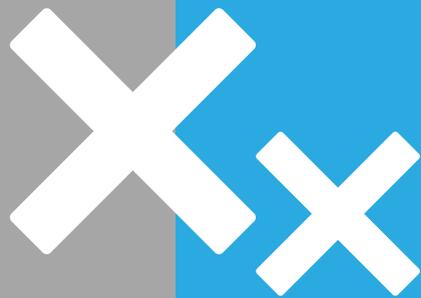


× PROTI
KORUPCI
NADAČNÍ FOND



OLIGARCHS & CRONIES

: state capture in post-
communist Czechia



OLIGARCHS & CRONIES

: state capture in post-communist Czechia

1. The corruption cancer in the brain
2. A history of corrupt practices
3. Oligarchs, superpowers and prostitutes
4. The characteristics of the structures of power
5. The consequences of oligarchy and oligarchic government
6. The consequences of oligarchy
7. How to get out of this

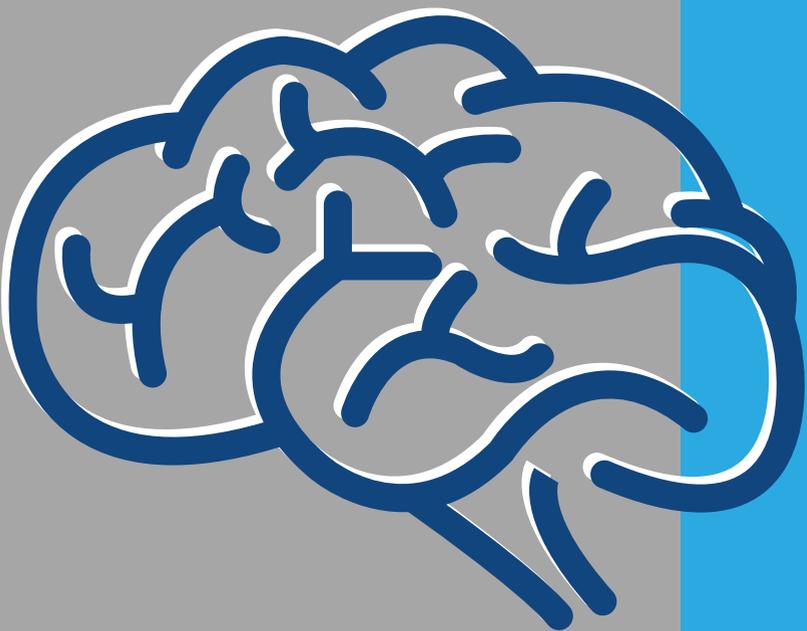
About the authors

Ondřej Závodský

Tomáš Lemešani



THE CORRUPTION CANCER IN THE BRAIN



1.1. TREATING CANCER IN A CHANGING SITUATION

As its name suggests, the Anti-Corruption Endowment's (NFPK) purpose in the Czech Republic is to confront any manifestation of that malignant tumour in the body politic under the rule of law that is called 'corruption'. Its mission at the time of its inception – in early 2011 – was to uncover and publicly to prove as guilty the scoundrels of the era when the godfathers ruled Czech politics. However, the cancer that plagued our country's public life for several years, and, to a certain extent, continues today, has changed, and NFPK's activities have been fundamentally transformed too.

In the past, the Endowment's anti-criminal activities aimed to uncover specific financial transfers from one person to another; exchanges of the type where Person A abuses their public office to pass some lucrative asset or service to Person B. To use the terminology of oncology: in the past, it was possible to localise a malignant activity and document its symptoms in such a way as to allow the appropriate course of treatment to eliminate it from the body.

The advantage of this period of post-Velvet Revolution development in Czechia was that the patient's body fought to collaborate in the struggle against the disease and was involved in eliminating the tumour. Yet in the era of Prime Minister Andrej Babiš, and President Miloš Zeman and his pro-Kremlin cronies, the disease spread to the central nervous system and now exploits the body's various functions for its own defence.

Documenting the partial components of the corrupt system no longer creates the desired effect. The body systemically causes damage to itself, while being able to distance itself temporarily from the various forms this damage takes.

A struggle against the new enemy, then, can no longer be waged by pointing to the local indications of the disease; rather, by using the still functioning body organs and other unaffected parts, it needs to drive the disease out of the brain. A second necessity is to notify those in the external environment of the unusual behaviour of the infected patient and to ensure that he does not damage himself further, for instance by preventing his further descent on the social ladder. In other words, the Endowment has changed its activities and now draws attention to nationwide cases that are symptoms of this contamination of the entire Czech state, a complex organism. The newly-established government led by Prime Minister Petr Fiala has the ambition to break the paralysis of cancerous corruption. Nonetheless, an analysis of the situation over recent years may help readers from abroad get a comprehensive picture of how a young democracy can go astray. Hopefully some of the ideas and insights of this book will ring out in readers' ears much like the inscription over the cemetery gate: 'what we are now, you shall be' – with the proviso 'unless you're vigilant and nurse your democracy'.

1.2. THE COUNTRY AS A PROSTITUTE

In terms of corruption, the previous stages of post-revolutionary developments were characterised by various attempts at enrichment. During the 20 years of economic transformation after 1989, there were countless opportunities for this. Some people exploited the privatisation process to get wealthy; others grabbed plots of land offered during the process of restitution, or later bought the companies they managed, freed of debts, in the process of consolidation. However, the days when one could get property from the state are virtually over. The entrepreneurs of this stripe over the past decade have mostly moved to endeavours to win lucrative public contracts. Yet even there, with anti-corruption measures in place, the bountiful flows of cash have been reduced to a drip, even though a nice IT job can still sustain even a large firm for many years.

We arrive now at a point about ten years ago, when people such as Vít Bárta, and Andrej Babiš after him, wondered if it would be possible to exploit the state to influence legislation in their favour. Or, as Petr Kellner did, to exploit the state to promote their objectives on the Russian and Asian markets.

The Czech state during the first quarter of a century since the 1989 revolution could be likened to a cash cow. Now, it has been thoroughly milked dry, with the exception of EU subsidies, which continue to flow. But apart from them, nobody's going to get a drop more from this cow.

Since 2013, and in particular since the 2017 elections to the Chamber of Deputies, the Czech state could be likened to a venal individual, whose value – unlike the cow that’s had the last milk drawn from it – lies in international trade. The only thing that is needed to exploit this value is to pay the pimp well – he knows what the people he controls can do. Thus, deals advantageous to all parties can be concluded. The empire established in China by the late Petr Kellner continues to grow (i) ; the local communist officials receive assurances from the leaders of Czechia – an EU member – concerned with the One-China doctrine, alongside many other advantages. (i)

Our prostituting head of state, thanks to untraceable funds that paid for his re-election campaign, has held onto office for a second term and may act in support of Russia’s efforts to destroy a young democracy and a European sense of belonging using the methods of hybrid war. The other side of the coin, of course, is our loss of credit in negotiations within the EU, international implausibility and ever-increasing divisions in our society.

1.3. OLIGARCHS AND PROSTITUTES

Every year, the publication of a book is the crowning moment of the Endowment's activities. These books describe the most recent trends in our society and set out the Endowment's position on them. Two years ago, in *Čas oligarchů, jejich sluhů a nepřátel* [The Time of Oligarchs, their Servants and Enemies], I described the blossoming of the rule by oligarchs, their relationships and the consequences of their activities for the rule of law and democracy. It gives me the greatest pleasure that some of the ideas and proven facts in this book have been able to influence public life in some way; that the book has been quoted from in the Chamber of Deputies, in journalism and in academic papers. But most rewarding for me is that a number of people who delved deeply into the book's contents have told me it helped them to understand many things.

Given the justified criticism of the *Oligarchs* – to wit, that it did not cover the international aspect of the problem – I wrote a sequel, *Výstup na vrchol korupce* [Ascent to the Peak of Corruption], subtitled *Od obálek k národní prostituci* [From Envelopes to National Prostitution]. In this second book, I wrote about the international externalities of the rule by oligarchs and the prostitutes they pimped, and described the often-crooked actions by Czech representatives in the Euro-Atlantic structures, their causes and consequences.

This present book offers readers in English a selection of chapters from these two Czech-language books. Of course, minor updates have been made, and some of the local colour that wouldn't travel well into English has been omitted.

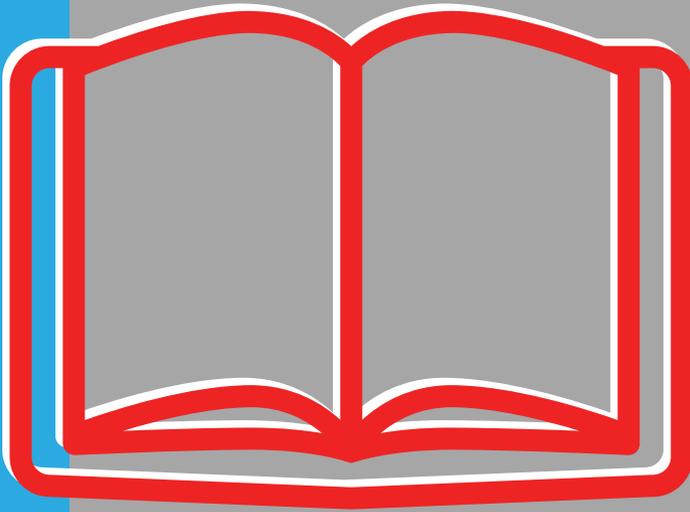
Given that my wandering thoughts may not be easy for every reader to grasp, I would like to provide some guidance here. The text that follows imagines a triangle of power, with the oligarchs, the superpowers and the prostitutes as its vertices. In Chapter 2, I seek to elucidate to my foreign readers the corrupt mechanisms that preceded the present model in Czechia. The vertices of the power triangle are described in Chapter 3, and the oligarchs themselves in Chapter 4.

Chapter 5 then elaborates on the consequences of oligarchic governance. This chapter recommends to the readers' attention a number of characteristic situations from the present or past of the people who usurped or are now usurping power in our country.

Chapter 6 notes the negative effects of the present organisation of power on social relations, nature and morals. The concluding Chapter 7 reminds us that free citizens are not passive spectators, but the constituent elements of civil society, which itself has the potential to revert the established 'system' to its original course towards democracy.



A HISTORY OF CORRUPT PRACTICES



2.1. MISAPPROPRIATION

Since my childhood, I have loved our cottage near Jindřichův Hradec in South Bohemia, where I spent most weekends and summer holidays. I always liked the quirky folks of the region. I'll tell you a story about one of them, Mirek, from a nearby village.

Mirek's fate – the history of our 20th century in a nutshell – provides a perfect illustration of the popular attitudes towards what was then socialist, nominally public, property. Mirek was born in the 1930s – his mum was Czech, his dad German. As part of the horrors of the post-war expulsion of German-speaking people from Czechoslovakia he was sent to Austria, where his dad – whom Mirek did not know at all – allegedly came from. His father's relatives from Austria, meanwhile, did not know Mirek – and so the boy of about 10 became homeless. His only idea was to return to Bohemia, where he had plenty of relatives and friends. He moved back to what originally had been their cottage – essentially he squatted it – and pretended nothing had happened. This is how he lived until he managed to legalise his Czechness. Due to his origins, he was not allowed to study, though my childhood observations indicated he was very smart. In time, the Communists took the few patches of land and forest around the cottage from him, and he was forced to work in Prague in a concrete plant. At that time, he only went to his family cottage at the weekends, getting a lift in my parents' car, which allowed me to get to know him better.

The injustices of the post-war expulsion, and the mutual hatred he had for the local Communists, drove Mirek to a truly deeply felt resistance to the regime. He would exploit any opportunity to damage the Communists. He took absolutely everything that could be taken from them, exploiting a perfectly operating, conspiring mafia around him. He did not seek to become rich in this way – he simply wanted to take anything he could from the hated Communists. He was literally obsessed with this. I'll never forget the line of his friends' and acquaintances' cars in front of the concrete plant, into which they loaded bags of cement on a sack trolley. When, on a Friday, we would collect him after work and head south, he always made sure there was no unused space in our car. He took a look around with his colleagues – surely there was something else that could be loaded?

Likewise, I remember his satisfied smile when he'd managed to fill the last space on the floor under my child-sized feet with a bag of some building material for some kindred dissident spirit from the south. When he was at home in the country, he would chop wood in the forest and deliver it to the old-timers he had as neighbours and to holidaying cottagers. Some of the logs he took, contravening the law, came from trees that his family had once owned. He simply ignored the fact that the Communists had expropriated the forest, and all that time he treated it as if they never had. This gave him pleasure, because he felt he was damaging them.

Mirek's story is just a drop in the ocean of the pilferage of public property, and, given the nature of his personal story, perhaps one that can be morally justified. Everyone was paid according to set rates, and all 'financially literate' people could see where, and how much, they could add to their prescribed wages. Most people could add a few percent to their income with a backhander; yet the craftier people, those who displayed a truly entrepreneurial spirit, could rake in multiples of their nominal salaries. Of course, all this misappropriation was of goods which were scarce, plagued by unreliable delivery or for which there were long waiting lists. In such cases, you would know who you needed to hand two greenbacks – 100 Kčs notes, a considerable amount at the time – to speed things up considerably.

So, with the business of waiting list management and bumping people up on them, greengrocers, restaurant staff and similar professions could make one many thousands a month. In addition to corruption proper, everything could be purloined, as long as the nature of the item allowed that to happen at least a little. Building materials, fuel and medications – all these, and much more, were traded on a lively and well-organised black market. Roofing tiles and good-quality meat would be much easier to procure at the salesman's home than in his socialist shop.

Though Communists sought to prevent this subversion of the system by employees in various ways, it was all in vain. The inspector coming to a factory could be bribed with a share of the plunder; fuel consumption records could be managed by declaring fictitious journeys; a police officer's wife could be rewarded for his affected incompetence with a fur coat, made in West Germany, from a vekslák (an illegal money changer and goods dealer).

Theft of socialist property was covered by a feared section of the Criminal Code from the mid-1950s. The very harsh punishments for this and other crimes against socialism, including parasitism and sabotage, were designed to deter people. Though some culprits were apprehended, the national sport was not unduly affected. Indeed, the punishments were often inflicted on people other than the grandmasters of misappropriation. There are documented cases of drunk people charged for forgetting to pay their bills at socialist pubs – in socialist ownership – or of grandmas who gave a drink of freshly drawn whole milk to their neighbours' boy when he visited the cow barn.

Is it right to misappropriate things in socialist ownership, and if so, what is the right amount? I'll leave such moral dilemmas to historians and philosophers. Certainly, we haven't had to deal with these issues in Czechoslovakia or Czechia for more than 30 years now. Yet the pilfering of public goods is deeply rooted in our country. Thousands of families of public officials, teachers and administrative workers print at home on paper taken from the office; thousands of agricultural workers feed their domestic livestock with stuff brought home from the farm, and so on.

Another experience I shall never forget was an event organised by a colleague, who served as a director of a hotel owned by the Interior Ministry. When he realised that the amount of butter allocated for the smorgasbord breakfast was about a kilo per police officer undergoing training at the hotel, he realised this would make a significant dent in his budget. He asked me, the head of the legal department of the ministry, whether he could search the officers' rooms to establish how much butter and other commodities they had pilfered.

I was not entirely sure of the legal position on this, but nevertheless, the raid did happen. Every second room had a fridge nicely stocked up with stolen servings of butter, honey and marmalade. I do note that this was only one training session and that with others the losses were not as great. However, if a substantial proportion of officers in one police unit had such sticky fingers, there was something not right, even 30 years after the Velvet Revolution.

With some people, the idea of public property as something worthy of common protection has not taken root at all. It continues to be seen as fair game for all. The subsequent sections illustrate this unfortunate trend, up to the present-day lawless cocktail.

2.2. AN ERA OF BROWN ENVELOPES AND BRIEFCASES

In terms of the potential for corruption, after the Velvet Revolution in 1989 perhaps all components imaginable came together to mix a corrupt potion without parallel in our history. As mentioned in the previous section, in the era of socialist ownership people commonly believed it would be a pity to leave anything that could be taken. Václav Klaus and other politicians took an extremely lenient approach to economic crime. This went hand in hand with the fact that for some actions taken on behalf of the state (such as awarding contracts, setting the criteria for privatising large-scale enterprises, and establishing the conditions for cooperation between the state and the private sector) there were no clear rules, and the law therefore did not bind anyone to act in a transparent or open fashion. So there were opportunities galore for enrichment.

Healthcare, which had and continues to have a cardinal impact on everyone's quality of life, offered such opportunities. I remember a visit to Thomayer Hospital with my grandma and recall the waiting room in one of the departments of this medical centre. About eight patients and their companions were sitting on the leatherette seats, each kneading in their hands the envelope or purse with the money ready. Whoever wanted to have treatment in the foreseeable future had to demonstrate to the doctor how serious they were.

Then there was the building permit process, overseen by what used to be the local or district national committee, that took a frustratingly long time. A brown envelope handed to an official living in the same street as the applicant could speed up the proceedings substantially.

The 1990s were marked by a total transformation of the economy. Over several years, property hitherto owned by the state passed into the ownership of natural and legal persons. However, the process of denationalising property could not be separated from what was going on in society, in any area subject to public administration; the process took various forms. Small businesses were auctioned off; this was complemented by privatisation projects approved by the government. Alongside these two procedures, there was the system of voucher privatisations. Bribes were integral to the system at every point. As noted above, some of the phases and regimes of privatisation were subject to practically no qualifying criteria, and hence the rule was: whoever comes up with the money receives the property when it is privatised.

Years later, in the course of my job I met a woman who worked as a secretary at the all-powerful National Property Fund in the 1990s. The part of her story about the 'golden nineties' that particularly stuck in my mind was how her boss – a senior official at the fund – had a special shelf in his office on the Vltava embankment for all the briefcases. For the volumes of cash involved there, envelopes were no longer sufficient and bribes were handed over in cheap imitation leather manager's briefcases. As the lady in question noted, 'It was quite strange watching people go home from the fund offices clutching these briefcases in both hands, but such were the times.'

In addition to this 'envelope system' to facilitate quicker or 'more convenient' decision-making, a top-level corruption scandal was not long in the offing. All of the hallmarks of the era can be illustrated using this case: a rare virtuous politician, a naïve corruptor and the judiciary's inability to grasp the case.

In 1991, Jan Král, the managing director of Agrobanka, attempted to bribe the Czech prime minister, Petr Pithart by offering him a million crowns under absurd circumstances. The quid pro quo was to be a decision, to be adopted by Pithart's government, which would allow Král's Agrobanka to acquire the building of the former Regional National Committee in Prague's Smíchov district. (i)

The course of the corrupt meeting in what was then the Czech government office in Lazarská street is known from Petr Pithart's description. He knew that Král would attempt to bribe him, and so he was prepared. He placed a tape recorder on the heater in his office, cunningly disguising it behind a curtain, and set it going. But the recording it made was useless, because the machine skipped around on the radiator as the trams went by. The honest prime minister, however, did not end up without proof, because Král left a piece of paper with his corrupt proposition with Pithart. It was drawn up in Král's own hand and Pithart took it to the police.

Law enforcement planted an agent on Král, who passed himself off as Pithart's go-between. The agent too was able to obtain a corrupt proposition in Král's own hand. Král's trial dragged on for much of the 1990s, and the knave eventually walked away with a suspended sentence and a fine of a few thousand crowns. This was a happy end for Král: in the years that followed, he was able to develop his business career, and his corrupt act did not harm him in any meaningful way. It was interesting when the prime minister unburdened himself to me about 20 years later: 'Back then I was terribly afraid, I was afraid about what would happen... and I was the prime minister.'

How can the people, who are not in a privileged position whatsoever, feel when they want to report corruption?' Incidentally, Mr Pithart's words are no less topical today than when they were uttered.

The next major corruption scandal was the Lízner affair. (i) This was several years later. Doubts continue to be raised about it to this day. Yet it is precisely these doubts that can help illustrate some of the signs of the times. At that time, hardly anyone understood the difference between entrepreneurial craftiness, commercial pushiness and action beyond the law or ethics. All the various corrupt mechanisms for misusing information that state employees had at their disposal, and the agreements they went into with the entrepreneurial wheeler-dealers, were simply normal. Unfortunately, many of these practices continued into the following decades, and some of the criminal wheeler-dealers then turned into the oligarchs of today.

In 1994, Jaroslav Lízner was a senior public servant, the director of the Securities Centre and the Voucher Privatisation Centre. Thus he was at the very heart of the voucher privatisation process, with overlaps into other, non-voucher privatisation agendas. (i) That not everything was right in the institutions Lízner led was nothing new to the police at the time. Multiple stories were being told about Lízner's problems. To substantiate or dispel these rumours, a stakeout was set up at the Asia restaurant – the counter-corruption police squad in surveillance of a meeting between Lízner and Luboš Sotona, the manager of Trans World International.

During the meeting, Lízner accepted a briefcase containing about 8,500,000 Kč, slipped to him under the table. (i) Sotona described this as a bribe to facilitate a good price for a stake in Mlékárny Klatovy. Lizner, by contrast, claimed that the money was an advance to buy shares in the company. To the media at the time, this seemed plausible. (i) From today's viewpoint, meetings between civil servants and managers in which the former receive millions in cash under a restaurant table might not seem standard procedure, but under Klaus's economic transformation, there was nothing peculiar about it. The pro-Lízner theorists speculated that this was a conspiracy by the counter-corruption squad and Sotona was aiming to remove an inconvenient civil servant. It was said that the squad, whose results were miserable, was about to be disbanded, and so needed to catch a big fish.

Personally, I don't think that the chasm between these views is particularly wide: the police might have wanted to make a show, Lízner might have been a scoundrel, and it may have been convenient for Sotona to play a dirty trick on Lízner. Two years later, a court handed Lízner a six-year custodial sentence for taking the bribe and misusing public office. Once he had served his sentence, Lízner sought to clear his name, something that he has never achieved.

2.3. POLITICAL PARTY MONEYBOXES

I have intentionally placed the transition between the previous and the current section somewhere in the mid-1990s. This was an important turning point, when we moved from individuals receiving an envelope or a briefcase under the table to a more sophisticated model of corruption.

In the second half of the nineties, the establishment faced an essential political struggle with the upcoming challenger, the Social Democrats led by Miloš Zeman, and the government coalition of the Civic Democratic Party (ODS), Civic Democratic Alliance (ODA) and Christian and Democratic Union–Czechoslovak People's Party (KDU–ČSL), hitherto working harmoniously, had much to fear. (i) Thus it was necessary to obtain money for party treasuries to fight future elections, and for hard times. A new model for paying bribes had to be devised. This money would be used for electoral campaigning and other party purposes in the future. Three modern initiatives were thus launched: massive sponsorship as a form of bribery, secret bank accounts abroad and laundering stolen money by means of foreign investment. Below I give examples of three enormous corruption scandals to illustrate these phenomena.

A major kick-back

Some of the Czech privatisations were of heavy industries on contaminated land; the premises of the factories being privatised needed to be cleaned up to reduce environmental damage. The state usually privatised the enterprises it owned as if there were no such environmental risk involved.

However, at the point of privatisation, environmental audits were commissioned, which described any contaminated buildings, groundwater or land in detail. The state, by signing up to so-called environmental agreements, took on responsibility for the remediation work. There were more than 300 such agreements, but the number of sites was much higher as many privatised enterprises had multiple factories. Things were different with the privatisation of the Třinec Ironworks in 1995. The state invited bids from potential buyers. The applicants were asked how much they offered for the enterprise, and how much they would demand from the state for removing the cyanide, ammonia and other poisons present. The winning bidder, Moravia Steel, offered 2.5 billion Kč and declared it would ask nothing from the state to remediate the contaminated buildings and grounds. The other bidders said they would need a few hundred millions from the state for the work. For this reason, this enterprise of long standing was sold to Milan Šrejbr's Moravia Steel, for the price offered. (i)

In April 1997, however, Klaus's government approved a financial injection of more than half a billion crowns to the privatised Třinec Ironworks to remediate environmental damage. (i) Yes, it was precisely this contamination that Šrejbr and his company declared they would clean up on their own account. This in itself was not illegal. The problem is that there were no clear rules concerning who would and who would not receive such a subsidy. What do you think could have influenced the view of the coalition government? Was it some convincing argument made by the buyer, or perhaps an artfully devised legal trap? Neither of the above. It was a 7.5 million Kč donation from Milan Šrejbr to ODS's bank account. But this donation was disguised as originating from two fictitious donors from abroad.

Of course, ODS representatives were adamant that Šrejbr's donation was in no way related to the award of the environmental remediation grant. But in such case it would make no sense for ODS to invent a tall tale about the money coming from Lajos Bács and Radjiv M. Sinha, each of whom provided half of Šrejbr's donation. (i)

As a coda to my story, I add that 11 years later, the new management of the ironworks had the idea that it would be quite convenient to extract a few hundred millions more from the government, and an increase of the subsidy was again on the table in 2008. (i)

A telecom con

I don't know how many of you have ever handled hundreds of millions or billions in cash. As an undersecretary at the Ministry of Finance I had pretty much unlimited rights of disposal concerning transfers between the state's various accounts, and the largest transaction I ever handled was 14 billion crowns. But the biggest amount of cash I have ever had in my hand was a few dozen thousands in my childhood when my father was buying a Škoda 125.

I remember that even the price of a car made quite a fat envelope. The bribes amounting to hundreds of millions of crowns in the late 1990s were really rather bulky, and could no longer be stuffed into briefcases. It was also fairly risky to keep them in one place, slipped under the mattress or in a box under the desk.

