A small state’s anticipation of institutional change: effects of the looming Brexit in the areas of the CSDP and internal market

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ABSTRACT
Brexit will profoundly change politics in the European Union, and all countries will have to adjust to the new situation. But the issue is more pressing for small member states that are more dependent on international organisations than big states. This article studies how the institutional setting affects a small state’s preparations for Brexit in the areas of the common security and defence policy and internal market. Contrary to the expectations, it shows that the Czech Republic, the small state under scrutiny, has invested more effort into a preventive adjustment in the internal market policy than to the CSDP. This result is explained by the existence of alternative institutional frameworks that are expected to mitigate the impact of Brexit on EU’s security and defence policy. It also suggests that while small states profit from the existence of strong institutions, they also face the risk of unmitigated impact when these institutions change.

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Introduction
One of the key member states of the European Union, the United Kingdom, is leaving the club. While not one of the founding countries, the UK has left a massive imprint on the current shape of European integration. When it goes, it will leave behind a void that will be felt throughout the EU and have a significant impact on many EU policies and EU politics. As rational choice institutionalism suggests, institutions influence states’ behaviour because they shape the structure in which the states can pursue their interests (cf. Hall and Taylor 1996). Brexit will inevitably change the power structure in the EU (cf. Kóczy 2016).

All EU member states will need to adjust to the new situation after Brexit, and scholarly literature has already engaged with their preparations (Kóczy 2016, Huhe et al. 2017, Mercik and Ramsey 2017, cf. Bishop and Clegg 2018, Kaniok and Hloušek 2018, Brusenbauch Meislova 2019, Lawless and Morgenroth 2019). Germany, for example, needs to reconsider the functioning of the German-French engine that has been balanced for a long time by the more sceptical British (Rittlemeyer 2017) and take over more responsibilities regarding leadership in liberalising the single market and in foreign policy (Traugott
France, worried about becoming the only country with full-scale military capabilities in the EU, is struggling to keep the UK as close to EU security policy as possible, such as through the proposed European Intervention Initiative (Koenig 2018). For some countries, Brexit may become an opportunity because they will be more capable of promoting their interests that did clash with the British position in the past. Brexit will, in turn, be more painful for countries that have shared the British preferences in individual policies and sometimes even relied on the UK as the champion of their cause in the Council. In the latter case, the challenge is more urgent for smaller EU member states that are structurally disadvantaged when it comes to securing their interests in international politics.

Small states are generally considered irrelevant by IR scholars because they cannot influence the international system (Maass 2016). That is why rule-based systems, such as the EU, help smaller countries thrive (cf. Wivel et al. 2014). Supranational institutions are considered a “natural ally of small states” both for ensuring their representation and for championing a common interest that often reflects the small states’ priorities better than a compromise just among the major powers (Geurts 1998). The literature has long recognised that international institutions in general, and supranational institutions in particular, allow small states to have a bigger impact on policy results, and has studied the means and channels they use (cf. Bunse 2009, Panke 2012, Haugevik 2017, Smed and Wivel 2017, Weiss 2017). Nevertheless, small states are “structurally disadvantaged” even in the most orderly settings (Panke 2010). Their threats are less credible and their side-offers less valuable than those of big countries (cf. Hayes-Renshaw and Wallace 2006, p. 252, Thomson 2011, p. 212ff). They have more limited outside options, which makes them more dependent on the negotiation results (cf. Moravcsik 1993, p. 500, Voeten 2001). That makes a choice between autonomy and integration vis-à-vis the EU particularly pressing for smaller EU member states (Haugevik and Rieker 2017). As the smaller countries do not have full autonomy, they need to be very careful when adopting a position towards new initiatives, and when the environment changes profoundly (cf. Hedling and Brommesson 2017).

Small member states are like canaries in a coal mine – they will feel the impact of any change early on. They are, therefore, very likely to prepare strategically to make the best of the new opportunities or to dodge the looming problems (Bishop and Clegg 2018, Wivel and Thorhallsson 2018). Their reaction will not be equally strong in all policy areas, however. In the case of Brexit, firstly, the impact will only be indirect on some issues, such as the Economic and Monetary Union, because the UK has not been a Eurozone member and part of Eurozone internal negotiations. In other areas, the UK has been much more involved and sometimes crucial in the development and steering of the policy, such as in defence policy.

