Czech President Miloš Zeman, but discontinued after the presidential elections in 2023[31]. However, hesitancy in further engaging with the initiative shows that Czechia is careful in evaluating the degree of involvement in the framework[32].

## Perspectives of V4 and 3SI becoming the basis for intensifying Czech-Polish bilateral relations in the near future

Czech-Polish bilateral relations have always been plagued by a degree of conflict – with the most recent example being the loud Turów lignite mine argument, but previous disputes also being significant, especially in the agri-food product area. An example may be the beef checks, which were in place in Czechia for a month in 2019 until negotiations between the governments and the EU Health Commissioner were conducted. All Polish beef was to be tested in an accredited lab at cost to the importer before entering the market, following a detection of salmonella in a batch of product. This action was later labeled “disproportionate” by the European Commission[31]. Many negative information campaigns and protectionist policies were aimed at Polish food imports. The impact of the 2021 Czech elections and the success of the SPOLU coalition on Czech-Polish relations is multi-faceted. It finally led to the resolution of the Turów mine row[32] and improved cooperation at the Prime Minister level – as the heads of governments of the two countries stem from the PiS and ODS parties, which together belong to the European Conservatives and Reformists Party. However, the result of the election increased the previously mentioned fundamental differences in approach to the conflict with European institutions. This continues to test the bilateral relations, however, in light of the upcoming Polish parliamentary elections, the future of relations on the axis Warsaw-Brussels is uncertain.

The role of V4, alongside the EU forum, as a medium of cooperation with Poland has been outlined in concepts of Czech foreign policy. The 2015 document **Concept of the Czech Republic’s Foreign Policy** aptly defines the goal concerning Poland as pursuing a strategic partnership[33]. Ultimately, bilateral relations are viewed from this angle. The Three Seas Initiative has experienced renewed interest from the new Czech government, but the future of Czech involvement in the Three Seas Initiative is uncertain. Unfortunately, the foreign policy differences with Hungary have diminished both the activities and international clout of the V4 format[34].

In the time of Russia’s aggression against Ukraine, the importance of Czech-Polish relations is crucial – there is a huge unfulfilled prospect of cooperation in the face of a common aggressor[35]. What speaks to the importance of these bilateral relations is that they have always been and continue to be the target of Russian disinformation efforts[36]. Signals from the Czech government point to a continued interest in engaging in dialogue and pursuing common interests. Unfortunately, for the time being, not through the V4 and Three Seas platforms.



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# CHAPTER 3

ALEKSY BORÓWKA

## “GOOD PRACTICES FOR THE DEVELOPMENT OF THE MILITARY INDUSTRY – SELECTED EXAMPLES OF THE CZECH FIREARMS INDUSTRY”

### **The change of significance of the Eastern Flank for the USA and the need for the development of the military industry within Bucharest Nine**

The Russo-Ukrainian War is the biggest armed conflict in Europe since the Second World War. However, only the full-scale invasion that started on the 24th of February, 2022 resulted in significant political changes both in Europe and in transatlantic relations[1]. It is worth emphasizing that the Russian unjustified aggression on Ukraine started the process of accession of Sweden and Finland to NATO, which in the geostrategic approach constitutes a challenge for the Russian Federation in terms of implementing its power politics[2]. But, there is no doubt that the United States of America as the leading military power and the key state in the decision-making process of NATO, focuses its endeavors on reducing the rise of power of China threatening the American hegemony. **Hence, the Central-Eastern Europe region is important for the USA only in the matter of maintenance of the status quo in the European international security architecture because the most important region for Americans currently is located on the other side of Eurasia.** Furthermore, the United States is aware of the fact that every engagement of the USA in any armed conflict will be immediately exploited by China to diminish the gap between the current hegemon and the rising power. The announcement of the support for Ukraine in the war caused by the political successor of the USSR was approved during the meeting of the North Atlantic Council in Vilnius, 2023 not by NATO but by the G7's countries[3]. This message is clear not only for the Ukraine the whole West and China, but also for the Russians. Therefore, countries of Eastern Flank should enhance their defense capabilities not only to deter Russia from any other possible military offensive in the region but also to achieve the highest possible level of strategic autonomy both to support international security in Europe and to present a potential which will tighten the transatlantic relations.

The dynamic growth of the military expenditure of Poland from 2,4% to 3,9% of its GDP (2022-2023)[4] showed the opportunity for establishing a key Polish military role in the region, which is also expected from many countries of the Three Seas Initiative. Despite the current process of modernization of the Armed Forces of the Republic of Poland and investment into the military industry, one of the most important challenges for further development of the Polish defense system is the implementation of the strategy allows to engage the whole society in supporting the defense also by means not directly connected with the structural involvement in armed forces or security services. Good practices of such strategy can be found in the Czech Republic.

### **“Czechology”: the development of Czech military industry in the XX and XXI century**

Good practices of supporting the military industry as one of the key pillars of the defense system on societal engagement will be shown in the selected example of the Czech military industry of firearms. In terms of the current position of Colt CZ Group SE, which consists of several companies worldwide known for competing on the international markets among the biggest companies and delivering a vast number of firearms of very good quality, it is important to explain how Czechs were able to develop its military industry of the societal fundamentals. The history of the Česká zbrojovka a.s. reaches 1919 and inherited from Austro-Hungarian technologies, but the private factory in Uherský Brod was established in 1936 to produce aircraft machine guns[5]. In the Cold War era, despite the lack of access to international markets or the underdeveloped Czechoslovak civil market, the Česká zbrojovka produced circa one hundred thousand of Sa vz. 48 submachine guns (which was a base for the development of the UZI submachine gun), more than a million assault rifles Vz. 58 (alternative, enhanced version of the AK 47), more than two hundred thousand iconic Scorpion submachineguns and started producing the pistol CZ 75[6], which is still the most copied handgun in history. **In 1992, the privatization of Česká zbrojovka a.s. resulted in the notable expansion to civic markets and the establishment of a subsidiary company in the biggest firearm market worldwide only five years later.** Also in 1997, the company started producing the CZ 97 pistol which combined both legal requirements for handgun's capacity limitation with the use of one of the most popular American cartridges, the caliber .45 ACP[7]. The success of the company allowed it to purchase the production facilities in Brno with a tradition of gunsmithing rifles and shotguns for sport or hunting purposes, the Dan Wesson Firearms known for high-quality handguns, and finally in 2021 the legendary Colt's Manufacturing Company, LLC[8].

The successful establishment of the Colt CZ Group SE was based on the long-term evolution of the technology of military firearms production, but would not have been possible if there was no strategy to use the existing military technology to deliver products for civilian use both on national and international markets. The evolution of the CZ 75 pistol constructed mainly as a product for military or law enforcement use, in Czechoslovakia and abroad, resulted in the vast number of variants nowadays globally used as firearms for self-defense purposes, IPSC, other sport shooting disciplines or collecting. **Nowadays, the Czech industry produces almost all firearms used by the Army of the Czech Republic** with one notable exempt of machine guns. Nonetheless, the current modernization of the Czech armed forces in terms of firearms includes the replacement of the CZ 805 Bren assault rifle with the CZ Bren 2 battle rifle. It is worth underlining that the CZ Bren 2 in the assault rifle version (fed by intermediate cartridge 7,62 x 39 mm) was adopted by known alternatives. Definitely, the government procurements allowing to use of budget money to support the national military industry in Czech is an abundant income stabilizing the financial situation of the company, but vast profits come from civic markets, so constant revenues are generated mostly by civic market. Also, the Czech education system also consists of technical secondary schools covering the needs for an educated workforce for the Czech industry. It is important to mention that the Czech Republic was actively combating the migration crisis caused by the Russo-Ukrainian war by employing thousands of Ukrainians in the military industry[9], which combines mutual benefits of supporting production and allowing Ukrainians to work in industry crucial for the effective defense.

It is obvious that the international markets provide greater income than the Czech national market in terms of sales of firearms produced by Czech companies. In the Czech Republic, there are circa 300,000 citizens possessing more than 800,000 firearms[10]. **Still, the significance of the national market in terms of supporting the development of the military industry is immense because it derives from the economic patriotism of Czech society.** It is not only the relation of quality and price nor the availability of parts or accessories to Czech firearms that creates the demand for domestic guns. Czech society cherishes both the tradition and the culture of firearms possession dating back to the XV century[11], but also cultivates the common deliberate choice of Czech products to a noticeable extent. Simultaneously, the Czech military industry responds to the demand of the national market by the purposeful supply of products such as firearms, ammunition, and accessories meeting the legal requirements of the regulations of the system of civic access to firearms in the Czech Republic. In regard to economic patriotism, the Czech firearms industry has a couple hundred thousand regular customers buying domestic goods, which is also beneficial directly for the military industry.

In addition, the culture and tradition of civic access to firearms is also supported by the Czech law. In 2021, the right to use arms for self-defense purposes was introduced to the constitutional law, not because of the lack of previous regulations, but to manifest the meaning of access to firearms in Czech society and to prevent from enacting any law restricting access. It is worth stressing that the implementation of an amendment to the constitutional law was done on the base of the petition subscribed by more than 100,000 citizens[12] protesting against imposing stricter regulations due to EU law. **Moreover, some institutions introduced projects allowing every Ukrainian volunteer in the Czech Republic to be trained by shooting instructors in defensive and military shooting and first aid[13].** By the coverage of ammunition costs and the use of already existing infrastructure, investing a relatively small amount of money allowed to disseminate skills crucial in terms of engagement of citizens in armed conflict, both in terms of self-defense and warfare skills. Moreover, many Czechs took part in such training, especially of the special discounts assured by shooting ranges. This solution is not forcing civils to engage in army structures to enhance shooting skills both in terms of making self-defense as safe as possible and allowing citizens to support the defense of the state against external or internal threats if needed.

To sum up, the good practices of developing the military industry on the societal foundation in terms of firearms production are:

- **the intention to cover the demand created by the needs of the military forces possibly solely by the domestic production of firearms and ammunition;**
- **the use of military technology of firearms elaborated on the basis of government orders to create products for civil markets, especially copies or variants of firearms created for the military but also new products utilizing the technology;**
- **the investment in launching subsidiary companies on the biggest firearms markets;**
- **the purchase of companies delivering production infrastructure, valuable technologies, brands, design, and ready-to-sell products in categories not developed in the offer before the purchase;**
- **the support for the culture of civic possession of firearms as well as sustaining economic patriotism, which ensures vast sales on the domestic market and enables to engagement of civic possessors of firearms in professional combat shooting training or in the armed forces.**

## Conclusions for Poland

**There is no doubt, that not every previously described element of the Czech defense system could be implemented in Poland as a good practice.** Despite the fact, that both countries are characterized by the existence of a culture of possession of firearms whose beginnings are rooted in the late medieval era, Polish has a restrictive policy of civic access to firearms in the form of administrative rationing, because even after fulfilling all formal requirements, the administrative decision is based on subjective opinion of the proper Police authority. In the Czech Republic, the license is obtained after fulfilling formal requirements, and due to the newest constitutional law changes, the use of firearms in self-defense is clearly underlined. In both countries, the rising number of civic possessors of firearms and the number of firearms possessed clearly shows a lack of correlation between the impact of both variables on security regardless of the character of the policy (whether permissive or restrictive). But, in Poland, there are some regulations that will lower the ability of civic possessors to support the national firearms industry by buying firearms, especially the necessity of use of the promise given by the Police authority limiting the maximum legal number of possessed firearms when buying a conversion to a pistol allowing to use the cheaper ammunition (in example the Adapter Kadet kit allowing to change the caliber of some CZ pistol from 9 mm Parabellum to the cheaper .22 LR)[14]. A similar problem often occurs especially during the registration of purchased revolvers which can use the same caliber ammunition but different while using different cartridges (such as revolvers of .357 Magnum caliber can safely be loaded with .38 Special cartridges) because in many cases Police authority choose only one caliber and does not allow to register both cartridges as a legal base to buy and use in the possessed firearm different ammunition.

Parallel, there is a need to strengthen the economic patriotism among civil possessors of firearms in Poland which has been dynamically rising since the full-scale Russian invasion of Ukraine. The Polish military industry is introducing products constructed in terms of possible sales on civic markets. One of the first products clearly reconstructed for the civic market was the VIS WZ. 35 which price and historical meaning connect the new product with the market of collectors[15]. Of course, the VIS 100 M1 pistol as the lightweight variant of the VIS 100 is also a product directed especially to civil markets. But, Fabryka Broni Radom and Zakłady Mechaniczne Tarnów do not produce many types of firearms being demanded on the international markets, such as shotguns for self-defense or hunting purposes, bolt action rifles for sport or hunting purposes fulfilling domestic requirements, revolvers, hammerless pistols with a notable exception of MPS pistol presented during Kielce MSPO, 2023[16].



Despite the fact that both enterprises are dynamically developing new products and technologies, there is a delay in introducing products that are competitive to the supply of the biggest and well-known companies as well as to the demand created by civil possessors. Polish companies must compete for international markets because the national one still is and will be not sufficient to deliver vast income for the military industry and also because of the restrictive policy of access to firearms.