Therefore, in the late nineties, Czech political party leaders faced an important task: find a secure bank in which to stash their treasure, where it could be squirreled away yet be ready for laundering and recycling for electoral and other purposes. Secret bank accounts in Switzerland and exotic destinations came onto the scene. Some bank in Rome was mentioned in connection with the People's Party's funds. (i)

The privatisation of SPT Telecom is another transaction producing a corrupt stink even nearly a quarter of a century after the fact. The privatisation of the monopoly, SPT Telecom, started in 1994. Once the general meeting of shareholders approved the entry of a strategic partner, five binding offers to buy 27% of Telecom shares were received from TelSource, Tele Denmark, STET, TelFar and ČeTel. (i) The government ultimately awarded the more than a quarter share to the TelSource consortium (PTT Netherlands, Swiss PTT Telecom and AT&T) for nearly US\$1.3 billion. (i) (i)

Already at that time there was talk that the conditions of the privatisation were exceptionally favourable to the buyers and in some respects tailor-made for them. But a veritable turmoil only broke out two years later, during what is colloquially known as the Sarajevo assassination attempt, at the time when Klaus's second government collapsed. A former interior minister, Jan Ruml, linked the bribes associated with the partial sale of SPT Telecom with a secret bank account in Switzerland. The rumour was developed by Martin Mosinger, who represented minority SPT Telecom shareholders. As he reminisced in an interview, the figure at the time was 270 million Kč. This sum was ready in cash, split into three equal parts for the three parties in the coalition (ODS, ODA and KDU-ČSL) and sent to bank accounts abroad. (i)

Apparently, some senior figures in ODS were unaware of their account, which received more than just the bribes from the SPT Telecom privatisation. However, they did learn about it in the autumn of that fateful year, 1997. In connection with the funding of the new ODS headquarters, the party's economic manager, Tomáš Ratiborský, casually remarked that there were still those 170 million Kč in Switzerland. (i) That there really was such a secret account in a Swiss bank was eventually confirmed to the Czech police by the Swiss. Among other things, it followed from its summer 2000 statement that amounts in the tens of millions of crowns were drawn down from a Credit Suisse account in Zurich and the beneficiary of the payments was Ludvík Otto, the manager of ODS at the time, and hence the money was used to fund electoral campaigns. According to some sources, the total amount was 100 million crowns. Otto was arrested and taken into custody, where he faced the investigators' ingenious questioning. But he did not betray his employers. (i)

Although lies about the origins of bribes are part of the post-1989 course, Otto's tales about his involvement in laundering this money are worth reading 20 years later. He said it was his own money and the right of disposal given to the ODS deputy chair, Libor Novák, could be explained. Allegedly he (Otto) lent money (from his Swiss account) to ODS so often that it was better for Novák to dispatch the payment orders from Otto's account. Despite the evidence produced, the ODS chair and leader at the time, Václav Klaus, denied that there was an account receiving bribes for his party. (i) (i)

A cocoa laundromat

The last case study is concerned with the necessity of laundering the money obtained from bribes before using it to fund political parties. To avoid accusations of bias, I will not cite examples from the era when Václav Klaus's party, ODS, ruled, but will move forward in time to the period of government of the social democrat, Miloš Zeman, and his ministers, many of whom were cadres left over from the era of single-party rule. These included the MP, social democrat (CSSD) treasurer and former leader of the parliamentary party, Michal Kraus. I am describing this sequence of events here because of the money laundering I believe took place there and then.

Although Kraus's cocoa adventure in Africa is concerned with activities undertaken in 2001, it only came out into the open five years later. This was one of the main scandals during the quite turbulent campaigning for the elections of the Chamber of Deputies (the lower chamber of the Czech parliament).

But let us return to 2001, when the social-democratic magnate Kraus decided to invest money of unknown origin in Ghana, Africa. This was an investment in a company processing cocoa beans. Later Kraus had to explain why he had signed himself as 'Director' on behalf of the Czech party, and where he procured half a billion crowns to buy the enterprise and about two million as an advance. The former intelligence officer, František Rigo, was in Ghana with Kraus at the time. It was Rigo who, when the news about the cocoa deal broke, described it as having a corrupt background.

Rigo himself was prosecuted for other frauds at the time. He confided that it was the Zeman-led ČSSD that had the money to buy the processing plant. And the social democrats supposedly got this money from a bribe for facilitating the sale of some Swedish Grippen fighter jets to the Czech air force. Kraus initially denied everything; later, the details of where he obtained the money, at least to cover the advance, had to be dragged out of him. Subsequently, according to a police source, he was able to explain the origin of this fraction as a loan from his friends. Yet the police were unable to clarify where the rest of the money was supposed to have come from. The reason is that Ghana kept the essential information to itself, and is yet to provide a satisfactory answer to the Czech police. According to people in the know at the Lidový dům, the social-democratic headquarters in Prague, this was precisely the reason why Kraus et al. wanted to invest in Ghana in the first place. (i)

2.4. GODFATHEROCRACY

After the 2006 elections, the mantle of government was assumed by ODS representatives led by Mirek Topolánek and someone you could be forgiven for thinking was his identical twin, his special adviser, Marek Dalík. Immediately after the election, they pulled the same trick that Andrej Babiš later would in 2017, and for a year they ran a single-party government that did not have the confidence of the Chamber. (i) During this period, they managed to ‘cleanse’ public administration of several dozen managers linked with the Social Democrats, and installed their loyal shysters instead, including in those ministries that were later assigned to ODS’s coalition partners, (i) the Greens and the People’s Party. (i) In the next electoral term, these partners were replaced by the newly-created TOP 09 and Public Affairs parties (you’ll hear more about these in the following section). (i) ODS’s second government term, from summer 2010, was terminated by a police raid at the government office in June 2013, in which the prime minister’s chief of staff, Jana Nagyová, was apprehended, (i) along with many other characters who came to personify this corrupt era.

It was during this period, lasting for about seven years, that new corrupt practices appeared, enlarging the already quite extensive repertoire of methods already in play for sponging off the public purse. The ‘godfatherocratic’ execution of power was found almost exclusively among ODS politicians. This was because their authority came from within the party. The godfathers, the fixers, the éminences grises, or, to use the Russian cognate, the gubernators, emerged during the first electoral term with an ODS prime minister – that is, around 2008.

The godfathers took control of the local ODS party cells and subsequently the regional organisations, according to their territories as described below. (i) The appointment of the party chair (who in Czechia is the leader) and the inner and outer leadership circles was dependent on arrangements between the regional organisations, ultimately the godfathers. Politicians were appointed to public office according to the power wielded by their regions.

If we look at the speeches by the chairs of the strongest parties at the time (Mirek Topolánek, ODS; and Jiří Paroubek, ČSSD), it seems quite amusing now that virtually all were aimed against the behind-the-scenes machinations of the *éminences grises*. (i) And it was precisely at the congresses where they delivered these idle speeches that Topolánek, Paroubek and co. were elected, according to the godfathers' deals. People chosen by the godfathers, who controlled the ODS regional organisations, also came to occupy the highest positions in government, regional councils and state-owned or semi-owned enterprises. (i)

The godfathers did not all enjoy equal power. Some focused on their region only and did not show their faces much outside. Others sought to influence public administration substantially through their stooges. We can distinguish the de facto rulers at the time according to whether they involved themselves in high politics – as did, for instance, Pavel Blažek, who became the justice minister (i) – or whether they limited themselves to their offices, be it at the 'U Myšáka' building in Prague (i) or at the 'Hubert' restaurant in Hluboká nad Vltavou, (i) as Roman Janoušek and Pavel Dlouhý, respectively, did. Some of the godfathers of the latter type formed legendary couplings with 'their' politicians.

The relationships can be likened to that between a bear leader and his charge, or a pimp and his prostitute. A politician would make no important decision without consulting their pimp. The money obtained as a result of their decision was collected by the godfather. From the bribes, commissions or direct earnings from jobs that the godfathers won from their partners, the election campaign of the pimped politician was funded.

The regionally-focussed godfathers made sure that they handled the other notable figures in the region effectively, be they senior police officers, public prosecutors, high-positioned civil servants or other well-known or important people. Some of these relationships can be illustrated: Libor Grygárek, an important public prosecutor, and government minister Toman, had flats in a building owned by Roman Janoušek; (i) and Pavel Dlouhý, a godfather who was caught exceeding the speed limit by some 80 km per hour, had his offence barred by the statute of limitations, supposedly in exchange for a promise of game from a hunt. A godfather's subjects would meet regularly. At the head of the table, the godfather would give instructions, receive important information in regular reports and devise strategy to expand his territory of influence.

An important aspect of the godfathers' activities was delineating their domains and deals with other gubernators. Such bilateral negotiations could take place in the luxury ambiance of the higher-class entertainment venues, on yachts or, if the presence of greater numbers was required, at the ODS executive council itself. The bosses may agree on a joint project, or there could be a deal on exploiting the services of the pimped politician to benefit another godfather – in exchange for a favour or benefit, of course.

Here I provide a brief overview of the main ODS godfathers and their most important political acquisitions. More detailed characteristics of the godfathers were provided in an earlier NFPK book.

- Prague – Tomáš Hrdlička, politician and councillor at Prague 10
- Prague – Ivo Rittig, an entrepreneur linked with Petr Bendl's political career
- Prague – Roman 'Hummingbird' Janoušek, an entrepreneur, druggie and criminal, linked with the political career of the Prague mayor Pavel 'Mollycoddle' Bém
- South Bohemia – Pavel Dlouhý, 'the Prince of Hluboká', a councillor and deputy mayor in Hluboká nad Vltavou
- West Bohemia – Roman Jurečko, a regional politician linked with Jiří Pospíšil's political career
- North Bohemia – Alexandr Novák, a politician and senator, convicted of corruption
- North Bohemia – Patrik Oulický, a businessman linked with the political career of Petr Gandalovič
- South Moravia – Pavel Blažek, a politician, justice minister, ODS deputy chair and member of other senior and regional bodies of the party
- Olomouc – Ivan Langer, a politician and justice minister
- North Moravia – Pavel Drobil, a politician, MP, environment minister, deputy chair of ODS and member of other party bodies
- North Moravia – Daneš Zátorský, an entrepreneur

2.5. AN IN-HOUSE CORRUPTION SOLUTION

Let's look back at the previous sections and consider the phases we have seen so far in the relationship between those who give, and those who take, bribes. We started the story with a brief history of corruption during the Communist era. Then, as indeed also after the 1989 revolution, the person needing a service would come to see the police officer, doctor or politician in their office. According to the size of the favour required, he would bring the corresponding amount of money in an appropriate container (an envelope, briefcase or box). Later, the system of political party cash boxes – in reality, bank accounts abroad – prevailed. The bribes accumulated in these accounts and were then disbursed to pay for PR services, campaigning and other party-political purposes. During the era of godfatherocracy, a model of alternative centres of power was developed, in which the decisions were taken before they were formally made by the various public servants or politicians. In these godfathers' nests the proceedings from the crimes committed by pimped public servants were allocated and re-distributed to further consolidate the godfathers' power. But during the term of the second ODS government (from 2010 until Robert Šlachta and others from the organised crime squad raided the government office in 2013), (i) the idea arose to develop something that could be called an in-house solution to provide corrupt politics. This project was given a paradoxical name: 'Public Affairs'.

The original idea of plural democracy, based on competition between political parties, in no way addressed their funding. For decades, parties would be run on membership fees and donations. A group of people (for example, farmers, tradesmen, urban democrats or workers) would decide that they needed someone to promote their interests in parliament. An electoral manifesto would be developed to persuade the electorate to cast their votes for the party. Yet a deformation of this system, in the form of corrupt political party representatives, is as old as the system itself.

I find the sponsorship of multiple political parties by a single entrepreneur one of the most alarming practices. The squealing of the alarm in my ears increases when the money is disbursed immediately before an election. To my mind, this opens up a window saying 'For this money, such and such will be done.' For example, I heard such a loud alarm ahead of the 2010 elections. At that time, the three parties that would form the coalition government – ODS, TOP 09 and Public Affairs (VV) – received millions of crowns in donations from the veteran oligarch, Zdeněk Bakala. (i) More recently, the criminal Senator Ivo Valenta disbursed millions in the Zlín region to the Trikolóra [Tricolour] party, his 'own' outfit, Soukromníci [Freeholder Party] and the local independents. (i) (i) It seemed to me that in both cases something stank, that a consideration had been paid in exchange for a future service by the upcoming power holders. Evolving, this model of funding political parties moved on, this time to oligarchs establishing their own parties.

In practice, the only difference from the godfatherocracy is that the system is now operated nationally and has become much more professional and formal. In practice, it worked as follows: at one of the godfather meetings, Tomáš Hrdlička met Roman Janoušek and took with him the businessman and owner of a large security agency ABL, Vít Bárta. First in central Prague and later, before the 2010 parliamentary elections, nationwide, they presented their political project to the public, the aforementioned Public Affairs. (i) According to the manifesto, this movement was right-wing and liberal. Also called 'the Vs', they were expected to achieve success with help from well-known figures, such as the intrepid reporter, Radek John. (i) The marketing department decided some young women should adorn the party's advertising billboards. (i) In reality, the party was designed as a sponger. Available sources indicate that it was to attach itself to the state like a leech, and suck out as much blood as it could. (i) Indeed, an internal code was developed, which did not mince words in describing how this would be achieved. Public tenders won by the party's 'superguru' – as he called himself – Bárta, had to look as if they were transparently awarded, with the cheapest bid winning. But a few lines later, the author explained that this 'transparent' result was to be achieved by selective means to benefit the godfather. (i) In other words, a selection process would eliminate his competitors, and then, well, the contract would cost the public purse a few percent more. But wait! Let us not accuse Bárta and his henchmen of being misers. It says in the document that payments from the state or municipality are not everything. In addition, the meritorious pilferer of public funds would receive a kickback from the contract he had helped 'the firm' to win.

Fortunately, Public Affairs soon wasted away due to the stupidity of its leaders, the incompetence of the figures who provided the public face of the party, and a loss of media popularity due to scandals. (i) The godfathers led by Bárta compromised themselves with Tomio Okamura's projects Dawn of Direct Democracy and Freedom and Direct Democracy, (i) parties heavily reliant on marketing and dependent on the simple idea of combining direct democracy with xenophobia.

The momentum shifted from Dawn of Direct Democracy to Freedom and Direct Democracy (SPD), Okamura's next project once Dawn foundered. Though SPD is largely in the hands of Okamura and his side-kick, Radim Fiala, there is some interesting capital in the background, and it is not dissimilar to that which propelled the Public Affairs marque forward.

As in earlier attempts to break into politics, Tomio Okamura placed his bets on working with PR lobbyists and media companies focusing on alternative content – 'alternative' not as in alternative art, but in the sense of failing to respect the ethical principles of journalism and focusing in a major way on propaganda.

The polling company, Sanep, is an important financial and promotional partner of Okamura's xenophobic movement. Headed by Jan Fulín, a business partner of SPD for many years, Sanep is among the most active of Czech public opinion surveyors. It bombards the media and the general public with estimates of political party performance, and surveys of their trustworthiness. Being attractive, Sanep graphs regularly feature in the tabloids, and sometimes in serious news outlets too. The firm has often been criticised for playing into the hands of selected parties.

Experts have criticised it for seeking to motivate undecided voters by exaggerating the estimates of support for selected candidates, and downplaying their political competitors. This can be achieved by adjusting the survey method: by modifying the respondent sample, or adjusting the questions being asked so that they inspire respondents to negative views about some options and positive views about others.

Sanep, alongside the Focus, Médea and Phoenix agencies, do not adhere to the rules of the Association of Market Research and Public Opinion Polling Agencies. This fact in itself has repeatedly provided warnings about the practices of this agency, which is a partner to Freedom and Direct Democracy.

Among other things, the association criticises Sanep for using internet questionnaires in its surveys, which are of insufficient reliability and can be easily interfered with by a third party. Cases have been documented in which the respondent samples were subject to undue influence.

Why has the agency been willing to risk its name can be guessed from records of payments from Freedom and Direct Democracy accounts. Money has been flowing from Tomio Okamura to a group of companies linked with Sanep. Play Net, another company owned by Jan Fulín, received 7.4 million Kč after elections from Okamura's party for PR services described in insufficient clarity. These services were rendered at a time when Sanep had been accused of falsifying polls ahead of the 2017 parliamentary elections.

Radomír Pekárek is a member of the board at Play Net. In 2009, he ran for the post of director-general of Czech Television and promised extensive cuts to news and documentary programming in particular. He also owned a conspiracy news site, prvnizpravy.cz.

Daniela Tománková, who sat on the supervisory board of the company that has been trading with SPD, is another person who had oversight of the company's finances. In addition to running esoteric businesses, she was also active in other companies controlled by Jan Fulín. Another board member was Oldřich Zajíc, who was boss of Sanep for some time.

Jan Fulín controlled Play Net via Astro Capital. It is interesting in terms of the possible connections between Astro Capital and Tomio Okamura that some of the company's shares were ordinary bearer shares. The holders of this stock are entitled to dividends, but may remain anonymous.

The Jan Fulín-linked Sanep and its associates are not Tomio Okamura's only media and marketing partners. During campaigning before the 2017 elections to the Chamber of Deputies, Okamura attracted attention when he frequently appeared with Mirek Deneš, a PR manager whose main job was representing the well-known businessman, David Beran, to the media.

Beran is a billionaire who probably ranks among the top dozen richest Czechs. He is known as one of the leaders of the non-bank loans sector in the Czech Republic. This is somewhat piquant given some aspects of Okamura's campaigning.

It was precisely his SPD that severely criticised not just the media for influencing public opinion but also the poverty industry. Using a media-marketing alliance with an entrepreneur in non-bank loans seems to contradict the campaign's messaging.

David Beran's Profi Credit made 174 million Kč in Czechia in 2016, on loans of 2.4 billion. Beran was also doing business abroad, through his Profireal Group. Board members included: Aleš Oborník, who previously dealt with receivables at Komerční banka, GE Money Bank and Profidebt; and Marek Štejnár, who before his job at Profireal Group worked at another non-bank lender, Cofidis.

Although SPD did not include services by Mirek Deneš in its declared campaign expenditure, it claimed it had nothing to do with the set around David Beran.

The Marcus&Art agency, co-owned by Mirek Deneš and Daniel Plovajko, the former spokesman of the billionaire Karel Komárek's KKCG, claimed that it advised Okamura for free and that there was no commercial relationship between Okamura and Beran. Despite this, tabloids reported on their meetings – for example, in Beran's private box at the Velká pardubická horseracing track and on the tennis court.

Although various questions were raised about campaign expenditure and financing by Tomio Okamura's movement in 2017, the official version was that the entire campaign was funded from the private resources of the chair and deputy chair.

Okamura and Fiala allegedly took a loan to cover this from Fio Bank amounting to 18 million Kč, guaranteeing it with their own property. Thanks to the remuneration they obtained from the state for electoral votes – 173 million Kč – they paid back the loan in record time in mid-December.

Although SPD claimed that its expenditure on the elections to the Chamber of Deputies was wholly covered by the loan, according to data published by the supervisory authority, the campaign actually cost the party 33.1 million Kč.

As the law was new and unclear, parties struggled with their obligation to present to the authority all their accounting books connected with campaigning. The authority said political parties interpreted this obligation variously, even though the authority notified them in advance of the requirements for their submissions. The materials provided by most parties, including SPD, did not permit the authority to conduct an efficient audit of how they financed their campaigns, and therefore the authority asked these parties to provide additional documents.

'This also concerned the SPD movement. SPD has now submitted its additional accounting books and the authority is reviewing their completeness. It will later publish these accounts on its website. In the meantime, the authority is conducting a data analysis of the campaign monitoring (the extent of all outdoor, internet and press advertising, as well as promotion on social networks) and comparing this with the statements made by the party in its report on campaign funding,' said Jan Outlý, a member of the Office for Overseeing the Management of Political Parties and Movements, to the author of this book.

The authority then inspects these statements, in particular where data analysis suggests possible discrepancies between its findings and the party's statements. According to many, the sum which the party stated in its incomplete document for the regulator was suspiciously low; this while the SPD movement had the biggest bill for public relations of all parties contesting the 2017 parliamentary elections. Even when considering its really lively media campaign, paid advertisements on social networks and the fabricating of its opinion polls, it is hard to believe that according to the official numbers the SPD expenditure on PR campaigns was several times greater than that by ANO, ODS or the Pirate party.

For advertising space alone, SPD was to pay up to 7 million Kč. A number of sponsors helped to decrease the substantial bill with non-monetary and difficult-to-value donations. Premises were lent for public meetings, for example, while the generous owners of the Čechie hotel, where Okamura organised a party to celebrate the election result, billed the SPD a mere 500 Kč for staging the substantial jolly. The Čechie's shareholders include the controversial entrepreneurs and lobbyists, Tomáš Pitr and Roman Janoušek.

The oligarch Andrej Babiš came up with the idea of establishing his own political party at roughly the same time as the godfathers did. In the first two years of its existence, his outfit, ANO 2011, was about as poor in terms of professionalism as VV was. His party, or – in Babiš's own words – 'movement', failed in the 2012 Senate elections. (i) Babiš then stood at a crossroads. Either he had to close the loss-making political business that brought him nothing, or he had to go about it in a completely different fashion. History tells us that he opted for the latter.

He poured an unprecedented amount of money into his 'anti-corruption' movement; his companies, which at the time he still owned openly, brought everything lying around in their warehouses to the campaign events (salamis, sausages and donuts). (i) But that wasn't all. Babiš's most important step was to enter the media market. In addition to founding the weekly, 5plus2, (i) shortly before the parliamentary elections he acquired one of the largest media groups, Mafra, (i) and subsequently at every opportunity bought or financed whatever was available (including Rádio Impuls and the Česká pozice website). (i)

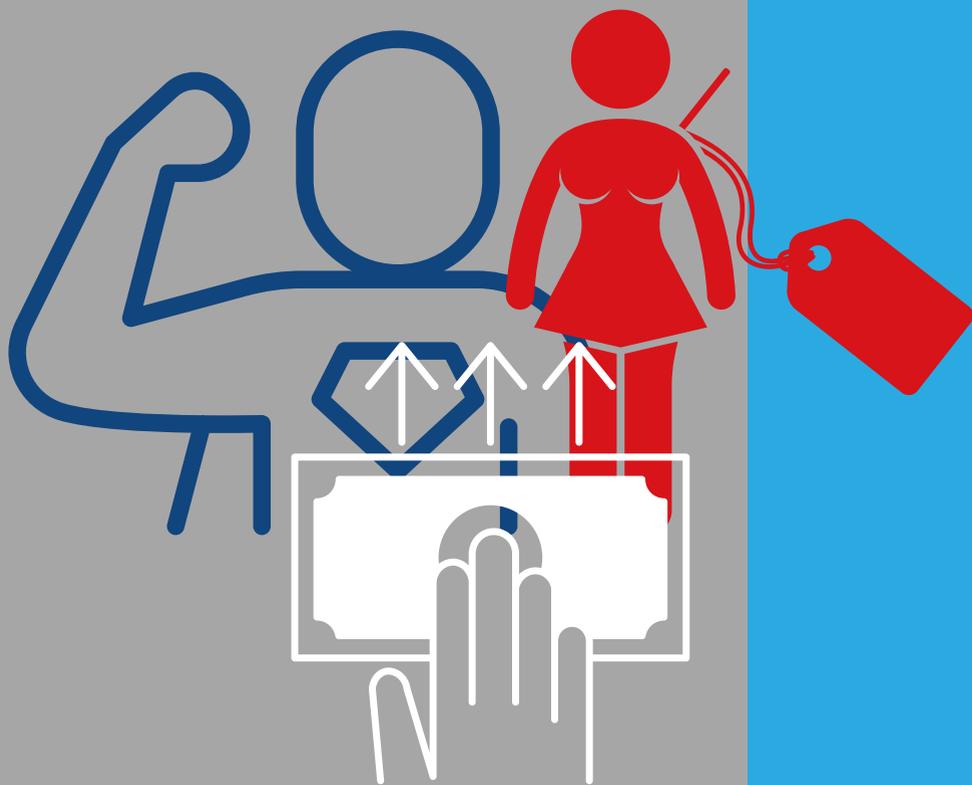
In addition to the economic might of his empire, and the media that could be used to whip the enemy, Babiš had figures to show on his billboards. And instead of Vít Bárta's ladies, he did actually have distinctive personages to display: a former European commissioner, Pavel Telička; a former rector of Masaryk University, Prof Jiří Zlatuška; Věra Jourová, another European commissioner; a famous journalist, Martin Komárek; and an actor, Martin Stropnický. (i) Interestingly, nearly all of the people Babiš surrounded himself with at the time became his enemies. The camp of Babiš's opponents came to include not just the politicians elected in 2013 to the Chamber on behalf of his party, but also dozens of top experts either newly brought into public administration or already established there for some time. They could all make the comparison: did the ANO 2011 project differ in any way from the old order they wanted to change for the better? I later talked about their disillusionment with a great number of these people from the 2013–2015 period. They unanimously concluded that, rather than support the anti-corruption transformation they sought, they had helped to shift a corrupt system to a greater level of professionalism.

The appointment of Babiš as minister of finance – while he also controlled many other important departments – and his later elevation to the position of prime minister, supported by social-democratic yes-men, created an unprecedented structure of oligarchy in the Czech Republic. Babiš could directly influence law-making, establishing the system for drawing down European subsidies, the activities and the information available to the Czech financial authorities, and hundreds of other instruments of power which he could use to the benefit of his business empire, Agrofert, to the detriment of his competitors and to obtain further advantage.