Secondly, the differences in the institutional governance of individual policies are crucial. The involvement of EU institutions and the rules on decision-making differ across EU policies and provide the small member states with a shelter of a different kind (Wivel and Thorhallsson 2018). In policy areas where more decision power has been transferred to the European level, the EU institutions dampen the differences between the large and the small states and tend to promote an overall EU interest (cf. Geurts 1998), which provides small countries with a better chance to influence the final policy. In more intergovernmental policy areas, where the involvement of the Commission and other “supranational” institutions is more limited, small countries are much more
exposed to the policy leadership of the large countries (cf. Smith 2004). Researchers have shown that there is no clear-cut distinction between intergovernmental and supranational policies with elements of both modes of governance present across the board (Sjursen 2011, cf. Keukeleire and Delreux 2014). But there still are differences between individual policy areas with varying degrees of institutional involvement and limits to big states’ power.

This paper builds on the claims reviewed above and posits that small EU member states’ preparations for Brexit will differ in different policy areas. It selects two policies that are positioned on the opposing sides of the supranational/intergovernmental spectrum – the internal market and the common security and defence policy (CSDP) – and expects that limited pressure on policy adaptation will exist in the area of the internal market, while it will be much stronger in the field of security. This is in line with the theory that expects the supranational institutions to dampen the effect of the change in the Council in areas where they play a substantial role. This expectation is further augmented by the fact that security policy, of which the CSDP is a part, is a particularly sensitive area for small states (Wivel et al. 2014, Maass 2016). This paper aims to test this expectation on a single case study of the Czech Republic. It expects the Czech representatives to re-visit Czech EU policies in the light of Brexit and to observe higher activity in the CSDP than on the issue of the internal market.

The looming Brexit has indeed affected EU policy-making, and this impact has been much stronger in the CSDP area than within the internal market. The UK has long been both an enabler and an obstacle to CSDP development (cf. Kempin and Mawdsley 2013). The EU-27 will need to find a way to plug in the British (Besch 2018). They will need the UK for their capabilities (Martill and Sus 2018, p. 2), and some recent initiatives lead in that direction, notably the European Intervention Initiative. At the same time, the withdrawal of the British veto has enabled the creation of new institutions, such as the Military Planning and Conduct Capability (Tardy 2017), as well as deepening of defence integration in the form of the European Defence Fund, the Coordinated Annual Review on Defence, and the Permanent Structured Cooperation (Fiott et al. 2017). By contrast, there are no similar flagship initiatives in the area of the internal market (cf. European Commission 2016, 2017, 2018) and the Commission has continued with legislative revisions within the framework of the regulatory fitness and performance reviews (European Commission 2014). This further strengthens the expectation that a small state such as the Czech Republic would need to adjust to CSDP more than to the internal market.

The country’s preparation for change is studied at two levels here, political and administrative. The task of the political level is to set national priorities and to communicate the Czech position to EU partners and the domestic population. Preparation is therefore understood as a redefinition of the country’s priorities in EU policies, seeking of new allies, and a public acknowledgement of the challenges connected with Brexit and the need to re-invent the state’s position in the EU. The role of the administrative level, in turn, is to design and advocate a specific position within the politically set boundaries and to participate in the everyday coalition building and negotiations. The preparation at this level, therefore, includes particular data collection and communication strategies to identify national interests in the changed setting, adjustment of internal procedures, building of new coalitions at the working level as well as re-definition of policies and positions.
The Czech Republic is considered a critical case in this paper (cf. Yin 2003, p. 40ff). It belongs to the EU small member states that have relied on the cooperation with the United Kingdom in both policy areas, and as a result, it has a lot to lose with the UK’s departure. Czechia has shared the cautious British approach to the development of the CSDP and the emphasis on NATO ties. The political alignment split over to structural cooperation. The Czech military served under the British command in most overseas operations, including Bosnia, Afghanistan, and Iraq. There is a British liaison officer at the Czech defence ministry, a British Military Advisory Training Team offers courses in the Czech army’s training facilities in Vyškov, and other projects touch upon various aspects of security policy and military preparedness (cf. British Embassy Prague 2016). On the internal market, Czechia has belonged to the most vocal advocates of further deepening and liberalisation (cf. Šlosarčík 2011), the position usually championed by the United Kingdom. The commitment to further liberalisation has been a constant in all governments’ programmes since accession, each time with a specific focus given by the ideological flavour of the government. Czechia has been a member of a like-minded group promoting further liberalisation, which has been led by the United Kingdom, and featured other smaller countries, such as the Netherlands and Sweden (cf. Weiss 2017). The Czech Republic is also expected to be one of the five most affected EU countries in case of the EU-UK trade falling back to the WTO option (Chen et al. 2018). The UK has belonged among the most important destinations for Czech export, and British companies have been significant investors in Czechia (Beneš et al. 2018, p. 15f, Ministry of Industry and Trade of the Czech Republic 2018). In sum, Czechia can be expected to engage extensively in preparations for Brexit in both areas and constitutes a suitable case to study the difference between the two policy areas in question.