**There are also opportunities to launch joint ventures to use the demand created by the Russo-Ukrainian war to enhance the production capabilities of the military industry of both countries, especially within the ammunition production of both firearms and artillery.** It is important to mention that the military offensive against the Russian-held fortified Ukraine terrain is causing a need to supply at least 20,000 .155 mm artillery shells per day to effectively cover with artillery fire entrenched Russian positions. Actually, the production is not meeting the demand and the delay in supply of the crucial armament or ammunition is making Ukrainian efforts ineffective. Such a venture a Polish-Czech company producing .155 mm artillery ammunition would be mutually beneficial in assuring sufficient capabilities both to Poland and Czech, in times of peace and in times of war.

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# CHAPTER 4

KATARZYNA OBŁĄKOWSKA, PH.D.

ARTUR BARTOSZEWICZ, PH.D.

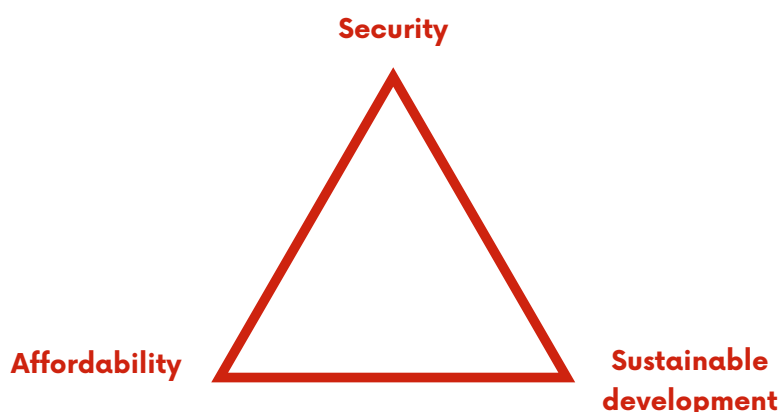
## **“THE ENERGY CRISIS IN CENTRAL AND EASTERN EUROPE: CHALLENGES OF THE ENERGY TRANSITION”**

### **The triangle of values of the energy transition**

The global energy crisis began in the wake of the COVID-19 pandemic, as individual economies began to recover from the economic slowdown caused by supply chain disruption and lockdowns. The demand for energy carriers grew dramatically, which in turn caused a sharp increase in their prices as early as mid-2021. The energy crisis engulfed Europe in 2021, leading to an increase in energy prices and confusion in the markets. It highlighted the danger of deepening energy poverty for millions of Europeans. It was and continues to be a test for the trajectory of the European Green Deal. The situation was then exacerbated by the escalation of the Russian-Ukrainian war, ongoing since 2014, in February 2022. This resulted in the suspension of the supply of natural gas and crude oil to the European market. In effect, the prices of these raw materials reached record levels, which then contributed to the increase in electricity prices.

The EU is far from energy independence, importing almost 60% of its energy. The Polish Economic Institute (PIE) indicated in March 2022 that the EU's dependence on supplies of crude oil, solid fuels, and gas from Russia at that time was 25%[1]. Three main values, i.e., security, affordability, and sustainable development, should determine the path of change as part of the energy transition[2].

**Figure 1.** The triangle of the main values of the energy transition.

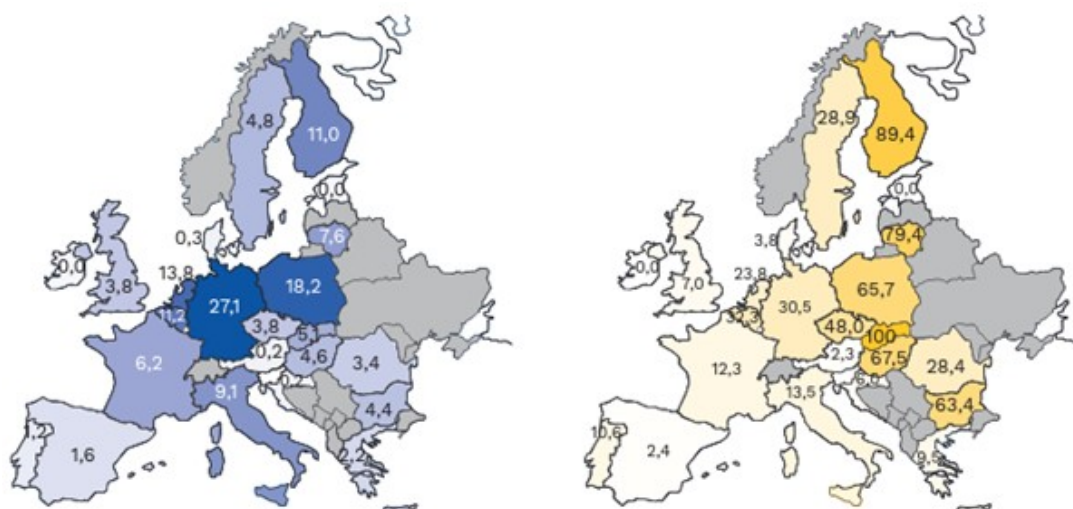


**Source:** Own elaboration.

### Level of dependence on the Russian market: crude oil

The countries of Central and Eastern Europe, that is Bulgaria, the Czech Republic, Hungary, Poland, Romania, and Slovakia, were more dependent on imports of Russian crude oil than the EU average, at the time of the outbreak of the energy crisis. The EU imported approximately 25% of crude oil from Russia[1], while Russia's share in the import of crude oil and petroleum products in the economies of Central and Eastern Europe was at a level of 47%[3].

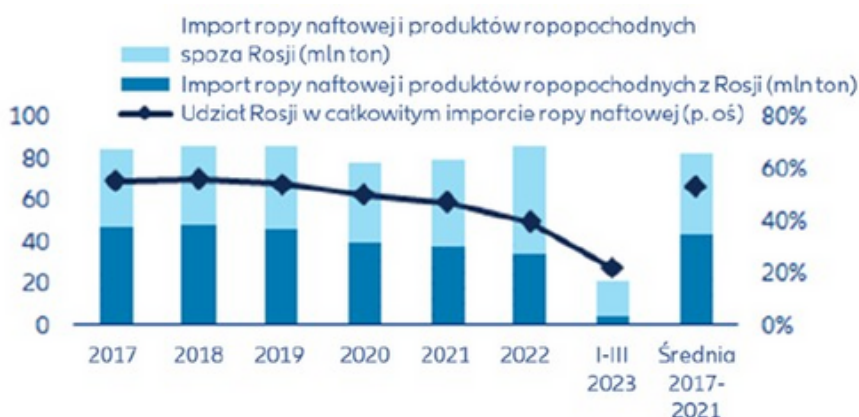
**Map 1.** The volume of imported Russian crude oil (in millions of tonnes - map on the left) and the share of the Russian resource in domestic consumption (in % - map on the right) in 2019.



Source: Polish Economic Institute (2022) based on Eurostat data.

Over the recent years, according to Allianz Research analyses, the share of Russian crude oil and petroleum products in the import of these goods in the countries of Central and Eastern Europe has decreased. In the years 2017-2021, it was on average 53%, in 2021 it was 47%, and 40% in 2022. In 2022, the volume of total imports of crude oil and petroleum products in Central and Eastern European countries increased to a record level of 86 million tonnes despite rising global prices[3].

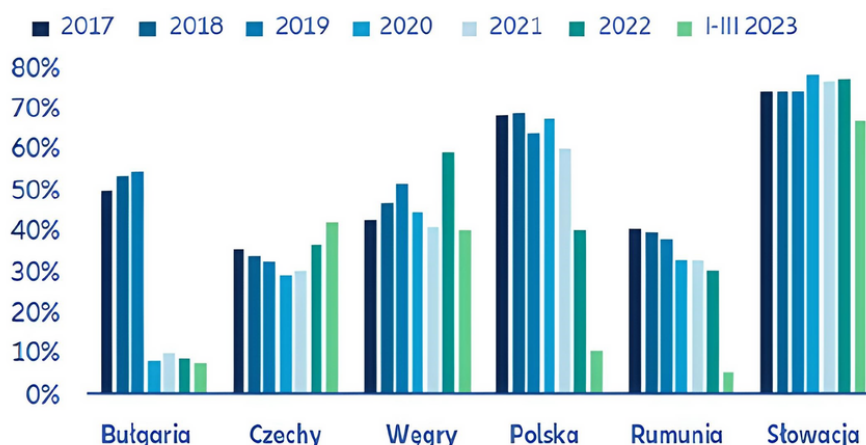
**Chart 1.** Import of crude oil and petroleum products from Russia and beyond in six countries of Central and Eastern Europe.



Source: Eurostat, ITC Trade Map, Allianz Research, Allianz (2023).

According to Allianz Research, Poland, Romania, and Bulgaria are the countries with access to the sea (and therefore sea transport) that have best adapted to the challenges of the energy crisis and have largely eliminated dependence on Russian crude oil. These three countries' dependence on Russian crude oil in the first quarter of 2023 reached 11% of their consumption or less. The landlocked Czech Republic, Slovakia, and Hungary have not yet managed to adapt to the new conditions. The share of crude oil imports from Russia actually increased in the Czech Republic to around 40% in 2022-2023 and remained high at 40% in Hungary (Q1 2023) and 67% in Slovakia. To protect these countries from the energy crisis, the EU did not extend the embargo on imports of Russian crude oil via pipelines[3].

**Chart 2.** Russia's share in imports of oil and petroleum products in six countries of Central and Eastern Europe.



Source: Eurostat, ITC Trade Map, Allianz Research, Allianz (2023).

Central and Eastern Europe's partial dependence on oil imports from Russia still exists. Oil from Russia reaches the Czech Republic via the Druzhba (“Friendship”) pipeline[1]. This does not violate the ban on importing raw materials from Russia. The EU has introduced such sanctions, but some member states, that cannot quickly secure an alternative source, have been granted a temporary exemption from the applicable standards. The Czech Republic has managed to negotiate a transition period as it does not have the infrastructure that would enable it to become completely independent from Russian oil. In the first half of 2023, as much as 65% of all oil imported to the Czech Republic came from Russia via the Druzhba pipeline. This is much more than a year earlier when Russian oil satisfied 56% of Czech demand. Throughout 2022, the Czechs imported 7.4 million tons from Russia via the Druzhba oil pipeline, which is 7% more year-on-year. The Czech Republic is also supplied with oil by the IKL pipelines from Germany and TAL from Italy[4].

The Polish multi-energy champion ORLEN has decisively developed and increased the independence of Central and Eastern Europe from Russian oil. Already at the beginning of the war in Ukraine, ORLEN concern was one of the first companies in Europe to abandon the import of Russian oil by sea, even though the embargo on such deliveries was introduced only in December 2022[5]. Under pressure from some countries (officially only Hungary, but the beneficiaries are many), those recovering from violent dependence on Russian resources, land transport was still left to enable a relatively stable closing of Russian supply channels and, above all, to stabilize domestic fuel supply markets.

As part of its diversification strategy, ORLEN is building its import portfolio based on supplies of crude oil from the North Sea, West Africa, the Mediterranean basin, as well as the Persian and Mexican Gulf. Oil from Norwegian deposits will flow to the ORLEN Group refinery. After excluding itself from supplying raw materials from the Russian market, the Polish champion secured further supplies of crude oil from Norwegian deposits in the North Sea. Currently, one hundred percent of crude oil reaches Poland from directions other than Russia[6]. From deposits in the North Sea, ORLEN receives such types of crude oil as the Forties, Oseberg, Johan Sverdrup, Troll, Grane, Brent, and Ekofisk. In turn, Forcados and Bonny Light crude oil is imported from West Africa. The ORLEN Group's supply basket also includes WTI, Bakken, and Mars grades extracted in the United States. In Q1 2023, ORLEN did not extend the contract with Rosneft and terminated the contract with Tatneft, which made it possible to completely withdraw from supplies of Russian oil to Poland. Back in 2013, as much as 98% of the raw material processed in Płock was Russian crude oil. With Russia's aggression against Ukraine, the company also stopped purchasing ready-made fuels from the East. This happened, similarly to the case of oil, long before the introduction of EU sanctions, which only came into force on February 5, 2023[7].

The Czech Republic, Germany, Hungary, Lithuania, and Slovakia are the countries where the ORLEN Group operates its fuel stations. ORLEN will soon appear on its seventh market, in Austria, where it will finalize the purchase of 266 gas stations by the end of the year[8]. Orlen has the largest network of gas stations in Central Europe, and after finalizing the purchase of stations in Austria, as much as 44% of the company's retail network will comprise foreign facilities[9].

The process of introducing the ORLEN brand has been ongoing in the Czech Republic for several years. The group currently has the largest network of as many as 436 gas stations in this market and is also a leader in the alternative fuels market. By the end of the year, nearly 90% of stations previously operating in the Czech Republic under the Benzina brand will begin operating under the ORLEN brand. This became possible thanks to the efficient use of the synergy effect within one company, which was established after the merger with the LOTOS Group and PGNiG.

Revenues of over USD 7.5 billion increased investment opportunities in the context of growing needs related to, among others: the energy transition of the region and the dynamic development of the company. Customers of Czech ORLEN gas stations will benefit not only from an offer of traditional fuels but also from a wide range of alternative fuels, including chargers for electric and hydrogen cars. The first two hydrogen stations are already available in Prague-Barrandov and Litvínov, while electric chargers are available at 61 stations. This year, the installation of 150 kW fast chargers will also begin on main transit routes in the Czech Republic[10].