With the creation of an oligarchic centre of power around Babiš, his media, Agrofert and the ANO 2011 movement, a sequence of events was set in motion that is described in subsequent chapters. Though Marek Dospiva, Ivo Valenta and others have sought to create a counterpoise to Babiš's political project, there has not been enough space for a second demagogic-populist platform of this size. Understandably, other oligarchs (including Dospiva, Křetínský and Kellner) started to buy other media to put brakes on Babiš's power, or do deals with him. However, the media do not bring real power – they merely mitigate Babiš's power. The consequence of this has therefore been the creation of new centres of power, with the following allocation of roles: the Oligarch, the Superpower and the Prostitute.



OLIGARCHS, SUPER- POWERS & PROSTITUTES



OLIGARCHS AND CRONIES

3.1. OLIGARCHS

A notional triangle of the current system of power in Czechia has three vertices – the oligarchs, the superpowers and the prostitutes. Andrej Babiš fulfils a specific role in this system. As detailed below, he is an oligarch as well as a prostitute. From these vertices in the notional figure, arrows also point at some other figures on the scene. Appearing in these auxiliary roles are the supporting personnel, but it needs noting that without them the presentation of the power structure would be incomplete. Although the triangle's vertices are equipollent, in the situation as described here one of the elements of power is the dominant one. Without the oligarchs, the system would look entirely different. Without them, politicians would not occupy the role of prostitute in foreign policy to benefit superpowers, and the superpowers would not be able to steer our foreign policy through the oligarchs. This is why I begin the story of the system of power with the oligarchs.

An oligarchy, or oligocracy, is a system of government, in which a group of a few individuals (oligarchs) usurp power on the basis of their economic might. Through land ownership, the manufacture of basic foodstuffs or other essential commodities, they are able to control a country that was hitherto a democracy, dominate its rule-of-law mechanisms and deform it into an oligarchy, for their own benefit.

Moving from theory to Czechia, a handful of people have established themselves here by amassing enormous amounts of property. That these people have virtually no relationship with democracy and law is shown by several fundamental facts – their past, during the privatisation of property or the so-called consolidation process during Miloš Zeman’s government (1998–2002), is full of bizarre transactions detrimental to the state, they collaborate with purely criminal elements, they indulge in clientelist get-togethers, they invest in suspicious sponsorships of even more suspicious politicians and there is a lack of clarity concerning the origins of their capital. If someone makes their way up in a democracy, it is a boost for the entire democratic system. Indeed, the strength and stability of regimes such as the First Czechoslovak Republic (1918-1938) relied on businessmen such as Tomáš Baťa. If, however, a vekslák, corruptor and crook makes his way up, he cannot serve as support for democracy – he only thinks about how he can abuse it to his benefit, and deform it towards oligarchy or another form of misrule.

The oligarchic elements of governance in our country are specific in that the oligarchs do not constitute some unified, compact entity. Only someone like me, who listened each day to Babiš’s long monologues about ‘that revolting dickhead Dospiva’, is able to realise how deep the hatred that divides the oligarchs is. On the face of it, this might cause fissures in the established system. But, actually, the reverse is true. Hatred breeds permanent suspicion that this person was in cahoots with that one, or the other one, and this creates even more fury in paranoia-fuelled purges. What results is ever-increasing disorder in the public administration due to the discontinuity in the work of the officials.

In connection with the oligarchs' activities, we need to ask and answer a fundamental question concerned with the shift of their pursuits from the homeland abroad. I deliberately leave the specific case of Andrej Babiš aside and briefly suggest what motivated Marek Dospiva and Petr Kellner to expand their businesses.

Marek Dospiva has been making a decent profit from property development, gambling and pharmacies. Yet none of these businesses is the economic miracle he has been waiting for. There are satisfactory synergies created by his activities (the adverts for food supplements are highly visible in the media outlets owned by him). But he has also had less successful projects, such as Aero Vodochody. (i) Dospiva has always yearned to make the deal of his life, to put into operation another airport near Prague and welcome millions of Chinese tourists there. (i) Kellner, meanwhile, first established his profile against a criminal background (let us remember Milan Vinkler, his crony from his earliest entrepreneurial days, who was later sentenced for extensive economic crimes) (i) and later developed his method that could be described as follows: 'I buy a firm, consolidate it using my own resources, boot the blockheads out of management, get contracts for it and sell it for an enormous profit.' His flagship is Home Credit, in Russia and more recently in China. That's how he struck gold. (i) Occasionally, a deal does appear in Czechia that he finds interesting, such as collecting the tolls on the motorways (i) or contracts for Škoda Transportation. (i) In these deals there is still the permanent whiff of corruption as in the golden nineties, but these are merely complementary activities for Kellner. It is the system of consumer loans in the Far East that supplies him with a constant supply of cash.

Any oligarch who does not make his mark in China as someone who can help the country's Communists in some way, might at best shine their shoes outside the politburo building.

What exactly it is that the representatives of the superpowers, Putin's oligarchs and Chinese Communists, need from that our own oligarchs possess? It is neither money nor tangible assets. Czech oligarchs have something that the superpowers in question do not. They need it urgently and it cannot be bought in the ordinary marketplace. Czech oligarchs have good contacts in EU member states. They exert an influence in a country by means of which one may, pretty much immediately, attempt to destroy European cohesion and the values on which Europe is based, where for a few pennies you may procure speeches to be delivered by the oligarchs' prostitutes, as well as positions that are well-nigh tailor made to the superpowers' own domestic needs.

In order to avoid creating the impression that the model of the triangle of power described here only first appeared at the time of Miloš Zeman, Petr Kellner and the current Czech-Chinese 'friendship', let us go back some pages in the chronicle of post-1989 Czechia. Let's recall the pro-Russian policy and statements by the former president, Václav Klaus. (i) Personally, I find the most revolting declarations of Klaus's those that were concerned with the conflict between Russia and Georgia – specifically, the Russian invasion of South Ossetia. (i) (i)

The government and Foreign Affairs Minister Karel Schwarzenberg had said it clearly: Russian armed forces had no business in the territory of another sovereign state, and if Russia were making such an incursion, it was reminiscent of Adolf Hitler playing the Sudetenland card or Leonid Brezhnev's 'aid' in 1968, when he invaded Czechoslovakia.

Klaus in his comments inveighed against 'Western lies' and clearly defended the Russian measures. The intensity of his later pro-Russian views was so strong that when Roman Joch, adviser to Prime Minister Petr Nečas, described Klaus as a 'whining Kremlinophile crone', the characterisation entered common parlance. (i) For the aid provided by Klaus during Kellner's expansion into Russia, the financier had donated, via the PPF bank he co-owned, nearly 100,000,000 Kč to the Václav Klaus Institute. (i) This financial assistance began when Klaus, as president, was one of the makers of Czech foreign policy: at that time, Kellner paid for Klaus to furnish a Baroque mansion in Prague's Hanspaulka. (i)

The Kellner-Klaus collaboration was soon followed by the relationship the oligarch established with Miloš Zeman. Yet, as can be gleaned from the wiretaps of the mafioso, František Mrázek, which became the stuff of legend, 'Prófa [Prof, i.e. Klaus] likes money. For Mlha [Fog, i.e. Zeman] it is enough that people like him.' And hence even the 'aid' provide by Kellner to the new prostitute was different. The serving president is, allegedly, incredibly impressed when he arrives in Beijing and the red carpet is duly rolled out at the airport and a few hundred million Chinese watch him, or perhaps must watch him, in a live broadcast.

We can also remember Kellner in the role of taxi driver. When Zeman was going to meet China's president Xi Jinping, the oligarch hired a luxury private jet. (i) Zeman then invited his taxi driver to join him for the formal negotiations with his Communist counterpart. We don't know what the two national leaders agreed, but it is a fact that the same year, Kellner's company was awarded a licence to provide non-bank consumer loans throughout China. (i)

The subsidiary of Home Credit, Jié Xīn, meaning Czech Credit, has earned itself a pretty poor reputation over the years. Although Home Credit representatives cite their company as a symbol of Czech success abroad, the ordinary consumers paying interest rates exceeding 30% p.a. have somewhat different views. (i) This in itself might not bother the oligarch; what is worse is that the various Chinese courts in their many rulings also view Kellner's business in a critical light. There is no need to remind the reader that the judiciary is subject to the ruling Communist Party. Party authorities must have come to the conclusion that the growing indebtedness of the poorer segments of the population might cause serious problems in the future. As Czech media report, (i) Czech Home Credit is not a symbol of success; rather, Chinese consumers find its practices revolting.

People around Zeman quickly attached themselves to the Chinese relations entertained by the Castle prostitute and started to derive profit from them. Chinese companies quickly bought a number of interesting Czech enterprises, in which Zeman's cronies such as Jaroslav Tvrdík were rapidly installed. (i) And Marek Dospiva and his Penta group sold the Florentinum shopping mall for a very advantageous price to the Chinese semi-state juggernaut, CECF. (i) When Western countries as well as our own National Cyber and Information Security Agency decided to boycott Chinese technologies provided by Huawei, (i) Zeman was quick to come to Huawei's aid by appearing on Barrandov TV with a scare story that the Czech economy was under threat from, for example, the plans of Škoda Auto being called into question in China. (i)

Although Kellner had long avoided the public eye and did not give interviews, after many years he did open up in the introduction to a recent annual report of a company he owned. (i) Though he avowed traditional European values, he immediately criticised the foundations on which Western societies are based by saying: 'Today's Western society and Europe in particular is increasingly dominated by the ideology of individual entitlements, egalitarianism and relativisation.' Words without profound significance, perhaps, but ones that can be used in pro-Chinese propaganda, being critical of Europe and the USA.

3.2. SUPERPOWERS

This book contains few quotes from official sources of the Czech public administration. I'll make an exception in this chapter and include a number of findings by the Security Information Service (BIS) – the Czech intelligence service – about acts of sabotage perpetrated by Russia and China. Here I'd like to describe the specific practices of Russian intelligence officers and how Czech representatives have prostituted themselves.

I believe BIS deserves our fundamental respect precisely for its counterespionage against Russia and China. It regularly warns about the activities of both countries' security forces and describes its assertions in unusual detail. Of course, the Castle prostitute responds to these warnings of grave importance from BIS with denigrating comments. For instance, concerning the warnings cited below, he said in a similar case that BIS intelligence officers were 'losers'. (i) Zeman also repeatedly refused to appoint the BIS director, Michal Koudelka, a general, although he is recognised by Western countries as a counterespionage expert. The awkward situation created by the president is causing embarrassment among Koudelka's colleagues abroad, because the chiefs of foreign intelligence services are supported by their governments and are commonly appointed to this rank. That Koudelka will not be appointed general by the president is evident; by contrast, in 2019, he was presented by the director of the CIA with a prestigious award for his work. (i) Beyond this token of respect from a foreign colleague, Koudelka's BIS has also been successful in fighting organised crime – precisely the kind of crime that the Russian embassy has been supporting.

For example, in 2018, BIS in cooperation with the National Centre against Organised Crime (NCOZ) broke up a dangerous sabotage organisation. This criminal network had been organised in Czechia by the Russian Federal Security Service (FSB). According to Koudelka, it was established by people linked to Russian intelligence services and was funded from Russia via the Russian embassy. In the light of these events, Zeman's statement to the effect that BIS should focus on economic crime and corruption in the Czech Republic, and that in particular it should not be preoccupied with Russian actions here, does not come as a surprise. (i)

According to multiple proclamations by Zeman, both Russia and China are the best friends of our country. Yet according to the report cited below, both superpowers have been conducting what are patently sabotage, and hence enemy, activities. Below I quote the most important part of the BIS annual report for 2018 and, following these terse statements by intelligence officers, present the background stories.

'State and non-state, foreign as well as domestic actors, by employing a broad gamut of methods and activities, sought to weaken the institutions of the Czech state, influence its international security positions and pass off the natural attributes of the democratic system as its weaknesses,' says BIS in its 2018 report. 'Russian and Chinese intelligence activities infringed upon the domains of politics, diplomacy, espionage, economy and information warfare,' warned intelligence officers. According to a BIS spokesman, Ladislav Šticha, the objectives of the two countries differ. 'While Russia's aim is to bring the Czech Republic back into its sphere of influence, the Chinese use us as a gateway to the European Union; that means as a gateway to economic prosperity,' he compared.

'In 2018, enemy activities by foreign powers posed a grave threat to Czech security. The dangers posed by these so-called hybrid threats were concerned with a number of areas across the BIS scope of authority. Hybrid threats employ multi-vector instruments and combine coordinated activities with those arising naturally. By exerting economic, political, military and information pressures, they exploit apparent imperfections in state institutions and democratic processes, such as the long legislative process, parliamentary discussions and administrative procedures. The aim is to influence decision-making processes at various levels of public administration to their own strategic benefit by activity or inactivity, or paralysis of the entity that is responsible for the decision-making.'

'In accordance with the priorities set by the government, the measure of threat posed to the interests of the Czech Republic and the capabilities of BIS, the priority objectives of intelligence work in 2018 were the activities of Russian and Chinese state structures threatening the security and other key interests of the Czech Republic.'

Russia

The Security Information Service identified activities of members and associates of the Russian intelligence services: the foreign intelligence service SVR, the military intelligence GRU, and the domestic security and intelligence service FSB. It also noted Russia's outsized diplomatic mission in the Czech Republic.

According to BIS, Russia considers Nato and its members – including Czechia – the main military threat and primarily uses hybrid operations to act against them. ‘Russia’s key objective is to manipulate the decision-making processes and the individuals responsible for decision-making in order to induce the enemy to undertake activities that weaken it,’ says the intelligence report. (i) It says that Russia seeks to manipulate decision-making at every level of public administration. (i)

The report notes the case of former Russian military intelligence officer Sergei Skripal and his daughter Yulia, who were poisoned with Novichok, and Russia’s attempts to create the impression that the toxic substance had been developed in Czechia. BIS disproved this allegation, however. (i) The intelligencers also note that they prepared papers that were used during the expulsion of undeclared intelligence officers in response to the Skripals’ poisoning. This, BIS says, weakened the Russian intelligence network in the Czech Republic. (i)

The intelligence service report also mentions an attack on the networks of the Foreign Affairs Ministry, and that email accounts of the Czech armed forces were hacked. Although the attackers obtained no classified information, they gained access to many items of personal and sensitive data. ‘They might abuse this information in the future in the form of social engineering for further attacks, and not just on the members of the armed forces,’ warns BIS.

Russian intelligence officers also increased their influence over politicians, sought to marginalise those of their compatriots in Czechia who showed anti-Kremlin sentiments and, by contrast, to boost the influence of the Putinists, undertook actions seeking to undermine the political sovereignty and territorial integrity of Ukraine, says the report that also warns about pro-Russian activists.

The intelligence service considers their activities, above all the dissemination of disinformation, as the most serious threat to the constitutionality of the Czech Republic. The annual report notes that in recent years the activists have agitated against political arrangements in Czechia and the country's membership of EU and Nato with ever increasing intensity, and have done so in a more conceptual and systematic manner than before. (i)

The pro-Russian activists come from a variety of backgrounds, irrespective of the left-right political divide or formal positions. 'They are members of various nationalist and populist movements, some parties, registered associations, informal initiatives and clubs of people, as well as non-aligned individuals, including persons and groups who emerged out of the previously active anti-immigration movement,' says the report. It includes, under the heading of pro-Russian activists, some media that seek to present themselves as independent or alternative; people who seek to split Ukraine; and the Cossack groups.

BIS explains their motives by ideological kinship, admiration for President Vladimir Putin's regime or adoration of Russia in general. 'However, for some people there are indicia of their direct links with Russian state power, or of being handled by the intelligence services of the Russian Federation,' the intelligence officers claim about the pro-Russian activists. (i)

BIS sees their harmful effects as follows: by employing misleading, manipulative or mendacious statements, they influence public opinion, and create and maintain fears and tensions in society. This contributes to polarisation and radicalisation in society and undermines popular trust in the principles of a free, democratic state.

China

According to BIS, all major intelligence services of the Chinese Communist totalitarian regime were active in Czechia: the military intelligence, MID, the International Department of the Central Committee of the Communist Party of China (CPC/ID), the Ministry of State Security (MSS) and the Ministry of Public Security (MPS). In terms of complexity, the Chinese activities were comparable to those undertaken by Russia, BIS said; the main problem was the increase in the number of Chinese intelligence officers who sought out and contacted collaborators and agents among Czech citizens.

In the context of Chinese activities aimed at Czech academics, law enforcement officers and public servants, BIS recorded a growing number of invitations coming from China to Czech citizens to participate in training, seminars and excursions. 'The Chinese offer to pay all the expenses of the invitees and also give them spending money,' BIS claims.

BIS disclosed that computers at the Ministry of Foreign Affairs faced an attack using multiple kinds of malware that 'can very probably be linked with the activities of a Chinese cyberespionage group'. (i) According to BIS, traces of the concealed activities could be revealed several years hence – during that period the attackers obtained some documents concerned with the topics they were interested in. Chinese representatives also sought to disrupt political and economic relations between Czechia and Taiwan. 'They spent the maximum effort to obtain information about mutual cooperation so that they subsequently could respond quickly with the aim of weakening Czech contacts with Taiwan,' said the counter-intelligence service.

Russia and disinformation concerning Novichok

There has been enough written in the serious media about the attempt to murder agent Sergei Skripal and his daughter, but we should not overlook this case here because of its connection with the disinformation campaigns waged by Russia and its helper at Prague Castle.

According to verified sources, the facts are clear:

1. Russian agents attempted to commit a double murder, and do so in a foreign country.
2. The murderous substance was Novichok.
3. Novichok was manufactured in Russia.

On the basis of this information, EU countries expelled a number of Russian agents. They did not want something similar happening in their states, and furthermore there was solidarity on the part of democratic countries with the United Kingdom, the country where the attack took place. Surprisingly, Andrej Babiš's government joined this act of solidarity. This could have been an opportunity for us to get rid of more subversive Russian agents than we did – but, oh well, something is better than nothing. But now we come to the instrument typically wielded by the representatives of the Russian government – lies and disinformation. And who else but the pro-Russian prostitute Zeman to come to Russia's aid?

At this critical juncture, Zeman let it be known that Novichok had been made and tested in our country in the past. This was the first time any expert had heard this 'information' and there is no evidence whatsoever to support this claim. The substance that was tested was different from that used by the Russian agents, and was not even made in Czechoslovakia. Thus it can be said quite clearly that Zeman made this story up. And whom did he serve in doing so? Only Russia, which attempted the murder. Russian media immediately grasped onto Zeman's false statement, and in twisting the facts as presented above, Zeman's words did them good service.

The oldest university and the oldest profession

We must complete the BIS report with an example of pro-China propaganda. China has bagged an exceptional prey, by paying the oldest university in Central Europe to do its bidding.

Sinology is the term for Chinese studies, a branch of learning seeking to understand China, its culture, language and politics. Charles University, specifically its Faculty of Arts, develops this study at the Department of Sinology, which is of exceptional academic standing. Also at the Faculty of Arts is the Institute of East Asian Studies, which co-created the website Sinopsis.cz. This provides regular and independent information about what happens in China and puts this in a historical context. Yet when some institution reports about China independently and objectively, in the light of Western values, such as respect for human rights, this cannot be compatible with pro-Chinese propaganda.

For this reason, people from the Chinese embassy in Prague sought out the bizarre figure of Miloš Balabán. Some years ago, BIS noted that Balabán was linked with pro-China, or pro-Communist, propaganda, and pointed out his participation at a security conference in its annual report at the time. (i) Balabán established a company to which the Chinese embassy gave money. He did not keep this money but forwarded it to the Czech-Chinese Centre, which the Charles University rector, Tomáš Zima, had recently founded. Let's summarise how payment for pro-Beijing propaganda works in practice.

1. Charles University has a renowned institute that objectively studies and reports on events in China, including atrocities perpetrated by Chinese Communists.
2. The rector of Charles University establishes a separate institute that has China in its remit.
3. This institute receives money from Balabán for its events; the institute then reports Chinese events in a completely different light.

Despite the pro-Chinese activities undertaken by the Czech-Chinese Centre, the Sinopsis project remained operational, and unlike pro-Chinese propaganda, was often cited. Sinopsis published a substantial report about Home Credit in China and its malignant potential for the financial situation of Chinese citizens. (i) And so Home Credit decided to turn the entire university into its prostitute. A cooperation agreement was signed between the university and Home Credit. Home Credit would pay some money to the university and the university would describe Home Credit as its main partner. In addition, the agreement stipulates that the university must not damage the good name of its partner. In practice this means that for a few pieces of silver Petr Kellner sought to arrange that negative reports would no longer appear on Sinopsis about his loan company Home Credit and its activities in China. (i) Although the university leaders denied such a conclusion, this was an unprecedented and blatant infringement of academic freedoms.

In late 2019, the readers of the Aktualne.cz news website could learn about how the prostitution machine benefiting the Chinese regime operates. The internet daily showed how Kellner's Home Credit hired the PR agency C&B Reputation Management (i) to promote pro-regime views and monitor and eliminate the views of opponents. On the basis of the contract, the agency created a dense network of distinctive personalities, including politicians, economists and other experts, who were supported in disseminating opinions and information about Communist China.

Thus the C&B Reputation Management agency aided Patrik Nacher, an MP elected on behalf of the party of government, ANO, to create and sustain his image on social networks. (i) The politician then eagerly participated in discussions about the security risks posed by Huawei Chinese technologies. (i) (Interestingly it was thanks to people such as Nacher and his proposed amendments and statements that the bill to introduce the territoriality of enforcement officers was obstructed, this being a matter of immediate interest to Home Credit. (i)) But to get back to the topic of China, C&B Reputation Management was also involved in the matter of the media consequences of the termination of a partnership between Prague and Beijing, and a number of other politically sensitive topics. In this context, the statement by Kellner's PPF group that they had nothing to do with politics is risible. The facts cited show quite clearly that, with Kellner's aid, a superpower developed a professional network in Czechia. This is indicative of the deep crisis Czech democracy finds itself in.

3.3. PROSTITUTES

Any public official, be they the president, a member of parliament or a mayor somewhere out in the boondocks, is bound by certain rules. Their mandate is not an exercise of unlimited power. Anyone who is paid from public funds is bound by written regulations concerning their activities. First of all, there are general principles concerned with what they should be striving to achieve in their job – to develop their municipality or to make the state mechanism more efficient, for instance. In Chapter 2, concerned with Czech history, I outlined some of the corruption mechanisms that distort the missions of public officials. However, since then we have shifted to times when public officials no longer only betray the clear rules for discharging their offices. We live at a time when politicians no longer obtain material assets – they do not receive chocolate, cash, anonymous shares or other consumable or tradable assets. We are living in times of oligarchs, who need public officers to play from the scores of non-democratic powers, and these oligarchs receive their profits in the form of concessions in these non-democratic countries, or other benefits in developing their businesses in these countries. The politicians kept by oligarchs have but a single task: to break the existing democratic system by disinformation, questioning the authorities and supporting the interests of the non-democratic superpowers and the oligarchs themselves.

High treason is a crime recognised by the Czech criminal code; under constitutional regulations, a president may be tried for such a crime. Personally, I do not think any venal politician could be successfully tried for high treason, or that President Miloš Zeman could be removed from office for evident high treason. The problem with Zeman is not that, by overstepping his power, he made classified information public, or that he let foreign armies in to pillage our country. To follow on from how the risks were earlier described by our counterintelligence service, the aggression of the superpowers is not of the ordinary kind (troops, tanks or bombardments). The attack by foreign states is hybrid in nature, and consists in undermining democracy and European communality – a shift in the perception of human rights and civic freedoms. No, I really don't think treacherous politicians would be so careless with what they say and do that the arm of the law could grasp them.

Many of us proclaim that we like to help. We have countless examples of this. But the problem is in how such aid limits us, personally. In other words, how much of our free time will it take and how much of our resources are we willing to sacrifice? With many of us, I fear that the amount of aid we are willing to give comes to an embarrassingly small fraction of our surplus. And I fear the same is true of our willingness to change. What are we willing to sacrifice in an effort to change politics? We expect senators to put something together, constitutional justices to nod and Zeman to be driven out of the Castle down the Old Castle Steps. We expect this change to take place without our contribution. But that's certainly not going to happen.

We will not be able to turn politics around without the involvement of every one of us. We need to change our ways of thinking, we need to involve our entire civil society to change the system that generated Zeman and Babiš. If we give Babiš and Zeman a thrashing in elections, they will be replaced by others. They will be replaced by a Soukup, an Okamura, or some Joe Bloggs, if oligarchic dailies give him publicity. Fundamental for change is to describe clearly what bad politicians do. Then every citizen may include these facts in their deliberations about candidates, and, outside election time, into their considerations about how they themselves will make a contribution towards changing the system that generates public officials.

Please follow the flow of my ideas for a while, first using the president of the Czech Republic as my example. See for yourself whether the term I used in the heading of this section fits his activities or not.

When Miloš Zeman assumed the presidential office in early 2013, he promised to us, in the wording laid down in the Constitution of the Czech Republic:

'I pledge loyalty to the Czech Republic. I pledge to uphold its Constitution and laws. I pledge on my honour to carry out my duties in the interest of all the people, to the best of my knowledge and conscience.' (i)

I consider it necessary to note here what the Preamble of our Constitution contains. I remark that the extent to which this Preamble is binding is the subject of discussion by much better lawyers than I am. However, the text clearly summarises the values upon which our state is built, and hence the values the president should observe first.