The research covers the period between the British referendum (June 2016) and the conclusion of the withdrawal agreement (autumn 2018) when the EU and its member states had to make sense of the process and define their position. The withdrawal agreement and political declaration concluded in November 2018 confirmed that the United Kingdom would not be able to participate in EU decision-making after Brexit. At the time of writing, the United Kingdom still was an EU member, and the result of the Brexit process remained unclear. It does not matter, however, whether and how the UK leaves the EU for the argument made here. The article is interested in how a small state anticipates the future change in power distribution and prepares for it in different policy areas.

The analysis draws on available public documents produced by the Czech government, media statements by Czech politicians, and relevant parliamentary documents. There is, however, a minimal written account of the Czech policy so far. Particularly when evaluating the preparations on the administrative level, the paper builds on semi-structured interviews with officials from central state institutions: the Office of the Government, Ministry of Foreign Affairs, Ministry of Defence, and Ministry of Industry and Trade.

The article concludes that, against all expectations, the Czech Republic has been more active in preparing for Brexit in the internal market area than in security and defence. The difference is particularly striking at the administrative level but can also be traced at the political level. The main reason is found in the existence of alternative institutional frameworks that limit the expected impact of the British departure on the deliberations in the EU, despite the formal exit from the decision-making mechanisms.
In what follows, the paper focuses on the Czech preparations for Brexit. First, it offers a brief account of the immediate Czech reaction to the Brexit referendum. Next, the Czech reaction to and preparations for Brexit are analysed in detail on the political and administrative levels. The final part concludes and asks what the findings mean for our understanding of the position of small states in an international organisation.

Czech reaction to the British referendum

In the most general terms, the Czech reaction to the results of the Brexit referendum was not substantially different from other EU countries. Most politicians declared their regret over the British decision and their hope that there would remain room for close cooperation between the EU and the UK in future. They focused mainly on the EU itself and on what Brexit meant for the EU’s legitimacy and future. Only fringe and extremist parties’ representatives welcomed the result and called for the Czech Republic to follow the UK out of the EU (Novinky.cz 2016, cf. Kaniok and Hloušek 2018).

The referendum initiated a reaction of a political as well as administrative sort (cf. Brusenbauch Meislova 2019 for a detailed analysis of the Czech internal debates). An unprecedented cross-party dialogue about Czech interests in the upcoming negotiations was launched. Czech EU policy has traditionally suffered from a lack of interest among party leaders and an inability to define national interest that any government, irrespective of party affiliation and ideology, could promote (cf. Beneš 2017). Internal politicking has regularly trumped national interest, such as in the case of the unexpected fall of the government in the middle of the Czech Council Presidency in 2009. After June 2016, however, the prime minister initiated a dialogue of all political parties represented in the lower chamber of the Czech parliament to jointly identify the Czech priorities for the Brexit negotiations and in the debate on the future reform of the EU. The joint declaration of the party leaders that resulted from this dialogue pinpointed the rights of Czech citizens in the UK, maintaining economic ties, and cooperation on security as the key issues (Joint Statement of the Leaders of Political Parties Represented in the Parliament on the Negotiations on the United Kingdom’s Withdrawal from the European Union 2017).

