

# The Shape of (Central) Europe

2018

ASPEN ANNUAL  
CONFERENCE

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Prague Crossroads



# The Shape of (Central) Europe 2018

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# The Aspen Institute Central Europe

Short Introduction About the Aspen Institute CE

## Our mission

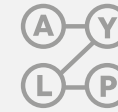
We connect and inspire people who want to improve society.

## Who we are

The Aspen Institute CE is an independent platform where representatives from politics, business and public institutions as well as personalities from the arts, sports and science meet. With the participation of figures from various disciplines, we organize public conferences, seminars, workshops and professional discussions.



Leaders, celebrities, politicians, the public



## Aspen Young Leaders Program

Every year, young people from various disciplines meet in this program to discuss the challenges today's society is facing and the role they play in them. The basic idea of the program is to encourage these promising young people to pause and reflect on the impact of their activities on the world, on society and on the future.

## The Shape of (Central) Europe

## Annual Conference

The Aspen Institute CE holds an annual conference entitled *The Shape of (Central) Europe* at which the results of the year-round work of expert groups – a comprehensive and long-term perspective on political, economic and social developments in the Czech Republic and in Central Europe – are presented. Public figures can formulate new ideas that encourage society and its leaders to engage in self-reflection and comparison, and prompt discussion about other political strategies in Central Europe.

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## Highlighting topics of public interest

The Aspen Institute CE expert meetings allow for a multifaceted discussion between policymakers and influential business and public figures. They address themes that resonate in politics, but also the impact of innovation and technology on the development of society, democracy, quality of life, change and formation of public opinion and its participation in decision-making. Global issues, transatlantic relations, and the problems of Europe and the Central European region are discussed.

ASPEN  
Review

## Aspen Review

The Aspen Review is a quarterly magazine in which the Aspen Institute CE provides space for a wide range of views on topical issues that resonate in society. The magazine offers analysis, interviews and commentary by world-renowned professionals as well as Central European public figures, journalists, scientists and academics.



# Foreword



The annual conference of the Aspen Institute Central Europe this year for the fourth time aims to answer key questions about the future of the Czech Republic and Central Europe. *The Shape of (Central) Europe* conference follows up on the *Czech Republic: The Shape We Are In* project that we launched in 2015. It aims to do more than just describe the situation and deal with the direction of society once a year based on available data and international charts. We want to be a platform where experts from various fields and regions meet and present inspirational examples and ideas on a continuous basis – not only during this conference.

We aim to connect different areas that are often discussed separately. Discussions about competitiveness and education, prosperity and security, and how these topics relate to the quality of life and the functioning of public institutions, can all be linked.

I would like to thank everyone who participated in the working groups, especially their guarantors, who drafted the reports contained in this booklet. This is not an academic study for experts, but a basis for public discussion. I believe that in these reports you will find food for thought, suggestions and recommendations on what can be done better. I hope they motivate you to undertake independent work as well as engage in joint efforts towards a promising future, the preservation of freedom, the development of prosperity and the safeguarding of security in Central Europe and elsewhere.

We want to expand the field of view and talk about these topics not only within the Central European region but also in the context of developments in Europe and the world as a whole. To that end, the conference, which traditionally focuses on the Czech Republic and its closest neighbors, will be connected to discussions of international relevance. This year, we will focus on two factors influencing the development of contemporary Europe: Brexit and the future of transatlantic relations.

Jiří Schneider Director, Aspen Institute Central Europe

# Program

|                                   |  |
|-----------------------------------|--|
| 8:30 – 9:00                       | <b>Registration</b>  |
| 9:00 – 9:10                       | <b>Opening</b><br><b>Zuzana Řezníčková</b> , President, Economia Media House<br><b>Ivan Hodáč</b> , President, Aspen Institute Central Europe  |
| 09:10 – 10:30                     | <b>Competitiveness</b>   |
| <i>Keynote:</i>                   | <b>Nicklas Lundblad</b> , Vice President, EMEA Public Policy and Government Relations, Google  |
| <i>Introductory Presentation:</i> | <b>David Vávra</b> , Coordinator of the Aspen Institute CE<br>Expert Group/Managing Partner, OG Research   |
| <i>Speakers:</i>                  | <b>Vladimír Bártl</b> , Deputy Minister of Industry and Trade<br><b>Tomáš Karakolev</b> , Head of Strategy in CEE, McKinsey<br><b>Ondřej Vlček</b> , Executive Vice President and CTO, Avast   |
| <i>Chair:</i>                     | <b>Michala Hergetová</b> , Czech Television  |
| 10:30 – 10:50                     | <b>Coffee Break</b>  |
| 10:50 – 11:50                     | <b>Quality of Governance</b>   |
| <i>Introductory Presentation:</i> | <b>Karel Šimka</b> , Coordinator of the Aspen Institute CE<br>Expert Group/ Judge of the Supreme Administrative Court  |
| <i>Speakers:</i>                  | <b>Dan Ťok</b> , Minister of Transport<br><b>Vladimír Dzurilla</b> , Chief Digital Officer, Prime Minister’s Advisor for ICT and Digitalization<br><b>Péter Krekó</b> , Executive Director, Political Capital/AYLP Alumnus<br><b>Matěj Petrásek</b> , Partner, DigiLion/AYLP Alumnus |
| <i>Chair:</i>                     | <b>Michala Hergetová</b> , Czech Television  |
| 11:50 – 12:10                     | <b>Coffee Break</b>  |

|                                   |  |
|-----------------------------------|--|
| 12:10 – 13:10                     | <b>Education</b>   |
| <i>Introductory Presentation:</i> | <b>Bohumil Kartous</b> , Coordinator of the Aspen Institute CE<br>Expert Group/Head of Analysis and Communication, EDUin   |
| <i>Speakers:</i>                  | <b>Robert Plaga</b> , Minister of Education, Youth and Sports<br><b>Branislav Kleskeň</b> , CEO, Leaf<br><b>Zsuzsanna Mátrai</b> , CEE Corporate Affairs Director, Microsoft<br><b>Jiří Nantl</b> , Director, CEITEC<br><b>Michal Pěchouček</b> , Director of Artificial Intelligence Center, Czech Technical University |
| <i>Chair:</i>                     | <b>Michala Hergetová</b> , Czech Television  |
| 13:10 – 14:30                     | <b>Buffet Lunch</b>  |
| 14:30 – 15:30                     | <b>Defense and Security</b>  |
| <i>Introductory Presentation:</i> | <b>Tomáš Pojar</b> , Coordinator of the Aspen Institute CE<br>Expert Group/Vice-President, CEVRO Institute   |
| <i>Speakers:</i>                  | <b>Jan Hamáček</b> , First Deputy Prime Minister and Minister of Interior<br><b>Gen. (Ret.) Petr Pavel</b> , former Chairman, NATO Military Committee<br><b>Jan Lipavský</b> , Vice-Chairman, Parliamentary Committee on Defence<br><b>Michael Rozsypal</b> , Czech Radio  |
| <i>Chair:</i>                     |  |
| 15:30 – 15:45                     | <b>Coffee Break</b>  |
| 15:45 – 16:45                     | <b>Quality of Life</b>   |
| <i>Introductory Presentation:</i> | <b>Daniel Prokop</b> , Coordinator of the Aspen Institute CE<br>Expert Group/Consulting Sociologist, MEDIAN  |
| <i>Speakers:</i>                  | <b>Jana Maláčová</b> , Minister of Labor and Social Affairs<br><b>Melinda Miklós</b> , CEO, We are Open/AYLP Alumna<br><b>Vít Rakušan</b> , Mayor of Kolín/AYLP Alumnus  |
| <i>Chair:</i>                     | <b>Marie Bastlová</b> , Czech Radio  |
| 16:45 – 17:15                     | <b>Final Recommendations</b>   |
| 19:30                             | <b>Gala Dinner</b> (by special invitation only)  |
| <i>Opening Remarks:</i>           | <b>Dan Porterfield</b> , President and CEO, Aspen Institute  |
| <i>Keynote Speaker:</i>           | <b>Timothy Snyder</b> , Richard C. Levin Professor of History at Yale University and a Permanent Fellow at the Institute for Human Sciences, Vienna  |

# Speakers



## Vladimír Bártl

Vladimír Bártl graduated from the Czech Technical University in Prague. He worked at the Ministry of Foreign Affairs as of 1999, amongst other things in its embassies in Ottawa and Paris. He contributed to the project “New System of Managing Trade Economic Services of the State Abroad” and Export Strategy 2006—2010 in his role as advisor to the Deputy Minister of Industry and Trade. He was a member of the team for placement of the Galileo Managing Centre in Prague. He has been involved in a range of commercial projects as of the year 2010 and has worked at the Ministry of Industry and Trade from 2011, being named Deputy Minister in 2014. He is responsible for the section European Union and Foreign Trade.

## Marie Bastlová

Marie Bastlová studied journalism and law at Charles University in Prague and at Université Toulouse 1. She began working at Lidovky.cz as a sports editor. She has been involved with politics since 2007, first at Lidové noviny, then at Hospodářské noviny and as of the year 2016 with Czech Radio where she currently works as the moderator of the program Dvacet minut Radiožurnál. She received the Křepelka prize for young journalists and has been nominated six times in a row for the Journalism Prize in the category of investigative and analytical journalism.



## Vladimír Dzurilla

Vladimír Dzurilla graduated from the Slovak University of Technology in Bratislava and also studied in the Netherlands at the British Open University. He worked in the companies Accenture, O2, ČMSS and has been involved in projects focused on exchanging and implementation of large IT systems and the launching of organizational and process changes. He has held the position of General Director of the state company State Treasury Centre for Shared Services as of May 2016. He also runs the National Agency for Communication and Information Technologies as of January 2018. Vladimír Dzurilla is also an advisor to the Prime Minister in the area of ICT and digitalization, and was named to





the position of IT and Digital Officer for the government in February of this year. He is responsible for creating and realizing the strategic concept of Digital Czechia as part of this position.



### Jan Hamáček

Jan Hamáček serves as the First Deputy Prime Minister of the Czech Republic and Minister of Interior since June 2018. In the last legislative period, he was the Speaker of the Chamber of Deputies, and previously its Deputy Speaker. He headed the Czech delegation to the NATO Parliamentary Assembly and was Vice-Chairman of the Committee on Foreign Affairs as well as a member of the Committee on European Affairs. In March 2018, Mr. Hamáček was elected Chairman of the Czech Social Democratic Party (ČSSD). He was formerly the ČSSD shadow Defense Minister and spokesperson on defense issues. Prior to his election to parliament, he acted as an advisor to two prime ministers, and as his party's international secretary.



### Michala Hergetová

Michala Hergetová is a TV reporter and moderator of the Business News and Studio ct24. She graduated from the University of Economics in Prague with a specialization in International Trade and European Integration in 2005. She interrupted her studies for a Joint European Studies Program at Staffordshire University in the UK and the University of Antwerp in Belgium. She received an M.A. in EITEI in 2004. Her professional career began with Mafra a.s. in 2000, where she worked for the TV news department TVD, with a specialization in economics and politics. She worked as the PR Director for the National Trade Promotion Agency - CzechTrade as of 2002. She managed the CzechTrade and Radio Impuls Diluvial Centre during the floods in 2002. She has worked for the public service TV Czech Television in various positions as of 2005, currently as a business news moderator and moderator of the 90` ct24.



### Ivan Hodáč

Ivan Hodáč is Founder and President of the Aspen Institute Central Europe. He was Secretary-General of the European Automobile Manufacturers' Association (ACEA) from 2001 until 2013. He was, among other things, a member of a special Advisory Group of experts, which was advising the European Commission in negotiations of the Transatlantic Trade and Investment Partnership with the United States (TTIP). He is also a Senior Advisor at Teneo CabinetDN, a leading consultancy on the EU. The Financial Times listed him among the most influential personalities in Brussels politics. Before joining ACEA, he was Senior Vice-President and Head of the Time Warner Corporate office for Europe. He was previously Secretary-General of the trade organization IFMA/IMACE. He completed his education at the University of Copenhagen and the College of Europe in Bruges.