'We, the citizens of the Czech Republic in Bohemia, in Moravia and in Silesia, at the time of the restoration of an independent Czech state, faithful to all good traditions of the long-existing statehood of the lands of the Czech Crown, as well as of Czechoslovak statehood, resolved to build, safeguard and develop the Czech Republic in the spirit of the sanctity of human dignity and liberty, as the homeland of free citizens enjoying equal rights, conscious of their duties towards others and their responsibility towards the community, as a free and democratic state founded on respect for human rights and on the principles of civic society, as a part of the family of democracies in Europe and around the world, resolved to guard and develop together the natural and cultural, material and spiritual wealth handed down to us, resolved to abide by all proven principles of a state governed by the rule of law, through our freely-elected representatives, do adopt this Constitution of the Czech Republic.' (i)

Now we need to answer the following question: Does Miloš Zeman respect the principles upon which the exercise of the highest constitutional authority in the land should rest, and does he fulfil the real obligations that the Constitution sets for him?

Proven principles of a state governed by the rule of law

A state governed by the rule of law rests first of all on adherence to laws and standards. Standing on top of the pyramid of legal statutes are the constitutional standards.

- The president was expected to appoint two top-grade experts in their field as professors. Because he disagreed with their views, he broke the law and did not appoint the readers (docents in Czech) professors. A court therefore ordered the president to appoint them. And what did the president do? He failed to appoint them again.
- The president is expected to remove a minister if the prime minister asks him so. Prime Minister Bohuslav Sobotka proposed Andrej Babiš be removed from his ministerial office on suspicion of having committed large-scale economic crime. Zeman refused to do so.
(i)
- More recently, Babiš, then prime minister, proposed that the president replace the minister for culture. Zeman did not do what according to the constitution he should do.
- According to testimony by former Supreme Administrative Court President Josef Baxa, Zeman attempted to intervene in a case heard by Baxa's court. As a reward for doing Zeman's bidding, Baxa was allegedly offered the presidency of the Constitutional Court of the Czech Republic. According to the testimony of a justice at the Constitutional Court, other inappropriate interference with the judiciary was conducted by Zeman's chancellor, Vratislav Mynář.

Respect for human rights

Zeman doggedly pushed for Stanislav Křeček to become the ombudsman, i.e. the public defender of rights. In the past, Křeček was found guilty of wrongly claiming to have an academic title, was known for his inappropriate remarks about ethnic minorities and for promoting demagogic and populist bills. Once Zeman succeeded in having Křeček appointed ombudsman, he did not disappoint. He has been doing precisely those things people were warning about. Křeček has said that his office would not deal with human rights in their full breadth; that there was no need to protect minorities, and members of a minority would be protected in the same way as members of the majority; and has called into question the size of the anti-discrimination department of his institution. The conception of the ombudsman's office is that the ombudsman should redress wrongs, in particular concerning human rights and civil liberties. Křeček's predecessors – Otakar Motejl, Pavel Varvařovský and Anna Šabatová – built up an institution that protects these values. Though the process has been protracted at times, it has also been very convincing. When Zeman nominated to this office an amoral monster such as Stanislav Křeček, he must have been aware that he would destroy this office as we know and respect it. Protection of minorities is one of the foundations of Western European culture. If we do not consistently protect minorities, we'll creep back to where Europe has already been once in the 20th century. If the majority in society fails to watch out for even the smallest signs of xenophobia, and does not consistently and harshly punish such acts, and if the elite does not get rid of even the smallest hints of intolerance, a train will be set in motion the final stop of which is Auschwitz-Birkenau.

Independent media constitute another essential pillar of democratic and civil society. As president, Zeman has pushed to a new level his statements questioning the credibility of the media that dare to dredge up his past. Speaking with the Russian president, Vladimir Putin, Zeman made his position on journalists entirely clear: 'There are too many journalists, they should be liquidated.' (i) It must be noted that Zeman said this while next to a representative of a country where Zeman's dream is continuously made reality and where journalists are being murdered in broad daylight.

These were a few examples of the many where the Czech president has not done what he should, or has contravened constitutional obligations. Let us now look at matters where the president has respected no limits at all.

Disinformation

- The president said that the Novichok nerve agent with which double agent Sergei Skripal was poisoned was developed in Czechia. It was not, this was intentional disinformation.
- Independent media reported a plot to poison three Czech politicians with ricin. Zeman claimed that ricin was a harmless laxative. That is not true. Zeman's words were misleading codswallop, intended to distract attention from a potential crime by a superpower in Czechia.
- According to Zeman, Ferdinand Peroutka, a prominent Czech journalist, wrote an article for *Přítomnost* entitled 'Hitler is a gentleman' at the time when the Nazis came to power. This is untrue. The context of Zeman's other words indicates that he sought to disparage the democratic society of the First Czechoslovak Republic.

- During one of Zeman's many visits to non-democratic China, whose regime has concentration camps for ethnic minorities, takes political prisoners and suppresses freedom of religion, Zeman said: 'We do not teach you [the Chinese] human rights. On the contrary, we want to learn from you how [...] to stabilise society [...]' When I heard Zeman saying this, I could not but recall a very similar, threatening speech by Zeman's predecessor, the Communist president Klement Gottwald, to the democratic parties in the Chamber of Deputies: 'And we go to Moscow to learn, you know what? We go to Moscow to learn from the Russian Bolsheviks how to wring your necks. And you know the Russian Bolsheviks are masters of that!' (i)

Here I could cite many of Zeman's statements that, in the worldwide disinformation and trolling war with the help of Russian and Chinese media, contribute to information chaos on the one hand, and gnaw at the fragile Czech democratic tradition to benefit the interests of a few oligarchs on the other. When we add to this Zeman's systematic favouring of Prime Minister Babiš, who is best known abroad for his boundless conflict of interests and his economic sponging, the picture of our country is one of a crumbling democracy. We are seen as a problematic country in Eastern Europe, which in collaboration with Hungary and Poland in particular constitutes a political movement that goes against traditional European values, solidarity and integration. Due to this image, Zeman does not even talk to statesmen outside the Central European club. The less time he spends with leaders of Western European countries, the more he has to visit his cronies in Moscow and Beijing.

Having explained my train of thinking, I can explain why I call the president of my country a prostitute. I believe this description is appropriate for someone who does not respect the Constitution on which he made an oath; who does not respect the traditions of his country; and, in evident coordination with oligarchs' interests, sucks up to other, non-democratic states.

There is no reason to give here a full list of politicians who have prostituted themselves to the benefit of Chinese or Russian propaganda. Using Interior Minister Jan Hamáček as my example, I want to illustrate another characteristic trait of this category of politician – that is, the filtering of information in a biased effort to worship one of the superpowers. The facts are as follows:

- From early 2020, Chinese representatives were buying up PPE in the Czech Republic; according to our government, including the interior minister, we had plenty of this equipment;
- On 1 March 2020 a plane with hundreds of thousands of PPE items flew to China, a country that argued that it had the Covid-19 pandemic under control;
- A few days later, Hamáček welcomed a plane carrying Chinese PPE, which we had to buy from China without a tender process;
- PPE bought by our government from and supplied by China was in part uncertified rubbish;
- PPE supplied from China bore propaganda inscriptions about eternal friendship with the non-democratic state;
- Hamáček chose to praise China for its aid, even though we also received aid from many other countries;

- Hamáček deliberately kept secret the fact that China had been buying up PPE here, although as interior minister he must have known about it and he did not prevent it;
- Hamáček intentionally did not indicate that China was the source of the world-wide pandemic and, with its disinformation campaign in connection with the Chinese virus, contributed to its spread.

Given these facts, I consider Jan Hamáček in his red jumper (for the benefit of the photographers in Red China) another national prostitute.

Hamáček's equivocations about Vrbětice

I believe the most blatant example of Hamáček's prostitution career benefitting a foreign power, in this case Russia, was in April 2021. At that time, he managed to get Tomáš Petříček, a pro-Western politician, removed as foreign affairs minister. Hamáček then received information from the intelligence services that Russian GPU agents had committed an act of terrorism in Czechia. To remind the reader, this was an explosion at a military materiel depot in Vrbětice – in which people had died. Hamáček decided to fly to Moscow, and it has been alleged that he intended to offer to hush up the Vrbětice affair in exchange for Sputnik V vaccine and for holding a Putin-Biden summit in Prague. Leaving aside the dream of the summit, this would be an exchange of a pro-Russian act for another pro-Russian act. Hamáček afterwards said that any such plan was just a cover-up, but perhaps only a writer for pro-Russian disinformation websites, who is paid in roubles, would believe this. For me, on the contrary, this was the most insidious act, smelling of high treason, since 1968.

3.4. DRÁPALS AND PARASITES

If we were to draw, like in school geometry classes, the previously defined triangle, consisting of superpowers, oligarchs and prostitutes, we'd have to add arrows pointing to other roles in the diagram. The vertex of the notional triangle termed 'prostitutes' would have auxiliary roles connected with that of the prostitute. There are essentially two such auxiliary roles: the parasite and Drápál. Under particular circumstances, these two roles, or positions, might become merged, or even identical.

Drápals, or spin doctors

My favourite fairy tale adapted for television is *S čerty nejsou žerty* [Give the Devil His Due, 1984, directed by Hynek Bočan]. (i) The depiction of one of the devils, Drápál, continues to earn my admiration. For those who don't know the story, this is the devil that variously complements or repeats the statements made by Lucifer. The director gave this unique role to the actor Vladimír Hrubý. Any prostitute needs to be surrounded by a bunch of such Drápals. These develop his arguments at opportune moments, or draw attention away from a problem. Their propositions, speeches or roles would not make any sense without their boss playing the main role, but they themselves would be difficult to replace in their roles. One such Drápál is Jiří Ovčáček. Had he satisfied himself with the role of press secretary to the prostitute at the Castle, it would be difficult to reproach him, except for his choice of employer. Acting predictably, he would respond to the usual questions, convey the president's positions, moderate press conferences and so on. But Ovčáček has taken on a truly irreplaceable role that tests what one can, and cannot, get away with.

If the statements he makes are accepted by the majority, Zeman can take credit for them as his own. If Ovčáček goes over the line (though it is difficult to imagine where that line would be for our head of state), it can be claimed that these were his personal ideas. At an opportune moment, the subsidiary little devil can distract attention from a major issue. So, for example, when Zeman in his dance on the threshold of high treason does another jig, his spin doctor Ovčáček comes up with some extraordinarily shameful statement about a well-known figure. This figure then understandably tries to defend themselves from this attack, a scandal breaks out, and various facts are drowned out in the noise – for instance, that the president of this country does not respect the Constitution, (i) downplays the fact that a Russian intelligence officer was preparing a murder (i) or that Zeman's parasitic chancellor, Vratislav Mynář, goes from one dodgy deal to another. (i) (i) This model, in a somewhat more archaic form, applied at the courts of mediaeval rulers. A contorted goblin, acting the role of court jester, covers the ruler's hesitation by stumbling on the stairs in impossibly large boots, doing a handstand and pulling a face, or waves the paw of a wild beast in the face of a defiant nobleman, rendering the rebel ridiculous.

Parasite

While the Drápals are collaborators of national prostitutes whose efforts are to achieve prominence or detract attention from their masters, those who fall into the category of parasites attach themselves to their hosts for monetary gain. From biology, we know of a number of parasites that attach themselves to their hosts. Even a brief excursus into the plant kingdom is not without a comparison with political parasites.

We distinguish between full parasites (which take sugar from their hosts and hence do not need to perform photosynthesis) and semi-parasites (who only steal water and necessary minerals). In the case of 'our' parasites, the model is somewhat different. The parasites usually derive advantage from public funds, and in doing so they do not cause economic harm to their hosts (office holders). Returning now to semi-parasites, there is one remarkable characteristic. Although a plant semi-parasite performs its own photosynthesis, thanks to the supply of water he may do well even in a place where he could not live otherwise, in the best case, some nice sunny place. When we encounter mistletoe or yellow rattle in nature, we can understand how some publicly active people operate. And it is precisely the place in the sun that is at stake in our model. The parasite's occupation of a place in the sun is tolerated in exchange for the dirty services that he provides to the prostitute. To complete the picture, in the animal kingdom such parasites include such charmers as the louse, bedbug and tapeworm.

The best example of an economic parasite, whose operations are inseparably linked with Miloš Zeman, is Vratislav Mynář. Though lacking security clearance and hence unable to access sensitive information so important for the office he leads, (i) the Castle chancellor has other skills that are highly prized by his host. He does some of the dirty jobs on behalf of the Castle prostitute. When the need arises, he flies to China and talks in whispers with the Chinese comrades. (i) At another time, he meets the envoys of oligarchs to agree things with them. The result is that he is unable to do much of what he should be doing in his job according to law, but the host needs him, because he cannot do everything himself.

If the prostitute himself had arranged the letter in which a Chinese diplomat threatened former Senate President Jaroslav Kubera, (i) he would clearly have committed high treason. But when the parasite is involved, things can be muddied or brushed under the carpet. It is interesting how many major incidents Mynář has got away with over recent years. In the civilised world, participation in any one of these would have caused the parasite to be discharged from office in disgrace. Of the economic sponging and other incidents, we can name the following:

- Lobbying to benefit an unknown firm, Liglass Trading, over the construction of a power plant in Kyrgyzstan; (i)
- Unclear involvement in interference with a public contract at Lány Forests Administration headed by Miloš Balák; (i)
- Illegal pond construction in Osvětimany; (i)
- Subsidy scams for a guest house in the same place; (i)
- A pig-slaughter feast during the Covid-19 pandemic when gatherings were forbidden, again in Osvětimany. (i)

These and other instances of parasitic profiteering are tolerated by the Castle prostitute who took Mynář under his wing. Other obvious parasites include Jaroslav Tvrdík and Martin Nejedlý. In the case of the oligarch Babiš, who prostitutes himself, the parasites include a great many of his incompetent ministers, who would otherwise never win a place in the sun.

Of course, with Alena Schillerová, her unclear involvement in brushing aside the case of tax fraud around Čapí hnízdo, (i) or the donation of her criminal son-in-law, have nothing to do with this. (i) The same kind of symbiosis observed between Zeman and Mynář also occurs between Babiš and Faltýnek.

3.5. SYMBIOSIS

In several preceding sections, I have assigned the roles in the tragedy that has been unveiled in front of our eyes over recent years. It will also be clear to readers by now that the symbiosis between oligarchs, superpowers and prostitutes is a win-win-win scenario. All involved derive benefit from the system. The same is true of the parasites who have attached themselves to the prostitutes. Who, then, loses out in this tripartite pact? We all do. All of us who do not profit from this pact lose. It is the democratic system, and indeed our very country as it currently stands, that are the losers – at least, the state of the country as I'd like to hand it down to my own children.

Please let me cite two examples of how the oligarch-superpower axe has already been sunk into the constitutional roots of our country. In the first example, we can observe the high-treacherous intergrowth between prostitutes, parasites and China. It is no longer possible to distinguish which interests are whose; we can only observe the total fusion of the interests of the two parties who are involved in the national prostitution. These treacherous processes are beginning to metastasise, and attack those cells not yet affected by the cancer. In this case, the healthy organ, whose tissue has not been previously affected, is the Senate of the Parliament of the Czech Republic. (i) It is nonetheless clear that the savage cancerous cells can stop at nothing – the judiciary, other independent bodies, free elections and democracy itself, they all are the targets. Indeed, all of these pillars of democracy have been targeted by one attack or another already. I remind readers of some of the unanswered questions of recent years:

- Who actually funded Miloš Zeman's election campaign? (i).
- Who attempted to bend the rules for the selection of the most senior public prosecutors? Was it not Marie Benešová, the faithful helper of the Castle prostitute? (i).
- Hasn't the judiciary already had to order a recount or even repeat elections several times? (i).
- Didn't the Castle prostitute and parasite Mynář repeatedly attempt to undermine the independence of the highest courts in the land? (i).

Using my second example, I want to demonstrate how the system of state power has been damaged already, and how the organism will not be able to defend itself at the first large-scale attack mounted by a foreign enemy superpower against our democracy. As the testing of our democracy becomes more intense, the pillars for the defence of the system envisaged by the Constitution are disappearing. This example is to show how the test of the system's ability to defend itself has worked out, and warn about the possibility that the next time things might end up much worse.

A fusion of interests

I argue that Andrej Babiš is not just in a conflict of interests, but that his private and public interests have de facto merged. A very similar situation can be seen in the relationship between parasitical Castle Chancellor Vratislav Mynář and Chinese national interests. Chancellor Mynář and those around him have an immediate personal interest in how Czech foreign policy towards the Asian superpower develops.

When in autumn 2019 Senate President Jaroslav Kubera announced that he was planning a trip to Taiwan, this must have caused a veritable earthquake within the Castle cabal. (i) Despite vehement warnings by President Zeman that such a visit would have grave consequences, Kubera disregarded him and did not cancel his ticket.

Personally I had an odd relationship with Jaroslav Kubera – we did not have a particularly good rapport in our cursory meetings and his ostentatious puffing of smoke from a cigarette lit in non-smoking premises did not bring us closer. And to be honest, so many of our opinions were not in harmony. He last contacted me in summer 2019, to thank NFPK for publishing my earlier book, *Čas oligarchů* [The Time of Oligarchs]. In this recognition from Kubera I saw a certain shift away from the old-style ODS principle of not communicating with the non-government sector to showing support for civil society.

The next episode in the series 'Dissuading Kubera from going to Taiwan' took place at a New Year's lunch hosted by President Zeman. (i) It seems it was there that Kubera received a letter bearing the stamp of the Chinese embassy, totally ignoring diplomatic style and the conventions of communication between states. The Chinese unequivocally threatened Kubera: if he went to Taiwan, there would be grave consequences for him. Diplomatic correspondence is always conducted between states and must never attack individual national representatives.

When such a personal attack is accompanied by an unprecedented threat, this should terminate the diplomatic career of the ambassador who wrote the threatening letter. In resolving the ensuing diplomatic rift, the diplomat responsible should receive a reprimand from the foreign affairs minister like a five-year-old brat who had thrown a stone through his neighbour's window. The Chinese ambassador should have packed his bags, taken the picture of the Communist monsters off his wall and gone home on the next plane.

I knew Jaroslav Kubera as a very frank man who was not easily intimidated. If, after receiving the threatening letter from the Chinese embassy, he slept badly and suffered poor digestion, as reported by his wife and daughter, there must have been something else involved apart from the letter. Personally, I believe that in addition to the foul-mouthed missive from the Chinese, there must have been another impulse emanating either from the Castle prostitute himself or from one of his henchmen. As we all know, Jaroslav Kubera, the number two man according to the Czech Constitution, died several days after he was given the poison-pen letter. It was found among his papers. Yet a veritable bomb exploded a few weeks later, when *Deník N* published a more detailed report claiming it was the Castle that suggested the Chinese embassy write the letter in the first place. (i) The independent daily relied on several independent sources. I know from hearsay that the truthfulness of this information was confirmed in the Senate by BIS director Michal Koudelka. (i) I see no reason to believe Vratislav Mynář's prevarications and denials of commissioning the letter, in the light of his general implausibility, criminal links and published falsehoods.

If we accept as fact that, acting entirely outside the boundaries of diplomacy, the Chinese ambassador made threats to the second highest authority in the land according to the Constitution, and that this vile letter was commissioned by an official in the Castle administration, this is a case unparalleled in modern European history. The entire sequence of events must be thoroughly investigated and clearly laid out. I cannot imagine that the events preceding the death of Senate President Kubera could be described in other terms than a treasonous plot between our state's highest representatives and the Chinese diplomatic service, a plot against democracy in our country.

Pro-Russian chaos

I would like to return once more to the BIS annual report, which characterises the objective of Russian sabotage activities as an attack on the Czech democratic system by creating chaos. But first let me make a brief trip to my subconscious mind. It is strange how the brain works sometimes. It is in our country cottage that I regularly remember the creation of chaos, the fudging of responsibility for various decisions, the opaque definitions of competence and other features of controlled chaos. This happens to me during spring cleaning. When the sun shines outside with a bit more intensity, and I feel that the idyll outdoors does not correspond to the fustiness indoors, I conclude that something ought to be done. When I then take all the duvets, mattresses, rugs and bed slats outside, the curtains go into the washing machine and we attack the floors with bleach, the actual situation of the bedroom becomes apparent.

Under the bed, the plaster that fell off the wall in autumn has combined with damp and mould. We don't have to wait long for the insects to appear. The spiders then evaluate the insect presence as an ideal opportunity to spread their nets to capture potential food. The visible effect is fairly disgusting for the sighted members of the household; for me the stench is enough. And this while no one among us is able to count the billions of mites and other vermin. I just hope that ten hours in direct sunlight will make short shrift of them, and that the washing machine will remove their allergenic droppings. When in the evening I sit on the warm mattress and inhale the smell of cleanliness, it occurs to me that it will be enough for the kids to run around a few times in their shoes, a few slight spillages from their potties and a few other dirt-causing elements and we'll be back where we started. And obsessively yet automatically, reminiscences of having worked at a Ministry of the Interior service organisation start to creep into my mind.

The reminiscences are concerned with wasted work in cleaning up an existing messy situation. When a director came into office who wished to put things in order, with an immense effort we established a system – for example, for collecting debts (for instance, set the dates for when the folder would be passed from the car pool department to accounts, which monitors the spending, when this would pass it to my legal department, and so on) and I achieved a sense of calm – a system was in place and now the only thing was to stick to it. But after a period of fixing the system, a minister would always appoint some moron. The moron would then install his chums who wanted to embezzle. After a short period of weeks, chaos prevailed and provided a breeding ground of opportunities for the directorial parasites to steal. When many colleagues saw how easy it was to pilfer, why wouldn't they line their pockets too?

Within three months or so, the system as it was set up was ignored. Then a few organisational changes were made, creating more senior offices for the half-witted filchers, and the system as set up was totally out of sync with the actual organisational structure. All that hard work to set up the rules, fine tune the systems for collaboration and further aspects of collecting receivables were sent packing – debts were collected late, became time-barred somewhere along the way, thus creating a new need to cover things up, and, in turn, to make personnel changes. The unlimited chaos was back. And for this corrupt muckheap to become established the appointment of only one moron was required.

During last year's spring cleaning, I was thinking not only about the former practices at the Interior Ministry, but also about our contemporary situation in public administration. How nicely Andrej Babiš's interests complemented Russian interests in their aim to destroy a functional system. And finally I also found a solution to an equation that had long escaped me. Why was it that Zeman discriminated so much in Babiš's favour? The crafty Zeman, among other advantages stemming from Babiš, must have seen what total chaos had been created in public administration.

As my memories of my time at the Interior Ministry show, a particular personnel policy is all that is needed to create chaos. Andrej Babiš has been a grandmaster in bringing into office useless people who have no clue how the state functions. And after several years of his rampaging, some areas of public administration are dysfunctional. When departments were first taken over in 2014, Babiš still had a tendency to choose experts to lead many of them. Thanks to this, several important reforms to the system were implemented.

However, as people with alternative ways of thinking, ideas and visions left, they were replaced by dunces loyal to Babiš. The first thing Babiš did without was reform. Reform is only written about in election manifestos and blathered about at press conferences. However, experts in the civil service learned that there would be no more reform, not even a minimalist one. There was a mass exodus to the private sector. The know-how is gone and the newly hired officials, whatever efforts they might make, have no one to learn expertise from.

It these were standard times, things could be covered up using marketing budgets and new plans never intended to be implemented. But then came the Chinese virus. The government did not present anything except bans, orders and threats of punishment. A tenth or a fifth of pupils – those who needed it most – fell out of the education system. Volunteers were sewing masks for the healthcare sector. Having wasted months by not preparing, government officials came up with the idea that we should count how many ventilators are available and so on, while billions were spent in recent years to prepare for a situation similar to what had occurred. And we could continue. Every half-day, we were presented with opposite aims of the government's efforts, such as 'we'll achieve herd immunity' or 'let's isolate until a vaccine becomes available'. Hare-brained ideas – including wearing masks in swimming pools and covering your mouth in a forest when no-one is around – were just the tip of the iceberg of the marketing-informed, unthinking management style. This was complemented with countless lies, disinformation and intimidation, with Babiš exhorting his minister: 'Don't be polite! Tell us who it was!' If Zeman and Russia were curious about how our state would deal with a substantially bigger challenge than a viral pandemic, our enemies may rub their hands together.

The woodworm of purges has infested our state and, unless something fundamental is changed, I cannot imagine it being able to defend the democratic system efficiently, or withstand a worse healthcare challenge without massive losses.



THE CHARACTERISTICS OF THE STRUCTURES OF POWER





Petr Kellner



4.1. PETR KELLNER

Before his death at the age of 56, Petr Kellner was the richest and the most powerful man in the Czech Republic, having built up the biggest investment group in Central Europe. (i) His PPF group straddles a wide variety of sectors and owns a number of companies that Czechs often encounter in their daily lives, whether that involves telecommunications, loans or property development. The portfolio of its activities includes banking, and this synergistically aids the other companies in the group. Beyond the Czech Republic, Kellner's businesses are active in neighbouring countries; his empire has also expanded into the largest and most demanding markets, China and Russia.

4.1.1. A brief biography of Petr Kellner

Petr Kellner was born in Česká Lípa. Having graduated from a secondary school in Liberec and the Prague University of Economics and Business, still under the Communist regime he started to work at the state-owned enterprise, Strojimport. He was later employed as production manager at the Barrandov Film Studio. (i) After years spent in fairly ordinary roles came the Velvet Revolution and unprecedented possibilities opened up for the young economist. Although described as introvert (especially when he eschewed the media), Kellner's ability to seize an opportunity during the voucher privatisation showed he was on the ball assertively rather than brooding, Oblomov-like, in a corner.