More practically, the Czech government established a working group for Brexit at the Office of the Government immediately after the British referendum (Czech Radio 2016). It brought together representatives from all sectoral ministries to coordinate the Czech position in negotiations at the EU level, to monitor the progress of EU negotiators, and to timely identify issues that could arise for Czech businesses and citizens, as well as to guarantee the preparedness of the Czech administration for Brexit. The working group served as the domestic hub for the Czech representation in the Ad hoc Working Party on Article 50, which the Council established in May 2017 to supervise the European Commission in the negotiations with the United Kingdom.

Czech preparations in the area of security and defence policy

Political level

At the political level, the Czech representatives emphasised the need for a common EU-27 approach to the negotiations from the very beginning. A quick resolution of the post-
referendum uncertainty was the primary concern (Hruška 2016). Security then became one of three priority topics identified by the Czech Republic before the beginning of the negotiation with the United Kingdom (see above) even though there was little elaboration of the details. This reflects both the relative weight of the UK in the EU security policy and security policy in Europe in general, and the contacts between the Czechs and the British in this area.

After that, however, Czech politicians seemed to ignore the issue altogether. Security and defence did not feature in any further declarations or statements by leading political figures. Following the meetings with the EU negotiators or European Council summits, the prime ministers stressed the indivisibility of the four freedoms and the rights of Czech citizens in the UK repeatedly, but they never flagged the security cooperation again, with the exception of the security of information and data (Czech Information Agency 2016, Vlada.cz 2018).

There was robust Czech involvement in the on-going debate on the deepening of European cooperation in security and defence at the same time. The Czech government hosted a high-level conference on the future of European security and defence just two days after the Commission had announced the creation of the European Defence Fund. The conference featured Commission President Juncker, High Representative Mogherini, commissioners Katainen and Bieńkowska involved in launching the fund, and the European Defence Agency Chief Executive Domecq, as well as foreign and defence ministers from various EU countries, including France, Slovakia, and Greece. To show that strengthening of the EU defence would not constitute a threat to transatlantic relations, the NATO Deputy Secretary-General was one of the keynote speakers beside Juncker, Mogherini, and Prime Minister Sobotka (Government of the Czech Republic 2017). Later, the Czech government also actively contributed to the debate on the launch of the Permanent Structured Cooperation (PESCO), co-signing the 4 + 4 letter to the High Representative, together with four big member states (Germany, France, Italy, Spain) and three other small ones (Belgium, Finland, the Netherlands) (Fiott et al. 2017, p. 25). Despite the change of the government in December 2017, Czechia continued to support the deepening of European defence cooperation, building on significant personal continuity and given the fact that the new government, which failed to win the vote of confidence, did not revisit any major strategic documents.

However, the anticipation of Brexit did not play a significant role in the Czech support for PESCO. Czech politicians “sought a shift of defence cooperation to a higher level qualitatively” (Stropnický 2017), but connected it firmly to the protection of European borders and crisis management in the countries that had become the source of the main migration flows to Europe in the Czech discourse (cf. Sobotka 2016). In addition, the Czech enthusiasm can be understood as an attempt to present oneself as a constructive partner in an area which was not controversial among the voters (Interview #1; Interview #4), thus improving the tarnished Central European image after the migration crisis. The activities at the administrative level further support such an interpretation.

**Administrative level**

In Czechia, foreign and defence ministries jointly formulate the country’s security and defence policy, with the contribution of the Office of the Government and interior ministry
where appropriate. While the foreign ministry, more specifically the security policy department, shapes the general framework and coordinates the Czech behaviour in NATO, the EU, and the OSCE, the Ministry of Defence manages military capabilities and drafts the Czech armaments policy. The Office of the Government is responsible for the overall coordination of Czech European policy, including positions on Brexit (cf. Karlas et al. 2013, Knutelská 2013).