Orlen Unipetrol, which is part of the Polish concern ORLEN, has two refineries in the Czech Republic, in Litvinowo and Kralupy. It is the main recipient of supplies from the Czech pipeline operator MERO, which is currently working on the expansion of the Transalpine pipeline (TAL). In July, MERO began design work to increase the capacity of the European TAL pipeline. The CZK 1.6 billion project is expected to increase the Czech Republic's capacity by 4 million tons of oil per year from 2025, thanks to which the pipeline will be able to deliver up to eight million tons of oil to the country per year. This will allow the Czech Republic to move away from oil from Russia, but this will happen at the turn of 2024 and 2025 at the earliest[4].

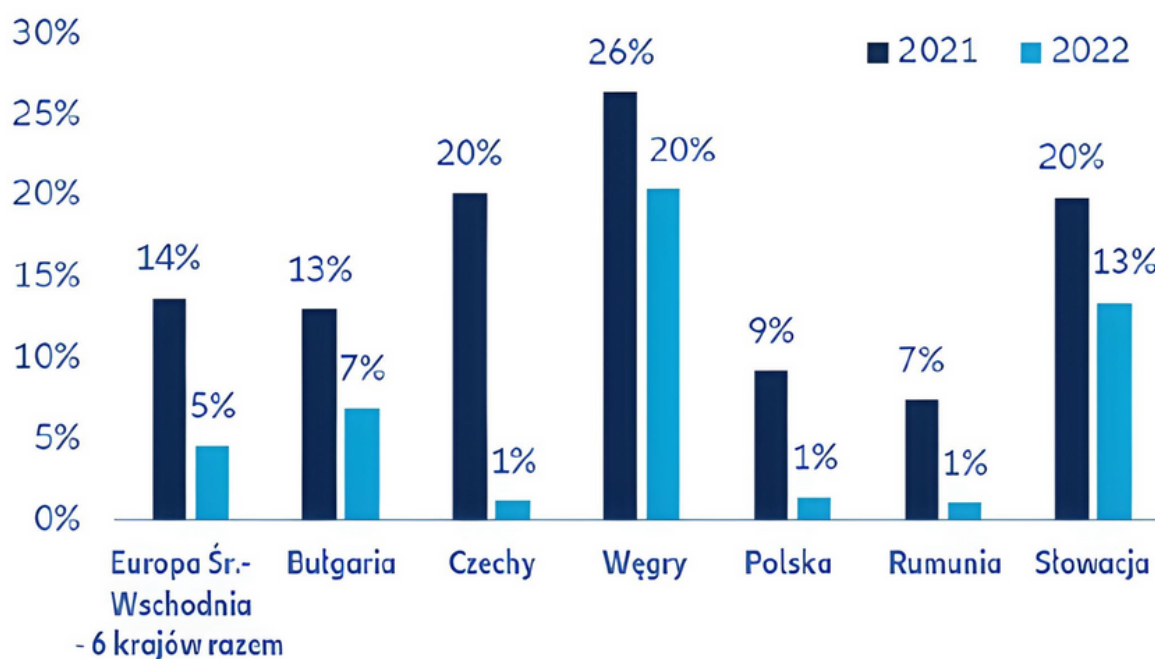
### **Level of dependence on the Russian market: gas**

The EU's dependence on natural gas imports from Russia, according to PIE, based on Eurostat data, in 2021 amounted to 45% of total imports and 40% of consumption. In 2016-2019, most EU countries increased imports of Russian gas. This import was reduced by: Slovenia (-29%), Greece (-14%), Romania (-12%), Bulgaria (-9%), Germany (-8%), Poland (-4%), Estonia (-2%). In 2019, two Central and Eastern European countries, the Czech Republic and Slovakia, were 100% dependent on gas imports from Russia. In Hungary, this dependence was 95%, and in Poland 55%[1].



Since the outbreak of the energy crisis, according to an analysis by Allianz Research based on Eurostat data, the dependence of Central and Eastern Europe on Russian gas has also decreased, and the filling level of gas storage facilities in the region was better in Q2 2023 than at the same time in previous years. Total natural gas imports in the group of 6 Central and Eastern European countries decreased by 32% to 31 billion m<sup>3</sup> in 2022 from an average of 45 billion m<sup>3</sup> in 2017-2021. The share of gas imports from Russia in total gas imports decreased by 67% to 12 billion m<sup>3</sup> in 2022 from 36 billion m<sup>3</sup> in 2017-2021. As a result, Russia's share in gas imports in the region halved to 39% in 2022 from an average of 79% in 2017-2021. Natural gas imports from Russia accounted for only 1% of total primary energy consumption in Poland, the Czech Republic, and Romania, and 7% in Bulgaria in 2022. However, the share of gas imports from Russia in total primary energy consumption was still significant in Hungary (20%) and Slovakia (13%), which puts these countries at a slightly higher risk of energy shortages if supplies from Russia dry up[11].

**Chart 3.** The share of natural gas imports from Russia in the total primary energy consumption in six countries of Central and Eastern Europe.



Source: Eurostat, ITC Trade Map, Allianz Research za Allianz (2023).

## Significant risk area: crude oil price

According to Rystad Energy, the August decline in oil export profits reduced Russia's tax revenues to \$8 billion. A year earlier it was USD 5 billion more. According to the Russian Ministry of Finance, budget revenues from the sale of crude oil and natural gas amounted to 642.7 billion rubles (approx. USD 6.6 billion) in August and were 4.3% lower compared to the results from 12 months ago[12].

The Economist Weekly claims that Russia has chosen three paths to ensure revenues to a budget in which the deficit is growing. The first method is to raise the price of a barrel of oil. The Kremlin has decided that since it cannot sell as much raw material as before the sanctions, it will at least earn more from those contractors who did not turn their backs on Russia after its escalation and the attack on Ukraine in February 2022. Saudi Arabia indirectly supported this strategy by reducing the extraction of the resource. Automatically, the price of a barrel jumped to \$90 for the first time this year. Saudi Arabia has decided to further reduce production by 1 million barrels per day until the end of the year. Thus, in October, November, and December, the country's production will approach 9 million barrels per day. Russia announced that it is extending the cut in oil production by 300 thousand barrels per day until the end of the year. These decisions complement the earlier step of the OPEC+ cartel, which also decided to voluntarily cut production until the end of 2024. The transport of oil is supported by a fleet of tankers flying the flags of the Marshall Islands, Panama, China, Cameroon, Liberia, Belize, Brazil, India, and the United Arab Emirates. According to The Economist, the West probably has no intention of significantly interfering for fear that there will be a shortage of oil on the global market[13].

The second strategy of the Russian regime to plug the hole in the state budget is to sell more expensive, refined petroleum products, especially diesel oil. The third way to compensate for sanctions-related losses is to use new distribution and transport channels. Russia is unofficially increasing pipeline deliveries to Hungary and the Czech Republic. In addition, the regime is opening a new, shorter supply route to China. It should be noted that whether Russia's profits from oil sales will increase significantly will depend mainly on the state of the global economy. Russia's oil and gas industries, which account for about one-third of state budget revenues, are under strong negative pressure. They are affected by sanctions from the G7 countries and the European Union, which jointly imposed price limits on crude oil and petroleum products from Russia[12].

## The defense against crisis

The EU and individual member nation-states have made a huge effort to counter the effects of the energy crisis. Since September 2021, according to WiseEuropa analyses, countries have allocated a total of approximately EUR 650 billion for this purpose. Among the tools used, the most popular were tax mechanisms, i.e., reduction or suspension of a tax, e.g., VAT, excise duty, or both. The second frequently used tool is cash transfers directly to households. Two mechanisms were implemented in Poland. As part of the so-called anti-inflation shield, introduced at the end of 2021, VAT on electricity and natural gas was reduced, excise duty on motor fuel and heating oil was reduced, and households were exempt from excise duty on electricity. Direct subsidies for energy carriers were also implemented[14]. The Polish government responded to citizens' concerns. Research by the Institute of Finance indicated on the eve of winter 2022 that citizens were afraid of the increase in energy costs and that the increase in energy costs was a heavy burden for households, but also that the households positively assessed the actions of the Polish government[15]. In 2023, other mechanisms were used, mainly involving freezing prices at a certain level, e.g., natural gas prices at PLN 200 per MWh or heating prices, the increase of which cannot exceed 40%. There are also some behavioral incentives, e.g., if someone saves 10% of electricity compared to last year, they will receive additional discounts[16].

WiseEuropa's analysis indicated that in terms of changes in average values of household well-being, Poland compares quite unfavorably to other EU countries, ranking fifth from the bottom with a result of -4.2%. The analysis estimates the increase in the share of energy carriers in household expenses, which influences the change in prosperity. The scenario includes aid mechanisms implemented by Member States in the form of tax reductions related to electricity, natural gas, and transport fuel. For comparison, the EU average is -3%. The largest declines in prosperity were estimated for Estonia and Lithuania (almost -6%), and the smallest for Croatia and Portugal (-1.5%). The comparison of regions shows that the countries of Central and Eastern Europe are more affected by the crisis than the countries of Western Europe. The Czech Republic performed better than the EU average[16].

## The challenges of the energy transition

The process of transition is understood as the sum of actions aimed at moving away from the current inadequate structure of the region's economy towards adapting this structure to socio-economic challenges resulting from development decisions included in national and Community policies, including energy, technological and climate transition while guaranteeing the potential for sustainable socio-economic and spatial development. The process includes the phasing out of sectors that are in decline, as well as the development of those that have growth prospects and require support, which includes the introduction and development of innovative sectors that are absent in the region but have growth potential and support the transition of the region[17].

The energy transition is one of the greatest challenges facing Poland and the Czech Republic in the 21st century. It is closely related to the implementation of international agreements developed for 30 years at the United Nations forum and remains closely related to the EU's climate and energy policy. The transition challenge is also crucial for the energy security of Poland, the Czech Republic, and the entire EU. The COVID-19 pandemic, but above all, Russian aggression against Ukraine, as well as the uncertainty of the actions of the main geopolitical actors, have redefined the way we look at the energy sector. The crises of recent years and months have highlighted the EU's strong dependence on external entities to ensure the effective functioning of energy supplies and supply chains. Not only climate change, but - perhaps now more decisively - national and economic security, dictate changes in the energy generation and consumption system. Energy security is an element of national security.

## Challenges of the transition in Poland

The Polish energy system is one of the ten largest in the European Union (EU). Its size is proportional to the potential of the economy, which ranks seventh in the EU in terms of GDP (in 2018 - EUR 496.4 billion at current prices) and sixth in terms of population (37.9 million). In terms of gross primary and final energy consumption in 2018, Poland ranks 6th in the EU. The sectors of electricity, gas, steam, and hot water production and supply, as well as mining and quarrying, create approximately 4.5% of the gross value added of Polish GDP, employing approximately 258,000 people[18], according to the Central Statistical Office.

In Poland, brown coal, with few exceptions, is mined using the open-pit method. The largest basin is located in Bełchatów. 20% of the country's electricity is supplied by the power plant located there. It is one of the largest power plants in Europe with an energy capacity of 4,320 MW. Other power plants are also of great importance, including the Konin and Turek power plants generating total energy of approximately 2,700 MW, the Turów power plant in Bogatynia with a capacity of 2,000 MW, and the Pątnów-Adamów-Konin power plant complex (2,512 MW). Within 20-30 years, most of the existing brown coal mines in Poland will be closed due to the exhaustion of deposits. It is expected that active mines will be able to operate (with decreasing production levels) for the following period: "Adamów" - until 2029, "Turów" - until 2035, "Konin" - until 2037, "Bełchatów" - until 2050[18].

There are plans and preparations underway in Poland on the part of energy companies to open new open-pit mines. This applies to the Lubuskie voivodeship (Gubin-Brody mine), Złoczew near Łódź and Piaski, Ościśłów and Dęba Szlacheckie near Konin, and southern and eastern parts of the Wielkopolskie voivodeship. Polska Grupa Energetyczna (PGE) and PAK conduct strong lobbying in these regions, convincing local communities that investments are necessary. However, referenda were held in many communes in which the majority of residents were against the creation of new open-pit lignite mines[19].

Estimates indicate that Poland alone will allocate between PLN 1.6 trillion and PLN 2.5 trillion for energy transformation in line with EU goals by 2030. Experts from Bank Pekao SA, followed by the Minister of State Assets, indicated in January 2022 that the cost of climate policy in Poland in the Fit for 55 edition by 2030 will amount to PLN 2.4 trillion, which means PLN 900 billion more compared to the 40% emission reduction scenario (Fit for 40). This means a cost for each Polish citizen in 2021-2030 of approximately PLN 64,000. This cost may prove unbearable for Poland, as the annual budget of the Polish state was slightly over PLN 500 billion then, and today it is slightly over PLN 600 billion. Bank Pekao S.A. experts pointed out that the Fit for 55 package would mean that all the funds available to the Polish banking sector should be directed to related investments, which is impossible. It was noticed that we are able to finance the energy transformation only in the long term. In a similar vein, at the end of June 2022, the Minister of Climate and Environment noted that the "Fit for 55" Package is completely impossible for Poland to achieve[19][20][21].