After brief episodes in various companies, Kellner, with his partners Milan Maděryč and Milan Vinkler, established the PPF investment company. (i) Here we cannot ignore one of the dark sides of Kellner's story – he never boasted about his dealings with Milan Vinkler. At the beginning of the privatisation, (i) this companion of Kellner spent more than two years in custody, having been charged with economic crimes. Vinkler said in several interviews that he owed his prosecution to his 'friend' Kellner. Today these statements can no longer be verified, and given that Vinkler was later sentenced for other serious offences, his credibility as a witness, to use the language of lawyers, was practically nil.

Already at the time when the regime turned from Communism to democracy, the Kellner-Maděryč-Vinkler trio was involved in trading and sought to make money out of importing goods. Each knew something about this business, and what their worth would likely to be. Kellner, through his experience of foreign trade enterprise, had studied purchasing, negotiation, value creation, the sourcing of overseas goods and the possibilities of importing them into Czechoslovakia, even with the significant customs restrictions.

In 1990, Vinkler worked in information technology. He owned small assembly shops where early computers were made from Asian components for companies in the Teplice region. His clients included some government departments, showing his ability to negotiate with public officials.

Vinkler allegedly only met Kellner in Prague, where, before becoming the richest Czech, the wretched man added to his portfolio of executive and non-executive positions and other jobs the role of purchasing and sales agent for the Impromat company, leading to the connection with the third in the alliance, Milan Maděryč, who owned Impromat and was its managing director. The firm imported printers and other office equipment into Czechoslovakia, mostly from Japan and other parts of Asia. If a Czech company at that time had a Ricoh printer or fax machine, it almost certainly came from Maděryč, and Kellner may have been involved too.

According to the scenario commonly presented today, cooperation among the trio was to cross-promote their services: Kellner offered Maděryč's products alongside Vinkler's accessories, and vice-versa.

But that these were no ordinary sales reps can be gleaned from another ambiguous piece of information from the early days of Petr Kellner's career. From the rare stories and interviews that PPF made available we can learn only that the triumvirate of computer and photocopier salesmen 'gained access to information' about the proposed bill on privatisation. Milan Vinkler boasted to Lidové noviny that they knew about the proposed bill in advance – as did other influential players – but provided no further explanation. Allegedly, their information came from the Ministry of Finance itself, but Vinkler never confirmed the source. In effect, this makes it sound as if it were common practice for a bunch of traders in computers and printers to receive advance information about a draft bill, and directly from the ministry.

As their business progressed in the first months of Czech capitalism, the sales reps Kellner and Vinkler proved more 'greedy' than Milan Maděryč. The latter was allegedly content to play the role of small-scale entrepreneur and did not want to enter the world of thrusting businessmen. In a later telling by Kellner, Maděryč did enter the great game. And he was not absent from the large corporations of later years. Therefore, it seems he acquired his taste for big business gradually.

Kellner and Vinkler launched their own project together, establishing the Wika company in 1991. It was clearly planned that this firm would become an investment fund. Wika was a necessary intermediary step on the way to founding PPF. The company was able to meet the not-exactly-stringent regulatory conditions at the time – and certainly the directors knew well the environment in which they were making their application – and won an investment fund management licence. Today this is an extraordinarily complex process, to be assessed by the national regulator and potentially be subject to comment from abroad. It now takes months or even years. In the early 1990s, it was a matter of days or weeks – on the assumption that the people seeking the operating licence knew what they were doing and that they were not getting in the way of the powerful groups; it was best to be allied with them in one way or another.

Once it had the licence, Wika launched Správa prvního privatizačního fondu [the Management of the First Privatisation Fund]. This fund is what we can call Petr Kellner's first true financial group, although at the time he wasn't in it alone. Správa prvního privatizačního fondu was soon renamed První privatizační fond [First Privatisation Fund, or PPF]; the business in which it intended to operate was clear from the very name.

The three partners faced the following question: Where to get the money for advertising and other ways of attracting people's interest in the voucher privatisation? They asked the managers of the state-owned enterprise, Sklo Union Teplice, Štěpán Popovič and Jaroslav Přerost, for 40 million Kč to cover the necessary expenses incurred in launching their business. (i) The project of the privatisation investment fund was a success, Kellner and his partners scored and since then PPF has been on the up and up (see below).

The finances of the holding company, in which Petr Kellner owned more than 99% of the equity, have also been on an upward trajectory. From what was a local company, whose biggest subsidiary was the leading Czech insurer Česká pojišťovna, PPF became a global player. The standard procedure for a PPF operation is as follows: it buys a company in difficulty, resolves these using its own or someone else's capital and sells the recovering company at a fat profit. A major exception to this is Home Credit, which was built up by PPF in Russia and China practically from nothing – the price paid was the prostitution of our statesmen – and developed into one of the most important non-banking consumer lender in these two countries.

Petr Kellner has ranked in the Forbes list of the top 100 richest people. In one of the last rankings before he died, he was placed around 90th with an assumed worth of about 300 billion Kč. He owned several residences, including in Central Bohemia and Barbados. (i)

According to a story told by a lady who has long been moving in the highest socio-economic circles, there is a club comprising several dozen businessmen from the Old World. But they shunned Kellner, ‘the East European’. For this reason – without wishing to undervalue the entrepreneur’s fatherly love – Kellner needed to show his wealth in prestigious contests with other world plutocrats. This was why some time ago he bought the ten-year-old mare, Catch Me If You Can, (i) for his daughter Anna, a show jumper. Kellner outbid one of the richest men in the world, Bill Gates, to get the horse. However, it failed to bring much happiness to Anna, one of Kellner’s four children, who fell off her mount, broke her leg and was out of competition for a season. In her personal life, Anna has placed her bets on a much better horse – according to available information she lives with her father’s erstwhile oligarchic colleague, Daniel Křetínský. (i).

Petr Kellner died after the Czech version of this book was published, on 27 March 2021, near a glacier in Alaska while heliskiing – a strange sport where skiers or snowboarders are lifted by a helicopter into open terrain. Unfortunately, the helicopter carrying Kellner and his companions crashed into a mountain and tumbled down several hundred meters; only one person survived. President Zeman subsequently gave Kellner the nation’s highest decoration. (i).

4.1.2. PPF

Before Kellner's death, the PPF investment company was co-owned by him (nearly 99% stake), Ladislav Bartoníček (ca. 0.5%) and Jean-Pascal Duvieusart (ca. 0.5%). The company is currently headquartered in Amsterdam, the Netherlands. As noted in the previous section, the company Správa prvního privatizačního fondu was established in 1991 for the purpose of participating in the first wave of voucher privatisations. Considering that Kellner's competitors in seeking to persuade the Czech population to deposit their points into investment funds included Viktor Kožený's 'Harvard Funds' and the funds run by large state-owned banks, Kellner's result – his fund placed 11th – was an outstanding achievement. The performance in the second wave two years later was even better than that. For the cost of a loan of 40 million Kč to cover his advertising campaign, Kellner suddenly controlled billions' worth of investments by his depositors and, aged 28, became a man to be reckoned with.

Around 1995, the company was being stabilised; PPF at the time owned many minor stakes in privatised companies (according to an estimate, its shares in 200 firms were worth around 5 billion Kč). To enable more interesting investments in large companies, many of the marginal stakes in smaller companies had to be sold – and then lie in wait for the big fish. This, as was shown a few months later, was Česká pojišťovna, co-owned by the state.

Česká pojišťovna

The process by which PPF would control Česká pojišťovna, the major Czech insurer, started in 1996, when PPF bought a 20% stake in it from Interbanka and Česká spořitelna, two of the banks to which stakes were awarded during privatisation in the early 1990s. The Kellnerites gradually bought more shares. An interesting agreement was concluded after large-scale problems in 1996. The state was then represented by Roman Češka, the boss of the National Property Fund, Josef Tošovský and – most importantly – Ivan Kočárník, who became the chair of the board at Česká pojišťovna a few months later, when he stepped down as finance minister. During the Opposition Agreement period, the only remaining equity not owned by PPF belonged to the state, though PPF did, eventually, get that remaining stake. Another important step was taken in 2008, when a holding company was created with the biggest Italian insurer Generali, into which PPF inserted its assets in the insurance business, including Česká pojišťovna. PPF's participation in the mammoth was concluded when it sold its 49% of the shares. Together with dividends, PPF received more than 73 billion Kč for its stake. Thus Kellner was able to release money for other transactions.

Kellner and his mouthpiece

Once foreign investors were pushed out of Nova TV in 1999, (i) the station found itself in a very difficult situation. The biggest worry was the dispute with the original American owners. Vladimír Železný sent the billionaire Ronald Lauder packing, and while the Czech Republic idly looked on, Lauder demanded damages running to billions of crowns. This was precisely Kellner's moment. He smartly bought up the companies that owned Nova, (i) preventing Lauder from launching legal action by buying Lauder's firm for 1.45 billion Kč. The controversial Železný was jettisoned and a process of stabilising the station financially and in terms of personnel began. In 2003, two of the three remaining co-owners, Vladimír Komár and Jan Gerner, left. Jiří Šmejč, the most important of the businessmen who four years earlier had arranged a billion-crown loan for Nova TV and helped Železný get rid of the foreign partners, was the only one to keep a stake in the company.

Kellner – and Šmejč – achieved victory less than two years later. After a fundamental restructuring, Nova TV was sold to Central European Media Enterprises (CME). (i) With this transaction, PPF obtained 3.5 million shares in CME and became its second largest shareholder with an 11% equity stake. Much later, Kellner sold his share in CME.

Having completed the transactions, Jiří Šmejč found himself in PPF's top leadership group; and he was a shareholder – his stake in PPF in 2005 was 5%.

After several years, the wheels of fate turned and the connection between Kellner and Nova TV became topical again. A long-awaited transaction between PPF and CME, whose ultimate owner is the American telecoms giant AT&T, transferred CME assets in five Central European countries including the top Czech TV channel – Nova TV – to PPF. According to information made available, the deal was worth \$2.1 billion – nearly 50 billion Kč.

This was the second time that a media house of European importance had found its way into Kellner's hands. The first time, it was a very interesting transaction of the 'buy and sell at a profit' type. When he had stabilised the company, resolved the legal ambiguities (and more importantly got rid of Vladimír Železný), the Czech businessman made lots of money in this two-year masterstroke of business acumen. However, this time the Nova deal was not a short-term investment, but a strategic trade that reinforced Kellner's very fundamental position in Czechia, and meant that many things would be done differently in the future.

Problems

In late February 2020, a serious complication emerged with the transaction, when U.S. Senator Marco Rubio asked the Trump administration (specifically the Committee on Foreign Investment in the United States, CFIUS, which is responsible for the security of investment) to review the sale of the CME television empire to Kellner. According to this important senator and others, PPF had links with the non-democratic China, took measures that benefited Chinese interests, and hence may have been undermining US national interests in Central Europe. According to PPF there were no such dangers, some of the information was untrue or inaccurate, and PPF supported freedom of expression.

Should the committee find that the applicant's security concerns are justified, it may call upon the president to stop the transaction. According to those in the know, the result cannot be predicted because, since the submission was made, the rules have been changed substantially; also, in the light of Chinese lies about the coronavirus outbreak, political views cannot be anticipated concerning the interpretation of the sensitivity to abuse of such an important medium for Chinese propaganda.

Failure in a struggle for a bank

There is a less well-known story, which played out in the same period on a parallel playing field. It was concerned with the financial sector and involved a deal that would be of the same importance as the insurer transaction. PPF, now on steroids with its insurance portfolio and capital, wanted to take over Česká spořitelna or another major bank, but failed.

There were several problems. Although the regulator and the state were willing to have a go with a group of investors that was something of an unknown quantity in the case of the insurer, they thought that in seeking to get their hands on more lucrative capital and the first 'capitalist' money of both households and companies, PPF might be trying to bite off more than it could chew.

Yet it was not a pointless struggle. Many interested parties were circling around Česká spořitelna, one more worrying than the next. The considerable political pressures exerted by the newly emerging oligarchic groups were also an open secret.

The 1990s was a golden era full of opportunity for the interested parties. But they had to have the skills, the contacts and the ability to juggle multiple balls at once. The politicians and the regulators were unable to fulfil their roles in the emerging economy. There was a need to privatise, to sell the strategic enterprises – but everyone was forgetting the strategies, plans, investment and proper vetting of negotiation partners.

Ornate slogans were in the air, but there was also the stench of approaching catastrophe: the numerous bankruptcies of privatised companies, the abolition of regulated benefits for households and the crash of the financial sector.

The last mentioned was only a matter of time. Many enterprises drew down fictitious loans, many drew loans for purposes that were not achieved, and another pile of capital went in cash, directly or through money mules, to people involved in organised crime.

Several patriotic, progressive or Western-sounding financial institutions operated on the market, promising to support any entrepreneurial idea or investment, be it the purchase of property, a car, modern household appliances or a holiday – anything. The options were much broader than we can imagine today. Financial institutions were not bound by clearly established limits.

The state encouraged the banks to pump as much money as they could into circulation, to speed up the economic transformation. In addition to the banks, there was an even wilder boom of non-bank credit providers. It was easy to establish a credit union; the regulator could not keep up with the pace, or did not want to investigate the risks involved. Savings cooperatives and various voucher or financial funds were also a problem: with their advertisements featuring celebrities and visions of a rentier's golden life, they attracted the common people. Inexperienced and motivated by unrealistic expectations for the appreciation of their money, they were willing to entrust their life savings or other property into the hands of speculators.

In this environment, bankruptcies became common. But a veritable threat was presented by difficulties in Česká spořitelna, IPB and Metropolitní spořitelní družstvo. Some of the collapses were protracted and hidden, and some did not collapse entirely. Those in the know were few, and the problems would surface gradually, over years.

Investiční a poštovní banka's (IPB) problems proved an opportunity for the set around Kellner. The bank's problems were discussed publicly and the state simply had to stop closing its eyes to the risks.

Ultimately the story ended with the bank being put into receivership by the Czech regulator. The dramatic scenes of police raids were accompanied by backstage negotiations with those interested in taking stakes in the bank.

This was an opportunity to acquire an interesting portfolio on the cheap, and especially to save the state from the embarrassment of bailing out the bank. But ultimately it was the public oversight over the bank's future fate, together with information that appeared in the media concerning who was pulling the strings in the process of resolving the crisis, that prevented PPF from taking over the bank in secret, with disproportionately advantageous conditions offered by the state. Under the situation the bank was in, these were seen as de facto the only motivation for a new investor to enter the scene.

The PPF group wanted to use its customer base from Česká pojišťovna and to bundle up for them as many banking products as they possibly could. This could easily have allowed them to become the number one bank in the developing market.

In 2000 the government led by Miloš Zeman decided to sell a majority 52% stake in Česká spořitelna. All domestic oligarchs stayed away. The government wouldn't risk it with them and their unstable backing and sold to Austria's Erste Bank. To simplify the bailout process, Erste was given the same advantageous conditions that many shadowy Czech players had coveted – it took the controlling stake in the bank for about half its real value. This was criticised by many.

For PPF, this was then a closed, unsuccessful chapter. Yet a connection with a bank was such a tempting morsel that the group jumped at every opportunity to control one of the last financial institutions still remaining available from the early days of contemporary capitalism in Czechia and Slovakia. In 1999, PPF shareholders, via Česká pojišťovna, began investing in Expandia banka, with positions prepared for increasing their stake.

They soon bought more blocks of shares under obscure conditions. By 2000, PPF was the majority shareholder, and in 2005 Kellner could boast 100% ownership. Rebranded as Ebanka, it was an interesting object for foreign capital. PPF itself did not know how to develop conventional banking products further, and withdrew from the bank by selling it to Raiffeisen International. In 2007, the new German owner merged it with its Czech subsidiary.

'It became apparent that, though Expandia banka had a superb system in place, its ability to pick up clients and make it a profitable business was limited. First, there was little client mobility at the time. Second, we had to make sure that clients would use it as their main bank. Many clients loved the bank's system, but had the majority of their funds elsewhere. But we learned some things and when we sold it we did not lose money on the transaction,' said Ladislav Bartoniček about this business to Seznam Zprávy. This shows that this was not the breakthrough the financiers hoped for. They simply couldn't crack conventional banking.

In Czech society, Petr Kellner was seen as working on behalf of Eastern regime influences in Central Europe. Although he avoided any such suggestions like a plague, there is much incontrovertible evidence that it suited him to defend the interests of authoritarian regimes. This inclination, or rather connection, was established decades before. At the outset of the Kellner project's successful trajectory, his knowledge of the situation east of Czechia played a role. Unlike more recent developments, in which the billionaire was particularly linked with Communist China, in the first years of his business career he relied chiefly on his knowledge of the Russian market and the opportunities created by its nascent capitalist oligarchy.

PPF itself does not conceal its operations in Russia during the 1990s; it could be argued that it brags about them, but as is the company's custom, it does not divulge much detail.

The bosses of PPF at the time present their 1990s intentions as outside their core business. They focused on anything that promised a ten-fold profit. But here, as elsewhere, the information they make available seems superficial. Arguably, a 1,000% profit on investment was much easier to achieve then than today; but even then, such profits did not come as a matter of course, and any information about potential deals would not have come cheaply.

An even bigger question mark hangs over how a group of novices on the business playing field achieved access to information about how financiers could buy shares in groups close to the Russian regime. Let us put down the rose-tinted glasses and see the reality at the time more clearly. Following the fall of the Soviet Union, the unrestrained power of the Russian potential was released in mineral resources in particular. Vladimir Putin criticised his predecessor, Boris Yeltsin, for insensitive transformation in this area, one that Russians had opened up too much to foreigners.

Behind all this, of course, we need to see the political propaganda. Actually, all of the crucial levers of power remained in the hands of people close to the former regime, especially its secret services.

Many of the sharks coming from abroad failed to score big at that time in Russia. Petr Kellner, coming from Czechia, nevertheless claimed that he and his set acquired information about, and access to, an extraordinary opportunity to make exceptional returns by buying shares in one company that has been crucial for the Russian economy – Gazprom.

According to the US Wall Street Journal and Russia's Izvestia, during the privatisation of the Russian natural gas industry, PPF generated a profit of about 20 times its investment. Again, the details of the investment are lacking; there is only a mysterious report, whose accuracy was never denied by PPF group – and why should it do so?

It's not known when exactly, but in the early 1990s, Petr Kellner started to probe the options for doing business in Moscow by establishing a Russian subsidiary of his Czech group – PPF-R. Officially, the firm offered Russian citizens the chance to sell out, or re-invest, their 'vouchers' in the Russian analogue to the Czech voucher privatisation. It's not known whether it was only by buying out Russian citizens, and whether this was really only thanks to the vouchers it bought, that the Russian PPF achieved a strong enough position to become a more respected player in purchasing the shares of some of the companies being privatised. The Russian branch of the Czech investors organised their privatisation activities under the umbrella of a fund called Asociace fondů Petra Velikého (Peter the Great Funds Association). This association was closely linked with PPF, and beyond Kellner's mysterious profits in the East has not inscribed itself markedly into the annals of the Russian privatisation.

Available evidence suggest that this was another, embryonic version of his PPF, which drew its capital from sources unknown. In an ideal case, firms publish details of where they get their capital from; but admittedly it wasn't just Kellner, but many others, who were not asked about the origin of their money, or other aspects of their business, during privatisation. Superficial, journalistic or desk-bound analytic perspectives on the backing of the mysterious Association do not reveal much – apart from the need for polemic. Importantly, it was found that the Peter the Great Funds sponsored the Czech political party, Civic Democratic Alliance (ODA). Milan Maděryč attempted to explain this sponsorship rationally, but came across rather sheepishly. In any case, he was unable to explain the connections between the Russian funds and PPF.

The official PPF position on the 'Gazprom operation' was rather brusque, concluding that the funds 'obtained a share in 80 Russian companies at estimated market value around \$50 million'. Other traces of Petr Kellner's 1990s Russian campaign suggest multiple connexions and indicia that, more so even than in the Fort Boyard reality show, Kellner on his own was not able to act, or indeed his wallet was not stuffed enough, to kick-start his Russian profits. Moreover, this was precisely the time that the machine guns of Semion Mogilevich, the ambassador of the Russian mafia in Central and Eastern Europe, linked with the secret service, were being fired in Prague cafés. Perhaps the information cited above will fit better into the mosaic depicted here as the book unfolds.

A Russian shoot-out

The business in Russia would make a chapter of its own in the PPF story. The very fact that the group went there in the early 1990s testifies to the fact that these were not exactly typical Czech investors. You had to have balls to covet property that was in the hands of people close to the Kremlin or Russian mafia. And it's not just that. Certainly, this could not be done without having connections at the very heart of affairs. Inevitably, you also needed to know the situation and the standing of the companies being privatised.

PPF has had several successful projects in Russia. It continues to invest there today. Billions of crowns go to fund property development in particular. However, within the colossus of the investment group, this still accounts for only a small part of its business.

The financiers around Kellner never quite managed to achieve their dream of penetrating the Russian oligarchy. A crucial plank in this strategy was greater support for the Peter the Great Funds, by means of which Kellner sought to compete for some of the Russian enterprises. The funds, with their opaque financial structure, sucked in the property of many influential people, who hoped for a quick and easy return, as indeed was promised by Kellner in all of his projects.

But it was precisely the push for speed that ultimately caused several failures. Impatiently rushing to participate in the privatisation of some crucial Russian enterprises, Kellner's group made missteps. The excessively aggressive behaviour of the Czech raptor irritated his Russian competitors, and the Russian oligarchs put out the stop sign.

This was manifest in the withdrawal of support by the leaders of the Russian state and its institutions, but also in open business disputes that bordered on mafia wars.

The result of all this was multiple failures and expensive legal disputes. It was not just the powerful people behind the funds; politicians were also dissatisfied, and they exploited the narrative about dishonest foreign involvement in Russian assets, as well as the household savings that had been invested in the funds, lured by advertisements.

PPF's Russian rigmarole was discussed in the Czech media too. Although this did not fit with the plan to build the image of an invincible investment shark, the dispute with Oleg Deripaska could not be argued away. The Russian entrepreneur waged a major lobbying and media campaign against the Czech media group. This included back-stabbing and, at times, practices more associated with the Russian mafia. Indeed, the fact that Petr Kellner and company went to do business in Russia, and for at least some time were able to cause quite a stir there, is certainly illustrative. Actually, there were multiple disputes with Deripaska. PPF and its prominent competitor were interested in bagging the same companies. The struggle for the insurer, Ingosstrakh, perhaps resonated the most.

Let's first describe who Oleg Deripaska is. The man Petr Kellner and his partners dared to challenge stands at the very top of the Russian oligarchy. He was there when the lobbyists around Boris Yeltsin made their lucrative deals, and also when Vladimir Putin took over and ruthlessly removed most of the moguls close to Yeltsin's administration.

The fact that Deripaska not only survived the purge, but joined the circle of Putin's close friends, testifies not just to his considerable business acumen, but also his knowledge of the backstage of power politics.

Deripaska has been estimated to be worth around \$30 billion, but his actual fortune is unknown. As is often the case with oligarchs, much of his property is controlled by front men, or people who do not actually own the property but manage it on someone else's behalf. Deripaska's actual wealth could well be greater; yet on the other hand he might also be overseeing property stakes that are actually owned by some of the powerful politicians around Putin.

Of Deripaska's visible shares and functions, we see that he obtained stakes in, or control over, some crucial Russian enterprises. We find him in companies such as Basic Element, RUSAL, GAZ, Aviacor and several financial institutions. If you thought he could have achieved these powerful positions solely thanks to his talent and drive, you'd be disappointed by the prosaic recipe for success. Deripaska's father-in-law is Valentin Borisovich Yumashev, son-in-law of President Boris Yeltsin and former adviser to Vladimir Putin. The adroit entrepreneur was always available to the set around his family.

The fact that Kellner dared to compete with Deripaska logically implies that Kellner was not an unknown in Russian political circles. If he were so, he would not even have been able to reach the door of the room where negotiations about privatisation took place. He did get to that door, he grasped the handle and gave Deripaska a fright.

The fact that Deripaska not only survived the purge, but joined the circle of Putin's close friends, testifies not just to his considerable business acumen, but also his knowledge of the backstage of power politics.

Deripaska has been estimated to be worth around \$30 billion, but his actual fortune is unknown. As is often the case with oligarchs, much of his property is controlled by front men, or people who do not actually own the property but manage it on someone else's behalf. Deripaska's actual wealth could well be greater; yet on the other hand he might also be overseeing property stakes that are actually owned by some of the powerful politicians around Putin.

Of Deripaska's visible shares and functions, we see that he obtained stakes in, or control over, some crucial Russian enterprises. We find him in companies such as Basic Element, RUSAL, GAZ, Aviacor and several financial institutions. If you thought he could have achieved these powerful positions solely thanks to his talent and drive, you'd be disappointed by the prosaic recipe for success. Deripaska's father-in-law is Valentin Borisovich Yumashev, son-in-law of President Boris Yeltsin and former adviser to Vladimir Putin. The adroit entrepreneur was always available to the set around his family.

The fact that Kellner dared to compete with Deripaska logically implies that Kellner was not an unknown in Russian political circles. If he were so, he would not even have been able to reach the door of the room where negotiations about privatisation took place. He did get to that door, he grasped the handle and gave Deripaska a fright.