For the administrative level, the domestic political instability in 2017–18 (elections and a failed attempt to form a government) meant a lack of political guidance, but it also provided stability of the position. Civil servants formulated policies along the lines of the latest documents adopted by the government (Interview #1), which meant the general framework of the Czech foreign policy concept (Government of the Czech Republic 2015a), the broad EU strategy (Government of the Czech Republic 2015b), and the guidelines on the CSDP from December 2016 (Government of the Czech Republic 2016). As a result, the Czech Republic continued to support an ambitious and inclusive PESCO but failed to make a significant contribution to the first round of projects. Czechs half-heartedly proposed three projects because of a last-minute political demand, but none of them was prepared and pre-negotiated enough to be successful (which was generally accepted with relief at the defence ministry) (Interview #2). In the end, Czechia got involved as a participant in three projects – on military mobility, European medical command, and a training mission competence centre. Similarly, the approach to the French-led European Intervention Initiative was to observe, but not to get involved yet. The general understanding among the civil service was that the military was unable to provide a sufficient number of soldiers for overseas operations, which limited the capacity of the country to participate more actively (Interview #1). Overall, the Czech engagement in the new EU defence initiatives could be described as nominally enthusiastic, but practically limited.2

The anticipated Brexit did not change anything at all in this respect, and both the foreign and the defence ministries shared the view that there was no need to rethink the Czech security policy (Interview #2; Interview #4). This view was based on two arguments. Firstly, while the EU had featured in all Czech strategic documents, most thinking about defence built on NATO and NATO-provided frameworks. As the United Kingdom was not leaving NATO, there was no need to revisit any policies. Some practical problems were expected, such as with the replacement of the experienced British personnel in operational planning for CSDP missions, but there was no substantive change strategically. Secondly, there was a general expectation that the UK would remain closely engaged in the CSDP after Brexit (an expectation which was also built into the political declaration signed by the EU and the British government). The EU-27 and the UK generally see the same threats as relevant and face the same instability in the current security environment. External factors push the UK and the EU even closer together, most notably president Trump’s disinterest in Africa and other issues, which are not directly linked to US interests, but may be highly important for Europeans. Besides, the EU and NATO are not the only frameworks through which the UK is involved. There are bilateral and extra-treaty initiatives, such as the Lancaster House Treaty and the European Intervention Initiative, which would keep the UK firmly attached. Finally, yet importantly, there was a general will among the member states to ensure British participation, even if there were clear red lines, such as the need for European institutional and decision-making autonomy (Interview #3).
There was a risk of complacency, and the Czech civil service was aware that the Brexit process could nosedive. While there was no serious worry about complications in the security policy area, there was an awareness among security policy professionals that a spillover of bad will could hamper the ability of the UK and the EU to cooperate on security in future (Interview #1). Notably, severe fallouts over the Irish border, the future of mutual trade relations, or the citizens’ rights could poison any form of cooperation for many years to come. The Czech Republic prepared for no such scenario, believing that the odds were too small and the common interest too big to substantiate the investment of time and effort. There had been cooperation with other allies in place already before the Brexit referendum, particularly with Germany, France, and Poland. The loss of the British ally, even if it was to happen, was therefore not expected to cause a major problem. There was no mention of Brexit or the UK in the Czech framework positions for the European Defence Fund and the European Defence Industrial Development Programme (Ministry of Defence of the Czech Republic 2017a, 2017b).

To sum up, Czech politicians and civil servants did not feel the need to reassess the country’s approach to the CSDP in the wake of the Brexit referendum. The positive Czech attitude to the new initiatives stemmed instead from the country’s effort to improve its image in the EU after the migration fallout than from a need to adapt to a new distribution of power. Also, Brexit was not considered as a critical issue in the security area given the plethora of other institutionalised ties that bind Britain to the rest of European countries and the common strategic interests and threat perception.

**Czech preparations in the area of the internal market**

*Political level*

Unlike security and defence, the internal market did not disappear from the statements of Czech politicians about Brexit. In particular, the indivisibility of the four freedoms was important for the Czechs and worth mentioning on many occasions (Czech Information Agency 2016, Vlada.cz 2018), which was in line with the position of other EU countries and took into account the Czech long-term position in support of the internal market’s liberalisation. Similarly, the parliament emphasised its support for the common EU position in the negotiations and the need to not decouple the individual freedoms from each other repeatedly (Výbor pro evropské záležitosti PS PČR 2017, cf. Balounová 2017).

Czech politicians coordinated the position with partners from other member states. A coordination meeting of the Visegrád Group representatives, followed by the meeting of V4 foreign ministers and prime ministers, took place just a couple of days after the referendum in the UK (Visegrád Group 2016a). At the Bratislava summit in September 2017 where heads of states and governments of the EU-27 gathered to reinvigorate European integration after Brexit, another V4 joint declaration called for liberalisation across the four freedoms focused on higher competitiveness of the EU (Visegrád Group 2016b).