Approximately PLN 260 billion from EU and national funds will be allocated to Poland's energy and climate transformation by 2030 under various mechanisms, including:

- Cohesion Policy (approx. PLN 79 billion);
- Recovery and Resilience Facility (approx. PLN 97.8 billion);
- Just Transition Fund (allocation for Poland approx. PLN 15.6 billion);
- ReactEU (approx. PLN 1.8 billion);
- other instruments, e.g., priority programs of the National Fund for Environmental Protection and Water Management and funds of the Common Agricultural Policy, approximately PLN 20 billion;
- new instruments, e.g., the Modernization Fund and the Energy Transition Fund (with a budget of over PLN 47.6 billion, according to preliminary estimates)[18][22].

In Poland, six regions, whole or parts of voivodeships, have been selected for support. In accordance with the intention of the European Commission, the Just Transition Fund is to supply three Polish regions: Silesia, Lower Silesia, and Greater Poland, which are in particular need of compensation for the social, economic, and environmental effects of the ongoing energy transition. In accordance with the national decision, these funds would support three additional voivodeships: Łódź, Małopolskie, and Lubelskie, which were ultimately not included in the Partnership Agreement. According to government analyses, these are the voivodeships most exposed to the effects of the energy transformation. Over EUR 3.847 billion is to be transferred to Poland from the JTF[18].

In Poland, electricity is produced mainly from coal. According to the estimates of the Jagiellonian Institute, in 2021, coal was a source of primary energy for 76% of energy production in Poland (hard coal 50.1%, brown coal 25.9%), the share of renewable energy in 2021 was 16.3%, and 7.7% of energy was produced from gas. The Polish energy system and economy are significantly dependent on coal. Domestic energy consumption in 2021 was slightly higher than domestic production. Among renewable energy sources, the most important were onshore wind and photovoltaics, as well as water and biomass[23]. There are currently six pumped storage power plants in Poland[18]. In 2022, 73.4% of energy in Poland was produced from coal, 5.6% from gas, and 21.1% from renewable energy sources[23].

A political decision was made to include the use of nuclear energy in the Polish energy mix, and several locations for nuclear power plants are planned. Location decisions were received by:

- Polskie Elektrownie Jądrowe sp. z.o.o. in the communes of Choczewo, Gniewino, and Krokowa, in the Pomeranian Voivodeship (locations Lubiatowo-Kopalino and Żarnowiec). The decision concerns Westinghouse AP1000 technology;
- KGHM Polska Miedź S.A. in the Lubasz commune and Wieleń commune, in the Greater Poland Voivodeship. These are the communes in which the construction of the Warta NPP was planned in 1987. NuScale VOYGR was selected as the technology[24].

Additionally, proceedings are underway for:

- Special purpose vehicles Orlen Synthos Green Energy sp. z o.o. in the municipalities: City of Dąbrowa Górnicza, City of Kraków, City of Ostrołęka, City of Stalowa Wola, City of Oświęcim, City of Włocławek. The proceedings concern the GE Hitachi BWRX-300 technology.
- Last Energy Polska SPV 1 sp. z.o.o. in the City of Jaworzno, City of Częstochowa, Jaworze, in the Silesian Voivodeship. The proceedings concern the Last Energy PWR-20 technology.
- PGE PAK Energia Jądrowa S.A. in the City of Konin commune and the Kazimierz Biskupi commune, in the Greater Poland Voivodeship (Pątnów location). The proceedings concern the KHNP/KEPCO APR1400 technology[24].

Poles accept the need for energy transition. According to a study by the Public Opinion Research Center in 2021, 74% of Polish society believed that Poland should move away from coal-based energy and develop other methods of energy production, while 19% believed that energy production in Poland should be based mainly on domestic hard coal resources. 43% of Poles then believed that Poland should achieve climate neutrality at its own pace, even if it means that we will achieve it after 2050, and 48% that Poland should achieve it by 2050 or earlier[25].

### Challenges of the transition in the Czech Republic

The energy policy of the Czech Republic is based on the State Energy Policy published in 2015, the key goals of which include reducing energy consumption, improving the energy intensity of the economy, and increasing the capacity of nuclear power plants by approximately 2,500 MW by approximately 2035. The country's demand for eclectic energy, which has been increasing over the years, dropped to 66.99 TWh in 2020 (69.63 TWh in 2019) and is 15.75% higher than in 1990[26].

There are currently five open-pit mines operating in the Czech Republic. The largest brown coal mining takes place in the northern part of the Czech Republic. There are plans to expand the operations of two open-pit mines in this area - CSA and Bilina. Increasing the extraction areas of the CSA open-pit mine would destroy the town of Horni Jiretin and the village of Černice. More than 2,000 residents living in the area near the mine would have to be relocated. More than 27,000 people living in the town of Litvinov would be negatively affected by the operation of the open-pit mine, which would be located only 500 meters from inhabited areas. There would also be significant damage to the tourist areas of the Czech Ore Mountains. After the limits on coal mining were abolished, grassroots civic movements and non-governmental organizations are working to prevent the exploitation of this area[27].

The Czech government plans to phase out coal-fired energy while increasing the share of nuclear energy in the national energy mix. Despite its significant dependence on coal-fired energy, the Czech Republic (RC) plans to quickly abandon this energy model. The share of coal (including hard and brown coal) at 47% places the Czech Republic second after Poland (73.6%) in the EU in terms of the use of this resource in the production of electricity[28].



The decreasing importance of coal in the Czech energy mix is to be compensated by a further increase in the share of nuclear energy (it increased from 32% in 2015 to 35% in 2019). This is to be made possible by the construction of the fifth unit at the Dukovany nuclear power plant, the financing of which is provided by the government's agreement with the main energy supplier ČEZ. According to the agreement between the government and ČEZ, the contractor will be selected by 2024, while the construction of the unit is scheduled for 2029–2036. In addition, the government declared that the Temelín nuclear power plant will be expanded, where two reactors are currently operating. Plans to modernize the Czech nuclear energy sector have again become an element of Czech-American negotiations. The Czech Republic plans to increase the share of renewable energy sources (RES) in the national energy mix to 20.8% in 2030. However, such assumptions differ from the recommendations of the European Commission (EC) for the Czech Republic (23% in 2030). So far, the Czechs have managed to achieve such goals even before the suggested deadline. The Czech Republic achieved the 13% share of renewable energy in energy consumption recommended by the EC for 2020 in 2013. Reducing coal mining is dictated by the EU's climate policy and the falling prices of this raw material due to the COVID-19 pandemic and the war in Ukraine[28].

The communicated goals of the Czech government include achieving energy self-sufficiency in the country. However, these declarations have not yet translated into reducing dependence on gas supplies from Russia. This is evidenced by, among others, support for the Nord Stream 2 gas pipeline, which was supposed to supply the Czech Republic with this raw material via the EUGAL gas pipeline running along the Polish-German border. At that time, support for this investment was argued based on the competitiveness of prices of Russian supplies. At the same time, however, interest was expressed in importing LNG through the North-South gas corridor. However, the Czech Republic disallowed the expansion of the Russian Rosatom company by introducing the Lex Dukovany, banning Russian and Chinese companies from building any nuclear facility in Czechia[29].

Back in June 2019, the Czech Republic, together with Estonia, Hungary, and Poland, blocked a political agreement in the European Council on achieving climate neutrality by the EU by 2050. Ultimately, these countries, apart from Poland, adopted this perspective. The 2020 European Council summit on the EU's multiannual financial framework and the EU's Next Generation recovery fund confirmed the EU's move towards climate neutrality, to which 30% of the established budget is to be allocated. The Czech regions counting on money from the Just Transition Fund include the Ústí nad Labem region, the Karlovy Vary region, and the Moravian-Silesian region bordering on Poland[29].

The Czech authorities want to carry out the energy transformation while minimizing negative social and, consequently, political consequences. Although, according to a survey by the STEM research center in July 2020, 62% of Czechs supported the European Green Deal, at the same time 50% of them agreed with the statement that the EU's climate policy will negatively affect the domestic industry and contribute to job losses[29].

The subsidy program of the Czech Ministry of the Environment announced in 2022, worth approximately EUR 137 million, is addressed to managers of public buildings (including schools, and health care facilities). This money can be used to modernize existing properties, but also to finance new investments. The Ministry of Industry and Trade announced the possibility for enterprises to apply for the equivalent of up to EUR 0,43 billion for the energy modernization of existing buildings. The subsidy may amount from approximately EUR 23,000 up to EUR 8,75 million and constitute from 35 percent up to 65 percent of the entire investment. It depends on the region of the Czech Republic from which the entity is applying[30].

In the Czech Republic, according to data from the Jagiellonian Institute, the share of renewable energy sources in the energy mix in 2021 was 12.9%, 39% of energy was produced from coal (35.7% from lignite and 3.3% from hard coal), and 37.2% from nuclear power. The Czech Republic has decided to accelerate the country's decarbonization by 5 years and finally abandon coal as an energy source in 2033, although the data for 2022 do not show this yet, because in 2022 coal was 42.4% of the source of primary energy for energy production electricity[23].

## **Conclusion**

Despite the undertaken measures to diversify and transform the energy sector, Europe, and especially the countries of Central and Eastern Europe, is exposed to a recurring increase in energy prices than other global economies. Poland and the Czech Republic are among the European countries whose economies would be more severely affected by a possible sudden increase in energy prices. A mild winter and government support for households and enterprises limited the effects of the energy crisis in Poland and the Czech Republic. The significant reduction in demand for gas in industry, high levels of gas storage, new investments in gas infrastructure in Europe, including, for example, the expansion of the LNG terminal in Świnoujście, and low demand for LNG in China, were also important. As a result, the situation in the energy markets calmed down, and gas and coal prices dropped to near pre-pandemic levels.

Analyses by the EY Economic Analysis Team show that Europe is more exposed to renewed increases in energy and food prices than other major economies, led by the USA. Primarily due to the shortage of energy raw materials, which come mainly from imports. Possible increases in raw material prices would be particularly severe for three EU countries: the Czech Republic, Hungary, and Romania. Although Poland is not listed among the most at-risk markets, one of the highest inflation levels in Europe remains a weakness. A jump in energy prices could increase inflation and, consequently, negatively affect economic growth[31].

EY Chief Economist for Europe and Central Asia emphasizes that **"(...) although the risk of a significant increase in energy prices remains high, we are no longer considering the scenario of a return to the record prices of summer 2022 - the industry has permanently reduced its demand for gas, the infrastructure has been expanded for the transport and storage of LNG, and the uncertainty related to the consequences of the energy crisis is much smaller than a year ago."**[31].

Poland faces a great challenge related to the energy transition, which must be carried out taking into account energy prices and their cost for citizens, energy security, ensuring continuity and smoothness of energy supplies, security of energy production technologies, use of domestic industry and national energy sources, reducing consumption energy, increasing the efficiency of energy use, increasing the protection of social groups withdrawing from employment in mining and regions whose development is currently based on mining, increasing the resources absorbing greenhouse gases, increasing the benefits for the natural environment and thus for the living environment of people. Transformation can only be achieved in good neighborly relations between the states and societies of Central and Eastern Europe.

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# CHAPTER 5

ŠÁRKA SHOUP, PH.D.

**“MIGRATIONS AND HUMANITARIAN CRISES”**

## Introduction

Bilateral cooperation between the Czech Republic and Poland takes place on multiple levels and issues. Ongoing cooperation persists due to the physical proximity and widespread understanding between the countries' administrations and common people. After all, the countries share long borders, and cross-border families of Czech-Polish roots are not exceptional. Persisting dynamics in the first three decades after the fall of communism resulted in the Czech and Polish governments forming intergovernmental consultations, which took place for the first time in Prague in 2011 and are repeated every 1 to 2 years[1]. During these meetings, prime ministers and ministers discuss current issues related to cooperation in the fields of economy, security and defense, interior, culture, social affairs, and migration.

The topic of migration, common asylum policy, and mandatory solidarity will be one of the main topics of the upcoming European elections, taking place in May 2024. In order to have a clear, structured discussion on the modernization and stabilization of EU policies on humanitarian crises and migration, it is necessary to assess the current effects of migration on individual Union members, and on areas in which the Czech Republic can effectively contribute to managing the migratory situation in Europe while paying attention to its domestic situation.

The Czech Republic and Poland generally agree on illegal migration despite having different strategies to cope with it. Prague has offered assistance to Warsaw on the Polish-Belarus border, which still stands if Poland requests it. Czechia previously criticized Poland's lack of support for EU migration rule reform. However, if we look at migration from Ukraine, it is a different story. Czechia and Poland bilaterally cooperate in several areas related to Ukraine, such as reinvigorated efforts to enlarge the European Union to Ukraine and the Western Balkans, and opening attempts for Ukraine to join NATO. They welcome millions of Ukrainian refugees, mostly women and children, who are in desperate need of being successfully included in education and health care systems. The countries share data and good practices to ensure better results in efficient assistance. They lobby for a quick and efficient armament of the Ukrainian army and together lobby for a comprehensive post-war reconstruction policy. Dozens of Czech arms companies already cooperate with Ukraine. However, Ukraine currently needs companies operating in civil sectors as well, and the need for it will increase with the end of the war.