After long years, in 2007 PPF obtained the state's agreement to buy a minority stake in the Ingosstrakh insurer. The group bought 38.5% of the shares previously owned by the oligarch Alexander Mamut. The media estimated the deal to be worth €700-750 million.

Soon, however, Deripaska joined the game and shuffled the cards to such an extent that he nearly squeezed PPF out of the deal. Through his financial group, Basic Element, Deripaska was able to quadruple Ingosstrakh's registered share capital, allegedly in parallel with the PPF transaction. This procedure, if the PPF version is true, was borderline legal. Wherever the truth lies, from the PPF perspective it looked as if it walked into a snare successfully laid by the Russians. If Basic Element's step were legitimised, the PPF stake would be diluted to about ten percent and the Czech group would lose any significant say in the management of the Russian insurance company.

This substantially discombobulated PPF's partners and shareholders in other countries. Among those expressing concern was the Generali group, which was worried that the Russian involvement of its Czech partner would ruin it. This was because Kellner planned to use the Czech-Italian insurance assets to purchase the Russian stake, and ultimately intended a merger. Thus, the Italian multinational company pressed for a speedy resolution, or failing that, dissolution of its partnership with PPF.

The company of the Russian billionaire, Deripaska, denied that PPF Investments did not know about its plan to increase the registered capital. Basic Element published a proclamation according to which it was willing to buy out PPF's stake in the insurer, but that under no circumstances could it imagine a rebellious minority shareholder at its side.

Having spent years attempting to penetrate Russian finance, PPF did not want to give up without a fight. The expansion into Russia was also part of a long-term plan as jointly envisaged by PPF and Generali. Thus the matter became the subject of a series of lawsuits, in which PPF contested the increase in the insurer's registered capital, as well as other allegedly criminal procedures of its Russian competitor. An out-of-court settlement, linked with PPF's withdrawal from Ingosstrakh, was only on the table on the condition that Deripaska paid out about €1 billion, something he rejected.

Surprisingly, in 2008, the court agreed with the Czech plaintiff, and rejected the validity of the general meeting that increased Ingosstrakh's registered capital. Even after this, however, there was no satisfied co-existence of the co-owners, and the Russian side continued to expel the Czech partner from its structures. No unambiguous statement about this case can be made. Although the courts made their decisions, the insurer's shareholders each continued to act as if they were in control of the firm. Investor uncertainty, protracted disputes and PPF's ruined plans for Russian expansion caused it serious losses.

The legal, and backstage, struggle between Kellner's businesses and Deripaska continues to this day. One side continues to refuse to leave, while the other refuses to involve the first in decision-making about the firm. Thus, for a long time, they were largely dead assets.

PPF resolved the stalemate of many years cleverly and silently. Due to the secrecy around the transfer of the stake, it is not possible to judge whether this was an advantageous deal, one that would compensate for the multi-year losses of Kellner's attempt to penetrate the Russian market.

According to the latest reports from the Russian regulator, the 38.45% of Ingosstrakh owned by Petr Kellner's group is now in the hands of the Italian group, Generali.

The transfer is probably linked with PPF's departure from joint projects with Generali, as part of which Kellner's assets were handed to the Italians.

It seems that the Generali group rid PPF of its problems and also managed to cool the heads of the Russian oligarchs. Oleg Deripaska negotiated with the Italian senior managers – in contrast to his approach to Kellner – and granted them access to the insurance company management.

The Russian mogul recently received a harsh blow from the USA. The United States sanctioned him along with other dangerous oligarchs close to the Kremlin. Thus, he has recently spent time covering up his stakes, selling them or transferring them to related persons. If his companies want to develop their business in the West, Deripaska must disappear from conspicuous offices. This has also affected Ingosstrakh, in which he ostensibly maintains only a 10% stake.

Deripaska took legal action against the US government, aiming to be removed from the sanctions list. With some of his firms he was successful, but he continues to lose positions. In Czechia and Slovakia, he holds concealed stakes in well-known construction companies, including several Strabag subsidiaries.

Killing four birds with one stone

I don't need to parrot here the PPF group proclamation that its investment – i.e. the buying of Central European media – was purely commercial in character, that it had nothing to do with the political situation, and that the owner would not in any way interfere with the independence of Nova TV (which actually is a bit dubious anyway). The purpose of this book is to note the potential of such investments, including that in Nova TV. I believe that this step is, in a way, brilliant, and may aim to achieve four objectives that are not mutually exclusive.

- Nova TV and many other Central European media enterprises are not bad investments in themselves. The net profit, audience size and other parameters are quite satisfactory and it cannot be claimed that the achievement of the other objectives cited below would be compensated by massive injections of cash into an economically poor investment. There's also the potential for cutting costs within the PPF group. Let us think of O2 products or Home Credit: how much do they spend on advertising annually? Some of this budget will now remain in the family, so to speak. In addition, advertising can be made difficult for competitors, be that in the telecommunications, consumer loans or banking sectors.
- Looking at the media owned by the ruling oligarch Babiš, the danger of most of them is not in what they print or otherwise disseminate. The decapitation of media independence is in what is not presented to readers or audiences. The ownership of Nova TV may help substantially to improve the name of PPF and its subsidiaries, and may also be used to damage competitors.

- Looking at the media owned by the ruling oligarch Babiš, the danger of most of them is not in what they print or otherwise disseminate. The decapitation of media independence is in what is not presented to readers or audiences. The ownership of Nova TV may help substantially to improve the name of PPF and its subsidiaries, and may also be used to damage competitors.
- As argued elsewhere in this book, if you do deals with Andrej Babiš, you don't rely on his word of honour. Once the other party has done its part of the deal, his word is worth nothing. Nothing but threats works with this kind of people, and the other oligarchs are well aware of this. Under the present situation, Babiš might well fear the media too. Besides the law enforcement authorities, the media are the only force in a position to bring him down from his politically dominant position that has long been unshakeable. Considering that nearly half of registered voters watch Nova TV daily, the station gives its owner a ticket to the negotiating table, not just with Babiš but with other oligarchs as well. Let us not forget that without a suitably prostituting head of state, PPF will be finished in China.

Sazka

After the period of Aleš Hušák's presidency of the betting company Sazka, which was characterised by no one in business being entirely clear whether the law and practice of the Czech gambling industry was regulated by the Ministry of Finance, or Sazka and Hušák, bad times came for the company. Loans Sazka took to build an ice-hockey arena and the lordly lifestyle of its president practically destroyed the company. (i) At the time, bonds worth billions were in circulation; and there were other debts. In the subsequent sequence of events in the game to control Sazka, nearly all important Czech oligarchs and billionaires appeared. It all started when Radovan Vitek sold receivables worth a billion Kč to Petr Kellner. Karel Komárek did not waste any time and bought some other receivables. In spring 2011, Sazka went into insolvency, a process that took several months. (i)

Offers to buy the company of long standing were submitted by Kellner and Komárek (in a joint bid), Pavel Tykač and Ivo Valenta's Synot. As expected, Kellner and Komárek, and his company KKCG, won the bid. This was in autumn 2011 and Kellner and Komárek each invested 1.9 billion Kč into Sazka. Another oligarch, Marek Dospiva, and his company Penta loudly protested the decision made by Josef Stupka, the insolvency administrator. Penta already owned another betting operator, Fortuna, and was allegedly ready to offer more than a billion more for Sazka. Penta had not submitted a bid because, according to Stupka's conditions, the money offered had to be deposited in J&T Banka, which was linked with PPF via Energetický a průmyslový holding (EPH). According to Penta, the bank would know how much the various bidders offered for Sazka even before the envelopes were opened, and PPF's bid could be suitably adjusted thanks to the connection between PPF and EPH.

The two oligarchs managed to save Sazka thanks to their joint effort. After a year in the business together, in autumn 2012, PPF decided to sell its 50% stake in Sazka to Komárek's KKCG. Sazka people said that the price paid was 5.3 billion Kč. Thus during his involvement for a year and a half Kellner made several billions out of the Sazka deal.

Telecommunications

In early November 2013, the PPF group could boast about its largest-ever purchase: it bought about a two-thirds stake in O2, the Czech subsidiary of Telefónica, for 63.6 billion Kč. (i) Together with the Czech telecoms firm that had five million customers, Kellner and his company also obtained the Slovak operator, which had captured a significant portion of the local market. PPF borrowed 28 billion Kč and paid the rest from its own money. The seller – the Spanish parent company – kept a 5% stake in the Czech subsidiary. The remaining roughly 30% was owned by small shareholders whom PPF started to buy out.

Another major step was taken in late April 2015 at an O2 general meeting. At that time, PPF already owned an additional 20% of the company, and was receiving several billions in dividends. At the general meeting, PPF pushed through a division of the company into two: the operator to provide services, and a new company, Cetin, (i) to own the wired and mobile networks and data centres. The remaining minority shareholders largely opposed the transaction, forcing PPF to buy their shares in the newly established infrastructure company. On the basis of this, PPF became the 100% owner of Cetin and also continued to increase its stake in the operator, O2, whose brand it could continue to use for a time agreed with the original owner.

In March 2018, PPF took so far the latest step in its efforts to build up a Central European telecoms colossus. It came to an agreement with a Norwegian company, Telenor, to buy telecommunication assets in Central and Eastern Europe, specifically Hungary, Bulgaria, Montenegro and Serbia. (i) In addition to buying these major operators, PPF purchased the technical equipment, infrastructure and properties. As in the O2 deal, PPF has the option to use the Telenor brand for a period of time. Kellner's group spent about 71 billion Kč on the mobile phone operators in these countries.

Thus, Kellner's businesses have poured about 150 billion Kč into telecommunications so far, becoming essential players in the Central and South-Eastern European markets. They also have very strong backing from banks in some of these countries and the Home Credit infrastructure operates in several. The domain of telecommunications – i.e. phone and data services – is mostly independent of changes in the economic situation and will remain so, thus substantial declines in use at times of crisis cannot be envisaged. We may assume that once these operators with their various histories and infrastructures are interlinked into one system operating in a unified fashion, synergies will appear, a single branding may be introduced and the profit rate will increase, and Kellner's companies might then want to divest the telecoms empire. We should also not underestimate the idea of linking a telecoms operator with a non-banking loans provider, something that Home Credit tried out with a local operator in the USA.

Home Credit

Home Credit International, to give the multinational company its full name, has branches in many countries in Europe and Asia as well as in the USA, and is one of the largest companies of its kind both in the Czech Republic and internationally. In Czechia the company operates under the name Home Credit, a.s. PPF owned more than 88% of Home Credit, and Jiří Šmejč, (i) who was mentioned in the section about the takeover of Nova TV and in connection to his involvement in Vladimír Železný's plan to push out American owners of the TV station, had a minority stake (about one ninth). His share came from his original stake in PPF and Šmejč owned it via his investment company EMMA Omega. In April 2019, a 2.5% stake in Home Credit was transferred from Šmejč to the PPF group, so that the group now owns 91.12% and EMMA Omega 8.88%. (i)

The history of Home Credit began in Czechia in 1997. Initially it dealt only with lease contracts and consumer loans for buying selected kinds of goods. Only several years later did Home Credit broaden into cash loans. Its practices, tolerated due to the weakness of the legislative framework, are responsible for the financial and social difficulties of a considerable portion of the Czech population. What I mean are various misleading techniques such as the difference between interest rates in advertising materials and the rate actually charged; confusing terms of contracts, enormous penalty charges, and other pauperising trickery in loans taken out before the new Civil Code and other legislation came into effect.

Several recent laws have been able to moderate these practices, in the Czech Republic at least; but previously Home Credit and similar companies caused irreparable damage to the solvency of an enormous segment of the population. When these people, having had their property seized and suffering socially, watch the news about the horse bought for Kellner's daughter – their reactions come as no surprise.

But to return to the history of Home Credit – once it developed in Czechia, it also affected Slovakia and a number of other 'Eastern' states. The largest country in the world – Russia – has also seen a massive Home Credit boon in recent years. I believe that we 'owe' this development to the Kremlinophile orientation of our two most recent presidents. Kellner rewarded Václav Klaus for the voucher privatisation, which came at the start of Kellner's journey to riches, as well as for his Kremlin brown-nosing by tens of millions of Kč for his Václav Klaus Institute, donated by a PPF subsidiary. (1).

We don't know whose money it was that bankrolled Miloš Zeman's candidacy; the funding of his election campaign is as opaque as the windows of Kellner's limo. Thus we can only speculate about how the richest Czech was involved in funding the campaign. In Zeman's case, it was apparently more about orientation towards China, which also attracted Kellner's and Šmejc's attention in recent years. The results cited below show that it was worth it. Zeman's visit to Xi Jinping in October 2014 shows how cooperation between the oligarch and the president he pimped worked. Zeman took Kellner, who yearned for the Communist ruler's favour, on the trip. Kellner then provided Zeman with seats on the plane back from China. (1). The official explanation given by Jiří Ovčáček was that Mr Kellner wished to help Mr President get home sooner.

But if the president used the services of someone like Kellner, it could be viewed not as help given by one person to another, but as clientelism or corruption.

Whether it was due to Zeman's and Klaus's political prostitution, or to Jiří Šmejc's financial genius and Petr Kellner's backstage diplomacy, the results of the multinational Home Credit group are really rather good. In 2018, according to reports published, it made a profit of about 11 billion Kč (i) and a similar result was achieved for the years 2016 and 2017 taken together. At that time, Home Credit, like PPF, was already headquartered in the Netherlands. According to recent reports by Reuters, Home Credit planned to float on the Hong Kong stock exchange. (i) It seems that Kellner and Šmejc were not looking to write the final chapter in the story of their brainchild, Home Credit, and were looking for cash everywhere to rev up the party in the Asian markets.

Other activities

The overview of several acquisitions given above does not provide the full list of exceptionally interesting transactions; it merely shows how the managerial system and the PPF model work, including its need to cooperate with the state, especially in its foreign policy.

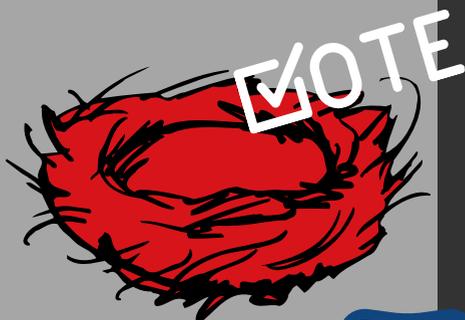
The history of PPF engagement in Energetický průmyslový holding and, through that, in J&T Banka, Škoda Transportation and other enterprises, shows where Kellner's interests blended with those of other oligarchs, Daniel Křetínský and Martin Roman. If this book were several hundreds of pages longer, I could write more about the banking activities in PPF Banka and Air Bank and the idea to merge these banks with a non-banking lender, i.e. Home Credit. And whoever wants to know the full breadth of Kellner's activities should also look at the projects of PPF Real Estate Holding.

CzechToll is another project in the PPF group. As PPF describes it in its official pronouncements, CzechToll is part of the group's long-term strategic plans in telecommunication infrastructure. Together with the Slovak operator of electronic tolls, SkyToll, a. s., CzechToll recently won a tender from the Ministry of Transport to build a system for electronic road tolls and then provide the services connected with its operation from 2020 onwards. (i) Questions continue to be asked about the tendering process, in particular concerning the involvement, or possible interests, of the boss of the anti-monopoly bureau, Petr Rafaj. These doubts and suspicions must of course be resolved by the police. Yet the roles of Rafaj and President Zeman in the fight between Kellner's company and Kapsch are very interesting. When Jaroslav Faltýnek, Babiš's right-hand man, intervened during a meeting in the Voroněž hotel, Rafaj made a decision in accordance with Faltýnek's wishes and helped Kapsch, only to turn around later and decide for Kellner. Under normal circumstances, if a leading figure of the Office for the Protection of Competition meets with a lobbyist acting on behalf of one of the applicants, that leading figure should immediately lose their job. But the reality was precisely the opposite. Rafaj happily sat in his chair for many more months, and was supported by the president, about whose relationship with Kellner there is no need to speculate. But if we were to speculate, wasn't it precisely the president's actions, motivated by the favour shown to him by the richest man in the land, that were the reason that Rafaj so quickly changed his view to benefit the applicant from the PPF group?

CzechToll is another project in the PPF group. As PPF describes it in its official pronouncements, CzechToll is part of the group's long-term strategic plans in telecommunication infrastructure. Together with the Slovak operator of electronic tolls, SkyToll, a. s., CzechToll recently won a tender from the Ministry of Transport to build a system for electronic road tolls and then provide the services connected with its operation from 2020 onwards. Questions continue to be asked about the tendering process, in particular concerning the involvement, or possible interests, of the boss of the anti-monopoly bureau, Petr Rafaj. These doubts and suspicions must of course be resolved by the police. Yet the roles of Rafaj and President Zeman in the fight between Kellner's company and Kapsch are very interesting. When Jaroslav Faltýnek, Babiš's right-hand man, intervened during a meeting in the Voroněž hotel, Rafaj made a decision in accordance with Faltýnek's wishes and helped Kapsch, only to turn around later and decide for Kellner. (i) Under normal circumstances, if a leading figure of the Office for the Protection of Competition meets with a lobbyist acting on behalf of one of the applicants, that leading figure should immediately lose their job. But the reality was precisely the opposite. Rafaj happily sat in his chair for many more months, and was supported by the president, about whose relationship with Kellner there is no need to speculate. But if we were to speculate, wasn't it precisely the president's actions, motivated by the favour shown to him by the richest man in the land, that were the reason that Rafaj so quickly changed his view to benefit the applicant from the PPF group?



Andrej
Babiš



4.2. THE OLIGOPROSTITUTE ANDREJ BABIŠ AND AGROFERT

4.2.1. A brief biography of Andrej Babiš

The contemporary politician, entrepreneur and one of the leading Czech oligarchs, Andrej Babiš was born on 2 September 1954 in Bratislava in Slovakia (part of Czechoslovakia at the time).

His father was Štefan Babiš (who died in 2002). Babiš senior certainly exerted a massive influence on his son. Both graduated in economics from a university and both were officials in a state-owned enterprise carrying out foreign trade. Being carefully vetted cadres, both were sent on missions abroad, both were members of the Communist Party and, last but not least, both were or are suspected of having committed an economic crime. (i)

His mother Adriana, née Scheibnerová (she died in 2008), like her husband, graduated from the University of Economics in Bratislava. Her career was subordinated to that of her husband; but even in the jobs she did work at, her communist inclinations were evident. For instance, she was a secretary at the Marxism-Leninism Institute of a university (i) and she was also in the Communist Party.

Andrej Babiš has been married twice. His first wife was Beata, (i) known from a news report by two journalists, Sabina Slonková and Jiří Kubík, to be from Geneva. Together they brought up a daughter Adriana and son Andrej Jr. Babiš's second marriage was to his partner of many years, Monika. (i) The marriage took place a few months before the 2017 elections to the Chamber of Deputies. At the time they already had two grown up children together: Vivien and Frederik.

Andrej Babiš spent some of his youth in places where his father Štefan was posted for foreign assignments. He has frequently reminisced about experiences in France and Switzerland, where he lived with his parents during his childhood. Having graduated from secondary school, Babiš Jr followed in the steps of his father and enrolled at the University of Economics in Bratislava. Once he graduated, he took up a job Chemapol, a foreign trade enterprise. As he embarked on his professional career, he joined the Communist Party of Czechoslovakia and also became an agent of Státní bezpečnost, the secret police – more on which engagement below.

As a properly vetted cadre and with Státní bezpečnost covering his back, Babiš the young communist was sent as a delegate to Morocco, (i) where he sat out the Velvet Revolution, after which he continued his career in the state-owned enterprise, Petrimex. As an executive manager, he founded in Prague a subsidiary of the state-owned Petrimex juggernaut, Agrofert, and became its executive manager. Under highly dubious circumstances, he managed to take Agrofert out of state, or more precisely, Petrimex, ownership. In what appeared a coordinated move with the recently created Swiss firm, O.F.I., they gradually took over Agrofert. In subsequent steps, the stake owned by O.F.I. became Babiš's personal property. (i)

The practices that helped Babiš to develop Agrofert into one of the biggest companies in the Czech Republic have been described in several books and do not need detailing here. However, the instruments Babiš used to achieve his entrepreneurial success as noted in these books are also characteristic of his political career.

The bluff and pretence that one will do precisely the opposite of what one intends, so common in politics, are complemented in Babiš's case by cynical tactics such as barefaced lying. Babiš often lies so persistently that his audience begins to believe that what he claims must be true. On at least one occasion, Babiš has accompanied his lies by swearing on the life of his children. (i) It is precisely the oaths he takes to substantiate an evident falsehood, which in any case is revealed as untrue within days, that shows us how Babiš will use the most repugnant manipulative practices to achieve his goals, without batting an eyelid.

To return to Agrofert: originally an unimportant component of the state-owned Petrimex, following hundreds of acquisitions, it became the most important Czech player in the food processing, agricultural chemical, dairy farming, meat and wood processing industries, and, last but not least, the media. Using promises, threats, manipulation and illicit meetings with representatives of the public power, Babiš bought everything that could be bought and sensibly integrated it into his business empire.

The ownership of Agrofert – the success of which is substantially, and sometimes existentially, dependent on the decisions made by the state in regulating business, and on European Union subsidy policies – and of his private fund, Hartenberg (currently temporarily parked in trust funds; see below), catapulted Babiš, estimated to be worth 75,000,000,000 Kč, (i) to second place in the ranking of the richest Czech citizens. Given that Babiš also continues to hold Slovak citizenship, he has also been called the richest Slovak. (i).

In late 2011, Babiš founded the civic initiative 'Akce nespokojených občanů' or 'Action of Dissatisfied Citizens'. (i) In his numerous media appearances, he frequently highlighted corrupt ODS politicians, the rudderless management of the Czech economy and dozens of other maladies of political officeholders of the time. It needs noting that his later claims to the effect that his political career was spawned by the ruling set at the time is essentially true. Without the failure of the largest coalition party at the time, ODS, amid dozens of scandals that were never followed by any self-reflection, the wind would have been taken out of Babiš's sails. He seemed a fresh force and had a novel vocabulary. Yet it is strange that voters allowed the emergence of a movement that was in many ways similar to the earlier Public Affairs, in effect owned by Vít Bárta, with its infamous Code, in which the leadership of the movement suggested that public contracts be passed to the ruling firm, ABL. (i)

Nevertheless, it seems that the interest generated after the failure of Public Affairs and its posthumous child, Lidem, stimulated demand for something new. From this time, we might also remember Babiš's oft-repeated words that he would never enter politics, because it was not something he could do. Still, the Akce nespokojených občanů quickly mutated into the political movement ANO 2011. In 2012, when ANO was founded as a political movement, Babiš became its first chair. Its first experience with parliamentary elections – to the Senate – proved a fiasco. Of the candidates the party put up in autumn 2012, not a single one won a seat in the Senate. According to the contemporary witnesses of Babiš's political beginnings, he reflected upon this political failure and concluded that he could not achieve political success without a massive investment of cash and without significant media support.

He was much better prepared for the elections to the Chamber of Deputies in late October 2013. First, he poured lots of money into his campaign – people would take home salamis, doughnuts and other items from ANO rallies, (i) all provided by firms in Babiš's food production conglomerate – and he was backed by the daily newspapers Mladá fronta DNES and Lidové noviny, which he had recently purchased. (i)

Thanks to the handouts of food and the media support from the newspapers owned by the oligarch, ANO scored a substantial success in the elections. Taking 18.65% of the vote, it came second after the Social Democrats. The party took 47 seats in the lower chamber and Babiš was among the new MP intake.

Following the autumn 2013 elections to the Chamber of Deputies, some Social Democrats attempted to take over their party. The action of people including Michal Hašek and Milan Chovanec was dubbed the 'Lány putsch' by the contemporary media, because these politicians met with President Zeman at the Lány chateau. Babiš sided with the opposite faction, led by Bohuslav Sobotka. (i) In retrospect, we might conclude that he believed that his faction would be the weaker one, not least because Miloš Zeman had hated Sobotka ever since his (Zeman's) earlier attempt to be elected president by parliament (before direct elections had been adopted) and undermined Sobotka at every opportunity as much as he could. Nonetheless, despite these delays, in late January 2014 a government was appointed with Sobotka as prime minister and Andrej Babiš as finance minister and first deputy prime minister. Babiš entered the Ministry of Finance on 29 January 2014.

Andrej Babiš's three-and-a-half years of heading the Ministry of Finance was dominated by two entirely incompatible factors: on the one hand, he declared that meritorious objectives would be achieved and, in the overwhelming majority of cases, he did promote them; on the other, there was significant chaos. In retrospect I believe that his preparation of some truly praiseworthy pieces of legislation – such as an act on the submission of tax control statements, the introduction of electronic sales records in pubs, the additional taxation of property with unexplained origin of ownership and a package of laws to regulate gambling – was what he wanted to show to the public as a sample of what his future government would do. Alongside these praiseworthy bills, a very interesting group of experts came with him to the ministry. These included the deputy for taxes Simona Hornočová and the corruption fighter Lukáš Wagenknecht, who was later elected senator; later, Jan Sixta was engaged as a very experienced official appointed to the Finance Ministry. In addition, Babiš at that time could rely on people such as Jan Gregor, who remained in place as the deputy for the budget, and Jiří Žežulka, the acting chief of the Financial Administration. However, this first set of officials gradually disappeared, in part because of disputes with Babiš, in part because they were unable to accept the omnipresent chaos. First, Babiš described Jiří Žežulka as 'a corrupt mafioso' (i) and he lost his job; then Lukáš Wagenknecht did, (i) described by Babiš as 'a psychopath and Rittig's man'.

