

Guest post: a Berlusconi in Prague?

By Dalibor Rohac
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It took Czech President Miloš Zeman 95 days since the parliamentary election to appoint the new coalition government led by Social Democrats last week. But that remarkable delay has been eclipsed by the person of the new finance minister, Andrej Babis, a highly successful entrepreneur and maverick politician of Slovak origin. His rise to political prominence can mark a new era in Central European politics – an era in which close ties between big business and the government will become not only commonplace but shamelessly so.

In spite of having been founded only in 2012, Babis' political party, ANO 2011 (“ano” means “yes” in Czech) finished second in the election in October last year, with 18.7 per cent of the popular vote – compared to 20.5 per cent earned by Social Democrats, defeating the remaining political incumbents by a wide margin. Had the election been held only a couple of weeks later, polls suggest, ANO would have easily gained the largest number of votes of all political parties.

The success can be attributed, in part, to the constant stream of news of political scandals, typically involving overpriced public procurement contracts. But it is also due to Babis aggressive marketing and his no-nonsense rhetoric, steering clear of any signs ideological commitment.

For outside observers and Czechs alike, it has been difficult to discern any consistent line of thinking in ANO's pre-electoral promises. Its manifesto is replete with general and sometimes contradictory ideas: it guarantees no further tax increases yet promises more investment spending for infrastructure. It intends to lower energy prices, regulate gambling and loan sharks, and attain self-sufficiency in the supply of essential foodstuffs.

In any event, policy specifics seem to be only an afterthought for this self-made entrepreneur – unlike his determination to succeed. In Summer 2013, with the election looming, Babis purchased the publishing house MAFRA, which owns the country's leading broadsheet newspapers, Lidova Noviny and Mlada Fronta Dnes. To his credit, there has been no evidence of interference with the work of journalists there, although the takeover prompted the resignation of the editor-in-chief of Mlada Fronta.

Some compare Babis to Silvio Berlusconi, but that does not do full justice to the role his businesses play in the Czech economy. Babis' holding company, the Agrofert Group, comprises more than 200 firms, active in chemistry industry, agriculture, food processing, renewable energy, forestry, timber harvesting and woodworking. Agrofert is the largest Czech and Slovak agriculture and food group and the largest private employer in the Czech Republic, with some 27,000 employees.

While not universally considered the wealthiest Czech – that accolade has traditionally belonged to Petr Kellner, a financier currently active in Russia – Babis' net worth was estimated at \$2bn by the Forbes magazine in March 2013. He deflects any concerns about ties between big business and the world of politics with his staunch anti-corruption rhetoric and promises of a reform of public procurement

standards and new degree of independence accorded to the Czech version of the government accountability office.

But what he really intends to do while in office remains an enigma. Maybe he will use his entrepreneurial acumen to fix Czech public finances. Although public debt is relatively low, the government has been running sizeable deficits in recent years, in spite of the austerity measures adopted by Babis' predecessor, Miroslav Kalousek. Since those relied mainly on VAT increases, the country would benefit hugely from a thorough rethink of the structure of its public spending, which looks increasingly like the spending of the large welfare states West of Czech borders.

A more sinister – albeit perhaps more plausible – option is that Babis is entering politics for self-seeking purposes. Turning the Ministry of Finance into an Agrofert subsidiary would be certainly bad news for those who worry about the close ties between Czech politics and big business.

Only time will tell what Babis true ambitions are. As Miroslav Motejlek, a Czech business journalist, put it, “[t]hat concentration of power in the hands of just one individual is so enormous that nobody – not even he – knows where it will lead.”

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