## **Regional cooperation**

The Visegrad group format is a unique opportunity to enhance cooperation between the Czech Republic and its other members in almost all fields of international exchange. Czechia has three main categories of priorities in V4[2]:

- 1 Safe and prosperous Europe (development and further cooperation in culture, education, health care system, migration, defense, etc.)**
- 2 An innovative and connected economy (development and further cooperation in transport, space and the digital agenda, energy and raw material security, common trade policy, cohesion policy, regional development, etc.)**
- 3 Support of Ukraine (hosting of Ukrainian refugees, humanitarian assistance and post-war reconstruction, responsibility for international crimes in the context of Russian aggression against Ukraine)**



Although V4 is a great platform for discussion between its member states, its future remains in limbo. Member states often have very little in common when it comes to stances towards European legislation or the overall direction of the EU. In the last few years, the last remaining unifying topic was a common understanding of migration. V4 was the loudest opponent of hosting economic migrants or refugees from the countries of the Middle East. Recent reforms of the European migration pact have revealed V4 members' diverging opinions. As a result, claims are made in public spaces from time to time that V4 is no longer necessary and the group has no future. The prevailing opinion of political elites, however, contradicts such a notion even as the influence of the V4 format declines. Most political elites agree that the grouping certainly has a future, but we are not sure what it is.

One of the Czech priorities during the presidency of V4 is platforming discussions over assistance to Ukraine. Czechia would like to utilize meetings at the highest levels to persuade its more hesitant partners in the V4 to perceive Russia as an imminent threat and pledge more assistance to Ukraine. Czech priority is to cooperate more on hybrid threats such as the spread of disinformation and interference by hostile foreign powers in matters of national security in Central Europe and the Western Balkans.

The Czech Republic has become a major recipient of Ukrainian migrants who have fled due to Russia's invasion. The new European migration legislation could provide significant aid to the Czech economy; however, two EU member states – Poland and Hungary – are attempting to block the legislation from coming into effect, which will reflect on relations and cooperation within the V4 group. It is important to mention the dismal state of Czech public finances and the general consolidation of the state budget. All these aspects play a crucial role in what stance on migration and the new migration policy the Czech Republic should adopt. Needless to say, all these variables are directly conditioned and influenced by the ongoing war in Ukraine.

It is, therefore, necessary to focus on the current situation of the Czech Republic, its capacities, and possibilities. Considering the reality and the amount of registered Ukrainian refugees in the Czech Republic, the Czech Republic should be a major voice in the EU and V4 on the future direction of migration and asylum policy in the European Union.

## How to deal with humanitarian and refugee crisis

During the 2015 migration crisis, the usual migration routes to Europe were from North Africa (Western Mediterranean and Central Mediterranean routes) or Turkey (Eastern Mediterranean route). These routes were used by refugees fleeing war and persecution in countries such as Syria, Afghanistan, Iraq, and Eritrea, or migrants fleeing economic hardship from Kosovo, Albania, and Serbia. The main destination countries for the migrants were Germany, Sweden, and Austria. In 2015, when the European migration crisis reached over 1 million refugees, it led to an unprecedented rise of populist and far-right parties across Europe[3] and drove a wedge between Eastern and Western European countries. For member states of the EU, it was almost impossible to find common ground on the topic of migration. The topic became extremely polarizing on the European stage, as well as on national political stages.

The 2022 Russian invasion of Ukraine resulted in a watershed effect on migration currents in Europe. In 2022, nearly one-third of Ukrainians were forced to flee their homes. By the end of the year, an estimated 5.9 million people[5] were internally displaced by the war, while nearly 5.8 million refugees and asylum-seekers from Ukraine were recorded across Europe. The typically more “migration-skeptic” countries such as Czechia, Poland, Slovakia, and Hungary became frontline states of the new migration crisis. While Poland and Germany have welcomed the most Ukraine refugees in Europe, Czechia hosts the highest number of Ukrainian refugees per 100,000 inhabitants[6]. For Poland and Czechia, the experience of becoming a destination of mass migration is unique; both countries refused to participate in hosting refugees during the previous migration crisis in 2015[7].

Czechia and Poland welcomed the Ukrainian migrants due to a different public perception than the Syrian migrants of 2015. While Syrian refugees were perceived as a threat, Ukraine refugees are perceived as victims and the aggressor (Russia) as a threat, and hosting Ukraine refugees has thus become a matter of national security. The demographics of the refugees are also different: from Ukraine, the refugees are mostly women and children, while in the 2015 refugee crisis, asylum seekers to Europe were predominantly young men.

## Migration-related figures in the Czech Republic - particular focus on Ukrainian immigration

When the war in Ukraine broke out, the Czech system experienced significant strain, particularly in big cities where most of the Ukrainian refugees were concentrated. By the end of 2022, the Czech Republic registered approximately 550,000 refugees from Ukraine for temporary protection, resulting in Ukrainians comprising a larger share of the total population than in any other EU Member State. As of September 2022, nearly 6 percent of Czechia's population was from Ukraine. As of June 2023, the total number of temporary protection holders in the Czech Republic was approximately 350,000. Such high numbers make Czechia the third largest host of displaced Ukrainians in the European Union, after Poland and Germany. The large number of refugees resulted in difficulty securing jobs and housing and increased the burden on local authorities who worked with these refugees to help them integrate.

Several important changes were made to the humanitarian benefits for refugees by the government in recognition of the Fifth Amendment to Lex Ukraine in the Czech Republic. The government no longer provides housing allowances to refugees staying in private properties, instead, the state pays directly for housing costs for refugees with very low or no incomes (ranging from \$111 to \$139 per month). Free emergency accommodation is now limited to 150 days, except for vulnerable individuals. The humanitarian benefit, covering basic living needs, now stands at the Living Minimum (\$225) for the first 150 days after granting temporary protection. After this period ends, the benefit will be determined based on the refugee's income and may be tied to the Subsistence Minimum (\$145), except for vulnerable refugees[8].

When we focus on the economic impact of the migration crisis in EU countries, it varies from country to country, but overall, it can be described as positive. The main reason for this is the increase in Europe's overall GDP, thanks in part that a large proportion of Ukrainian refugees are of working age and have higher education, which enables them to fill jobs requiring higher qualifications. The institution of temporary protection has also contributed to this, allowing refugees to travel within the EU and choose which country they settle in, leading to faster capital growth[9]. Approximately 124,000 Ukrainian migrants applied for jobs requiring a high level of skills, which represents a great potential for the Czech Republic's economic growth. However, if we look closer at the high-skill job potential, approximately half of the displaced Ukrainians who had worked in Ukraine were later employed in Czechia. Another finding is that only one-third of Ukrainians are employed in jobs that match their qualifications, while forty-four percent are employed at jobs below their skill level[10]. These findings should concern the Czech government as this mismatch is a missed opportunity for Czech economic development. At this moment, a lot depends on how the Czech government manages to integrate these workers into the system, with a major determinant being how many Ukrainians will stay in the country or leave when the war ends[11]. The government has allocated 54.29 million CZK (€2.32 million) within the state budget to implement integration policy measures in 2023[12].

Financial and social aid to Ukrainian refugees provided by local governments, including the Czech one, has been questioned by several groups. However, many refugees managed to find work after some time, so it can be said that they gradually returned to the national budget the money that was spent to support them in the form of taxes. For example, in the Czech Republic, Ukrainian refugees paid eight billion crowns in taxes by the end of 2022[13].

There is a need to note the waning solidarity toward Ukraine in the Czech Republic. This can be attributed to the changing economic environment: When a society is doing well like the Czech Republic did before the war started, people tend to feel more solidarity; however, when a crisis breaks out, there is an instinct to think about ourselves first. We can assume that the massive amount of solidarity European countries showed at the beginning of the war was because of the unprecedented nature of events that Europe had not experienced in nearly 75 years. A survey made by STEM shows Czechs' willingness to help refugees from Ukraine at the expense of their own situation has decreased, mainly due to worries about the Czech economic situation. There has also been an increase in the number of people who fundamentally reject providing aid to refugees, constituting 26% of the population, ten points higher than in April 2023[14].

Another aspect is the different interpretation of migration policies by political officials, resulting in the spread of misinformation. A striking example is the interpretation of the new EU Migration and Asylum Pact by the government and the opposition. The Government and the opposition are the main reporters and mediators between Czech society and all discussed legislations and bills negotiated on both domestic and European levels. However, their often incompatible and contradictory interpretations have a direct impact on Czech society and can cause anxiety, confusion, frustration, and a significant decrease in the above-mentioned solidarity. Based on the STEM survey, there has been an increase in people who trust misinformation from 6 to 8% [15]. Needless to mention statements of some politicians directly stirred up xenophobia and hate within society.

According to STEM, the war in Ukraine is declining as an important social debate, but the urgency of problems related to migration and long-standing unresolved problems in the Czech Republic is growing. The war has been going on for longer than anyone expected, and many people have accepted it as a bitter part of reality. The domestic economic and political situation, perception of the war in Ukraine, disinformation, tools of emotionalization, and misinterpretation of the new EU Migration and Asylum Pact are variables that determine the amount of solidarity Czech society has towards migrants and Ukrainians in particular. This perception of the situation in the political and public eye determines the priorities of the Czech presidency of V4.

## Czech presidency of the V4 Group and its priorities related to migration policy

Three of four V4 member states constitute the Eastern flank of the European Union and the Schengen area. Hungary, Poland, and Slovakia are countries that have experienced disproportionate migration pressure since the war in Ukraine started. It would be wrong to completely separate the V4 directions and visions from the EU ones, and this applies to migration policy as well. While the Czech Republic is not a border state of the EU or the Schengen area, it is in our interest to pursue legislation and procedures that are aimed at identifying as many illegal migrants entering the EU as possible. As the reality of the ongoing war in Ukraine has shown, a state does not have to experience a massive influx of migrants on the border. The V4 group should align its priorities and agenda with the European direction to sustain harmonic cooperation and prevent chaos. After all, the Visegrad group can be considered a European sub-cooperation between four EU member states that share closer values, at least sporadically. The Czech presidency of the V4 group brings the potential to strengthen cooperation among the four members and, in terms of migration, offers a space to discuss strong Schengen area protection. Unfortunately, reality acts differently, as the above-mentioned values go separate ways, which drives a wedge between the closeness of the whole Group.

Since the 2015 migrant crisis, the group has worked as a unified bloc that has opposed the EU's attempts to address the influx of migrants through solidarity-based redistribution. The V4 member states were perceived as black sheep of the EU migration and asylum policy as they protested all suggested legislations addressing migrant redistributions and asylum mechanisms. Paradoxically, it was the V4 member states that became major refugee recipients when the war in Ukraine broke out. The new EU Pact on Migration and Asylum offers solidarity measures, from which the V4 countries benefit most. There is no doubt that the attempts of Hungary and Poland to withdraw from the new agreement have driven a substantial wedge between the V4 Group, which has drawn open criticism from Czech Prime Minister Petr Fiala as the Czech Republic could lose a lot of economic aid and implied the possibility of stifling V4 cooperation[16]. V4 cooperation continues, but the differences between the member states cannot be ignored. The blocking of the EU summit may have been a dealbreaker for Czech patience and V4 cooperation will not be as much of a priority for the Czech government as it has been in the past. Fiala also said it is necessary to look for alternative forms of cooperation with Western countries. Whether Visegrad cooperation will be fully revived will depend on the results of the elections in Poland and Slovakia. In Hungary's case, Orbán's approach will not likely change as his political success stands on anti-EU principles[17].

To reiterate, the Czech Presidency of the V4 is based on three pillars: A safe and advanced society, an innovative and interconnected economy, and support for Ukraine. The V4 is a place to facilitate dialogue and pursue cooperation in providing support and solidarity to Ukrainian refugees and to pursue mechanisms to protect external EU and Schengen borders. European security directly leads to Czech security. The war in Ukraine has put great pressure on many EU countries in terms of refugee influx, and it is in everyone's interest to help end the war and help Ukrainian migrants who want to return to their country with their repatriation. However, the above-mentioned obstructions by Poland and Hungary might throw a spanner in the works.

In order to prevent illegal migration and address its root causes, the Presidency intends to enhance regional cooperation in the external dimension of migration. On the other hand, it is important to ensure that the Schengen area continues to function as a free-movement zone from within. A part of the external border protection includes combating attempts to misuse the EU asylum system and instrumentalize migration[18]. The priority of the Presidency should be to enhance the protection of the Schengen area. As the Czech Republic is not an EU border state, it is in its interest that illegal migration is identified during the proceedings in border countries, such as Hungary, Slovakia, and Poland, so that illegal migrants will not spread across Europe. This problem affects not only the Czech Republic but the entire EU because the EU's approach to dealing with the migrant problem so far has only been to fight the consequences, not the cause - the poor national situation in third countries. The new EU Migration and Asylum Pack offers a prospect for different ways of handling future migration flows into the EU, but the new mechanism will also be significantly dependent on the situation beyond European borders.

## **SUMMARY**

We can summarize the priorities into the following points:

### 1. Further strengthening regional cooperation on illegal migration

There is widespread consensus that in order to strengthen the cooperation of the V4, the V4 needs to work together with the Western Balkans to effectively prevent illegal migration. The Balkans are a key transit region for illegal migration to the EU. The illegal migrants should be stopped on the border of the Western Balkans countries, not on the Schengen area border. V4 countries must find ways to assist the governments of transit countries.