Apart from the general statements, however, there was minimal political activity on the issue of the internal market. Generally, Czech politicians were waiting for the EU representatives to negotiate the withdrawal agreement. The rest was business as usual without the need to revisit any strategic documents or priorities. Czech policy on the internal market remained guided by the strategic document adopted in November 2015 (Government of
the Czech Republic (2015c). In a nutshell, the government continued to support further liberalisation of the EU internal market, mainly focusing on the environment for small and medium enterprises. The relative silence with which the political level treated the impact of Brexit on the internal market contrasts with the activity of the administration.

**Administrative level**

From the administrative perspective, the internal market is a vast area, which is challenging to manage due to the concentration of actors, interests, and forms of governance. There are differences in the approach of the individual member states to the internal market in general due to their varying historical legacies (Schmidt 2013). Moreover, different interests stem from the ideological leaning of individual governments as well as from the structure of the national economies. The Ministry of Industry and Trade manages the bulk of the internal market-related policies in the Czech Republic.

Ministry officials considered Brexit a double challenge. In the short term, there was the anxiety to maintain a common position among the EU-27 and not to compromise the unity of the internal market and the four freedoms. A concession on these principles, while advantageous in the short term, was considered highly problematic in the longer term, threatening the internal market as a whole. The UK had been one of the key trade partners for the Czech Republic, and there were many Czech companies doing business with British counterparts. The ministry did not have the full overview of the Czech-British trade ties because no database of such relations exists. As a result, it concentrated on building up communication channels between the ministry officials and individual businesses. CzechTrade, a ministry-funded agency supporting Czech companies abroad, organised monthly roundtables where companies could obtain information and raise specific issues that ministry officials could later flag in Brussels. Also, business federations’ representatives participated in the working group on Brexit organised by the Office of the Government. They could distribute all the information obtained there to their members. The communication with the companies should ensure that everybody was prepared for the Brexit date and as little trade disruption as possible took place. One of the concrete results of the dialogue was, for example, a realisation that one of the largest Czech companies had had some of its product certified by the UK and could lose the right to sell them within the internal market. The ministry was able to pass the information to the Commission and to find a satisfactory solution (Interview #5).

Czech civil servants considered the long-term effect of Brexit to be more important than the temporary difficulties of the day, however. They expected Brexit to weaken the liberal camp in the Council and to change the negotiations over the future of the internal market significantly. Even though the UK had not left the EU yet, the looming Brexit already influenced the negotiations and made it difficult for the like-minded liberal group of states to make their voice heard on the further liberalisation of services, reportedly. The UK had been the acknowledged leader of the group that usually spoke in Council negotiations with the smaller countries supporting the British position. With the UK restrained in its contributions to the negotiations over the future shape of the internal market, there was no other big state left in the group (Interview #3). The remaining countries started negotiating with Germany to take the lead, but Germany is often unable to vocalise certain positions, because of its complicated domestic structure or political considerations.
As a result, there was major anxiety about the future development of the internal market and particularly the possibility of further liberalisation.

To sum up, Czech representatives at both levels recognised the internal market as one of the priorities for Czech policy on Brexit. At the political level, the general approach remained constant, and Brexit loomed as a potential threat to the cohesiveness of the internal market only. At the administrative level, by contrast, Brexit was considered a significant strategic change with an impact on the future shape of the internal market. It was seen to restrict the room for further liberalisation and to weaken the like-minded liberal group in Council negotiations significantly. As a result, Czechs took concrete steps in cooperation with their allies to minimise the impact of future Brexit and to adjust to the shift in the power distribution in the Council.

Conclusions

Brexit will profoundly change the politics in the European Union, which calls for a reaction by small member states. This paper has reviewed the Czech preparations for Brexit at the political and administrative levels and sought to confirm that they differ according to the institutional setup of the respective policy areas. The theory suggests that a small state whose interests have been strongly aligned with British would react more strongly in security and defence policy where supranational institutions have less power to soften the impact of the UK’s exit than in internal market matters. Indeed, the anticipation of Brexit has already contributed to a significant development in the CSDP area, while no such movement has been visible in the internal market policy.