### Tomáš Karakolev

Tomáš Karakolev is a Senior Expert in the Corporate Finance Practice of McKinsey & Company and one of the leaders of the Strategy & Corporate Finance Practice in Central Europe (CEE). Before he chose to fully focus on Corporate Finance in 2009, he was a generalist partner at McKinsey. Since joining McKinsey in 1997, he has served clients throughout Europe, the Middle East and Africa on Corporate Finance and Strategy. Tomas has led ~50 M&A transactions and Due Diligence projects across multiple sectors for financial and strategic buyers. Tomáš obtained a B.A. in Economics from Charles University and an M.Phil. in Finance with Distinction from the University of Cambridge.



### Bohumil Kartous

Bohumil (Bob) Kartous is Head of Communications and an analyst at the EDUin think-tank. He graduated from the Pedagogical Faculty and Faculty of Sports Studies of Masaryk University in Brno and holds a PhD from the Media Institute at the Faculty of Social Sciences of Charles University in Prague. His articles about education are published in many Czech media outlets and he is a regular media commentator on educational events. He teaches at the University of Economics and Management in Prague and helped launch the start-up Education



### **Branislav Kleskeň**

Branislav Kleskeň leads LEAF, a non-profit organization focused on the development of young individuals with the potential to grow into shapers of Slovakia and who will demonstrate moral character, excellence, entrepreneurial leadership and civic engagement, regardless of their socio-economic background. The activities of LEAF serve individuals from about 15 to 35 years of age and cover the areas of world-class education for high school students, mitigation of ‘brain drain’ and the development of young professionals. Formerly a partner at McKinsey & Company, Branislav has experience on several continents in improving corporate performance, building new businesses and improving education. He holds an MBA degree from Kellogg Graduate School of Management, Northwestern University.



### **Péter Krekó**

Péter Krekó is a social psychologist and political scientist. He is the Executive Director and co-owner of Political Capital. He worked as a Fulbright Visiting Professor in the United States at the Central Eurasian Studies Department of Indiana University in 2016-2017. He focuses on Russian ‘soft power’ policies and political populism and extremism in Europe. He is a Member of the Presidential Board of the Hungarian Political Science Association. He was the co-chair of the PREVENT working group at the EU Radicalisation Awareness Network (RAN), and is currently an expert member of the EU RAN Centre of Excellence. He wrote his PhD thesis on the social psychology of conspiracy theories. He is a regular commentator in international media.



### **Jan Lipavský**

Jan Lipavský is deputy chair of the parliamentary committee on defence and committee on foreign affairs. He focuses primarily on

Republic. He participated in the content and implementation of Forum 2000 in 2015 and created the Map of Social Stereotypes together with the DOX Centre for Contemporary Art. He has been involved in the implementation of Philip Zimbardo’s Heroic Imagination Project and is the editor of the Czech critical Internet daily Britské listy.



### **Nicklas Lundblad**

Nicklas Lundblad is currently serving as Vice President of Public Policy and Government Relations for Europe, the Middle East and Africa at Google Inc, where he has been working since 2007. He holds a PhD in informatics, and is an adjunct professor in innovation at the Royal Institute of Technology in Stockholm. He is a member of the Royal Academy of Engineering Sciences in Sweden, an Eisenhower Fellow and has served on a number of boards. In 2012 he was one of 21 Google executives globally given a Great Manager Award. He is the author of three books on information technology and policy, and is a regular contributor to several newspapers and magazines.



### **Jana Maláčová**

Jana Maláčová is the Minister of Labour and Social Affairs from July 2018. She was previously in charge of the department of family and aging policy at the Ministry. She graduated from Goethe University Frankfurt with a master’s degree in political science and later also obtained a master’s in the Political Economics of Europe at the London School of Economics. She worked from 2007 to 2011 at the Ministry of Regional Development as a EU funds analyst. She later obtained experience as deputy to the Office of the Senate of the Parliament of the Czech Republic at the European Parliament. Her working career continued at the Office of the Government where she led the department of institutional communication of the EU in the Section for EU issues. She consequently began to work at the Ministry of Labour and Social Affairs of the Czech Republic.

security and foreign policy. His areas of interest include digitalization and cyber security, countering hostile propaganda and disinformation. He is also working on the implementation of a law protecting the strategic sectors of the Czech economy against loss of sensitive data and know-how. He also oversees the activities of the Czech intelligence services. Jan Lipavský studied international relations at Charles University in Prague and at the University of Kent in the UK. Prior to entering politics, he worked in managerial positions in the private sector in the field of information technology.





### Zsuzsanna Mátrai

Zsuzsanna Mátrai joined Microsoft in September 2017 after a 20 year diplomatic career with the Ministry of Foreign Affairs of Hungary. She is based in Budapest focused on Microsoft's corporate and government affairs across Central and Eastern Europe. She is an advocate of Microsoft's core values and philanthropic activities ranging from AI through privacy and security issues to education. In cooperation with Microsoft Brussels, she is involved with strategic planning to positively shape the debate and public policy outcomes on issues important to the ICT industry. Prior to joining Microsoft, her diplomatic career focused mainly on Hungary's European integration process, also serving as a diplomat at the Hungarian Embassy in Paris. She holds degrees in economic sciences and European law.



### Melinda Miklós

Melinda Miklós is the CEO of WeAreOpen, a diversity initiative, co-founded by Google, Prezi, and espell in Hungary. WeAreOpen creates campaigns with a coalition of businesses to promote diversity and inclusion for millions of employees. WeAreOpen was founded in 2013 and has organized over 20 public campaigns for gender equality, LGBTQ inclusion, people with disabilities and for openness in general. More than 1,000 companies and organizations have joined the initiative to date. Melinda previously worked as Press Officer for Google as their external colleague for six years. Melinda holds master's degrees in economics, communications and psychology.



### Jiří Nantl

Jiří Nantl is director of the Central European Institute of Technology at Masaryk University. He has been involved over the long-term in educational and scientific policy working as the first deputy of the Ministry of Education. He is involved in establishing the Strategy of the Educational Policy of the Czech Republic up to the year 2020, contributing to the preparations of changes in university legislation and the implementation of new models of support for the quality of universities. He has been involved conceptually in the creation of the National Register of Qualifications as an instrument for communication between the

educational system and practice. He was previously, amongst other things, Vice-Chairman of the Council of Higher Education, member of the National Council for Qualifications and member of the Committee for Educational Policy of OECD.



### Petr Pavel

General Petr Pavel served as Chairman of the NATO Military Committee in 2015-2018. Since graduating from the Army College in Vyškov (CZE) in 1983, General Pavel has held a wide range of positions, the most prominent being Commander of the Czech Special Forces, National Military Representative to the US Central Command and to SHAPE in Belgium, and Chief of the General Staff of the Czech Armed Forces (2012-2015). General Pavel also studied at Camberley Staff College and the Royal College of Defence Studies, and obtained an M.A. in International Relations from King's College.



### Matěj Petrásek

Matěj Petrásek is a business-oriented lawyer with a strong passion for technology and people. After his work in London for Salesforce, a SaaS cloud-computing pioneer, he returned to Prague to found his own technology contract negotiation and privacy consulting company. He continues working internationally with leading cloud-computing companies. Matěj graduated in law at Charles University in Prague and in informatics at the University of Economics in Prague. He is interested in the intersection of law and technology and sees this as a great opportunity for positive change.



### Michal Pěchouček

Michal Pěchouček is a full professor in Computer Science at Czech Technical University (CTU). He has studied and worked at several foreign universities. He has run several research contracts funded by the FAA and has collaborated on two additional research grants funded by NASA. He is the co-founder and investor of several successful start-ups in the field of artificial intelligence. He was director of the R&D center of artificial intelligence and computer security of CISCO in Prague and also a strategist for next technologies. He is also the Founding Direc-

tor of Open Informatics, a research oriented computer science study program at CTU-FEL. He was named to New Europe 100, a list of outstanding challengers who are leading world-class innovation from Central and Eastern Europe, in 2015.



### Robert Plaga

Robert Plaga, PhD, the Minister of Education, Youth and Sports, was born in 1978 in the South Moravian town of Ivančice. He graduated from the Faculty of Business and Economics of Mendel University in Brno, where he also taught between 2002 and 2013. From 2013 to 2015 he held the position of Director of the Technology Transfer Center and was appointed Deputy Minister of Education for Higher Education, Science and Research in 2015. He was appointed the Minister of Education, Youth and Sports on 13 December 2017. Before assuming the Minister's office, he was a city councilor of Brno.



### Tomáš Pojar

Tomáš Pojar is the Vice-President of the CEVRO Institute, Vice-President of the Czech-Israeli Chamber of Commerce (ČISOK) and a security and defense consultant. He studied Political Science at the Faculty of Social Studies at Charles University, and Counter-terrorism Studies and Homeland Security at the Interdisciplinary Center (IDC) in Israel. In 1995 he began to work for the NGO People in Need (PIN), which he led from 1997 to 2005. In 2005, he joined the Ministry of Foreign Affairs, where he served as Deputy Minister for Bilateral Relations and First Deputy Minister for Security and EU Affairs as well as bilateral relations with European states. From 2010 to 2014, he was Ambassador of the Czech Republic to Israel.



### Daniel Prokop

Daniel Prokop studied sociology at the Faculty of Social Sciences of Charles University, where he now works as a researcher and doctoral student. He is a member of the research team for the project Dynamics of Poverty and Social Exclusion (GAČR, FSV UK) from the year 2015. He was the director of the social-political section and director of research for the company MEDIAN over the years 2014-2018, with

whom he now works as a sociologist. He has a particular interest in research into voting behavior and the political positions of the Czech population, analysis and research into poverty, poor quality housing and the impact of socio-economic problems on children. He is the author of advanced methodology for voting research in the Czech Republic. He has published, as of the year 2015, on the themes of poverty, public policy and populism and the voting behavior in the regular series Introduction to Practical Sociology in the newspaper supplement Salon Práva, for which he received a Journalism Prize for Solution Journalism in the year 2017.



### Vít Rakušan

Vít Rakušan has been the mayor of the town of Kolín since 2010. He was ranked among the 100 greatest innovators of Central and Eastern Europe in 2016, the chart being initiated by the Financial Times. Vít Rakušan was elected Member of Parliament in 2017. As mayor, he succeeded in stabilizing the financial situation and debt services of Kolín, the indebtedness of which decreased from 950 to 470 million CZK. He ensured systematic support of cultural and social events in Kolín. The town of Kolín has become more friendly and open to its citizens. He built a transparent office, based on making all concluded contracts and tenders public. Citizens can obtain information via mobile applications, public discussions or on-line broadcasting. He supports the concept of a smart city for which Kolín has been awarded numerous times.



### Michal Rozsypal

Michael Rozsypal is a moderator for Czech Radio Plus. He moderates the morning broadcast and program Interview Plus, which is a 25 minute interview with renowned figures from the world of politics, business, culture and society. He studied political science at the Faculty of Social Sciences of Charles University in Prague. He also spent a semester at the Université Libré de Bruxelles in Belgium. He has worked in a think tank in the area of international relations at the Association for International Affairs. He joined Czech Radio in 2012.

**Zuzana Řezníčková**

Zuzana Řezníčková is the executive director of the company managing the assets of Zdeněk and Michaela Bakala. She also runs Luxury Brand Management, a leader in selling luxury fashion and watches, and chairs the board of the media house Economia. She previously worked as the Executive Director for Retail in one of ČEZ's divisions (2008 – 2013), where she was responsible for the sales and marketing strategy of the retail segment. In 2006, after quitting her position in MEDIATEL, where she was responsible for more than 900 employees, she was involved in the establishment of the Slovak branch of O2. Earlier in her career, she was appointed the Vice-President for Marketing and Sales of Czech Airlines (2003 – 2005) and held various positions in Eurotel (1998 – 2003). Zuzana studied analytical and physical chemistry. She has been repeatedly ranked among the most important woman in the Czech business sector.