### 2. Accession of Bulgaria and Romania to the Schengen Area

Czechia prioritized the full accession of Bulgaria, Croatia, and Romania into the Schengen area during the Czech presidency of the Council of the EU. Croatia successfully joined the Schengen Area, however, Romania and Bulgaria have not. Czechia will make its accession priority again during the V4 presidency as it believes EU enlargement would be beneficial for the region.

3. Increase the efficiency of return policy and suppression of attempts to abuse the EU asylum system  
Czechia has called for a prompt return policy in the past. For instance, EU country migration services requested 342,100 people<sup>[19]</sup> be removed in 2021, the most recent year with full data available. Only 24 percent<sup>[20]</sup> returned to a country outside of the bloc in 2021, according to Eurostat. Czechia tries to diminish administrative problems with returns and encourages countries to share data and good practices.

#### 4. Working with third countries and countries of migrants' origin

Part of the inefficiency of return policies is the unwillingness of third countries to accept migrants back, and inadequate policies in countries to prevent migrants from crossing through them in the first place. Cooperation agreements with countries such as Turkey, Tunisia, Morocco, or the Western Balkans would diminish illegal migration. The EU has signed such a deal with Turkey before, wherein the EU provided financial assistance aimed at stopping the flow of irregular migration from Turkey to Europe. A similar deal was recently struck with Tunisia. Czechia will try to convince its partners in the V4 about the importance of such steps and solidarity between EU members to prevent further unfortunate misunderstandings in the reforms of the European migration pact. To prevent migrants from even considering embarking on a journey to Europe, push-out factors need to be addressed. Czechia strives for European engagement in the countries of origin to avert even more mass migration than we are facing at the very moment.

#### 5. Prevention of instrumentalization of migration

Czechia perceives Belarusian conduct on the common border with Poland and the Baltic states as a threat to European security. The Belarusian regime weaponizes migration and uses it as a coercion measure to achieve its goals.

#### 6. Accepting Ukrainians fleeing the war

Welcoming millions of Ukrainian refugees, mostly women and children, remains a priority for the Czech Republic. It allows Ukraine to continue to defend itself against unjustified Russian aggression and helps people in need. However, providing asylum is only the beginning of the assistance. It is necessary to integrate refugees into the necessary education and healthcare systems. Czechia encourages intensified share of data and good practices between V4 countries to ensure more efficient assistance.



## 7. Humanitarian assistance and post-war reconstruction of Ukraine

Ukraine undoubtedly faces a humanitarian crisis that Czechia attempts to mitigate, by providing aid and overall support for assistance on a European or global level. Post-war reconstruction of Ukraine remains one of the Czech foreign policy priorities. Dozens of Czech arms companies already cooperate with Ukraine but the country also needs companies operating in civil sectors, and the need will increase with the end of the war. Czechia and Poland are strategically interested in not only Ukraine's victory in the war but also its successful post-war reconstruction. The flow of international financial assistance is an opportunity to capitalize on a country's good reputation and credibility in obtaining a competitive advantage in reconstruction contracts.

### OUR RECOMMENDATION

Czech society has gradually become more divided on the topic of migration and solidary mechanisms that are currently primarily provided to Ukrainian refugees. We assess that the main reason for this is caused by two reasons:

1. The domestic economic situation of the Czech Republic has not been satisfying and it is reflected in people getting more frustrated and worried about their living situation;
2. The contradictory interpretations of the migration and asylum policy, and the new Pact on Migration and Asylum by the government and the opposition undermine the efforts to unite Czech society on the topic of migration and the asylum system.

It is important to keep reminding Czech society that the high number of Ukrainian refugees in the Czech Republic does not necessarily mean they are exploiting the system and state budget, but can mean an injection into the Czech economy and considerable development potential for the whole country. The emotions related to Ukrainian migrants are getting stronger among the Czech population, and it is important to not yield and to fight disinformation not only among the public but also among officials. Perception of refugees from Ukraine depends on how the Czech Republic can integrate them. To avoid chaos and growing frustration, decisions should be made corresponding to the official and unbiased interpretation of both the situation around the war and the new Migration and Asylum Pact. Both the government and the opposition should put more effort into being united on questions of migration. This recommendation applies not to officials who belong to the extremist group spreading disinformation and lies, but officials who can agree on prioritizing the well-being of Czech society and who share pro-European democratic and liberal values.

The government should ensure that Ukrainian migrants are able to integrate in a way that benefits them as well as Czech society. It is important to find a balance that achieves a harmonic coexistence that would benefit all parties, such as appropriate employment to skill levels.

The European Union is a community that can afford to provide solidarity with those who request it. This does not mean that such requests should not proceed via the official migration and asylum system. The Czech Presidency of the V4 Group should be utilized for facilitating an official dialogue on how to combat illegal migration into the EU, as the other three member states are crucial in this matter. However, the recent dissents from Hungary and Poland should not remain unnoticed and ignored by the Czech side, and the cooperation within the group should correspond accordingly. The Czech Republic should continue protecting fundamental democratic and liberal values, not only on the domestic and European level but also within the V4 group, no matter what resistance it may trigger in Hungary and Poland. It is growing more important to address their non-democratic course in order to not be lumped together with them on the international scene.

Finally and most importantly, to prevent future migration crises, it is important to shift EU focus on the events happening in the third countries where most of the migrants are coming from. In other words, the most effective strategy to avoid future migration crises is to focus on the root causes of why people flee their countries in the first place and develop solidarity and development mechanisms within the EU to help mitigate migration tendencies and help increase living standards in those countries. As for the Czech Republic on the international level, it should continue to be a lighthouse for democracy and solidarity.

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# CHAPTER 6

KATARZYNA OBŁĄKOWSKA, PH.D.

ARTUR BARTOSZEWICZ, PH.D.

## **“CURRENT CONDITIONS FOR THE DEVELOPMENT OF CZECH-POLISH ECONOMIC COOPERATION”**

The Czech Republic (CR) is the country with the largest share of industry in Gross Domestic Product (GDP) among European Union (EU) countries (over 30%), with a dominant automotive sector. A characteristic feature of the Czech economy is its openness. Exports constitute almost 70% of GDP. Czech GDP per capita calculated according to purchasing power parity reached the level of 92% of the average GDP for EU countries (data for 2021). In this respect, CR is ahead of, among others, Portugal, and Greece[1].

The Czech Republic stands out among the countries of Central and Eastern Europe with a high level of industrialization and well-developed agriculture. Separation from Slovakia was easily agreed to, seen as a chance to get rid of the less developed part of the country that required more resources. The Czech Republic is a country rich in natural resources. The area around Ostrava is an extension of the Polish Upper Silesian Basin. Hard coal is mined here. In the foreland of the Ore Mountains, near Most, brown coal is mined in huge open-pit mines. The CR also has rich uranium deposits and is a world leader in graphite mining. Many Czech companies have long gained recognition in global markets. Škoda cars are still built today, now in cooperation with Volkswagen, in Mladá Boleslav. The famous Baťa shoe company comes from the Czech Republic. The Czech Republic is also the country with the highest density of railway lines in the world[2].

In the OECD risk classification, the Czech Republic is classified as 0 on a scale of 0-7. In the Corruption Perceptions Index, on a scale of 1-180, it is ranked 41st, and in the Global Innovation Index, on a scale of 132, it is ranked 31st. In the Ease of Doing Business ranking of 190 countries, they are ranked 41st, and in the Index of Economic Freedom, out of 180 countries, they are ranked 21st. Rating agencies rate the Czech economy highly: Fitch rates it AA, Moody's rates it Aa3, and S&P rates it AA-.

## The economic intricacies of the Northern neighbor

In the Republic of Poland (RP) agriculture was the first sector to develop, and from the 19th century industry began to develop on a large scale. After World War II, the communist authorities based the economy on heavy industry, including hard coal mining in Upper Silesia. Only after the breakthrough of 1989, the transformation into a free market economy, could services begin to develop at full capacity - trade, transport, telecommunications, banking, education, tourism, environmental protection, and many others. The raw materials and energy sector is still the driving force for the entire economy in Poland. The largest companies are refineries in Płock and Gdańsk (ORLEN), energy plants (PGE, Tauron, Enea, Energa), KGHM, and coal companies. Among the processing industries, the production of means of transport (including Fiat, Opel, and Volkswagen cars) and household appliances is developing the most. Many products from Poland go to foreign markets - apart from the above, copper, chemicals, furniture, and food are also exported. Polish exports were the pillar of the economy in 2020, weakening the scale of the recession. The export share of GDP in 2020 reached a record level of 55.8%. Among the service industries, trade has the largest employment, but it will decrease due to the development of online trade. The Internet itself and the related telecommunications industry are developing very quickly. The largest service companies in Poland are banks, large-format store chains, and mobile operators. Logistics and transport companies are also doing very well. High employment remains in public administration, health care, and education. The level of GDP per capita in Poland in purchasing power standards (PPS) was 79% of the EU average in 2022[3].

In the OECD risk classification, Poland is classified as 0 on a scale of 0-7. In the Corruption Perceptions Index, out of 180, it is ranked 45th, and in the Global Innovation Index, out of 132 countries, it is ranked 38th. In the Ease of Doing Business Index, it ranks 40th out of 190 countries, and in the Index of Economic Freedom out of 180 countries, it ranks 40th. Rating agencies rate the Polish economy highly, but these ratings are not as high as those of our southern neighbor: Fitch rates it an A-, Moody's rates it an A2, and S&P gives it an A-.

## The economic intricacies of the Northern neighbor

The energy crisis, disruptions in supply chains, and high inflation - are the three fundamental factors that affected the Czech economy last year and will also affect it in 2023. The Czech GDP y/y in Q1 2023 was lower by 0.5%. Data indicates a similar result in Q2. Annual inflation in 2023 is expected to be over 10%. Economic growth in 2023 is expected to be around 0%. The Czech Republic is doing the worst in the EU in terms of post-pandemic recovery. Until the COVID-19 pandemic, the Czech Republic was cited as a model for Poland in terms of economic management. Since 2020 or so, it has been possible to observe that the matter is not so clear-cut. Currently, the forecasts for the Czech Republic are not optimistic. It is highly probable that the economy will relapse into recession in 2024[4].

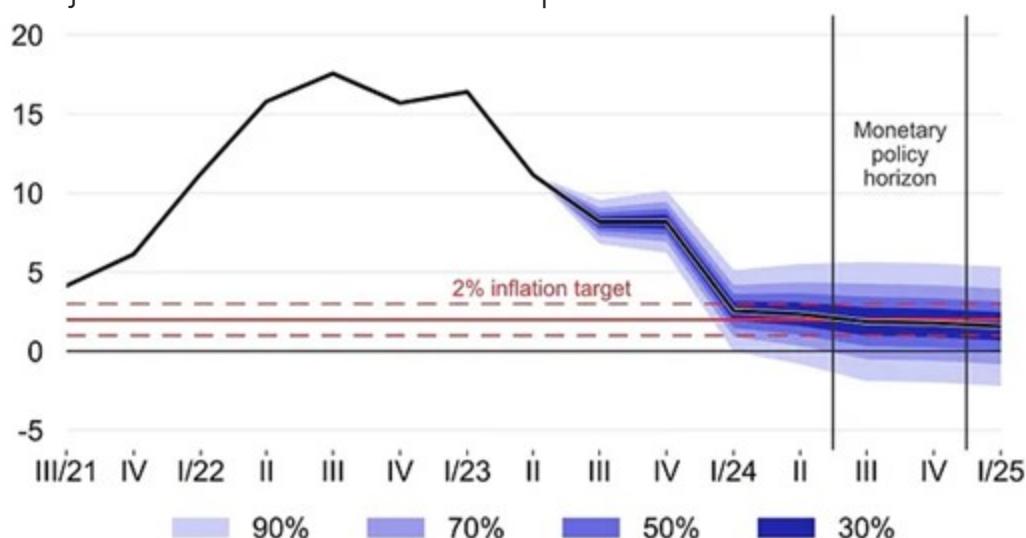
In Q1 2023, the Czech economy was 1.2% smaller compared to the last quarter of 2019. However, compared to the same period in the previous year, GDP decreased by 0.5%. The crisis in the Czech Republic is not only reflected in the general view of the economy, but the Czechs themselves are already really feeling it. Household consumption expenditure decreased by 4.2%, while total household expenditure decreased by 9.2% compared to the pre-pandemic period. There is a noticeable decline in consumer spending and investments in fixed assets[4].

Declines in the private sector were slightly compensated by public spending, but their increase turned out to be significantly insufficient. The budget deficit of the Czech Republic increased by 4.1%, this cannot fully compensate for the decline. Higher pensions, expenditure on energy price subsidies, and rising debt servicing costs largely contribute to the increase in the state budget deficit. However, the Czech Republic wants to quickly balance the budget by increasing VAT on certain products and rebuilding the pension system. Despite this, forecasts do not indicate that the deficit will be eliminated in the coming years[4].

