

# Bloomberg

## Klaus EU Criticism Ends as Czech Leader Exits Castle

By: Peter Laca – March 7, 2013

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Vaclav Klaus, who refused to fly the European Union's flag above his Prague castle residence, leaves as Czech president today after a decade of criticizing the 27-nation bloc.

Milos Zeman, Klaus's rival for two decades, will become the Czech Republic's third head of state tomorrow after winning the nation's first direct presidential elections in January. Zeman favors closer EU links, a shift from euro-skeptic Klaus who in 2009 delayed the signing of the bloc's Lisbon Treaty.

"Brussels doesn't like Klaus much, he has been a thorn in their side for some time," Mujtaba Rahman, a senior analyst at the Eurasia Group in London, said in an interview yesterday. "A general sense that Klaus was unwilling to support or play a constructive role in Europe is a very pervasive sentiment."

Klaus, 71, oversaw the transition to a market economy as finance minister and premier after the 1989 fall of communism. In 2003, he succeeded President Vaclav Havel, the former dissident playwright who died in 2011. A fan of Margaret Thatcher, Klaus played a key role in moving state enterprises into private hands.

He leaves office amid controversy. Klaus's approval ratings plunged after he granted a mass amnesty in January, prompting the Senate to bring treason charges against him in a mostly symbolic move.

*'Arrogant, Clever'*

An economist who is "as arrogant as he is clever," Klaus was among a group who formulated demands to the communist leadership during the democratic upheaval in November 1989, Timothy Garton Ash, a professor at the University of Oxford, wrote in the New York Review of Books in 1990.

After leaving the medieval Prague castle, Klaus will join the Washington-based Cato Institute as Distinguished Senior Fellow, a title once held by one of his main influences, late Austrian economist Friedrich Hayek, according to a statement on Klaus's website.

In 2003, long before the euro area's sovereign crisis, Klaus predicted that the region's differing economies would lead to fiscal transfers from richer to poorer members. Later, he called on Czechs to "have the courage" to reject the common currency even as the country pledged to eventually adopt it after joining the EU in 2004.

In 2010, Klaus asked Premier Petr Necas to look at whether the nation may renege on its obligation to make the currency switch, arguing that the economic and monetary union had changed too much since Prague's original pledge to join it.

The Czech Republic was "quite happy" that on entering the EU it had no deadline for adopting the euro, Klaus said in a Sept. 26 interview at Bloomberg's New York headquarters.

### *2074 Euro*

"So perhaps in the year 2074 we can join the European Monetary Union as well," he said. "No one is pushing us."

Attempts to deepen EU integration and "move decisions about the lives of the citizens of the member countries up to the European level" may endanger the bloc's achievements, Klaus said at the European Parliament in February 2009, prompting a protest walkout by some members of the assembly.

By contrast, Zeman envisages the EU evolving into a federation with common foreign and defense policies, and supports the future adoption of the euro. "Any change from the status quo is going to be viewed positively in Brussels," Eurasia Group's Rahman said.

Klaus and Zeman headed the two largest political parties in the 1990s. Zeman, also an economist who worked as a forecaster in the Academy of Science after the fall of communism, became premier in 1998 when his Social Democrats formed a minority government that ruled in an agreement with the opposition Civic Democrats, then led by Klaus.

### *Amnesty Scandal*

While Klaus's euro-skeptic views resonated with Czechs, his popularity plummeted to a record after he amnestied thousands of convicted criminals and suspects, according to Prague-based polling company Stem.

His approval rating fell to 28 percent last month, the lowest of his 10-year presidency, compared with a peak of 74 percent in 2007. Stem polled 1,090 Czechs Feb. 4-11 and the results have a 3 percentage-point margin of error.

The pardon that ended several cases of suspected corruption pushed the Senate, the upper house of parliament controlled by the opposition Social Democrats, to file a charge of treason against Klaus at the Constitutional Court.

The penalty if convicted is loss of the presidential post and a ban on holding it again. Klaus has rejected the charge as unfounded and on March 5 called it politically motivated.

"Even now, I'm convinced that it was correct" to grant the amnesty, Klaus said in an interview with Czech Television late yesterday.

### *Presidential Powers*

The president, who until this year had been elected by lawmakers, picks the leader to form a Cabinet after elections. The head of state also influences monetary policy by holding the sole right to name central bank board members.

As finance minister and premier, Klaus used free-market principles to shape the economy of Czechoslovakia and then the Czech Republic after the 1993 peaceful split with Slovakia, a move he helped negotiate and which then-President Havel opposed.

Klaus was Havel's ally in the aftermath of the 1989 revolution that ended four decades of communist rule. The two became foes as Havel grew critical of legal shortcomings during the economic transition led by Klaus.

In February, Klaus drew the ire of Finance Minister Miroslav Kalousek for comments that Havel, described by former U.S. Secretary of State Hillary Clinton as "an inspiration" to human-rights defenders, espoused "extreme leftism" and "pursued a modernist destruction of the existing human order." Klaus's comments, made in an interview with Polish newspaper *Do Rzeczy*, were posted on the presidential website.

"Klaus focused part of his political career on efforts to make his significance overshadow Vaclav Havel's," Jiri Pehe, director of New York University in Prague and a former adviser to Havel, wrote in a Feb. 28 article on his website. "Partly because of the amnesty, he is leaving without the fanfare that accompanied the departure of his predecessor."