**Jiří Schneider**

Jiří Schneider is the Executive Director of the Aspen Institute Central Europe. He graduated from the Czech Technical University and obtained a degree in religious studies from the University of Cambridge. He was elected to the Czechoslovak Parliament in 1990 and 1992, and joined the Ministry of Foreign Affairs in 1993, holding various positions in the Czech diplomatic service, most prominently as ambassador to Israel and as the first Deputy Foreign Minister of the Czech Republic. He has also lectured at various universities in the Czech Republic and is closely associated with the Prague Security Studies Institute (PSSI), a leading Czech security think tank.

**Karel Šimka**

Karel Šimka, a judge of the Supreme Administrative Court, obtained degrees in law and political science from universities in Pilsen, Prague and Passau. He initially served as a judge in the field of civil law and since 2004 has been a member of the Enlarged Chamber, the Chamber for Matters of Competence Complaints and a substitute member of the Special Chamber in Matters of Jurisdiction Conflicts at the Supreme Administrative Court. He has been a lecturer at the University of West

Bohemia in Pilsen from 1998. He also teaches constitutional and tax law at the CEVRO Institute College and is, or was formerly, a member of several expert bodies and the editorial boards of the Bulletin of the Chamber of Tax Advisors of the Czech Republic and The Law Advisor.

**Ondřej Vlček**

Ondřej Vlček serves as the EVP and GM for the Consumer business & CTO leading the largest business at Avast. Through his strategies and vision, Ondřej has architected a cloud based security network for the newly announced IoT security solutions and has led his team to dramatic growth by re-inventing how Avast protects people online. In his prior role at Avast as CTO, he pioneered Avast's transformation from a traditional PC antivirus vendor into the leading next-gen provider of security solutions it is today. In 2003, Ondřej became chief developer at Avast and led the team which developed one of the first antivirus programs for Windows. He holds an MS in Mathematics from Czech Technical University in Prague.

**Dan Ťok**

Ing. Dan Ťok has been the Minister of Transport since December 2014, making him the second longest serving Minister of Transport since the founding of the Czech Republic. Apart from his studies at the Faculty of Mechanical Engineering at the Brno University of Technology, he also participated in a year-long course in management at Insead University in Paris, a two-year management training program for higher management ABB and training programs for Senior Management RWE and Skanska in Lausanne. His previous work experience was with the Swedish company Skanska, where he worked as the chairperson of the board and general director from 2008 to 2014. He worked earlier in top-management positions in the companies KCG Industry B.V., Jihomoravská plynárenská, ALSTOM and ABB První brněnská strojírna.

**David Vávra**

David Vávra is the founder and managing partner of OGREsearch. He holds a PhD in economics from CERGE- EI and his research interests lie in macroeconomic modeling, economic growth and development.



When working for the International Monetary Fund, he advised dozens of central banks and national authorities. He is also an expert in macroeconomic modeling and forecasting, having introduced a forecasting and policy analysis system to support forward-looking monetary policy at the Czech National Bank. He also served as senior advisor to the governor of the Czech National Bank. As the managing partner of OGRResearch, he is responsible for marketing and strategic business development. Throughout his career, he has engaged with academic institutions and lectured frequently.

## Speakers at the Gala Dinner:



### Timothy Snyder

Timothy Snyder is one of America's leading historians and public intellectuals. He is the Richard C. Levin Professor of History at Yale University and a Permanent Fellow at the IWM. He received his Bachelor of Arts in European history and political science from Brown University in 1991. He then became a British Marshall Scholar at the University of Oxford, where he completed his doctorate in 1997.

He has held fellowships at the Centre Nationale des Recherches Scientifiques, Paris (1994-1995); Harvard University's Olin Institute for Strategic Studies (1997); served as an Academy Scholar at Harvard's Center for International Affairs (1998-2001); and has held multiple fellowships at the IWM in Vienna.

Among his publications are five award-winning books, all of which have been translated. *Bloodlands: Europe Between Hitler and Stalin*, a history of Nazi and Soviet mass killing on the lands between Berlin and Moscow, received a number of honors, including the Hannah Arendt Award for Political Thought, the Leipzig Prize for European Understanding and the Ralph Waldo Emerson Award in the Humanities.



### Dan Porterfield

Dan Porterfield is President and CEO of the Aspen Institute. Previously, Dan served for seven years as the President of Franklin & Marshall College. Dan has been recognized as a visionary leader and advocate for expanding educational opportunity and improving the human condition and was named a White House Champion of Change in 2016. Prior to his appointment at Franklin & Marshall College, Dan served as Senior Vice President for Strategic Development and an English professor at his alma mater, Georgetown University, and for four years as a senior aide to then-US Health and Human Services Secretary Donna Shalala. He earned B.A. degrees from Georgetown and Oxford—where he was a Rhodes Scholar—and his Ph.D. from The City University of New York Graduate Center where he was awarded a Mellon Fellowship in the Humanities.

# Introduction: Sleepwalking to Nowhere?

By Michal Kořan, Aspen Expert Groups Coordinator

The Czech Republic is an exceptionally safe, secure and relatively prosperous country. It is also a country, however, where the appetite for transformation and for investing into its future has largely vanished. This translates into the reality that the Czech Republic trails far behind its potential, unable to unleash its inherent cultural, economic and social capital. Riding on a comfortable wave of surrounding economic growth, there are little immediate incentives to start an often painful process of tackling structural weaknesses. Part of society has sunk into complacency and apathy, institutions tend to be rigid and unresponsive and politicians do little to prepare the country for the future. Without a rapid change to this sluggish attitude, the Czech Republic, or at least large parts of its society, will eventually find itself on the losing side of the innovation and globalization-driven future.

This is in brief the leitmotif of all five expert studies. The nature of the recommendations of the work of the 2018 Aspen Institute CE expert groups reflect those of previous years. There is, however, a new sense of urgency. The years are going by and deep transformations in the outside world are picking up steam while Czechs are busy solving irrelevant, emotional, or non-strategic issues. The 2018 studies also demonstrate a fresh emphasis on local and intra-regional conditions. There are critical (intra)regional differences in quality of life, education, economic and social opportunities. These differences evidently translate into political behavior and are co-responsible for the increasing political disengagement, frustration, and apathy amongst large parts of the Czech population.

Czech society and the economy have considerable potential energy. Its constitutional system is stable and political institutions mostly fair. There is a solid economic and social base to build on. In order to transform the potential energy into a kinetic one, a great deal has to happen. Unfortunately, instead of experiencing bustling activities and meaningful efforts to prepare the Czech Republic for the future, the government and its politicians resemble a sleepwalking creature, wandering in no apparent direction.

What follows is a summary of the main findings of five expert groups (Competitiveness, Quality of Governance, Education, Defense and Security, Quality of Life) led, respectively, by David Vávra, Karel Šimka, Bohumil Kartous, Tomáš Pojar and Daniel Prokop. Readers will also enjoy reading “Aspen Alumni Spotlights” – reflections written by various authors who participated in the past in the Aspen Young Leaders Program.

# Competitiveness

David Várva Coordinator of the Aspen Expert Group, Guarantor of the Study

Simona Hornochová, Jiří Kůs, Michal Skořepa, Martin Wichterle Co-authors of the Study

Last year's study revealed a less than impressive level of convergence between the Czech economy and "western" levels as well as differences within the Central European region. The Czech Republic and Hungary are underachievers while Poland and Slovakia are manifesting more vital signs of economic performance. The authors identified the primary barriers to healthy growth as among others: reliance on low wages, obsolete production function (low value-added production), little appeal for new innovative businesses, a burdening administration, and an unpredictable tax system. Regrettably, not much has changed in any of these areas since last year. The novelty lies in the increasing visibility of certain signs that cheap labor-based growth is wearing ever thinner. More importantly, the social consensus is also shifting towards seeking out more value-added and higher paid jobs. Wages and labor productivity linger, however, far behind expectations. The Czech economy is running at almost full employment, but economic growth is slowing and the only sustainable way forward lies in technological innovations and increase in productivity. What is even less encouraging is that instead of moving towards greater economic diversification (as an engine of competitiveness and innovative thinking) the Czech economy is experiencing further homogenization.

This year's study paid special attention to the matter of urbanization. Although urbanization is one of the important driving forces behind the country's economic potential, Czech society does not find living in larger urban centers particularly appealing. More than half of the Czech population lives in towns of less than 10,000 inhabitants (while it is about a quarter in Germany). Another important factor in the lack of sustainability of the current economic model lies in the less than impressive quality of tertiary education. Czech universities do not attract, or do not retain, enough highly talented and innovative students. The number of patents issued by universities and public research institutions is decreasing and the much-desired cooperation and links between commercial and academic sectors are not going all that well. Another worrying sign is that despite

a gradual increase in spending on research and innovation since 2010, the performance of the overall system of innovations and research in the Czech Republic has deteriorated. The secondary level of education has not been much of a better performer. Its unsatisfactory quality actually prevents improvements in the level of workers' education and qualifications. Moreover, the Czech Republic is a net exporter of "brains". All these factors create obstacles to more healthy and sustainable growth.

The greatest hindrances, however, can be seen in the unsatisfactory functioning of the state administration, which does not make a sound contribution to creating conditions for entrepreneurship and innovations. The overall bulk of the administrative burdens remains high (even in comparison with certain Central and Eastern European countries). Rectification of the complicated and unpredictable tax system is nowhere near at hand. On the contrary, before the judiciary system stepped in in 2018 and moderated this trend, there was a growing number of documented cases of targeted repressive acts of the tax authorities against selected businesses. To add insult to injury, entrepreneurs have also had to deal with prevailing negative feelings of Czech society towards entrepreneurship. These factors combined do not make private business a particularly alluring career of choice for talents and innovators.

While these factors can be measured fairly objectively, there is an entire area of "soft" state administration skills related to the ability to envisage and act towards possible social and economic future developments. It comes as no surprise that this is also an area where the Czech administration does not fare well, an example being the governmental investment incentives that have seen their better days some twenty years ago. Despite years of conceptual debates at both the governmental and NGO levels, there is a significant lack of ability to adapt to the newest economic trends. A similar situation prevails in the area of planning and building a transport infrastructure. Given the fact that the state administration is unable to grasp these well documented and quite tangible processes, how can one expect it to deal with much more sophisticated and broader shifts in the form of a sped-up technological revolution, artificial intelligence, and digitalization of the economy?

All these caveats cast doubts on the ability of the state administration to act efficiently and help build conditions for healthy and sustainable economic environment. This is particularly startling given the fact that since 2012 there are more than 40,000 new public servants (including the defense and security sectors) and the overall volume of their wages has risen 40 billion Czech crowns in a year to year comparison (more on this issue in the following section Quality of Governance).



All this leads to the disheartening conclusion that the gradual and successive evolution and improvement of the Czech economic environment could take decades while the techno-socio-economic changes and transformations certainly do not afford such a luxury. Our study suggests several kinds of “frog leaps” that would enable more radical progress in several of the key issues. As mentioned earlier, one of the main issues is that the Czech Republic is not sufficiently attractive for scientists, innovators, talents and – consequently – also not for businesses with high value added. In other words, the Czech Republic is not “cool” enough, its attractiveness for headquarters of international corporations or international governmental (EU) institutions trails behind Poland and remains low in international comparisons. One of the ways of tackling this issue is to offer extra generous incentives for corporate HQs, international organizations and talents in order to increase the attractiveness of considering moving to the Czech Republic. In cooperation with regional and city administrations, the government should prepare a “hospitality package” that would offset the lower incomes for professionals or offer extra means for young talented students. One ambitious suggestion is the creation of a new “university smart city” for 40 – 45 thousand international students. The initial investment would amount to roughly 30 billion CZK (or 1.15 billion EUR), with the annual budget assumed to be around 40 billion CZK (1.53 billion EUR). While securing funding for such an ambitious project would be a substantial challenge, the medium-term effects (more taxation, new infrastructure projects and spending) but especially the long-term benefits (a highly-qualified workforce, innovative and creative talents) would be a much needed jolt even under the realistic scenario that only some 10% of the students would choose to stay in the Czech Republic.