Currently, the main support of the economy is exports, which, despite a weak pace, were growing. On the other hand, imports began to decline, improving the trade balance. In Q2 2023, GDP is expected to contract again by 0.5%. According to forecasts, the Czech economy is expected to end 2023 in a state of near-stagnation. Analysts forecast GDP growth in 2023 by 0.1%. Business climate surveys give slight chances for growth. The economic sentiment index reported by the Czech Statistical Office (CSO) was 91.4 - a result similar to the data from the period from Q1 2021 to Q2 2022. The mood in almost all sectors improved, i.e., industry, services, and trade. Consumers also assess the financial situation better - their mood improved in July 2023, and the index increased to 92.7 from 86.8 in June - this is a continuation of the increase that has been ongoing since March this year. Households' concerns about the economic situation over the next year are decreasing, and the assessment of their financial situation is improving[4].

The monetary policy pursued is restrictive. The Czech National Bank maintains the interest rate at 7%. The dynamically falling inflation is expected to contribute to the loosening of monetary policy. In July 2023, inflation dropped below 10% and amounted to 8.8%, and in June it was 9.7%. This is the lowest reading since December 2021. It is estimated that in the annual summary for 2023, the Czech Republic can expect inflation of 10.8%. However, in 2024 it will be at 3%. Together with the central bank's conservative monetary policy (the bank will cut rates when it is sure that inflation is not persistent), this is expected to help bring inflation closer to the 2% target in mid-2024[4].

**Chart 1.** Projected inflation in the Czech Republic



Source: Money.pl, Mateusz Włodarczyk.

For several months, the president of the Czech central bank, Aleš Michl, has been calling on the government to help fight inflation by reducing the deficit. The calls have brought results. The government has prepared a package of changes that will help reduce the deficit in public finances to 1.8% of the GDP in 2024[5].

**Table 1.** Overview of macroeconomic data for the economy of the Czech Republic.

Wskaźnik	2017	2018	2019	2020	2021	2022	2023*
PKB w mld euro (c. bieżące)	194,1	218,9	225,6	215,9	238,3	276,6	---
PKB (wzrost w %)	5,2	3,2	3,0	-5,5	3,5	2,5	0,1
PKB na 1 mieszkańca (tys. euro, c. bieżące)	18,3	19,9	21,2	20,2	22,3	25,9	---
Nakłady inwestycyjne na środki trwałe (wzrost w %)	4,9	10,0	5,9	-6,0	0,7	6,2	2,8
Spożycie prywatne (wzrost w %)	4,0	3,5	2,7	-7,2	4,1	-0,9	-2,7
Saldo budżetu państwa (w % PKB)	1,5	0,9	0,3	-5,8	-5,1	-3,6	-3,5
Dług publiczny (w % PKB)	34,2	32,1	30,0	37,7	42,0	44,1	43,5
Inflacja (w %)	2,5	2,1	2,8	3,2	3,8	15,1	10,9
Stopa bezrobocia (w %)	2,9	2,2	2,0	2,6	2,8	2,3	3,0
Eksport (w mld euro)	161,3	171,7	178,1	167,9	192,1	229,7	---
Import (w mld euro)	143,8	155,6	160,3	149,2	179,6	224,9	---
Kurs walutowy CZK/EUR	26,3	25,6	25,7	26,4	25,6	24,6	23,8

Source: MRiT (2023), MF CR, CSU, Eurostat.



## The current situation of the Polish economy

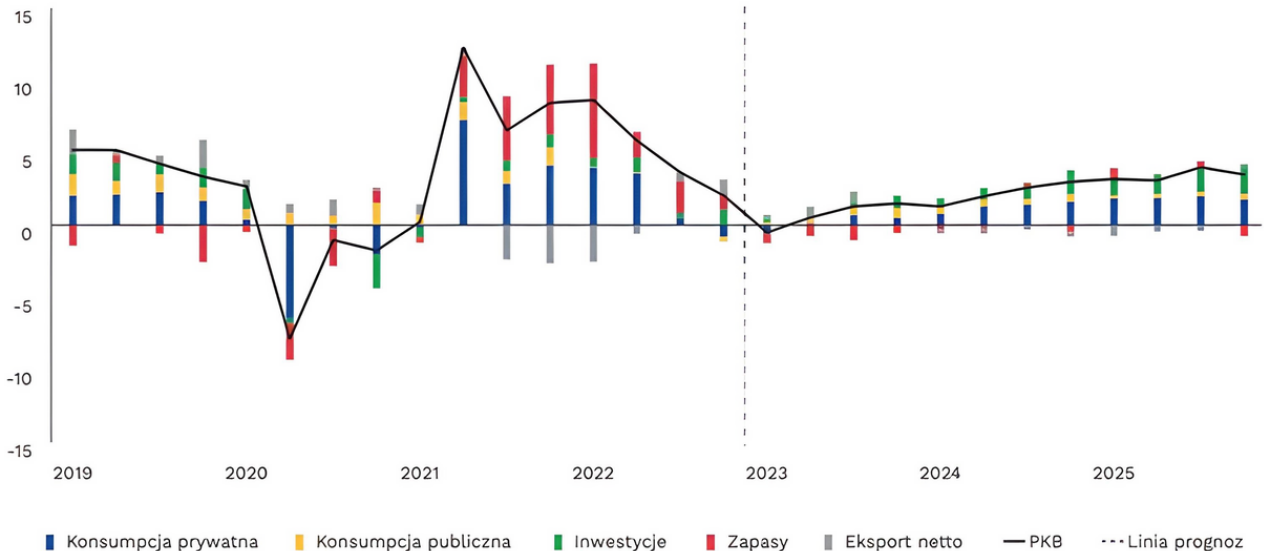
Poland's GDP in Q2 2023 decreased by 0.5% y/y as compared to a decline of 0.3% y/y in Q1 2023. On a quarter-to-quarter basis, GDP fell by 3.7% in the second quarter. Throughout 2023, GDP growth is expected to amount to 0.7%. The main driving force behind the expected rebound will be an improvement in consumption, the revival of investment, and solid net exports. According to estimates of the Institute for Economic Forecasts and Analyses (IPAG), the growth rate of gross domestic product in the second quarter of 2023 was -0.5%. The decline in GDP in the second quarter was greater than in the first, which means that the negative trends in the economy deepened. The most important reasons include high interest rates, and inflation, which reduces the purchasing power of the population and reduces the real profits of enterprises, as well as the increased level of uncertainty due to the ongoing war in Ukraine[6]. is expected to amount to 0.7%. The main driving force behind the expected rebound will be an improvement in consumption, the revival of investment, and solid net exports. According to estimates of the Institute for Economic Forecasts and Analyses (IPAG), the growth rate of gross domestic product in the second quarter of 2023 was -0.5%. The decline in GDP in the second quarter was greater than in the first, which means that the negative trends in the economy deepened. The most important reasons include high interest rates, and inflation, which reduces the purchasing power of the population and reduces the real profits of enterprises, as well as the increased level of uncertainty due to the ongoing war in Ukraine[6].

According to EY analyses, GDP in Poland will increase by 1% in 2023, and in the following years, the growth will accelerate gradually, to 2.2% in 2024 and 4.2% in 2025. The above assumes that the eurozone will avoid recession. Inflation in Poland is expected to remain above the target in the next three years and will amount to: 13.2% in 2023, 7.3% in 2024, and 3.7% in 2025. The Polish economy is slowing down since the outbreak of war in Ukraine, and inflation reduces nominal wage growth and inhibits consumption. However, the Polish economy turned out to be stronger than expected[7].

According to the forecasts of the Institute for Economic Forecasts and Analyses (IPAG), inflation in Poland will decline in the coming quarters, although at an increasingly slower pace. Throughout 2023, the average inflation level will be 12.2%. Its amount will decrease in the following months to reach 8.3% in December. In 2024, the growth rate of consumer prices will be even lower, but still above the NBP inflation target (2.5%). Average annual inflation according to IPAG will amount to 6.5%, and December's inflation may drop to 5%. The falling inflation rate prompted the Monetary Policy Council to reduce NBP interest rates in the fourth quarter of 2023 by 0.75 basis points[6].

In turn, according to the Polish Economic Institute (PIE), the Polish economy is currently in the trough of a slowdown, and the peak of inflation is also behind us. In the following months, inflation will slow down and in the perspective of the entire year 2023, it will amount to 12.6%. PIE forecasts that GDP will grow by approximately 0.8% in 2023. In 2024, economic growth will be 2.2%. Despite the clear slowdown, the labor market situation in Poland is still stable[8].

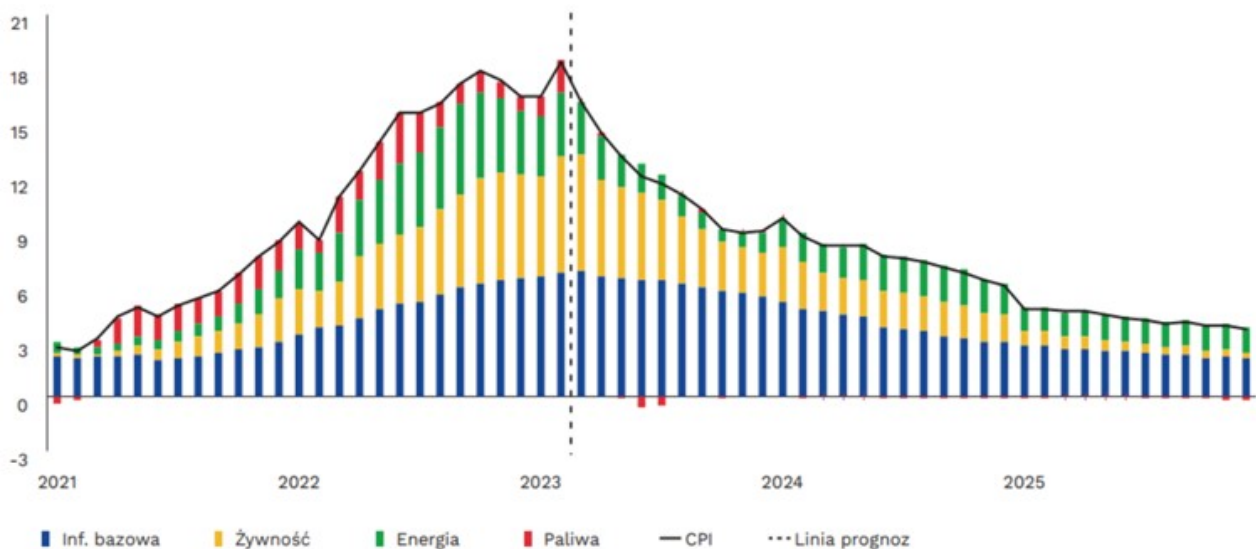
**Chart 2.** GDP growth structure – PIE forecast (in percent y/y).



Source: PIE (2023a).

According to PIE, the inflation in Poland reached its peak in February 2022 with a value of 18,4%. In the next months, a decrease connected with lower prices of fuels and food was noticed. Costs of fuels or agriculture commodities are currently lower than right after the outbreak of the second phase of the Russo-Ukrainian War, which is reflected in retail prices. The existing problem is a spread of inflation and the increase of basic inflation. The inflation will be increased throughout 2023. PIE expects in 2023 the CPI index will reach the average value of 12,6%. Still, at the end of the year, the price increase will oscillate around 9%[8].

**Chart 3.** CPI inflation structure – PIE forecast.



Source: PIE (2023a).

## Economic cooperation of both countries

Despite the effects of the COVID-19 pandemic, 2022 was a record year for trade cooperation between both countries. According to analyses by the Ministry of Development and Technology (MRiT), according to preliminary data from the Central Statistical Office, Polish exports to the Czech Republic increased by 33% (EUR 22.6 billion) in 2022, and imports by 29% (EUR 11.1 billion). CR maintained its high position among the most important trading partners of the Republic of Poland. In 2022, this country took second place in terms of share in Polish exports (share of 6.6%) and seventh in imports (share of 3.1%). Sales to CR increased in all product groups. In 2022, the exports of the following products gained the most: machines and mechanical devices, electrical equipment - by almost 25%; vehicles, aircraft, vessels, and other transport equipment - by 23%; optical instruments and apparatus - by 24%; ready-made food products - by 30% and plastics and articles made of them - by 22%. In 2022, the surplus in goods turnover increased to EUR 11.54 billion[1].

**Table 3.** Poland's trade turnover with the Czech Republic in 2016-2022 (EUR billion).

	2016	2017	2018	2019	2020	2021	2022	Dynamika 2022/2021
Eksport	12,15	13,30	14,26	14,58	14,06	17,04	22,66	132,9
Import	6,55	7,43	7,86	7,89	7,31	9,14	11,12	121,7
Obroty	18,70	20,73	22,16	22,47	21,37	26,18	33,78	129,0
Saldo	5,60	5,87	6,40	6,69	6,75	7,90	11,54	x

Source: Central Statistical Office data, Ministry of Development and Technology (2023).

We According to data from the Czech Statistical Office (CSO), imports from the Republic of Poland accounted for 7.87% of total Czech imports, which gave the Republic of Poland third place on the list of the largest exporters to the Czech market, after Germany and China. In the structure of the largest recipients of Czech products, the Republic of Poland also ranks third with a share of 6.23%, behind Germany and Slovakia.

CR is the second largest recipient of Polish investments abroad. There are nearly 4,000 companies with Polish capital on the Czech market. The last large investment is the acquisition by Allegro of one of the largest e-commerce companies in the Czech Republic, Mall Group, for approximately EUR 1 billion. We note that Czech companies are increasingly interested in the Polish market.