Simona Hornočová did not re-apply for her job following the introduction of the new Civil Service Act, (i) and Jan Gregor also disappeared at the earliest opportunity, leaving for the European Court of Auditors in Luxembourg. (i) These experts were replaced by people entirely loyal to Babiš; indeed, at that time, loyalty was already taking precedence over expertise.

Having got rid of people who already worked at the ministry, and recruited people who did not know how the apparatus of the state worked, Babiš created unimaginable chaos in his administration. He ignored the routine, believing that officials would conform to him, but the reality was that internal regulations concerning competences were repeatedly amended, because Babiš was unable to foresee what the new procedures he ordered to be put in place would do. For instance, in the early days he demanded that he wanted to see all authorisations of expenditure over a ridiculously small limit. When the minister's office was snowed under by thousands of documents, agreements and invoices, and the ministry defaulted on countless payments, he revoked the order. The authorisations were then signed off by subordinates, but he still wanted to receive copies. Once we had signed an invoice and passed it for payment, Babiš would rebuke us: 'Why are you squandering money?' We'd argue that there was a contractual basis for the transaction. He then reproached us for paying the invoices too soon: 'The suppliers can wait.' We argued that interest would be due on late payments. Later he barked at us that suppliers were complaining about invoices not being paid on time – precisely the invoices that had been hanging around his office since he'd demanded to see every authorised payment. He would then express his wonder that conceptions of agenda had not yet been written, while we had to deal with dozens of trifling financial transactions and repeatedly had to rewrite accounting documents for different approvers. There were countless such cases.

I remember that there was a ban on using private email accounts, and on sending emails to private email accounts of other staff. Yet Babiš would only use his Agrofert email and refused to use any other account.

For that reason, many important pieces of information never reached him, because staff were afraid of breaching the ban.

Babiš resigned as minister of finance and deputy prime minister in May 2017, after Prime Minister Sobotka proposed to the president that Babiš be removed from office. Sobotka's proposal was justified to the public by reference to Babiš's scandals that erupted in full at the time, including the suspicions concerning the 'Stork's Nest' case, (i) dubious practices such as issuing bonds with the nominal value of one Kč (i) and Babiš's giving tasks to journalists in the media he owned with the aim of discrediting his political opponents. During this electoral term, MPs agreed that Babiš could face criminal charges (i) for fraud during the drawdown of European funding during the construction of the Stork's Nest farm, owned, or perhaps not, by Babiš's companies. Despite the numerous scandals, about which the public knew, ANO won the October 2017 elections to the Chamber of Deputies by a clear margin, taking 78 seats. As ANO leader, Andrej Babiš was once again elected MP, thus regaining an MP's immunity from prosecution. The new Chamber therefore had to vote again on making him available for prosecution, thereby delaying the whole process by several months. (i)

In late October 2017, President Zeman asked Babiš to form a government and, after five weeks, appointed him prime minister. Babiš's first government, which never won the confidence of the Chamber, was appointed on 13 December 2017. (i) The reason for such a precipitous appointment of a government, which, according to the negotiations in the Chamber, had no chance of winning confidence because Babiš failed to offer acceptable conditions to other parties, was to enable him to change the approved systemisation for 2018.

With this step, he got rid of dozens of suspected or confirmed disloyal officials. And indeed, the cabinet failed to win the Chamber's confidence when it voted on the matter on 16 January 2018. Yet, it continued to rule for another half year, in a state that the Czechs call 'vláda v demisi' (government in resignation). According to a previously published ruling by the Constitutional Court, in such a situation the government is not authorised to take any irreversible measures and is expected to exercise its power with restraint. This ruling by the guardians of the Constitution did not bother Babiš in any way, and so his government purged the public administration of many people endowed with original thinking and brought in one irreversible measure after another, pretty much continuously.

The process of establishing Babiš's second government started in June 2018, when President Zeman appointed Babiš prime minister for the second time. (i) Only on 27 June did Zeman appoint the other members of government. (i) This was another minority administration, composed of representatives of ANO and ČSSD parties, lacking a majority in the Chamber of Deputies and hence reliant on the support of the Communist Party of Bohemia and Moravia. This government of ČSSD, ANO, the Communists and, obviously, the president's nominees, won the support of the Chamber of Deputies on 12 July 2018.

4.2.2. A brief history of Agrofert

Agrofert's strategy is to build a chain of linked agricultural companies, sometimes described as 'field to fork' production. But the manufacturing process starts much earlier than in the field. The basis of Babiš's empire is the enormous chemical companies manufacturing, in part, the various components, then the complete fertilisers and the most varied chemicals, without which agriculture as organised by Agrofert could not possibly happen. The chemical plants include Lovochemie, Duslo, Synthesia, Precheza, Fatra and DEZA. (i)

Among the most important components of this chemical puzzle is the German company SKW Piesteritz. In addition to producing fertilisers and other chemicals for farmers, Agrofert makes the bio-fuels that are mandatorily added to fuels. These are supplied to our market by Preol and Ethanol Energy, the dominant producers. (i)

The Agrofert start-up

The great social change unleashed by the fall of the communist regime brought some interesting and crucial social events. In addition to something that could be called a moral war – when members of Státní bezpečnost, the State Security, or StB for short – shredded the folders of this secret police en masse, while the leading figures of Czechoslovak culture were preparing the ideological grounds of the new democracy, the fall of the totalitarian regime also brought struggles for wealth.

The hitherto-unheard-of opportunities for people to amass wealth without having to hold prominent socialist office opened up new opportunities for many enterprising people.

Not all of them were honest. Fragile democracy and poor knowledge of regulatory mechanisms gave opportunities to former state managers. A supine police force, which for several months worked on pretty much a volunteer basis, allowed the growth of corruption and the emergence of violent and economic mafias in the early days of post-1989 Velvet Revolution Czechoslovakia.

This was supported by the decision of the Czechoslovak federal government, and later the Czech government, to hand out state property to private capital, a policy which was expected to transform the country as quickly as possible into a market economy. But as later years were to show, more than one piece of the family silver ended up in the hands of managers who had previously run these enterprises under communism.

While some were acquainting themselves with what business was about for the first time, Petrimex managers exploited their commercial contracts and set their own projects in motion. They did not wait and see what would happen to Petrimex, they started to do business at their own risk. Although they do not like to admit it, even before 1993, when Agrofert was officially founded, they established several new enterprises, and money flowed freely between them to finance still more projects, most often concerned with the seemingly bottomless pit of state property, lost in the chaos of regime change.

In describing his beginnings, Andrej Babiš skips over much of his early entrepreneurial career.

He likes to boast that he started with colleagues in a small office in Prague's Wenceslas Square, and they had 100,000 Kč on account. He glosses over his Petrimex past. Even during campaigning for the 2021 Chamber of Deputies elections, he barked at his opponents in debate that he had established 'the Agrofert start-up'.

Although during campaigning the story told to voters was like an American dream, according to which Babiš made his first millions when he was pushed out of Petrimex in 1995, the truth is somewhat different. He had more than enough money before that, and Agrofert was not a child of chance, but the result of a purposeful transformation of business activities that Babiš had set in motion secretly and for his own benefit.

Let's remind ourselves that Andrej Babiš describes the \$4,000,000 loan from America's Citibank in 1994 as the beginning of his business career and the start of Agrofert. Before that, he claimed, he was just a senior manager in Petrimex without significant wealth.

In 1990, Contix, a joint-stock company, was established in Slovakia. The chair of the board was a Petrimex employee, Alexej Beljajev, in the past and still now an important businessman close to the leaders in Slovak government, and incidentally an agent of Russian influence in the country. As a retrospective view of the circumstances around the emergence of Andrej Babiš's business empire shows, this phenomenon already prefigured the purposeful establishment of a network of firms that gradually took over the activities of the state-owned Petrimex.

In March 1991, Petrimex managers established the Sima company, which from 1993 was directed by Lubomír Šidala, Babiš's colleague from Morocco.

As the Euro weekly noted, at a later point, Ivan Propper and Erik Rakický – the son of the Petrimex boss at the time, Anton Rakický, who had played an important role in Agrofert's early days – obtained stakes in Sima.

In 1991, the Conamis company, with Peter Lövinger as director, appeared on the business register. Peter Dubrovay was the deputy director. Both would play important roles in the next stage of Agrofert's expansion. The firms Conamis Trading Transport and Conamis Transport continue to trade to this day. The same group of people had also established IPF Conamis Investment in January 1992. The company bought only a few hundred coupon books off people during the voucher privatisation, and went into liquidation in 1997.

Babiš was the chair of the supervisory board, and this made even more transparent his links with Lubomír Šidala, Ivan Propper, Erik Rakický, Peter Lövinger, Peter Dubrovay and other managers, who continue to manage, or own stakes in, Agrofert's predecessors to this day.

In Babiš's official biographies, no mention is made of the Agrofert clones that exploited the options provided by the state-owned Petrimex, and gradually nibbled at pieces of its trade. Nor are readers reminded that, back in 1991, Savena was established by the partners Vojtěch Agner and Viera Jurkovičová. Both had been Babiš's collaborators for many years. For instance, Vojtěch Agner was a key lawyer for the entrepreneur and politician. Among other things, he represented Babiš in a sensitive court case concerned with Babiš's collaboration with StB. Andrej Babiš was Savena's executive director from 1997 to 2004.

The Swiss company Fertagra, a key plank in Babiš's business plan to obtain significant stakes in the chemical industries, appeared in the ownership structure of Savena as partner.

By mid-1994, Agrofert took over a majority stake in Agroprofit, an agricultural cooperative, and took over the company Agroter at the same time. In order to compare the version Babiš presents with that described in public registers and gazettes, we must first provide the story as Babiš himself describes it in his biographies.

The mogul and politician likes to emphasise his modest and difficult beginnings following the fall of communism. The version perhaps most often propounded is the one where he starts with a few thousands in his pocket and a little office in Prague. According to Babiš's life story, the Agrofert group was established in the mid-1990s. According to the evidence, Babiš founded the company after the dissolution of Czechoslovakia, in cooperation with the chemical and agricultural trade monopoly, Petrimex, the fundamental role of which is confirmed by Babiš's biographers.

When Vladimír Mečiar and his HZDS party took control of Slovakia, there were changes in Petrimex too. Following struggles between powerful groups of shareholders, the company started to decline. All that was valuable remained in Agrofert, which was established as a foreign subsidiary of the state-owned enterprise Petrimex, headquartered in Bratislava.

'I had the idea of establishing a trade corporation that would operate in the Czech Republic. Petrimex was the founder; I managed the company in Prague. Trade was fairly good and so we soon changed the legal status from a limited company to a joint-stock company.

This occurred in 1994. The business developed successfully, we needed money and a bank loan. We therefore decided to increase the share capital. In May 1995, we registered an increased share capital of four million. Petrimex was not interested in supporting Agrofert, but the Swiss company O.F.I. and Neratovice's Spolana did. I bought my first stake in 1999 and the rest in subsequent years,' Babiš's biography describes the essentials of the birth of his agrochemical empire.

The tycoon often describes Agrofert's beginnings as a struggle of a small firm that had 100,000 Kč on account and a small office in Prague. The company allegedly first came into big money from the American Citibank, which allegedly funded its first large acquisitions. This is also described in the official biography of Babiš's political movement, ANO.

That right at the point of its inception – three weeks after the disintegration of Czechoslovakia – Agrofert had much wider options is shown by the activities which it was able to fund in the first days and weeks.

Petrimex invested hundreds of millions of crowns in Agrofert and handed over the majority of its clients to it. Instead of joint development and merger, however, Petrimex became Agrofert's victim, as the latter pulled capital assets and clients from the former.

Petrimex was pushed out of Agrofert against its will, and some of the crucial circumstances of this are still unknown. After a tough battle, the state-owned company lost its clients and managers and was marginalised. Babiš claims that he had nothing to do with Petrimex's subsequent downfall. At the time when Petrimex started to make a loss, it was directed by a group of managers installed by the Slovak authorities.

But according to critics and some unconfirmed versions, the emergence of Agrofert looks like a scheme to siphon funds from Petrimex, rather than the romantic story presented by Babiš.

This was supported, for instance, by former CIA officer Gary Berntsen, who wrote a piece for *The Daily Caller*. He writes about Babiš, then minister of finance, later prime minister, as well as about his father. As employees of a communist-era foreign trade company, they were allegedly involved in clandestine arms dealing. In addition to security risks, Berntsen notes that the relationship between Petrimex and Agrofert soured, and some of the practices of the latter looked as if it was siphoning from the former.

Speculations and harsh words have been voiced concerning the unclear events of 1995, which are investigated in a section below. In spring 1995, Andrej Babiš increased the share capital in Agrofert, becoming its majority owner. Though this sounds simple, there were complicated financial and legal actions involved.

Petrimex founded Agrofert in 1993, and was the sole owner. According to Babiš, he and his collaborators initiated the establishment of the Czech subsidiary. That is true: Babiš, alongside his mentor, Anton Rakický, were among the leaders of Agrofert. However, the aim of the Slovak state-owned enterprise was not to prepare the positions for the emergence of a new, private competitor, but merely to diversify its trade, until then concentrated solely in Bratislava.

From 25 March 1993, the business register shows Jiří Haspeklo as Agrofert's managing director. On 15 November 1993, another managing director appears in the records – Andrej Babiš.

On 30 June 1994, another intermediary step was taken: the company's registered capital was increased from 100,000 Kč to 1,000,000 Kč. Thanks to this, on 1 July 1994, the company was transformed into a joint-stock company. In this form it was registered with the Regional Trade Court in Prague, Section B, File 2633.

Babiš was chair of the board from the beginning; and Anton Rakický sat on the supervisory board.

A Petrimex annual report describes the start of Agrofert as a substantial investment, which cost around 400,000,000 Kč. This information is confirmed by an alleged analytical report by the Security Information Service (BIS), leaked to the media in 2016. Here too we see differences from the version presented by Babiš.

According to the alleged BIS report, Agrofert would soon take over all trade in fertilisers in all territories where Petrimex operated until then. This caused a slump in Petrimex's earnings by 30 to 40%. Although Agrofert's gradual takeover of Petrimex trade can be documented, this was not done in one step. Agrofert had started to wage a war on its parent company, in personnel, trade and legal terms. It took several months or even years to bring Petrimex down.

On 29 April 1995, Slovak prime minister Vladimír Mečiar and his HZDS party purged the entrepreneurs in Petrimex. Slovak minister for the economy Ján Ducký replaced the top management of the state-owned Petrimex.

This was when Andrej Babiš and Anton Rakický ceased to hold important roles in Petrimex.

Shortly thereafter, on 2 May 1995, the Regional Trade Court in Prague registered an increase in Agrofert's registered capital from 1,000,000 Kč to 4,000,000 Kč. With this increase, Petrimex became a minority shareholder.

After a controversial general meeting of shareholders, the state-owned enterprise owned a quarter stake. The majority was taken over by a mysterious and unannounced investor – the Swiss company O.F.I. (Ost Finanz und Investition AG). According to Babiš, his former schoolmates from the lycée he attended in Geneva were behind the company. However, it was represented by Libor Široký, a former member of the counterintelligence service at Sbor národní bezpečnosti (the National Security Corps, SNB, which was the police during the communist era) and not much detail was ever made public. There are doubts concerning whether the general meeting at which Petrimex was side-lined actually happened.

As Babiš himself said – and this can be confirmed – loans provided by America's Citibank were another important source of money for Agrofert. Here it is interesting that the loans were awarded to Agrofert by the bank's regional manager, Libor Němeček.

Němeček later sat on the Agrofert board, where he was responsible for mergers, acquisitions and corporate financing. Beyond that, he is one of the key people in the investment firm Hartenberg.

The Swiss firm Fertagra was also important in Agrofert's early days. It invested in companies that would later be taken over by Agrofert as a sleeping partner. Babiš does not mention Fertagra in his biographies or descriptions of how Agrofert was created, but it is likely Fertagra was involved in Agrofert's development, especially as a source of capital.

What is more, during the 1990s, a foreign investor was seen as trustworthy, and his investment plan would be almost certainly viewed positively by state authorities.

A general meeting in the fog

Perhaps the most serious doubts about Andrej Babiš's empire date from a period when the foundation stones of Agrofert had already been firmly laid down. The group as we know it today was being established at the time. All the important matters took place in April and May 1995. On 2 May 1995, the Regional Trade Court in Prague registered the increase in Agrofert's registered capital from 1,000,000 Kč to 4,000,000 Kč. This change was recorded in the business register on the basis of minutes from an extraordinary shareholders' meeting of Agrofert, which allegedly took place on 13 February 1995 at the headquarters of the state-owned joint-stock company Petrimex.

The registered capital was increased by the Agrofert leadership by issuing 300 shares at 10,000 Kč each. According to the minutes, Petrimex representatives declared that the state-owned enterprise, which, as the parent company, had the first option to buy these new Agrofert shares, would not exercise this option; by contrast, it agreed that they would be offered to other interested parties. The shareholders' meeting decided that the company board had two days to deliver the offer to subscribe to shares to suitable trade partners. Those interested parties were O.F.I. – Ost Finanz und Investment A.G. – and Spolana Neratovice, and they would subscribe to 2,600,000 Kč and 400,000 Kč worth of shares respectively.

Naturally, questions were raised concerning Petrimex's decision. It is impossible to explain why the state-owned enterprise would first invest hundreds of millions of crowns into Agrofert activities and then waive the right to subscribe to its shares without a payoff or any other agreed benefit.

Thus while Petrimex's stake in Agrofert decreased to a quarter, the mysterious Swiss company suddenly had 65% of the company's shares. Andrej Babiš continues to claim that his schoolmates from a lycée in Geneva were behind O.F.I. Ost Finanz und Investment A.G.

Babiš went to Switzerland as a secondary school student in September 1969. He first attended a state grammar school. After health issues – he was sick with thrombocytopenia and spent a year in hospital – he enrolled at Collège Rousseau, the lycée where he supposedly became acquainted with the future investors in Agrofert.

In terms of credibility, this claim is problematic, because Babiš only studied for a few months at the lycée. One has to make a strong effort to believe Babiš's version: would his schoolmates from the lycée, whom he knew only briefly, trust him enough to invest millions of crowns in his company 20 years later? Nor is the credibility of the story supported by the fact that Babiš has never named his alleged good schoolfriends. The company itself is not very plausible. Besides its investment in Agrofert, it is not known for any other business activity.

In Czechia, the only visible O.F.I. representative was Libor Široký. Specifically, in late 1996 he appeared at an Agrofert general meeting, representing the Swiss investor and majority owner.

Široký, who worked in a communist-era counter-intelligence agency, never divulged anything about the owners of O.F.I. He did remain at Agrofert, later leading the supervisory board of the company.

Another interesting managerial figure linked with O.F.I. is René Kurth. A native of Geneva, Kurth appeared on the statutory bodies of dozens of Swiss firms. Yet he was never a conspicuous person in specific business projects, and no trace of his activities can be found in the media on the internet. There is the interesting coincidence that Kurth was not just a senior figure in O.F.I., but also in Fertagra, an Agrofert subsidiary registered in Switzerland. Fertagra's precise role in the operations of the holding company is unclear, though it would invest in enterprises that were later taken over by Agrofert as a sleeping partner.

This was not the only controversy created by the mysterious Agrofert general meeting. After Anton Rakický and Andrej Babiš were replaced by entrepreneurs close to the senior figures in the Slovak government and in particular to Vladimír Mečiar's HZDS party, on 8 May 1995 the new Petrimex leadership filed papers with the Regional Court in Prague, file number Cm 81/95, in which Petrimex asked for the February 1995 Agrofert general meeting to be annulled and the records entered into the commercial register in early May 1995 to be removed.

The very fact that the legal action was taken raises a question: did Petrimex representatives at the alleged 1995 Agrofert general meeting act in the true interests of the state-owned enterprise? It is hard to explain what Petrimex did: first it waived its substantial entitlement in Agrofert, only to attack its own decision soon thereafter.

In its filing with the court, the new Petrimex leadership argued that the actions of the people involved in what was described as an extraordinary general meeting of Agrofert, was not a general meeting at all, because a notarial deed was not made about the meeting, in contravention of Section 187 of the Commercial Code.

Indeed, the notarial deed concerning the Agrofert general meeting is missing and the initial document recording the minutes of the meeting does not look formal. Without a notary present, questions can also be raised concerning the date and the place that the meeting described as a general meeting occurred.

On the basis of these concerns about whether the general meeting had taken place, the state-owned enterprise claimed that the actions allegedly taken on 13 February 1995 could not have a legal effect. Petrimex demanded that the decision be annulled and the record concerned with the increase of registered capital and the entry of the new shareholder in Agrofert be deleted.

Further substantial doubts about whether the general meeting was real were raised by Elena Trenčianská, at the time deputy chair of the board at Petrimex, and a member of the supervisory board of Agrofert. It was no secret that at the time of the alleged general meeting, Trenčianská was on a business trip in the United Kingdom. Was this an inexplicable error, or deliberate misleading, asked the legal papers served by Petrimex.

At the hearing, the Petrimex leadership had Elena Trenčianská's written statement that she was away and her passport was submitted to confirm that she had been abroad at the time.

Thus, Agrofert was unable to explain how Trenčianská, who was at the time thousands of kilometres away from the place where the general meeting allegedly took place, could sign off important decisions made at the general meeting. Justified doubts led to the conclusion that the document from the 13 February 1995 general meeting was either antedated, or the meeting did not take place at all and the document was a falsification.

During the trial, the plaintiff was faced with a new version, hitherto not presented by Agrofert. The defendant explained the record in the commercial register as following not from the extraordinary general meeting held on 13 February 1995 in Bratislava, but from an Agrofert extraordinary general meeting which, according to the new version, was held on 22 February 1995 in Prague. To Petrimex's surprise, there was a lawful document from this meeting. The notary public, Jarmila Humpolcová, took the minutes of the newly disclosed EGM that allegedly confirmed the increase in the company's registered capital by three million crowns. But there were doubts about the new version too.

During the trial, the plaintiff, having obtained a copy of the notarial deed, looked into the collection of documents at the Regional Trade Court in Prague and the files deposited by Agrofert, only to find, surprisingly, that on 17 March 1997 the collection contained no documents concerned with the company.

The next day, 18 March 1997, Petrimex asked the Regional Trade Court in Prague, in writing, to be allowed to look into the files deposited in the commercial register, specifically, the notarial deeds lodged under nos. N47/95 and NZ 49/95, and established that the court did not have these notarial deeds in its archive.

The plaintiff was therefore justified in believing that Andrej Babiš had acted in contravention of generally binding legal regulations, in particular the Commercial Code, and also of the statutes of both Petrimex and Agrofert.

The plaintiff accused Babiš of having asked the notary to write two deeds for the same day under the same reference number. During the trial, this design, and hence also the entrepreneur's attempt to commit fraud, were not disproved. Thus, after the general meeting of 13 February 1992 was challenged, there was a further claim that the EGM of 22 February 1995 never took place either.

At the procedural court, Petrimex made a substantial submission, which amended its original petition and asked the court to rule that the actions taken by the general meeting of 22 February 1995 were unlawful, and since they were unlawful, the increase in Agrofert's registered capital was likewise invalid. However, the court did not admit this submission, and there was no possibility of appeal. By its decision, the court established a situation where it could make a decision solely about the original petition, concerned with the validity of the first EGM. The decision on the original petition would then be meaningless.

The next attempt to have the decisions and their consequences in the commercial register concerning Agrofert annulled was based on the fact that, due to the court's decision, the date when the extraordinary general meeting was held could not be questioned.

Petrimex therefore attempted to challenge that Andrej Babiš, Anton Rakický and Elena Trenčianská were able to appear at the Agrofert general meeting on behalf of the parent company, Petrimex. At the time when the alleged Agrofert general meetings took place, all three had already been removed from their positions at Petrimex. Thus new members of the Petrimex leadership should have represented the majority shareholder at the general meeting.

The new Petrimex director, Marián Mojžiš, the husband of a well-known, and controversial, adviser to Vladimír Mečiar, Anna Nagyová, was reproached for the ambiguous and, above all, slow challenge to Agrofert's decision. Mojžiš disputed the controversial general meetings nearly two years after they were supposedly held. According to many, the subsequent negotiations between Babiš and Mojžiš were likewise controversial. After this, Petrimex withdrew from the legal battle, and sold its remaining stake to Babiš, under conditions that remain undescribed to this day.

Petrimex's fate

Following the disintegration of Czechoslovakia, Petrimex became a serious object of interest to powerful groups. Although the foreign trade enterprise was headquartered in Slovakia, it incorporated large agricultural and chemical businesses of linked enterprises throughout both Czechia and Slovakia. Its know-how and trade contacts were likewise important, as no other enterprise had equivalents in the region. There are many examples of privatisers making attempts in the 1990s to take over the Czech and Slovak chemical industries.

Having prepared their positions and conducted political lobbying or other, less scrupulous, practices, they took control of the chemical factories, but faced a purely capitalist problem: a lack of knowledge about the trade and the market.

Even the best and most important manufacturers in the sector often went bankrupt in the hands of their new owners. Contractual failures were most often to blame. The emerging business A-listers simply did not have customers to which it could distribute the volumes manufactured, or did not know what was actually in demand in the market.

Petrimex never had such issues. The decades-old monopoly on trade in both directions was the only one to possess the address book with contacts for all the important customers abroad. It also had the technologies, the guidance about modern forms of distribution and many other things that its emerging competitors could only dream about.