### Is Digitization the Next Engine of Development for CEE?

Since the transition to a market economy almost three decades ago, Central and Eastern Europe (CEE) has experienced a new golden age of growth. The ten CEE economies that McKinsey considers in its latest report – Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia – recorded on average a 11.4% increase in GDP per capita between 1996 and 2017, compared to an increase of just 27% in the five largest European Union economies.

The main growth drivers in CEE have been traditional industries, dynamic exports, foreign investments, labor-cost advantages and funding from the European Union. Now these drivers are beginning to lose their momentum.

According to the McKinsey analysis, digitization can be the next driver of sustained growth for the region. Potential risks associated with societal shifts driven by the digital revolution can be mitigated with appropriate action by public and private sector leaders. For the countries of Central and Eastern Europe, referred to in the report as “Digital Challengers”, the potential economic and developmental benefits of digitization are great – up to 200 billion EUR in additional GDP by 2025. This would lead to increased global competitiveness and prosperity for the region’s 100 million people.

How can digitization help realize this ambitious goal? According to the McKinsey analysis, primarily by improving productivity through increased digitization of the public and private sectors, as well as boosting e-commerce and offline consumer spending on digital equipment.

To achieve this aspirational digitization trajectory, Digital Challengers will have to count on all stakeholders. Companies need to increase their adoption of digital tools to improve their productivity and ultimately their bottom lines. They should also take advantage of digital solutions for reaching new customers and expanding into regional and global markets. This export potential is especially relevant in CEE, where the size of the domestic market limits growth opportunities. The public sector could also play a role and embrace innovation by integrating digital technology to achieve faster, smoother processes and services for both companies and citizens. Nor can individuals remain idle. Investing in lifelong learning for upskilling and reskilling will enable them to take advantage of new job opportunities. At the same time, they should be open to embracing the increasing flexibility of career paths.

CEE countries can only capture the full potential of digitization by cooperating closely with each other. Four reasons underpin the benefits of acting together:

1. **Similar starting points:** CEE countries have high levels of market openness and similar levels of digitization, besides their cultural and historic commonalities.
2. **Scale effects:** Together, Digital Challengers represent 1.4 trillion EUR in GDP, making them the equivalent of the twelfth-largest economy in the world.
3. **Common challenges:** The region's countries face many similar challenges, importantly the "brain drain" and need to reskill the workforce.
4. **Best practices:** Each CEE country has developed digitally in different areas, developing their own comparative advantages – meaning that sharing best practices can accelerate digitization.

*Source: The Rise of Digital Challengers: How Digitization Can Become the Next Growth Engine for Central and Eastern Europe, McKinsey & Company, 2018.*

## Aspen Alumni Spotlight: Island(s) in a Country—the Experience of Hungary

By Melinda Miklós

*There are more than 1,000 companies in Hungary that publicly stand up for openness, and for everyone to be judged only by their actions and achievements. They foster a culture of openness in order to retain people and bring back those who have left – to a country and a region where one of the greatest threats to competitiveness is an ever-increasing labor shortage which may reach unprecedented proportions.*

“We are competing for good people not only with our local rivals, but also with our company's offices in Berlin or even London. In order to retain them, we have to become London: we have to become an island in a country,” said the Hungarian leader of a multinational company last year. According to recent data from the Hungarian Central Statistical Office (KSH)<sup>1</sup>, there are 60,000 unfilled jobs in Hungary in the private sector alone. A recent representative study indicates that the desire to emigrate, which is taking a toll on the labor market, is not diminishing. Among those asked, 15% plan to work abroad in the future. The primary motivations for emigrating have changed. While relatively low Hungarian salaries were once identified as the key cause, respondents today also indicate that “they have had enough of the domestic political situation.”

According to an analysis<sup>2</sup> recently published by the Financial Times, a paradigm shift is necessary in Hungary, and generally in the V4 countries, in order to preserve their competitiveness. The V4 countries have benefited significantly, over the past 14 years, from being able to offer multinational companies a workforce that is well-educated but cheaper than in Western European countries. Additionally, they have received many billions of Euros in funding from the European Union. All of this resulted in higher growth rates than in the West. This is currently coupled with unemployment rates dropping to never-before-seen lows, but with a crippling labor shortage. Instead of a cheap workforce, the Financial Times analyst sees a possible solution in technology, higher wages and a better quality education system. He notes, however, that while higher salaries may help retain those desirous of Western European wages, if adequately efficient organizations are not established in parallel with the wage increases, this could deter multinational companies from operating in the country. This would mean the disappearance of those bodies that have been the drivers of growth for the past two decades.

1) See in: “Statistical Reflections, 22 June, 2018” by Hungarian Central Statistical Office at <http://www.ksh.hu/docs/eng/xftp/stattukor/mpf/empf1803.pdf>, website visited on October 24, 2018.

2) See in: “Central Europe: Running Out Of Steam” by James Shoter at <https://www.ft.com/content/21c2d25e-a0ba-11e8-85da-eeb7a9ce36e4>, website visited on October 24, 2018 (Paywall).

Deloitte's 2018 Global Human Capital Trends report<sup>3</sup>, which covered 11,000 respondents, forecasts the emergence of certain new trends. Organizations today, for example, are no longer judged solely on the basis of their financial performance or on the quality of their products and services. They are instead judged based on what kind of effect they have on society. They are changing from business enterprises into social enterprises. According to the 2018 Edelman Trust Barometer report, 52% of people worldwide trust in business figures to "do what's right", while only 43% hope for the same from governments. The report draws attention to the fact that this is not about some kind of altruism: these actions are intended to maintain the reputations of the organizations, to attract and retain workers, and to achieve the loyalty of consumers.

Companies and organizations first began publicly standing up for openness five years ago in Hungary. At that time, more than 400 multinational corporations and Hungarian small businesses joined the WeAreOpen<sup>4</sup> initiative in a span of barely two weeks, pledging to view openness as one of their basic values. They did this because they think this is the right thing to do, and because experience indicates that it makes business sense. This number has now swelled to over 1,000. The companies standing up for openness have moved to initiate positive changes as a coalition, this being quite unique compared to the practice in other countries. The WeAreOpen initiative began marching together at Pride, standing up together for gender balance in the workplace and for different dimensions of diversity and inclusion bringing genuine changes to hundreds of thousands of employees' lives.

"Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce?" – BlackRock CEO Laurence Fink urged the companies in an open letter<sup>5</sup> earlier this year. It seems that international corporations and local small businesses are asking themselves these questions amongst the first in an unexpected place: in Central Eastern Europe, in Hungary, becoming involved five years ago in local community life in a truly transformative way. They are building and offering openness. They do so by recognizing their responsibilities and their opportunities, from both a business and a social perspective.

83% of Hungarians, over 18 years of age who have yet to begin working, will choose the place which they know is open if given the opportunity to choose between two workplaces. And they do have the opportunity to choose.

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3) See in: "Introduction: The Rise of the Social Enterprise, 2018 Global Human Capital Trends" by Deloitte at <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2018/introduction.html>, website visited on October 24, 2018.

4) See in: WeAreOpen's website, <http://nyitottakvagyunk.hu/en/participating-organisations/>, website visited on October 24, 2018.

5) See in: "A Sense of Purpose" by Larry Fink at <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>, website visited on October 24, 2018.

### **Melinda Miklós**

*Melinda Miklós is the CEO of WeAreOpen, a diversity initiative, co-founded by Google, Prezi, and espell in Hungary. WeAreOpen creates campaigns with a coalition of businesses to promote diversity and inclusion for millions of employees. WeAreOpen was founded in 2013 and has organized over 20 public campaigns for gender equality, LGBTQ inclusion, people with disabilities and for openness in general. More than 1,000 companies and organizations have joined the initiative to date. Melinda previously worked as Press Officer for Google as their external colleague for six years. Melinda holds master's degrees in economics, communications and psychology.*



# Quality of Governance

Karel Šimka Coordinator of the Aspen Expert Group, Guarantor of the Study

Most of the 2017 findings hold true in 2018. There were no major constitutional or political setbacks, the polity of the Czech Republic, the general political context and the system of governance have remained stable, open and pluralistic. There were no constitutional or major legislative shifts during 2018. Having said that, the heavy-handed, complicated, and rigid nature of the state administration does not offer much ground for optimism.

In the international, and namely Central European, context the Czech Republic can be perceived as a “non-trouble-maker” country. In contrast to Poland and Hungary, the Czech Republic does not face the prospect of legal or institutional measures that some EU bodies are attempting to introduce as a way of preventing the Polish and Hungarian governments from pursuing controversial institutional and constitutional changes. There were no cases suggesting a substantial role of organized violent crime, which was the case in the murder of the Slovak investigative journalist Ján Kuciak.

The historically second direct presidential elections in January 2018 and the senate and municipal elections in October 2018 went smoothly and resulted in predictable outcomes. Miloš Zeman was re-elected in the second round as the President with a tangible margin of 2.73%. In the municipal and senate elections, leftist parties (Social Democrats and Communists) were weakened while the Czech center and rightist parties gained somewhat of an upper hand. The governing party ANO 2011 confirmed its significant, yet not necessarily hegemonic, position in the Czech political landscape.

It took an exceptionally long, nine months, for the winner of the 2017 parliamentary elections (ANO 2011 and the designated Prime Minister Andrej Babiš) to negotiate parliamentary support for its government. The resulting coalition of the ANO 2011 party together with a junior coalition partner, the Social Democrats, formed a government with the parliamentary support of the Communist party (for the first time in the history of the Czech Republic). In the meantime, the ANO 2011 government of Andrej Babiš ruled without a vote of confidence of the Chamber of Deputies. Consequently, the government, with

some exceptions, did not attempt to introduce any politically significant measures and instead focused on limited maintenance of the vital functions of government.

The Czech budget in 2018 and 2019 counts on a substantial deficit (50 and 40 billion CZK respectively, or 1.9 and 1.5 billion EUR respectively). These figures are bewildering, given the fact that the Czech economy has enjoyed several years of substantial economic growth. The national budget council has already issued a warning on irresponsible budget planning.

Bearing this in mind, it is important to elaborate further on the burgeoning state administration apparatus. While during the effects of the economic crisis (2008 – 2013) the number of civil servants declined, the number has consistently grown ever since 2014 and the costs with it. The overall wage related costs are 40 billion CZK (or 1.5 billion EUR) higher in 2018 than in 2013, which amounts to a roughly 30% increase. The increase is not limited exclusively of course to state bureaucrats but also to the police and the armed forces as well as to teachers. These rising numbers are usually justified by referring to more demanding administrative state agenda and heightened security risks.

The civil service law was enacted in October 2014. Its goal was a depoliticization of public service and detachment of the state administration from the political cycles. It is apparent after four years that such a noble goal was not reached. On the contrary. Politically motivated structural and organizational changes at the individual ministries are regularly utilized as a pretext for personal changes. In addition, the relatively rigid HR system makes it difficult to make the public service more transparent and more open to the private and NGO sector.

There were no major legislative battles in the past year. One of the more significant ones was a conflict over the legislation on free access to information. As part of implementation of the GDPR regulation, the government suggested substantial restrictions in access to information. The Pirate party in particular strongly criticized this attempt and suggested a counter measure that would enlarge the circle of institutions with the duty to grant access to information.

For several years (2008 – 2013), corruption has played a prominent role in public, political and legislative debates. This prominence has subsided since, apart from several prominent cases. There actually seems to be a tidal change stressing the argument that the increasing number of prosecution of civil servants and officials contributes to the paralysis of the state bureaucracy, provides room for false justifications of inaction and strengthens bureaucratic formalism.

The overall legislative system is continually complicated and confusing which elevates the role of administrative courts and their impact on political and economic

decisions. In international comparisons concerning the stability and quality of the justice and legal system, the Czech Republic has ranked in the twenty-fifth place for the past few years, thus surpassing other Central European countries and placing not far behind Germany. The independence of the justice system has remained undoubted and there were no records of political interventions in court decisions.