**Table 4.** Top 5 categories in positive trade balances.



<b>The Republic of Poland</b>		<b>Value in EUR million</b>
1.	car parts and accessories	707
2.	seating furniture	520
3.	piston combustion engines	336
4.	copper wire	421
5.	coal, solid fuels made from coal	317
<b>Czech Republic</b>		<b>Value in EUR million</b>
1.	motor vehicles	775
2.	cyclic hydrocarbons	74
3.	electric batteries	67
4.	raw wood	67
5.	styrene polymers	67

Source: Central Statistical Office data (2021),  
Ministry of Development and Technology (2023).

Analyses by the Ministry of Development and Technology (MRiT) based on data from the Central Statistical Office show that the cumulative value of Polish direct investments in the Czech Republic at the end of 2021 was EUR 2.9 billion, which gave Poland 12th place among the largest investors on the Czech market (the leaders are: Netherlands, Germany, Luxembourg, Austria, and France). At the same time, the Czech Republic is the second most popular country for Polish investors, after Luxembourg. In 2020 alone, there was an inflow of Polish capital to the Czech Republic amounting to over EUR 270 million. According to data from the analytical company Bisnode, over 3.8 thousand were registered in CR in 2021. commercial law companies with Polish capital. In terms of the number of companies owned in the Czech Republic, Poland took 6th place, ahead of, among others, Austria, Italy, and the Netherlands. The activities of Polish companies are concentrated in Prague, Ostrava, Brno, and Český Cieszyn. The most important Polish companies investing in the Czech Republic include Orlen, Synthos, Anwil, Tauron, PKO BP, mBank, BOŚ, Mokate, Tymbark-Maspex, LPP, CCC, Assec, PKP Cargo, Itaka, Apart[1].

**Table 5.** TOP 4 in export shares by product types.

Export from the Republic of Poland to the Czech Republic		Share
1.	electrical machinery industry products	29,4%
2.	metallurgical products	19,0%
3.	chemical industry products	17,2%
4.	agri-food products	9,5%
Main goods: automobile parts and accessories, seating furniture, compression ignition piston internal combustion engines, hard coal, copper wire, spark ignition piston internal combustion engines, insulated wires and cables, televisions, video monitors and projectors, plastic articles, meat poultry products and combination medicines prepared for retail sale.		
Export from the Czech Republic to the Republic of Poland		Share
1.	electrical machinery industry products	31,5%
2.	chemical industry products	16,8%
3.	metallurgical products	15,3%
4.	agri-food products	10,8%
Main goods: passenger cars and car parts and accessories, hot-rolled products, construction toys, insulated wires and cables, seating furniture, ready-made pet food, tires, internal combustion engine parts, telephone cameras and devices, and organic surfactants.		

Source: Central Statistical Office data, Ministry of Development and Technology (2023).

The Ministry of Development and Technology indicates that the value of Czech capital invested in the Republic of Poland at the end of 2021 amounted to EUR 2.86 billion in total and represented approximately 2.8% of all Czech direct investments abroad. The involvement of Czech capital in Poland (7th place) is comparable to Czech investments in Switzerland and Romania[1].

According to data from the Central Statistical Office, at the end of 2021, there were 700 entities with Czech capital operating in Poland (721 in 2019), most of which (i.e., 492) employed up to 9 people. The value of foreign investments of these companies amounted to PLN 1.55 billion according to the Central Statistical Office methodology, which constituted approximately 0.8% of the total foreign capital. Broken down by PKD sections, Czech investments in the Republic of Poland are located primarily in trade and repairs of motor vehicles (15%), industrial processing and construction (approx. 13.5% each), and real estate services (12%). The largest Czech investors in the Republic of Poland are CEZ, Penta Investments, Kofola, Metrostav, Accolade (commercial real estate, mainly logistics parks), Smartwings, Newton Media, and CPI Property Group (commercial real estate)[1].

## **Conclusion**

According to the analyses of the Ministry of Development and Technology, concerning the Czech and Polish markets, most sectors should be considered promising in terms of continuing and deepening forms of cooperation. The most important industries will continue to be the furniture, energy, petrochemical industries, production of road and rail vehicles, electrical equipment, and agricultural machinery, but also sectors such as clothing, cosmetics, and IT. The direction of joint activities in the area of expanding transport and energy infrastructure, housing, digitization, and industrial modernization is recommended.

It is important to improve political relations that weaken economic conflicts (the Czech Republic's complaint to the Court of Justice of the EU regarding the lignite mine in Turów), as well as mutual discrimination of goods and services from a neighboring country[9] while ignoring threats from other sources[10].

## RESOURCES

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- [2] Gospodarka Czech, article available on Travel Planet website, source: <https://www.travelplanet.pl/przewodnik/czechy/gospodarka.html> [access: 14.09.2023]
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- [9] See the amendment of the Act on food and tobacco products, 110/1997, with the readjustment to the regulation of selling food in Czech Republic. It is worth to notice, that in December, 2020 objections towards both the amendment of the Act and planned quotas were raised by embassies of eight EU countries in the Czech Republic (Germany, France, Italy, Netherlands, Austria, Spain, Poland), indicating that adopting the Act would constitute a discrimination of foreign products, which is unacceptable.
- [10] There are many examples in previous years of discrimination mechanisms and importation restrictions on Polish food, MPL 2014, Cr 2019, BI 2021.




# CONCLUSIONS




The full-scale invasion of Russia on Ukraine, starting the second phase of the Russo-Ukrainian war, was a factor that significantly impacted bilateral Polish-Czech relations and created circumstances for the improvement and development of those relations. In terms of security, Poland and Czechia are linked in particular with unambiguous identification of Russia as a threat. The Czech Republic was introduced in 2021 on the list of so-called hostile states of the Russian Federation, a year before listing the whole European Union on this list. Both in Poland and Czechia, the experience of bilateral relations with Russia in the XIX and XX centuries had a devastating impact on the sovereignty and independence of both countries.






In Czech political memory, the invasion of the army of the Warsaw Pact in 1968 is connected especially with the influence of the Kremlin, but still, the assessment of the engagement of forces of the Polish People's Republic is diverse. Both Czechia and Poland were supporting Georgia during the War in South Ossetia in 2008. In the updated security strategy of the Czech Republic, Russia was characterized as a country undertaking measures against the stability of Czechia due to the Russian perception of Central-Eastern Europe as the sphere of influence of the Russian Federation. There is no doubt, that actions undertaken to prevent Russia from implementing the policy of regaining the sphere of influence lost due to the collapse of the USSR, are a common goal of foreign policies of both countries and create a field of deepening and broadening of cooperation.

The result of the development of the Russo-Ukrainian War to the biggest armed conflict in Europe since World War II was also the biggest migration since the 40s of the XX century. Czechia experienced huge infrastructural, economic, and political efforts as an effect of the influx of Ukrainian refugees. However, the Ukrainian refugees differed from the migration crisis of 2015 in terms of the perception of the Czech public opinion. While the migration crisis of the previous decade was perceived in the category of a threat, Ukrainian refugees were recognized as victims of armed conflict. Also in demographic terms, in 2015 especially young men came to Europe but in 2022 among millions of refugees, women and children were dominating. It is worth emphasizing, that the solidarity with refugees is decreasing in Czechia because of the worsening economic situation and conflicting disinformation, sued by political entities in the legislation process of the Czech Republic. In terms of migration, the priorities of Czech foreign policies include strengthening regional cooperation in the scope of combating illegal migration in the V4 Group and Western Balkans and the access of Bulgaria and Romania to Schengen. Increasing the effectiveness of the push-back policy and preventing violations of the asylum system of the European Union are two priorities. In terms of the creation of a space for cooperation in the foreign policy of both Poland and the Czech Republic, challenges are endeavors to eradicate causes of migration in third countries to prevent the instrumentalization of migration, in particular in terms of the use of the coercive migration by Belarus. Meanwhile, the Polish-Czech cooperation should involve good practices of social integration of Ukrainians and the development of programs for the appropriate allocation of humanitarian aid.



The economic impact of the refugee crisis in Czechia is in general positive because many Ukrainians in the working age have high working skills and they take up employment. Despite the fact, that there is a significant increase in taxation income generated by working Ukrainian refugees, many Ukrainians are not employed in the positions matching their working skills and it hampers the economy. Nevertheless, the majority of both the Polish and Czech market sectors are prospective in the scope of the continuation and the deepening of the cooperation. The most important branches still are the furniture industry, energy industry, petrochemical industry, production of road and rail vehicles, production of electric devices, agriculture machinery, but also a sector of the textile industry, cosmetics, or IT. There is also a recommendation for the development of the transporting, energy, cyber infrastructure, and modernization of the industry and housing. Particularly significant is the improvement of political relations, diminishing conflicts on the economic background, with an example of the Czech complaint to the Court of Justice of the European Union, concerning the Turów lignite mine. The challenge is also the mutual discrimination of goods and services from neighboring countries while ignoring threats of takeover of markets, deriving from other sources.


Despite the fact that Poland and Czechia were among the countries stronger depended on the importation of oil from Russia than the European Union's average at the moment of the outbreak of the energetic crisis, Poland was more flexible in terms of diversification of supply due to the access to the sea. This situation creates an opportunity for Poland to play the role of a broker for supplying the Czech Republic, Slovakia, and Hungary with fuels by using an infrastructure that is competitive with the oilpipe Druzhba. Endeavors to the development of energetic security in the region allow the expansion and strengthening of the position of ORLEN, in particular by joint ventures undertaken with the aim of building a set of fuel stations independent from Russian influence. The development of cooperation in terms of electric infrastructure and production of electricity also creates the field of strengthening the cooperation facing the possible presence of blackouts. However, the operation of lignite mines in Bełchatów and Bogatynia creates a base for potential conflicts. Major challenges facing Poland are related to the energy transition, which must be conducted by taking into account prices of energy, economic availability for citizens, and energy security including ensuring the continuity and smoothness of energy supply, acquisition of new technologies, increasing the effectiveness of the use of the energy, ensuring the protection of social groups placed off from employment in connection of the energy transition and also protecting the environment against negative results of anthropopressure.



Europe is far more endangered by another increase in prices of energy and food than other developed economies, including the United States of America. Therefore, the energy transition of Poland must be accomplished in good-neighborly relations with countries and societies of Central-Eastern Europe. Czechia is not only a source of good practices, related to the development of nuclear power plants, but also in terms of the development of the military industry.

The spectacular success of the Czech military industry in terms of firearms production provides an impetus for a reflection on its origins. Foremost, the capability of the use of military technology to create competitive products on civic markets in terms of firearms provides a competitive advantage for the Czech military industry overall military industry sectors in countries of the Three Seas initiative, including Poland. Moreover, the impetus on sustaining production capabilities almost entirely covering the need for firearms, ammunition, and accessories for armed forces and security services, along with the creation of an education system providing for the Czech market technically educated workforce, constitutes a solid foundation of further development of Czech military industry. The particularly important factor is sustaining the economic patriotism and also the concern for the culture of civil access to firearms. It is worth emphasizing that by the use of the existing infrastructure of shooting ranges, Czechs financed training for Ukrainian volunteers in defensive and combat shooting and the first aid course. Meanwhile, a couple of thousand Ukrainian refugees boosted the production of the Czech military industry, which will be important in terms of the future migration of Ukrainians after the end of the Russo-Ukrainian war and the endeavors of many countries for the reconstruction of Ukraine.

The Czech approach to cooperation within the Visegrad Group and the Three Seas Initiative within the last two decades is characterized by pragmatism and prudence. The approach devices from the Czech concern connected with the perceived risk of exploitation of regional platforms of cooperation to implement political activities inconsistent with the goals of the European Union and with the exclusion or minimization of Germany in the decision process, related to the region. Bilateral Polish-Czech relations to some degree always conflicting and nowadays the conflict exists especially in food and agriculture markets. Relations with Poland traditionally are perceived by Czechs as strategic partnership, but in the era of Russian aggression aimed at Ukraine, the meaning of Polish-Czech relations is increasingly more important.



The new Czech government undertakes efforts to develop a different strategy of cooperation with the Visegrad Group, more sympathetic to Brussels. Deterioration of V4 relations results especially from the different approach of Hungary to the Russo-Ukrainian war. Signals coming from the government of the Czech Republic indicate an interest in pursuing dialogue and endeavors to implement Czech and common interests, but neither the V4 nor the 3SI are not basic spaces for the implementation. The Visegrad Group is perceived by Czechs as a productive platform of regional cooperation but only in the past. The current experience of contrasting approaches of Hungary and Poland in terms of the Russo-Ukrainian war or the European policy constitutes a challenge for the Czech side. Czech Presidency in the Visegrad Group is based on three pillars: a safe and developed society, an innovative and connected economy, and support for Ukraine. The space for facilitation of the dialogue and the development of cooperation within foreign policies of Poland and Czechia is the cooperation for combating illegal migration, including the pressure of both countries on the European level in order to implement the best practices of prevention of illegal crossing of external EU borders. Simultaneously, the Czech Republic positions itself as a country that conducts democratic and liberal policy in the Visegrad Group, regardless of pressure from Poland or Hungary. The opportunity for the development of cooperation within the Three Seas Initiative, which is known by less than 10% of Czech society, is the building of joint ventures to increase the strategic autonomy and cooperation in the field of the development of the military industry of the countries of the region.

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