The evidence presented here defies the expectations, however. The looming Brexit did not keep Czech politicians busy with adjusting Czech security and defence policy, nor did the ministry officials feel any urge to prepare for a different setting in negotiations. The Czech involvement in the new CSDP initiatives was largely nominal and driven by the effort to improve the country’s image in the EU following the arguably catastrophic conduct during the migration crisis. By contrast, at the administrative level the anticipation of Brexit and the diminished activity of the UK in Council negotiations in the internal market area provoked a re-evaluation of future opportunities, including a search for a new champion of the liberal cause. What could account for this result?

It seems that the nature of the impending British departure plays a vital role. Indeed, institutions change states’ behaviour and may provide shelter for smaller members by binding the bigger ones in a net of rules and procedures. In the case of Brexit, however, the institutionalised environment of internal market policy also restricts the options for the small states to avoid the full impact of the British departure. The single institutional setting governing the single market ensures that the UK will be disappearing from the deliberations entirely when exiting the EU. On security and defence where the policy is not as well institutionalised, by contrast, the UK will remain part of the negotiations through its presence in the wide web of institutions beyond the EU, such as NATO and a plethora of bilateral agreements.

Naturally, the change that Brexit brings for European politics does not impact the small states only. The shift in the power distribution in the Council will weaken or strengthen all member states that have had their policy aligned or opposed to the British position
irrespective of size. Larger states have, however, the means and opportunities to defend their interests due to their power and wealth and the resulting ability to strike side-deals. Small states lack such power and are, therefore, more dependent on the institutional setting and vulnerable to any changes.

Several general conclusions can be drawn that are relevant for the broader literature on small states and international institutions. Firstly, the research underlines the relative importance of large states. The Czech activity in the internal market area shows that even in the highly institutionalised setting that should provide stability for the small states, a unilateral decision by a big country makes all the difference to the small state’s perception of the situation. We can only assume that a similar decision to leave by one of the small EU members would not provoke such a strong reaction. This reveals how the small states’ structural disadvantage, referred to in the literature, is manifested in practice.

Secondly, the results highlight the importance of institutional context for analysis of institutional change. In the case of Czechia’s preparations for Brexit, the existence of alternative institutional frameworks, what economists would call a substitute good, has played a more important role than the character of the policy in question and its institutional setting. As there are substitute frameworks in the case of defence cooperation, Brexit did not require significant adjustment. In internal market policy, however, where there are no ready substitutes, the expected change in power distribution had to be tackled.

Thirdly, this research puts into perspective the general claim in the literature that small states profit from strong international institutions, which protect them from the Hobbesian world of international relations and provide them with influence. Strong institutionalisation and lock-in, which are characteristic of the EU’s more supranational policies, bind all member states to the single negotiation framework. Thus, they effectively erase the bigger states’ key advantage of having a more viable outside option. More intergovernmental forms of cooperation, such as the CSDP, provide the small states with shelter as well, although the influence of the big states is much stronger. This is visible in the EU’s CSDP where large states have often relied on solutions outside the treaty framework, such as the European Intervention Initiative and the Lancaster House Treaty, leaving all or many small states behind. While this may all be true in general terms and good weather, ceding more power to an international organisation, such as the EU, also means accepting more risk in times of abrupt institutional change and a shift in the political debate. Small states do gain more stability through a powerful EU most of the time, but they are putting all their eggs in one basket. When a hole appears in the basket, like the one that is going to be caused by Brexit, there are no alternative institutional nets to save the eggs from breaking.

List of interviews

Interview #1; Ministry of Foreign Affairs of the Czech Republic; Prague, 21 May 2018.
Interview #2; Ministry of Defence of the Czech Republic; Prague, 24 May 2018.
Interview #3; Office of the Government of the Czech Republic; Prague, 25 May 2018.
Interview #4; Ministry of Foreign Affairs of the Czech Republic; Prague, 29 May 2018.
Interview #5; Ministry of Industry and Trade of the Czech Republic; Prague, 27 July 2018.
Notes

1. Also, there has been significant political cooperation between the UK and Czechia with the Czech Civic Democrats acting as one of the critical partners for British Conservatives in their bid to form a new political group in the European Parliament.

2. It should be noted that Czechia proposed other projects in the second round of PESCO and was successful in getting one of them approved.

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