The labored and protracted administrative processes related to new construction works are directly related to the unnatural hike in prices of residential estates, especially in Prague. There are not enough new building projects to satisfy the demand. The World Bank highlights the burdening regulations in the construction business as strangulating and slowing the business environment in the Czech Republic. There is a process, however, worth following – the Czech Chamber of Commerce started working on a draft of a completely new law on construction and it is expected that the law will result in a major qualitative change.

The Czech public retains its ambivalent perception of governmental institutions. There is a slow but consistent growth of trust in the Czech Army, the police but also in the justice system. These are public institutions not directly related to politics. In terms of political offices, it is the President that enjoys the largest trust, while both chambers of parliament and political parties are experiencing ongoing new lows in public support.

In the two preceding reports, the authors were repeatedly urging the adoption of a more long-term and conceptual approach to policy decision-making. These conceptual considerations should arch over the individual political cycles. This requires a broader political consensus which is an extremely rare commodity. The governing coalitions mostly find themselves drowning, or – at best – muddling through operational and short-term, reactive policy decision-making and small-minded political struggles. Therefore, most of the previously pronounced suggestions remain valid and the following list contains topics where it may be realistic to hope for a broader consensus, after all.

## Recommendations:

- Finding a balanced and reasonable solution to the overwhelming personal debts and related property seizures. There needs to be a fair way out for those who are overburdened with debt. The government needs to refrain, however, from paving the way to a moral hazard and irresponsible abuse of debt-relief policies.
- Better utilization of existing legal instruments for acceleration of construction and improvement of the transport infrastructure (high-speed trains and motorways);
- Fundamentally simplify and speed-up the construction-related legislature;
- Reduce state competences in non-essential areas and halt the increase in the number of government employees, especially in the case of bureaucrats (whose number should actually be decreased). The best time for these painful steps is right now, during times of high employment.
- Commission a comprehensive evaluation of the 2014 civil service law, leaving the option of its complete overhaul/abandonment on the table;
- Strengthen the state’s “budget resilience” while preparing for an inevitable period of slower economic development;
- Catch up with digitalization in line with the new concept “Digital Czech Republic”. There are successful examples around, one of them being without a doubt the United Kingdom.
- Resolve fundamental issues of the energy policy before the aging power plants are phased out;
- Prepare and execute a comprehensive plan of adaptation to the nearing global climate change. In the specific case of the Czech Republic, this adaptation needs to focus predominantly on securing sufficient sources of water and in strengthening the capacity of the land to retain water and cool itself.

**Aspen Alumni Spotlight:****The Danger of Tribalism in Central and Eastern Europe**

By Péter Krekó

Two dominant fears existed, when re-framing the political system, at the beginning of the political transition regarding the quality of the governance. Firstly, that the governments in the region would become too strong, allowing the return of dictatorships. Secondly, that the governments would become too weak, making efficient politics and necessary reforms impossible.

We are currently faced with a new challenge in Central Eastern Europe, this being a combination of (too) strong governments and a new wave of tribal politics. This might sound highly contradictory, as the phenomenon of “tribalism” is usually associated with the re-emergence of ethnic and family-based conflicts in the context of a weak or non-existent state and government.

Tribalism has appeared, however, in an (old)-new form throughout the western world. It is often described as “right-wing populism”, but this term has become so frequent that it no longer serves to explain anything. And it is also misleading. As we found in a recent study in Poland and Hungary, the dominant views among voters of populist parties are not people-centrism (“we people have the power”) or anti-elitism (a negative view about the ruling elite), but instead increased authoritarianism and a Manichean, black and white world view, rallying around the leader of a tribe and fighting a war against another tribe. We found that tribalists, who are overrepresented in the governing parties’ voter base, are more likely to support political violence as a tool and are also more prone to rejecting political pluralism. Tribalism is also associated of course with a strong ethnocentric element. The refugee crisis, for example, has resurrected several tribal myths involving members of another tribe coming to occupy our land and take our women. The strength of tribal politics lies in its ancient power, which makes it easy to mobilize people. And needless to say: this logic is not constrained to the right side of the political spectrum: tribal logic is increasingly strong in the left and liberal side as well.

Tribalism in government can be extremely efficient and dangerous at the same time. Tribal politics ideologically justifies maximum efficiency by means of eliminating checks and balances from the system. These are merely the land mines placed down by the other tribe.

In a tribal war, there are no restrictions on the tools.

Tribalism is a more broad trend that can be widely observed in the West, including

the United States. It can be especially dangerous, however, in Central and Eastern Europe, where democratic institutions are young, fragile and democratic norms are weaker. Tribal logic can actually transform and rewrite the entire socio-political setting. Poland and Hungary are the best illustrations. Leaders of the tribes want to benefit from fueling tribal views instead of reducing them, as they have a great deal to gain from increasing polarization.

Tribalism seems, on the one hand, to increase governmental efficiency over the short run, especially in non-coalition governments. Ignoring or changing constitutional constraints, it becomes easier to implement measures and push forward controversial policies. Campaign promises can easily become a reality, and obstacles can be removed. It can also undermine rule of law over the long run, on the other hand, resulting in political and economic risks. If you remove the brake from a car, it might go faster, but it can easily lead to a crash at a later point.

**Péter Krekó**

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# Education

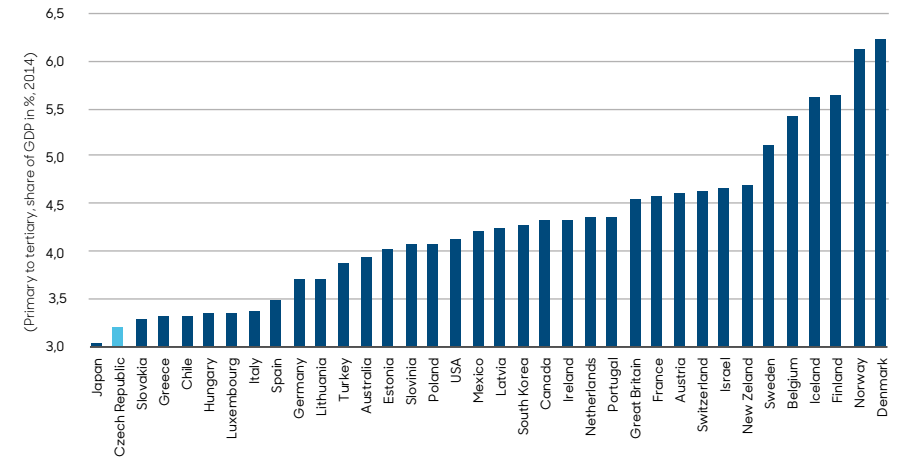
**Bohumil Kartous** Coordinator of the Aspen Expert Group, Guarantor of the Study

The imaginary Doomsday Clock of the Bulletin of the Atomic Scientists indicates how close the world currently is to a nuclear catastrophe. Luckily for us, it has never moved beyond midnight. If one were, however, to employ a similar method for depicting the situation in the Czech education system, we would have reasons to be concerned that we have already passed the point of no return. While the risks and challenges, ensuing from the revolutionary technological, economic and social changes, are mounting, the Czech educational system lingers behind as if there is nothing all that important happening. Education should prepare new generations for the future but in the Czech case the system seems to be actually moving backward. The Czech education system breeds fragile and vulnerable individuals while its structural rigidity actually continues to grow. The Czech education ecosystem is deeply underfinanced, with changes of substance being rare and of a cosmetic nature. The structure of the education system is designed along the lines of economic development of the past, with differences in the educational quality and levels reached among regions and social strata increasing. Out of all these concerns, the only issue that was partly addressed by the government was the level of wages for teachers. Education should be the highest political priority, yet one would look in vain for the word “education” among the six priority areas of the new government of Andrej Babiš. The overall state of Czech education has been stagnating and, more importantly, there are no real efforts to transform education into an instrument of broader social and economic development.

Let us begin with financing. According to Harry A. Patrinoise (World Bank), investing in education can be more efficient than any other investment area. Although

**Table 1: Public Spending on Education**

Source: OECD



the returns are not guaranteed, are hard to measure and take time to materialize, in the Czech case there is not even a debate on this issue and the level of finances is critically low. The Czech Republic ranks among countries with the absolutely lowest level of public spending on education in the OECD. The simple fact is that the key to better education lies, in the end, in the quality of teachers. This argument will hold true no matter what structural changes occur in the education environment or what technological and cognitive changes take place on the part of society. The fundamental condition that co-determines the quality of teachers is their perspective (and perception) of being a teacher in the context of society and the economy as such. If Czech teachers’ salaries amount to only 56% of the average of those with a college or university degree and with little hopes for a rapid rise throughout their career, teachers’ prospects and perceptions will not be sky-high (one should also recall the OECD average which is 86%). As a result, there is a growing lack of young teachers and men in particular.

The chapter on education last year argued that the role of headmasters is crucial for direct influence on whether a particular school will stagnate, change for the better or for the worse. The most important attribute of a good headmaster is her or his pedagogical managerial skills, HR skills and clarity of vision for the school’s future development. Despite the lack of firm data-based empirical evidence, the selection of headmasters is suspected to be burdened by favoritism. The unfavorable ratio between responsibility and wages does not help attract enough experienced candidates, with headmasters tending to focus on “facility” management rather than on the pedagogical development of the teaching staff.



Although regional diversification plays an important role in the chapter on Quality of Life, it is worth making mention of certain regional differences as regards education. The worst situation is in the Karlovy Vary and Ústí nad Labem regions, with excluded (social) groups representing a major problem in many other regions and in so-called “internal peripheries”. A low level of achieved education is reproduced over generations and reveals a high level of dependency on the parents’ education which very often translates into also reproducing the level of living standards and careers. In other words, Czechs suffer from an exceptionally low educational and social mobility which further amplify regional social differences.

Another structural problem lies in the disproportionate emphasis on specific trade-related secondary education. Roughly 70% of students choose some kind of specific trade-related secondary school (as opposed to roughly 50% in the OECD countries). This is a relic of the historical structure of the Czech economy, namely its reliance on several dominating industry trades (such as machinery, textiles, heavy industries). The secondary level of education is thus heavily fragmented and creates inflexibilities and path dependencies. This caveat is further amplified by the fact that the educational system does not provide adequate room for development of general grammar skills via a more accessible system of lycées (the Czech “gymnasia” are regarded as quite exclusive institutions). Fragmentation of the schooling system is augmented by the fact that the Czech administrative division relies on a disproportionately high number of municipalities with the authority to establish and manage its schools. Together with the fact that the level of responsibility of the municipalities is fairly high, this makes it difficult for the higher administration bodies and the Ministry of Education to coordinate and manage the system efficiently.

The approach of the state administration is not all that pro-active anyway. There is, for example, a comprehensive conceptual transformation of the educational programs (curricula) of the preschools, elementary schools and high schools in the making. This creates a welcomed opportunity but, given its slow pace and rigid form, also a high risk of losing the last precious bits of time available to adapt the educational system to the developing social, economic and technological conditions. There is a lack of research on the quality of education in the Czech Republic and the responsible institutions (the Ministry of Education and regional administrations) do not communicate enough with those few researchers and NGOs that are capable of providing some outside insights and evidence-based policy recommendations.

All these deficiencies boil down to one crucial point: the education system does not prepare the young generations for either the future or even the present. Czech society cannot compete with the global economic flows, sinking deeper into dependencies on global production and value chains. The nature of the economic and social wellbeing of Czech

citizens is being determined further away from the hands of the Czech political and economy spheres. The Czech Republic thus gradually loses its ability to make its own decisions. The educational system is potentially the most efficient leverage of change, yet so far we only witness conservation, if not degradation, of the past models.

## Recommendations:

- Establish an expert National Council for Education;
- Establish a new research institution under the Ministry of Education with the goal of gathering and processing relevant data about the state of the education system in its individual parts and levels;
- Increase the budget on education (100 billion CZK or 3.6 billion EUR more by 2021);
- Novelization of the legislature related to headmasters’ selection in order to strengthen the role of the selection committees and independent experts on those committees;
- Enrich the pool of teachers by opening up the system to those with university or college degrees who do not have formal pedagogical education.

## Stages - Education, Development and Growth

By Opher Brayer, Maya Liberman, Linda Štucbartov

The Stages project was launched in 2017 by *Opher Brayer*, a leading Israeli expert in talent development, mentor, coach and teacher, known for his activities in both the corporate and educational world and his partner *Maya Liberman*, who manages the NGO and is responsible for application of the methodology, media relations and external partner relations.

26 Czech teachers were trained to teach the Stages method to 531 children from 10 elementary schools of the Ústí region (Ústí nad Labem and Děčín), 2 elementary schools in Mnichovo Hradiště, 1 elementary school in Prague and 1 secondary school in Hořice in 2017-2018.

The Stages method aspires to prepare children to excel in sciences and technology using arts and mathematical thinking as its foundation. The Stages system complements standard teaching. Teachers add a few minutes of exercises for up to three times per day to standard classes, such as mathematics, languages or the arts. The exercises are designed to practice arts, logic, music or physical activity, and consist of these activities in combination, pattern recognition or improvisation.

### Results

After the first year, the first results are visible. Teachers report that they can see children both learning and responding faster. They see growth in creativity, accompanied by a systematic approach to learning.

*Hana Kořenská*, from the elementary school Elišky Krásnohorské, Ústí nad Labem, noticed, for example, that 30% of the children had improved results in the comparative mathematical skills competition “Kangaroo”. More students than before reached the upper level results.

### The Future of Stages

The target for 2019 is to bring Stages to 15 towns and 400 teachers to impact 8,000 children. This cannot be achieved, however, without financial support. Thus far, the project has been financed by Opher Brayer and Maya Liberman.

If interested in getting involved, please join us in this collaborative effort.

For more information, go to [www.stages.global](http://www.stages.global)

## Aspen Alumni Spotlight:

### Is There a Minister Out There Who Can Save Education? This Is One of the Dilemmas for Slovak Education

By Marián Zachar

The mood in Slovakia has been defined of late by the murder of a journalist, the growth of autocracy, extremism and populism, the growing popularity of disinformation media and conspiracy, mass protests and lethargy. There is, however, a solution that can save us and on which most of us can agree: education.

Better education is certainly a solution to most of the challenges we face in Central Europe, but there is no consensus as to what “better education” actually amounts to. I would like to share few of the dilemmas we need to consider before changing anything in education.

#### Top down vs. bottom up

When the political elites are unable to deliver on the expectation of meaningful reforms (apart from raising teachers’ salaries) we need to decide whether we are going to wait for the best possible Minister of Education with an inspiring vision, an exceptional team and political backing or whether we, as citizens, are going to hoist the flag and deliver the change on our own from the bottom up. There are a number of social leaders with meaningful programs, who have decided that we are all responsible for change and are implementing solutions with progressive schools such as LEAF Academy, First Private gymnasium, C.S. Lewis High School and organizations such as Teach for Slovakia, Nextera, Pontis Foundation and many more.

#### Quality vs. scale

Discussion in education regularly revolves around the trade-off between quality and scale. We often hear that there are too many university students (which is not even true compared to OECD countries) and that we need to close universities to increase the quality. What are our expectations, however, when it comes to education? Does it involve having an excellent school or program to be proud of or having a population that is educated? Even educators spend most of their energy fine-tuning the quality but tend to forget that scale defines the overall impact.

### **Investing vs. good feeling**

Even if one innovation can achieve the desired balance between quality and scale, it will need stable and significant financing. With several exceptions, government, businesses and foundations have a preference for supporting more small one-off projects with short term funding. Should any of these stakeholders carry out targeted significant long-term investments or should they instead choose small-scale one-off support? It depends whether they want to invest in change or serve feel-good purposes.

### **Skills vs. character**

The last dilemma is between short-term demands and the actual solutions to the challenges from the beginning. Should Slovakia invest in vocational (e.g. welding) training or build the character strengths of its students? Do we want cheap and replaceable workers that will attract car makers and shared services centers of global corporations or do we want to prepare for the times of global automation when empathy will be more valuable than the ability to create contingency tables in Excel.

Over the coming years, we need to decide how we want to approach these dilemmas so that we can find a way to provide a better education for everyone.

### **Marián Zachar**

*Marián Zachar is passionate about impact-oriented education interventions. Between 2010 and 2012, he implemented Transparency Initiative at the Ministry of Education as an executive assistant and advisor to the Minister and co-founded several programs focused on talented high-school students at Slovak NGO LEAF. In 2015, he co-founded The Duke of Edinburgh's International Award in Slovakia which since became one of the fastest growing National Offices of the Award world-wide. He was selected to the Aspen Young Leaders Program of the Aspen Institute Central Europe and to the Map of social innovators who change Slovakia for better, the project created by Ashoka and Pontis Foundation in Slovakia. In 2017, he became Fellow of the Royal Society of Arts in London. He has a degree in Political Science and International Relations from Charles University and experience at Université Paris 1 Panthéon-Sorbonne and University of California, Berkeley.*

# Defense and Security

Tomáš Pojar Coordinator of the Aspen Expert Group, Guarantor of the Study

Daniel Kunštát Co-author of the Study

Although the Czech security situation remains very good, the security environment in Europe and especially its immediate neighborhood is highly turbulent, chaotic and unpredictable. Nothing seems to suggest an improvement any time soon. The Transatlantic relationship had experienced a stress-test while both NATO and the EU have immersed into uneasy debates concerning their future. Consensus is increasingly difficult to find in the case of both organizations. In the case of NATO, genuine readiness to scale up contributions to defense capabilities remains doubtful among the European allies and the Czech Republic. This further alienates President Trump from US commitment to European defense. In the global economy, the world is slowly edging toward the dawn of trade wars. If trade wars truly burst out, there will be a hefty price to pay, even on the part of the winners.

The Global Peace Index situates the Czech Republic among the most secure and peaceful countries, ranking 7 out of 163 evaluated countries.<sup>1</sup> This high level of security is also reflected in the public perceptions of security, with 86% of people feeling secure in the Czech Republic and 88% people feeling safe in their immediate neighborhood. The Czech public does realize the problematic European security environment, but anxieties have decreased almost to values before the Syrian and Russian-Ukrainian conflict. Terrorism and international organized crime rank as the greatest perceived threats (64% and 31% respectively). A quarter of the Czech population also feels that foreigners pose a threat. This confirms a trend recorded in the past two years, with the Czech public increasingly perceiving the Ukrainian and Syrian conflicts as distant and localized struggles, which Czechs, politicians and the media have grown used to. Migration remains a strong topic but incomparable to its prominence during the height of the crisis in 2015. Czech society holds an ongoing belief that NATO contributes to peace and stability in Europe (58% of Czechs are satisfied with NATO membership and 71% agree with the Czech

NATO membership). Moreover, the fear that NATO membership increases the risk of being dragged into a military conflict fell to an all-time low of 37%.

There is a marked paradox in the way Czechs perceive the relationship between expenditures and security. The majority of the population does not feel that security and defense related expenditures burden the overall budget, yet their stance towards spending on defense is rather lukewarm. Similarly, 90% Czechs believe that sovereignty needs to be defended no matter what the costs are, but when asked directly, the actual willingness to personally participate in defending their country is limited. This indirectly translates into a doubtful level of resilience on the part of Czech society especially under conditions of actual endangerment. The Czech Ministry of Interior places an emphasis on the need to improve societal resilience, especially in regard to asymmetrical threats such as spreading of information by foreign powers and foreign attempts to influence economic and political decision-making.

The Czech Army did not progress in developing its capabilities. Instead, after a two year period when the number of soldiers increased in number, it became more difficult to attract new recruits in 2017. This can be partly explained by low unemployment. The Army's goal is to reach a level of 30 thousand soldiers (currently roughly 23 thousand), but this will be consequently difficult to attain. The defense budget grew slightly (from 1.01% to 1.05% GDP or by almost five billion CZK to 52.5 billion). This growth did not, however, help the Czech Republic enhance its position in the NATO ranking. On the contrary, the Czech Republic is now the fifth worst among the NATO members when it comes to defense expenses. The share of new investments rose from 7% to 11% in 2017. This progress pales, however, in comparison with the commitment to spend 20% on investments. Similarly, the research and development budget amounts to only 1% of the overall expenditures instead of the promised 2%.

In a nutshell, the decline of the capabilities of the Czech armed forces stopped but was not replaced by a much needed rise. Careful optimism can be justified by the fact that the modernization projects are in a more mature stage of readiness. Czech representation at the Brussels NATO summit also declared a readiness to reach the level of 2% of the GDP by 2024. Attaining this goal is not unthinkable but, realistically speaking, highly unlikely. It is important that the current government quickly adopt measures that will create conditions for planned rapid growth, especially in the period of 2022 - 2024.

The Czech Republic's contribution to collective defense cannot be measured merely following the strict logic of defense spending. Other assessments are, however, hard to come by. Efficiency of spending is extremely difficult to measure and information on the combat capacity of the Czech armed forces is classified. One worrying example, however,

<sup>1</sup> Institute for Economics and Peace /IEP/. Only the following European countries rank before the Czech Republic: AT (3), PT (4) and DK (5); while DE and HU (17), SK (22), PL (32) rank behind.



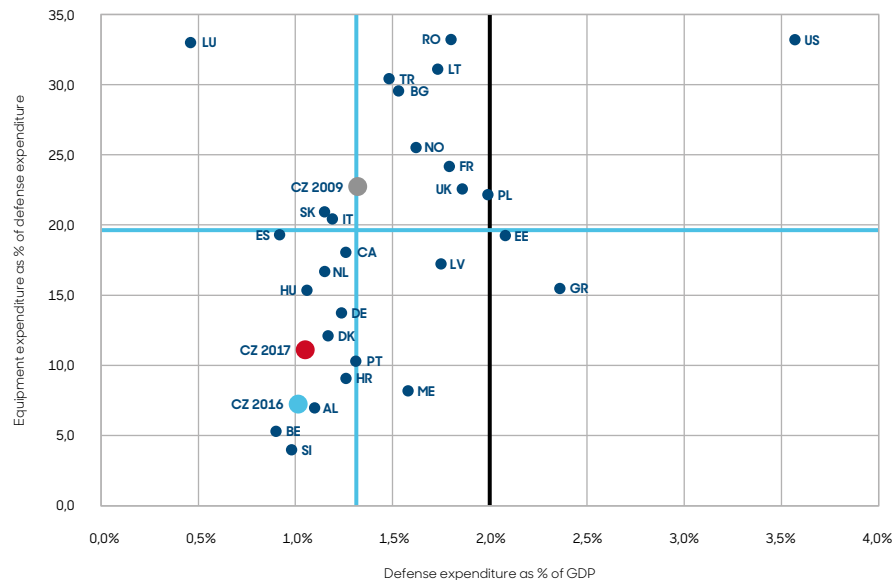
is the unsatisfactory state of the air defense which has been the case for a number of years. The Czech army's contributions to key foreign missions is high, in contrast, in proportion to its size. This statement is valid both historically and recently. Naturally, participation in foreign missions is also the best possible training and readiness improvement.

Another issue of growing relevance is the preparedness of the transport infrastructure and efficiency and pace of legislative and other decision-making processes related to activation of forces of rapid reaction. The protracted length and rigidity of the legislative and decision-making process situates the Czech Republic below average. We are less efficient and slower than Germany, Poland, Slovakia and Hungary. Out of the neighboring countries, only neutral Austria ranks worse than the Czech Republic.

Czech defense capabilities also need to be assessed through the lenses of the capabilities and solidity of the overall Euro-Atlantic area and these lenses do not offer an encouraging look. The vast majority of the NATO member countries spend much less on defense than appropriate and needed. There was an incremental improvement in 2017, but it remains doubtful that declared promises (2% by 2024) will be fulfilled. The silver lining is that the NATO members managed to move closer to the desired level of 20% of defense spending to be allocated for investment (currently 19.27%). Overall spending, after ten years of being lower, also crossed the level of 300 billion USD.

**Table 1: Structure and development of Czech defense spending in an international context**

Source: NATO



Among the Central European countries, only Poland fulfills its obligations. Poland spends twice as much as the Czech Republic, Hungary and Slovakia combined. Poland has 111 thousand soldiers compared to 55 thousand from the other three countries. This is a marked difference clearly suggesting that Polish contribution to defense reaches well beyond its economic output. The Polish case would be best seconded by a committed Germany. There are voices that Germany only spends 1.24% GDP and it is not willing to increase its defense spending beyond 1.5% GDP. This not only irritates the United States but also does not send a positive signal to the other, smaller and economically less advanced, member countries. Should Germany reach the level of 2%, however, it would add a military dominance to the already existing economic and political dominance, especially under conditions whereby other allies would not fulfill their obligations. Berlin already spends a similar amount on defense as France (but for Paris this means 1.79% of GDP) and three times more than all the V4 countries combined. In other words, while it is important that Germany gradually fulfills its obligations, it is even more important that the other members do the same. In this way the military capabilities will be more balanced and spread more evenly.

## Recommendations:

- Continue increasing defense spending to the level 2%;
- Strengthen the quality and sustainability of the armed and security forces employees;
- Increase the share of investment to the required 20% of all defense spending;
- Spend 2% of defense expenditures on research and development;
- Support an increase in capabilities of other NATO and EU members;
- Strengthen the role of the Security Council and establish a post of National Security Advisor;
- Strengthen the credibility of the security and defense institutions;
- Take the warnings and analysis of the intelligence services seriously;
- Continue with a conservative approach to migration and asylum policies;
- Develop a system of cyber capabilities, both defensive and offensive.

**Aspen Alumni Spotlight:****The Refugee Crisis and Security:  
the Polish Experience**

By Paulina Magdalena Milewska

According to the Geneva Convention of 1951, which forms the foundation of most national regulations on the issue, “a refugee is a person who is outside his/her country of nationality or habitual residence; has a well-founded fear of persecution because of his/her race, religion, nationality, membership in a particular social group or political opinion; and is unable or unwilling to avail himself/herself of the protection of that country, or to return there, for fear of persecution.” This definition is directly rooted in the European experiences of World War II and the repression of individuals by the Communist regimes, and thus focuses on the issue of persecution. The only means of obtaining the right to legal residence in another, safe country is to therefore be a victim of persecution, which in some way mirrors the European mid-twentieth century experience. Based on such a definition, we decide who can join our political community and who is destined to stay unprotected on its margins.

This narrow understanding of the concept of a refugee has been frequently challenged. Andrew Shacknove argues that the relationship between a citizen and a state can be impaired for reasons other than persecution. While persecution remains an important source of refugee status, it by no means exhausts the category. This is based on the experiences of African nations, for whom categories such as “foreign domination” form an important part of their colonial past.

Despite the fact that the refugee laws in Poland are based on the definition from the Geneva Convention, the Polish government still has problems with fulfilling its duties imposed by international law. Prime Minister Ewa Kopacz announced in 2015 that Poland would adhere to the relocation quota, agreed upon by the European Union, and accept 7000 refugees. After the 2015 elections won by Prawo i Sprawiedliwość (Law and Justice), the new Prime Minister – Beata Szydło declared that her government would continue to abide by the relocation plan. This declaration was consequently abandoned after the terrorist attacks in Brussels. The Polish government consequently refused to welcome any refugees as part of the quota procedure. The new attitude is exemplified by a statement from Mariusz Błaszczak, the Interior Minister at the time, who emphasized that the redistribution mechanism is “a way to attract more migrants” rather than a solution to the crisis situation.

Anti-refugee and anti-migration policy are presented as a security issue in Poland. According to a Pew Research Center survey, 70% of Poles believe that the presence of refugees

could increase the likelihood of terrorism in Poland. Apart from the fact that a significant number of people see a link between the refugee crisis and the threat of terrorism, the majority of the Polish population also believes that they are a burden on the host country, taking up jobs and social benefits.

Two major arguments have been presented as of 2016 by the Polish government as to how Poland is supporting the other European Union member states in the face of the refugee crisis. The first reason behind the strict Polish policy is, according to the government, the overwhelming influx of refugees from Ukraine due to its ongoing conflict with Russia. The numbers, however, tell a different story. According to the Ukrainian embassy in Poland, only 56 Ukrainian citizens were granted asylum in 2017. This is a relatively minuscule number given the fact that 81.7% of 235,600 work permits issued in Poland belong to Ukrainian citizens. Polish NGOs are alarmed by the fact that Ukrainians, who meet all the conditions to be defined as refugees, are being forced to apply for work permits instead of refugee status.

The other reason provided by Polish officials is a new policy based on the need to address the root causes of the refugee crisis. Humanitarian aid has actually increased. The Polish government and the Office for Foreigners have been cooperating with EASO as of 2016, and have organized around 60 missions to Italy and Greece during the first year of the cooperation. Poland is lobbying for developing assistance in the refugees’ countries of origin and the neighboring countries which are taking on the majority of the burden, such as Jordan or Turkey. When compared, however, to the efforts provided by a number of other EU members such as Germany, Greece, Italy or Sweden, Polish assistance still remains extremely low.

The supposedly security-oriented approach to refugees and migrants in Poland was a direct reason for creating the new so-called “anti-terrorist” law. Based on this, every foreigner can be placed under surveillance without a court order. In addition, the police, the Internal Security Agency and the Border Guards obtained the right to take facial images, fingerprints and DNA in any case where there is any doubt as to the identity of a foreigner. Security concerns were supposed to justify these changes in the legal acts, but according to multiple Polish NGOs they can lead to violations of human rights. Poland is a country with a long history as a country of origin for refugees and not a destination, and one which was at the center of the European experience of violence and persecution that inspired the Geneva Convention. More open-minded debate and policies related to refugees would certainly be welcome.

### **Paulina Milewska**

*Paulina Milewska is a Member of the Board at LIKE Foundation which is supported by the U.S. Embassy in Warsaw and Wysokie Obcasy Foundation. She also works as a journalist for Gazeta Wyborcza where she focuses on the issue of women's rights. Paulina studied law at the University of Warsaw and spent a semester at the University of Padova in Italy as an exchange student, expanding her knowledge about migration issues. She was the CEO of Conflict Foundation which owns Kuchnia Konfliktu – a restaurant co-founded by migrants and refugees which has received awards from, among others, Ashoka Foundation and Social Impact. She was a board member of Refugees Welcome Polska – the Polish brand of Flüchtlinge Willkommen. Paulina has also completed a Humanity in Action fellowship in Berlin for young leaders, the Aspen Young Leaders Program and the OSCE and UNODA Scholarship for Peace and Security.*

# Quality of Life

Daniel Prokop Coordinator of the Aspen Expert Group, Guarantor of the Study

Our last analysis from 2017 focused on the happiness and well-being of people as seen from a macro-level perspective, comparing Central European countries with a sample of all the countries in the world. The situation in the Czech Republic, Hungary and Slovakia was described as “good but falling” and in Poland as “good and improving”. The study named income (in)equality and the ability to transform general wealth into living conditions the key factors to look at when explaining different levels of well-being and satisfaction. This year, the expert group took up the challenge and turned its focus to the micro-level, at the level of individual cities and towns. The goal was to chart regional inequalities in quality of life and portray the peripheries and “islands of low quality of life”. Based on this chart, the study then goes on to link the different levels of quality of life with different modes of political behavior. The reasoning behind adopting a micro-level approach is that while the Czech Re-

public is actually doing fairly well, trust in political institutions and democracy is declining. In comparison with the other Central and East European countries, the Czech Republic is a prosperous country, with the Prosperity Index of the Legatum Institute placing only Slovenia ahead of the Czech Republic in its ranking. The Czechs are even doing better than the Italians and many of the Prosperity Index indicators have further improved since 2016. The parliamentary elections of 2017 and the nature of political campaigns have indicated that populist, extremist, and illiberal political rhetoric finds ever more fertile ground among large parts of Czech society. Significant parts of Czech society tend to be less politically informed, less politically active, less socially and environmentally responsible, less appreciative of fellow citizens and less inclined to solidarity with others. Since there are marked regional and intraregional differences in these values, it is instrumental to look below the surface to uncover deeper social pathologies related to political behavior.

Poor regions are hit with heavy material deprivation four times more often than others, suffering from limited job opportunities, quality of elementary schooling lagging behind and social exclusion growing. Not surprisingly, these are areas with the most anti-system political behavior and distrust of institutions. These factors are quite well known and documented. What is less clear are the differences within the regions, there being generally prosperous regions with inner peripheries and poorer regions with prosperous islands. The feeling of fulfilled lives is also not linked exclusively to hard material factors but also with more subtle factors such as, for example, the thickness of community life, accessibility to high-speed Internet, air quality and others. In order to arrive at a more differentiated and in-depth understanding of the “quality of life”, this chapter combines 13 statistical factors with the subjective importance of these individual factors as revealed through a special public opinion research (August 2018, 1,000 respondents). These 13 selected factors were: unemployment, debt collections (distraints), security, dependence on industry, emissions, distance from a larger (district) town, accessibility to pre-schools, accessibility to secondary schools, accessibility to health care services, accessibility to high-speed Internet, life expectancy, population growth/decline, divorce rate and the number of religious believers.

As mentioned-above, each of the factors varies in its relative weight and impact on the general feeling of quality of life. We used two methods to measure this weight of factors: a) Subjective weight based on a declaration from representative survey; b) Weight based on correlation of the factor and number of voters from the highest level of political dissatisfaction and non-participation. The following table demonstrates both approaches. We used a combination of the weights to set final weight of the factors in the quality-of-life-indicator.



**Table 1: Relationships between quality of life indicators and their gravity**

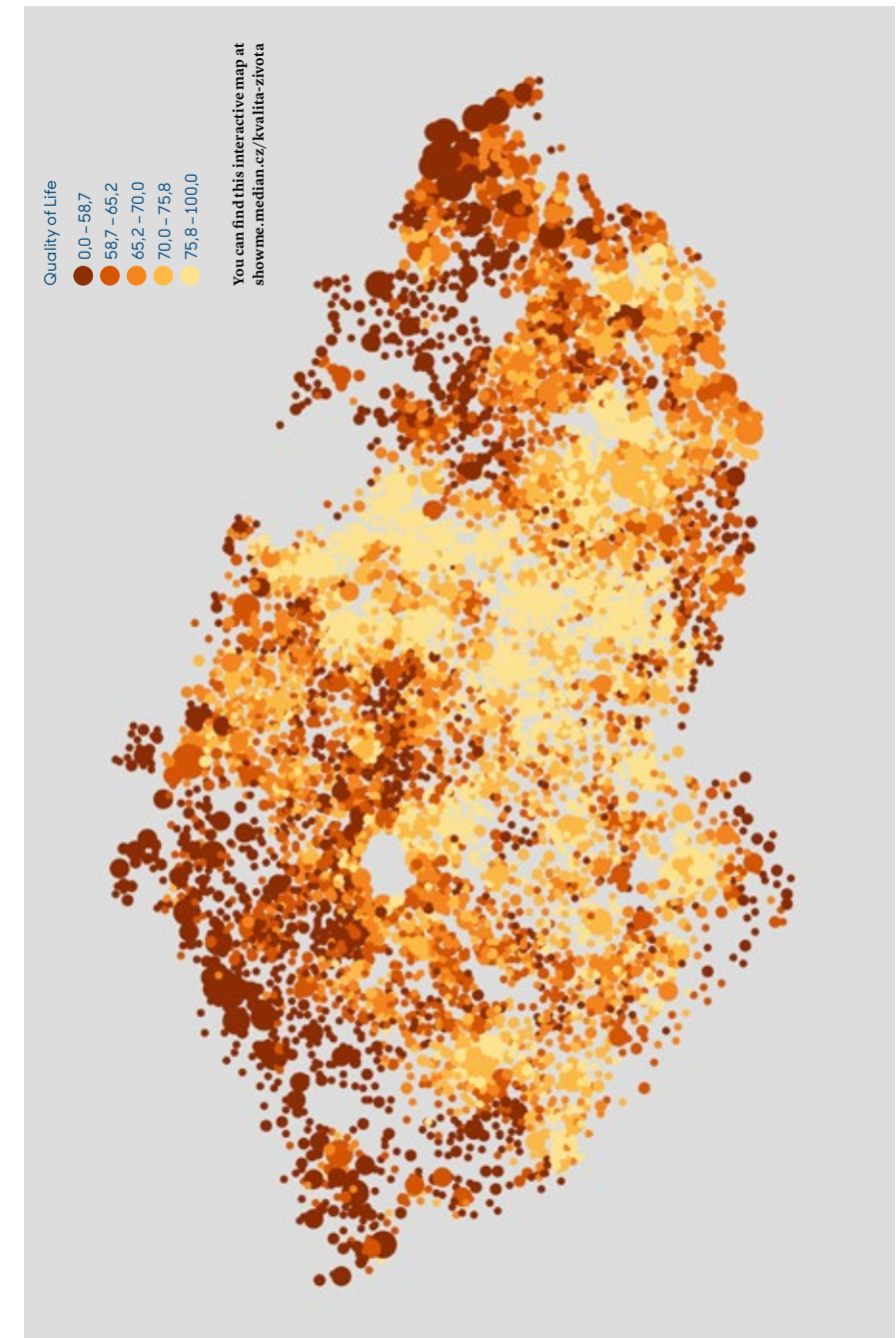
Source: Median

| Indicator                               | Gravity of the problem |  |
|---|------------------------|--|
|   | Subjective evaluation  | Correlation with number of voters from politically dissatisfied groups |
| Unemployment                            | +++                    | ++   |
| Debt collections / distraints           | ++++                   | +++  |
| Security                                | ++++                   | ○  |
| Dependence on industry                  | ○                      | +++  |
| Emissions                               | +++                    | ○  |
| Distance to the nearest district town   | ++                     | +  |
| Inaccessibility to pre-schools          | +++                    | ○  |
| Inaccessibility to secondary schools    | ++                     | +  |
| Inaccessibility to health-care services | +++                    | +  |
| Inaccessibility to high-speed Internet  | ++                     | ○  |
| Life expectancy                         | ++                     | ++++   |
| Population growth/decline               | ++                     | ++   |
| Divorce rate                            | ++                     | ○  |
| Number of religious believers           | ○                      | +  |

*Unemployment* and exclusion from the job market are some of the key dimensions of social exclusion, with about half of unemployed dealing with heavy material deprivation which often leads to overburdening debt situations, lowering of social contacts and recognition, higher stress and worsening health. Debt related *property seizures* are disproportionately high in the Czech Republic (900,000 people are affected by seizure and almost 500,000 are dealing with three or more seizures). Most of the debts are linked to small consumable goods loans. The debt overburdening creates quite a few deep social dilemmas. On the one hand, society and the community do not want to see people being reckless in their handling of finances and debt-relief policies are seen as a path to such reckless behavior. On the other hand, people and families afflicted with an over-debt situation lead to loss of housing, loss of responsibility, relapses and other social pathologies.

**Map 1: General quality of life by individual municipalities**

Source: Median



**The distance to the nearest district town** relates to the intra-regional divisions. “Inner peripheries” – even within relatively prosperous regions – deepen the economic and social exclusion of their populations because young people tend to leave, population ages, transport and other forms of infrastructure are being further neglected and underinvested.

**The digital divide** is one of the new modes of inequalities and those affected by inaccessibility to high-speed Internet are less likely to be competitive on the progressing job market. Lower access to digital communication technologies also makes it more difficult to communicate with authorities or access information about services. While it is true that the digital divide is conditioned mostly by age and education, its regional distribution also plays an important role.

Some of the findings confirm what has already been suspected and described. The lowest quality of life is attributed to most of the districts of the Ústí nad Labem, Karlovy Vary and Moravian-Silesian regions and it is also apparent that quality of life is higher in and around the regional capitals. There are also some surprising revelations, for example, major problems with inner peripheries in the otherwise prosperous Central Bohemian region or the relatively high quality of life in the rural areas of Eastern Bohemia, Vysočina and the Zlín regions.

The next step is to address the relationship between quality of life on the one hand and resignation on political participation or voting for anti-system and populist parties on the other. There is a strong correlation between those who are dissatisfied with the general political and social situation in the Czech Republic and party alignment (see the table below). It is also important, however, to appropriately structure the dissatisfaction along the cleavage center versus the periphery. It does not hold true that the primary division lies on the line urban versus rural areas as such but the division runs between urban areas with high quality of life and peripheries where the quality of life is lower.

**Table 2: Relationship between voters dissatisfaction and party alignment**

Source: Median

| MML-TGI, 2017   | ANO 2011 | ODS | Piráti | SPD | KSČM | ČSSD | KDU-ČSL | TOP O9 | Other parties |
|---|----------|-----|--------|-----|------|------|---------|--------|---------------|
| Level of dissatisfaction with the state of politics, society and institutions | 30%      | 27% | 40%    | 54% | 50%  | 26%  | 25%     | 25%    | 36%           |

**Table 3: Municipalities (more than 999 inhabitants) with the lowest quality of life**

Source: Median

| Municipality          | Region            | Non-voting or extremist leaning voters | Quality of life index |
|-----------------------|-------------------|--|-----------------------|
| Obrnice               | Ústí nad Labem    | 77.9%                                  | 0.0                   |
| Staré Město           | Olomouc           | 62.2%                                  | 0.7                   |
| Hostomice             | Ústí nad Labem    | 68.0%                                  | 19.3                  |
| Bečov                 | Ústí nad Labem    | 73.3%                                  | 21.2                  |
| Trmice                | Ústí nad Labem    | 72.3%                                  | 21.7                  |
| Bílina                | Ústí nad Labem    | 69.2%                                  | 22.9                  |
| Rotava                | Karlovy Vary      | 69.0%                                  | 23.1                  |
| Litvínov              | Ústí nad Labem    | 64.6%                                  | 24.6                  |
| Vintířov              | Karlovy Vary      | 67.3%                                  | 25.5                  |
| Jiříkov               | Ústí nad Labem    | 63.0%                                  | 25.7                  |
| Nové Město pod Smrkem | Liberec           | 65.1%                                  | 26.4                  |
| Orlová                | Moravian-Silesian | 67.9%                                  | 27.2                  |
| Radonice              | Ústí nad Labem    | 62.5%                                  | 27.8                  |
| Osoblaha              | Moravian-Silesian | 74.3%                                  | 27.8                  |
| Doubrava              | Moravian-Silesian | 63.9%                                  | 28.6                  |
| Vejprty               | Ústí nad Labem    | 73.2%                                  | 29.7                  |
| Karviná               | Moravian-Silesian | 67.1%                                  | 30.1                  |
| Abertamy              | Karlovy Vary      | 63.4%                                  | 30.4                  |

**Table 4: Municipalities (more than 999 inhabitants) with the highest quality of life**

Source: Median

| Municipality      | Region           | Non-voting or extremist leaning voters | Quality of life index |
|-------------------|------------------|--|-----------------------|
| Nupaky            | Central Bohemian | 40.60%                                 | 100                   |
| Nové Veselí       | Vysočina         | 39.30%                                 | 94.7                  |
| Hamry nad Sázavou | Vysočina         | 42.60%                                 | 93                    |
| Nová Ves          | Central Bohemian | 39.70%                                 | 91.3                  |
| Lukavice          | Pardubice        | 41.30%                                 | 91.2                  |
| Velká Losenice    | Vysočina         | 47.90%                                 | 90.2                  |
| Dolní Újezd       | Pardubice        | 39.90%                                 | 90.2                  |
| Bystřec           | Pardubice        | 46.30%                                 | 90.2                  |
| Bohdalov          | Vysočina         | 50.70%                                 | 90                    |
| Sloupnice         | Pardubice        | 46.30%                                 | 88.2                  |
| Vysoká nad Labem  | Hradec Králové   | 36.00%                                 | 87.9                  |
| Letohrad          | Pardubice        | 41.00%                                 | 87.1                  |
| Holubice          | South Moravian   | 47.00%                                 | 87.1                  |
| Srubec            | South Bohemian   | 36.80%                                 | 86.5                  |
| Javornice         | Hradec Králové   | 39.60%                                 | 86.4                  |
| Žďár nad Sázavou  | Vysočina         | 48.50%                                 | 86.3                  |
| Roudné            | South Bohemian   | 37.10%                                 | 86.1                  |
| Kramolna          | Hradec Králové   | 36.30%                                 | 86.1                  |
| Litomyšl          | Pardubice        | 43.60%                                 | 85.9                  |
| Herálec           | Vysočina         | 47.50%                                 | 85.7                  |

There are of course important exemptions to the rule that the less the quality of life index the more extremist or non-participatory the political behavior. Our study identified and elaborated on several “outliers” that defy this general correlation. What is more important is the fact that beneath the surface, which portrays the Czech Republic as a prosperous country, there are deep socio-economic crippling pathologies that affect individual lives but also general political behavior and the outcomes of political competitions. What can be done at the level of government?

## Recommendations:

- Tackle pro-actively issues of social housing and burdening debts/property seizures;
- Find ways of leveling the socio-economic variations between and within regions (such as lower taxation for less paying jobs, decentralization of the state and regional administration, more effective utilization of the structural funds – especially with regard to education, digital and transport infrastructure);
- Focus in particular on equalizing differences in the quality of education of elementary and high schools – one of the crucial factors in reproducing poverty;
- Support civic and cultural engagement at the level of communities – one of the most important factors for improving quality of life even in socially disadvantaged and excluded communities.



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Partners



VIGO Investments

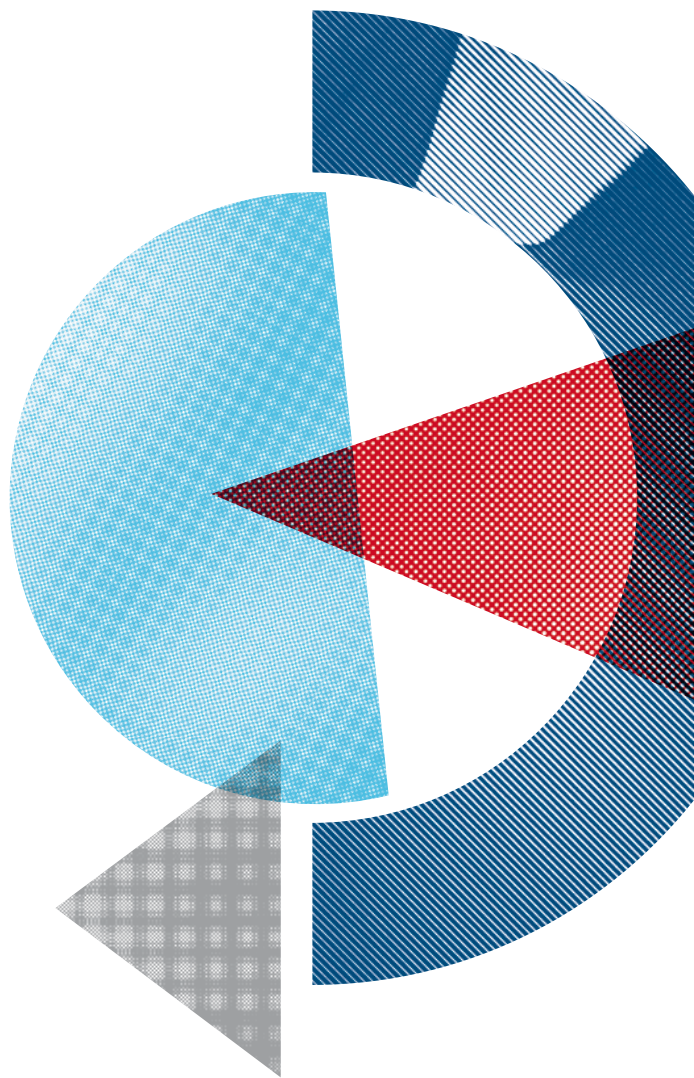




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