Babiš, who with experience of postings to foreign trade missions was highly motivated to get state business into his own hands, was well aware of this. The capitalist, who had experience of the ossified business practices of communist authorities, also knew that Petrimex's business had much greater potential than that created by the socialist officials. But the long-standing Petrimex leadership, supported by new managers with killer instincts, was not the only group to understand the importance of the former state-owned foreign trade enterprise.

The smell of money from the chemical business attracted a group of long-standing Slovak industrialists, who previously managed some of the state-owned enterprises, but in a position subordinate to Petrimex. Around 1995, they were joined by a bunch of speculators, who made vertiginous amounts of money in financial machinations, or, as it would later transpire, fraud. The result was a serious rift, in which issues around Petrimex personnel and strategy were resolved by radical cuts.

Andrej Babiš was among those who responded to this situation. Although the previous events, when he founded smaller Agrofert clones, which gradually colonised the business of the state-owned enterprises, suggested that he had alternative plans for his business career in place, he did not want to relinquish Petrimex. Having been side-lined when he was removed from the leadership of the state-owned enterprise, he contrived an entangled drama around the allegedly ante-dated Agrofert general meeting. Probably responding to the inimical steps taken by the parent company Petrimex, he pushed the state-owned enterprise out and, in collaboration with mysterious investors, took over not just Agrofert but everything that was worth anything in Petrimex.

The main polemics around the right of Babiš and people around him to make major decisions in Agrofert, such as those taken during the crucial general meeting, were linked with the struggles for power that took place in Petrimex in 1995.

Mečiar's minister for the economy, Ján Ducký, first removed Juraj Vozárik from the board, and Beáta Šolarová, Ladislav Holada, Mikuláš Rakovský, Jozef Mlynár and Jozef Horváth from the supervisory board. He replaced them with people closer to the government.

After some relationships were uncovered at a later date, it is clear today that some important decisions by the government – in particular those concerned with the state-owned enterprises, the privatisation procedures and government economic strategies – were made in Slovakia under significant corrupt influences.

It is in part thanks to this that we can explain the gradual change among the top personnel in Petrimex. During the first replacement of personnel in 1995, Boris Vostrý became a member of the Petrimex supervisory board. In his later biographies, Babiš would describe Vostrý and people around him as the bone of contention that drove him out of Slovakia. The alleged turning point was Vostrý's takeover of Spolana, where people from Harvardské fondy (the Harvard Funds) gained in strength.

Like some other people who scored success in Czech and Slovak privatisation, under the communist regime Vostrý had been an officer in StB intelligence technology administration. After the Velvet Revolution, Vostrý started buying large state-owned enterprises, and exploited uncertainty in business on the financial markets. He became the director of the Harvard Funds, which continue today to be synonymous with the economic crime of the 1990s. The Harvardský průmyslový holding company (Harvard Industrial Holding) siphoned off the funds of its shareholders under unclear circumstances. Vostrý fled the country in 1996; he continues to hide from the Czech police and Interpol today, allegedly in Belize.

Vostrý arrived at Petrimex at a time when Vladimír Mečiar allowed multiple entrepreneurs from the Harvard Funds to do business with the Slovak state.

It was at that time that the star of the Slovak bosses of the fraudulent Harvard Funds – Eduard Šebo and the notorious Juraj Široký – started to rise. It was clear that fighting such powerful people would not be easy. And so it proved in the case of the Slovak chemical business.

On the supervisory board, Babiš's partners were replaced by Ondrej Kresan and Jozef Futrikanič. Ľubomír Rybanský, Štefan Petkanič and Marián Mojžiš were installed on the management board.

In a few months, Andrej Babiš, Elena Trenčianska and Anton Rakický were removed from the management board, and Jozef Waller from the supervisory board. The group of entrepreneurs and managers were gradually replaced by Ľuboš Kyseló, Jozef Žák, Peter Novanský, Jozef Kollár and Slavomír Hatina (all on the supervisory board) and Vladimír Čierny (management board).

In addition to the people from the Harvard Funds, the appointment of Slavomír Hatina and Jozef Kollár, both on behalf of the state, was alarming for Babiš. The former was a strong supporter of Vladimír Mečiar and his party, the Movement for a Democratic Slovakia (HZDS). He did not conceal his designs for the notional throne of the Slovak chemical industries. He wanted to privatise everything that was worthwhile in the sector. Eventually, his crucial business coup was the takeover of the oil refining company Slovnaft. Jozef Kollár was the boss of the chemical company Duslo Šaľa. He did not conceal his interest in controlling Petrimex. He thought that, unlike Babiš, he was an expert of many years' standing, one that would keep the state enterprise operational for its staff. He had a grudge against Babiš – this he did keep secret. For a long time, he did business and cooperated with Agrofert when it already was Babiš's. Their conflict came into the open when the two tycoons fought for Duslo Šaľa.

It was evident that Babiš would not reconcile himself to the changes in Petrimex structures in 1995. It was equally clear that he had been preparing for political changes and for a fight for Petrimex. All the steps he had taken shortly after 1990 suddenly started to make sense.

With the Agrofert general meeting, which, though called into question, remains legally valid, he took control of the major part of the Czech assets of the Slovak state-owned company. Indirectly he therefore also took the 400,000,000 Kč or so that Petrimex poured into its Czech subsidiary. Yet even this was not enough for Babiš. Acting the disgruntled manager, he decided to strike harshly against Petrimex. His colleagues understood this.

After the 'revolution', about 60 top managers and traders moved from Petrimex to Agrofert and took their know-how and contacts with them. By the time the Slovak Ministry of the Economy finally understood what was going on in the Slovak chemical industry, it was too late. Like Jozef Kollár, Slavomír Hatina too considered Babiš his enemy. He understood that without the contacts that Babiš quietly took out of Petrimex, he could not seize control of Slovakia's chemical business.

From the 1995 events, the Slovak minister for the economy, Ján Ducky, also bore Babiš a grudge. Ducky had a task: to hand out state enterprises only to people clearly identified by the Vladimír Mečiar team. Ducky would certainly have to hear some harsh words from the strict government leader for his failure to anticipate Babiš's steps. Ducky for his part exploited every opportunity to give the entrepreneur 'on the run' in the Czech Republic a public kicking. He was also among the critics of the weak and slow response by the new Petrimex leadership to the events at its subsidiary, Agrofert.

Ducký led his ministry until 1998. Before Mečiar's government collapsed, he managed to have himself installed as the managing director of Slovenský plynárenský priemysel, a gas industry company. On 11 January 1999, the former minister was murdered at the gate of the building where he lived. A contract killer of Ukrainian origin, who also operated in the Czech Republic, was later sentenced for the execution of Ducký by four bullets. Conspiracy theorists often claim that Babiš might have wished to have Ducký eliminated.

True, as economy minister during the controversial era of Mečiarism, Ducký regularly came into contact with people from the criminal underworld. He also made several serious, incomprehensible and dangerous decisions. One of these involved the 'Ducký promissory notes', de facto blank cheques that he handed out to an unknown number of entrepreneurs or companies. Some of these notes continue to surface today and may cost the Slovak public purse billions of crowns. Ducký was the only person who knew the circumstances of issuance and the bearers of these notes, and his tragic end was expedient to many creditors in what continues to be a live case.

Losing nearly half the volume of its trade, and more importantly the contacts and staff who constituted the company and went over to Agrofert, Petrimex was on a fast track to bankruptcy. Though it could draw on the state for cash, its patience was limited, and eventually exhausted by the unconvincing Petrimex performance at the Agrofert trial. In 1998, Petrimex went into a protracted insolvency process. There were many questions about this too. The insolvency petition was originally submitted by five companies, three of which, Duslo Šaľa, Špedtrans (Slovak) and BMH (Czech), later withdrew their claims without citing a reason.

The court declared bankruptcy on the basis of claims by companies MG Spedition and Italmatch Chemicals (Italy). The court examined their depositions and found that they demonstrated their financial claims against Petrimex.

Petrimex produced a list of its creditors, which the court rejected because there were inaccuracies in the addresses given. Petrimex's statement said that the court had made a confusing ruling and did not verify the facts. Petrimex disputed the creditors' claims throughout. According to its representatives, Petrimex paid all its liabilities within three months of the due date. The company management claimed – contradicting the ruling by the court – that nobody asked Petrimex to produce the list of its creditors.

At the time the court was making its decisions, Petrimex's economic results for 1997, the year preceding the bankruptcy proceedings, were not known. The firm argued that its position was not so bad, having generated more than 36,000,000 Kč profit on sales of more than 4,000,000,000 Kč for the first half of 1997. Although Agrofert seized many of Petrimex's contracts, Petrimex still continued to do business with Babiš's rivals. Its main trade partners were Slovnaft and Duslo Šaľa (at the time without Babiš's influence).

The actual insolvency story still had many plotlines to develop, but it was about taking the spoils and preserving the trade secrets. Ultimately, little remained of Petrimex's business and that, after Babiš's exit, was subject to later conflicts, which Babiš would ultimately win, thanks to his strength and his position in the market.

In December 1998, the Treinco company was established. During the Petrimex insolvency proceedings, this Bratislava-based firm obtained all the documents from the archive of the former state-owned foreign trade enterprise. In addition to the rich knowledge about commercial relations, personnel links, pricing policies and other important information needed to do business, the Treinco owner – Elena Trenčianská, already well known to the reader – obtained information that, if the records of accounting operations were properly investigated, could explain many mysteries in the 1990s chemical and agricultural businesses. But the key questions remained unanswered.

Petrimex left in its wake plenty of debt and unresolved relationships, which since the fall of the Czechoslovak company, first established in 1969, continue to generate problems today. Around the turn of the millennium, Petrimex debt even threatened Slovakia's reputation and the functioning of its treasury. In 1996, Sergej Kozlík, the Slovak finance minister, signed a mandate agreement for settlement of Petrimex's claim against Egypt worth under \$6,000,000 (about 500,000,000 Kč today). In 1997, Petrimex sold the claim to Broadfield Finance, registered in the British Virgin Islands, for about half that sum. The enterprise, however, had a mandate agreement that did not authorise it to sell the claim. Československá obchodní banka (Czechoslovak Trade Bank), Prague, which administered the Egypt debt, sent the Egypt Central Bank and Broadfield Finance confirmation that the firm may claim the money. Egypt, however, disputed this.

In July 1997, the representatives of the Slovak Ministry of Finance and the Central Bank of Egypt came to an agreement on settling the debt. Egypt paid \$6,000,000 to Slovakia's account in New York.

Broadfield Finance then sought to force Petrimex and the ministry to pay out the money unblocked from Egypt, or at least, to be refunded the money it had spent buying the claim. For that reason, the company sued Petrimex and its managing director at the time, Marián Mojžiš. The state ultimately refunded the money and interest to the insolvency firm. But because of the issue, trade with Egypt and with companies that collaborated with the debt collection company were limited for some time. A small problem had become a big one. Furthermore, Slovakia found itself internationally isolated with its reputation seriously damaged.

Some of Petrimex's debts and other problems have not yet been resolved. The burden remained shouldered by the state; the profitable trade was taken over by Agrofert. Companies controlled or owned by Agrofert own some land directly, but Agrofert leases tens of thousands of additional hectares from the owners of the fields. Furthermore, as a section on this phenomenon reveals, Agrofert also 'cultivates' land that it does not own or has agreement for. That Agrofert has been drawing down hefty subsidies on agricultural land it and others own, does not need detailing here. (i)

Seeds are delivered to its own and leased land by Agrofert's company Oseva. The fields were cultivated by many former agricultural cooperatives, which were subsequently merged into monstrous aggregates. Some agricultural production is used in biofuel manufacturing, some goes to Agrofert's own mills and some is used as feedstuffs in livestock farms. The products from the mills go to Agrofert's own enormous bakeries under the Penam brand. The animals go to the smoked meats company, Kostelecké uzeniny. Poultry produced by Vodňanské kuře goes to the shops together with the salamis and sausages.

The milk from the dairy farms, together with that bought from other producers, goes into dairies and creameries such as Olma and Mlékárna Hlinsko.

Parts of Agrofert – for example the companies Wotan Forest and Uniles – are existentially linked to the state and Lesy České Republiky (Forests of the Czech Republic), as they compete for public contracts for logging and wood processing. (i). One of the linked businesses is Jilos, which manufactures wooden pallets. The portfolio of agricultural activities is completed by dealerships of agricultural technology: Agrotec, Agrotechnic Moravia and Navos Farm Technic.

Agrofert's media interests are also worthy of note. In addition to their significance in the struggles for power noted elsewhere in this book, the media also provide the Agrofert empire with exceptional synergy effects. Like other oligarchs, who placed their bets on manufacturing or anti-cyclical services, having its own advertising market is vitally important for Agrofert; the media houses, meanwhile, are vitally reliant on having a steady supply of advertisers. Agrofert's manufacture of basic foodstuffs (bakery, meat and milk products) guarantee that there will always be things to advertise, even in a time of crisis. The beginnings of Agrofert's media business date to 2012, when AGF Media started to publish the weekly, 5plus2. In Slovakia, where Agrofert also has a significant share of the market for basic foodstuffs, it bought the publisher, Ecopress, (i) which publishes the daily newspaper *Hospodárske noviny*, among other titles.

Before the 2013 Czech parliamentary elections, Andrej Babiš bought the publisher Mafra and thus obtained a massive media space in *Lidové noviny* and *Mladá fronta Dnes*. (i) He later incorporated the publication of 5plus2 into this firm.

In November 2013, Babiš bought the company Londa, (i) which owns the radio stations Rádio Impuls, Rock Zone 105.9 and Český Impuls, completing his collection of media outlets of all possible stripes – his media acquisitions include the first Czech music television station, Óčko, albeit one without much political importance.

In autumn 2018, Babiš included in Mafra one of the largest Czech collections of lifestyle and hobby magazines previously owned by the Bauer Media group. Thus, in addition to paper and internet news outlets, radio and television, the oligarch's group can place its ads, so to speak, within the family, in such magazines as Chvilka pro Tebe; the readers can admire Monika Babišová's uneasy fate in Rytmus života and Cosmopolitan or in Žena a život. And if readers wished to know more about the prime minister's professional life, they could order the magazines Krimi revue or Udělej si sám, owned by his trust funds.

4.2.3. Secret police agent

Way back before the 2013 elections and Babiš's entry into active politics, his past with the StB, or secret communist police, was a matter of public knowledge. (i) At the time, Babiš sought variously to downplay or deny his collaboration with the secret police. But since he was not directly involved in any public office, he could not be confronted by facts directly available at the time. Nor was there at the time any decision by a court or any other authority, which could have considered claims about his collaboration, or his denials thereof, and made a judgement.

Apart from a court of law, the only authority that could decide these issues was the Slovak Nation's Memory Institute (Ústav pamäti národa, ÚPN), which holds the archive of the former State Security and is able to review the veracity of claims made by various people. According to documents from the ÚPN archive, from 12 November 1980 Andrej Babiš was registered as a State Security confidant. As such, he did not have to collaborate with StB knowingly; but there are indications that the man to be known in future as agent Bureš did so even at this stage of his relationship with the secret police.

According to preserved evidence, Babiš intentionally and consciously collaborated with State Security from 11 November 1982. On that date, at a Bratislava wine bar U Obuvníka, in the presence of Captain Rastislav Mátray and Lieutenant Július Šuman, by signing a binding act, Babiš was recruited as an agent to serve in the State Security. We won't find out any more today about how the codename 'Bureš', which entered common parlance, came about, or who devised it. Babiš was registered with the section that dealt with counterintelligence protection of Czechoslovak foreign trade, in the department for the protection of the economy, Counterintelligence Directorate in Bratislava (1st section of the IIIrd department of the XIIth directorate of ZNB). Available information suggests that this office in Bratislava was monitoring representative organisations engaged in foreign trade, international exhibitions and fairs and the activities of foreign intelligence services in Czechoslovak foreign trade.

Lest anyone continues to think that Bureš's secret police activities did not go beyond his signing the binding act, and that he therefore did nothing for StB, the files prove that he met StB officers at least 17 times.

The codename Bureš also appears in two other StB files: 'Oko', or Eye, where he is mentioned twice as having elaborated a report, and also in 'Voják', or Soldier, where he is noted as a frequent visitor to a safe house. (i) Babiš's career with StB continued until 1985 and then it was terminated, or perhaps interrupted, by his posting to Morocco.

Babiš has continually denied any collaboration with StB, irrespective of the facts. In some interviews, he described the documents presented as fabricated and said he would sue the Slovak Nation's Memory Institute. This promise, at least, he did fulfil. He approached the District Court in Bratislava, but it was unable contextually to evaluate the evidence, available on the internet for some time, and in June 2014 ruled that the inclusion of Andrej Babiš in the StB registers was groundless. (i) The same decision was made by the superior Regional Court in Bratislava, which confirmed the verdict of the court of the first instance. The Nation's Memory Institute met with the same fate at the Supreme Court, which rejected its appeal.

A reversal only came at the time of the Czech elections to the Chamber of Deputies in October 2017 at the Slovak Constitutional Court, where the Nation's Memory Institute submitted a constitutional petition. (i) On the basis of the decision by the Constitutional Court, the file went back to the Regional Court which was asked to remove prior faults in its proceedings; the Constitutional Court also expressed its opinion about the credibility of some pieces of evidence.

In terms of the plausibility of StB members, what was heard during the oral statement of reasons for the decision was interesting.

In the view of the Constitutional Court, the fact that past actions of StB members were to promote a totalitarian regime made their statements implausible. A general extension of this declared principle could be that Andrej Babiš – given his activities for the State Security and his defence of a monstrous communist regime – will be considered implausible when giving testimony to courts. It will be interesting to observe whether the Czech courts hold this opinion when considering the plausibility of statements made by Babiš as a witness or as the defendant.

Subsequently, in January 2018, the Regional Court in Bratislava made a decision that was compatible with the Constitutional Court ruling and rejected Babiš's legal action against the Slovak Nation's Memory Institute. (i) Since the Regional Court acted as a second-instance court, the decision came into legal effect immediately. Babiš had no option but to appeal against this ruling to the Supreme Court, which rejected his plea. He then tried to sue Slovakia at the European Court of Human Rights in Strasbourg, but the court threw his case out, ruling it inadmissible. (i)

The affair had a tragicomic ending, when Babiš, having been convicted as an StB agent, sued the Slovak daily *Nový Čas* and StB member Ján Sarkocy (i) – who in an interview in the newspaper had described Babiš as a knowing StB collaborator – for damages of €1,000,000. However, Babiš withdrew his lawsuit, terminating the whole affair. According to the cited decision by the Slovak court, Babiš's name rightly appears in the register of StB collaborators, and he can thus be described as a State Security agent, without any caveats. It must be added that the Slovak judiciary subsequently annulled the decision, at least temporarily, for formal reasons.

Those of us who have never voted for Babiš's party, ANO, can console ourselves with the fact that his voters had enough information available for their decision-making, and that the man with a past such as his was democratically elected to lead our country. But there were problems during his trips abroad. I have heard that, in the European Parliament for instance, where there are many people sitting who in the past have fought communism in their countries previously affected by this totalitarian ideology, there were issues around Babiš's State Security past. These people claimed they could not take seriously any proposals, positions or other acts emanating from a country where the executive branch is led by a man with the past as described.

4.2.4. Conflict of interests

When in late 2013 the Czech government coalition was negotiated, I analysed the government resolutions adopted in the preceding period of about three months. I calculated that about 25% to 30% of these resolutions could have affected Andrej Babiš's business in some way. Generally, it is believed that his business is only influenced by decisions made about agriculture, subsidies or large public procurement contracts approved by the government. But the actual scope is much wider. I included decisions concerned with the act on value added tax applying to selected products of his factories, and to those products that his firms need for their operations. I also included decisions on privatising certain plots of land to firms coming under the Agrofert holding company or its competitors. Of the agenda I administered later, government decisions on remediation of old environmental damage in the premises of particular companies had a direct effect on Babiš's firms or those of his competitors.

My rough calculations indicated that up to a third of the decisions previously made by the government would create a conflict of interests for Babiš, if he had sat in this government.

What exactly is a 'conflict of interests'? It is a situation when a specific person holds two mutually exclusive offices, or appears in two roles where the aims of one of the roles are in conflict with those of the other role. Thus, if a minister, a public official or a mayor are paid by taxpayers to make independent decisions that are in the public interest, and that person is materially interested in the results of their own decision-making (if someone is motivated by the achievement of political success, for instance, that is not a conflict of interests), then this is a situation that in civilised countries is ruled out and the offender is removed and punished by various means. Someone acting in such a way in the Czech Republic commits an offence; and if they exploit the situation to enrich themselves or someone close to them, they commit a criminal offence.

Importantly, in my pre-election evaluation of potentially conflicting actions I had no idea how crafty Babiš was and that even seemingly unconnected decisions may be exploited to benefit his firms. For that reason, I excluded decisions made concerning insurance, banking and other matters in the financial sector. Only during my work at the Ministry of Finance did I understand how incredibly naïve that was. Indeed, it was matters concerned with regulating banks, insurers or gambling, for instance, that could be perfectly exploited by Babiš to do deals. An advantage granted to banks could mean an interesting opportunity when negotiating the conditions of loans for Babiš's companies, which rely on billions of crowns of borrowed money, and could have very quick consequences for Agrofert.

Conditions for insurers fall into the same category. By contrast, the regulation of gambling or, let's say, pharmacies, could be used to do deals with other oligarchs.

What the government did not adopt – or where it did not propose a change of legislation to parliament – is also noteworthy. Here we could mention the regulation of the size of the area where a single crop may be planted (which would mean growing oilseed rape would cost more), making in vitro fertilisation only available if conventional methods of treating infertility have been ineffective (fewer contracts for Hartenberg clinics) or banning spendthrift consumer loans (less advertising for Agrofert-owned media).

Hardly anyone appreciates how time-consuming it was for Ministry of Finance officials to find all the problematic areas. For instance, we failed to spot that a particular company we had never heard of was to buy some real estate from the state in a privatisation. The decision to privatise was made by the government of which Babiš had been a member.

We only noticed this much later, when the company in question merged with another and the government resolution approving the sale had to be amended. I went to Minister Babiš and explained to him that this was a conflict of interests and it was perhaps not for the best if he prepared the government resolution and then voted in its favour. Babiš shouted at me: 'Those dickheads of yours should have watched over this.' I pointed out that, if we did that, we would do nothing except investigate his conflicts of interests, and asked him to resolve this himself or ask someone from his department to do it.

This example shows that there were cases where Babiš was in a direct conflict of interests, when he actually did trades with himself, but he failed to declare the fact.

Now, several years later, I understand that more than half of the government's decisions were in one way or another concerned with Agrofert's business in the broadest conception, or the business of other oligarchs, i.e. that had potential for making deals advantageous for Agrofert or Hartenberg. A bigger conflict of interests than that in which the government member and finance minister found himself was hard to imagine. The resolution of this situation was often debated in the government coalition at the time, and the so-called 'lex Babiš' was proposed: a bill to amend the Conflict of Interests Act. The act, which came into power in February 2017, was supposed to ensure that certain public officials could not own media, and that companies in which government members had at least a quarter stake could not receive non-compulsory subsidies or investment incentives. Last but not least, the companies thus defined could not take part in public tenders.

Andrej Babiš responded to the change in legislation several days before it came into power – on 2 February 2017, that is three months before the end of his time at the Ministry of Finance, he came up with a 'solution' – he established two trust funds into which he placed the companies providing the umbrella for his business activities. In addition to putatively resolving his conflict of interests, this measure would have interesting repercussions should Babiš be sentenced and his property confiscated. In such a case, it would be difficult for the state when enforcing the sentence to seize property parked in the trust funds and the state would probably have to wait until the property were restored from the trust funds to Babiš.

The two trust funds were called AB private trust I and AB private trust II. So that there should be no doubt about how independent of his will the trusts really were, he left his initials, with which he signs all documents, in the funds' names. Of the two funds, AB private trust I is the more important one. The trustee is Zbyněk Průša and the board consists of Alexej Bílek, Monika Babišová and Václav Knotek. The most important piece of information is that Babiš is, surprisingly enough, the founder and the beneficiary of the fund, which manages a 90% stake in Agrofert and all shares in the SynBiol holding company that includes the Hartenberg investment fund.

This trust fund is complemented by AB private trust II, of which Alexej Bílek is the trustee and the board consist of Zbyněk Průša, Monika Babišová and Václav Knotek. Babiš is the founder and the beneficiary of the fund, which manages the remaining 10% stake in Agrofert.

Since we do not know the funds' statutes, other internal documents or Andrej Babiš's last will and testament, if there is one, we do not know the detailed set-up of the two trust funds' internal mechanisms. The most important thing is that Andrej Babiš is the beneficiary of both. The companies have been parked in the trust funds since February 2017 and Babiš cannot be formally involved in their management; he may also successfully cite Czech law, according to which he does not own the companies. No one owns the companies, or more precisely, their shares. Their independence of Babiš's will is guaranteed by the fact that sitting in the highest office – the board of trustees – is his current spouse, Monika Babišová – whom he married a few months after establishing the funds to increase their independence – and a group of his closest collaborators.

Incidentally, Babiš showed his absolute 'independence' from his 'former' property by organising his farewell party for Ministry of Finance staff in May 2017 in conjunction with an Agrofert Foundation celebration in the premises of the Stork's Nest resort held by the trust fund. Several weeks later, in the same place, he married Monika, who exercises the highest office in these trust funds. Once conditions set by law and the documents of establishment of the trusts are met, the companies may once again be restored to Babiš's direct ownership.

However, we are regularly fed by Babiš's media machinery the indisputable fact that Babiš is not the owner of the two groups of companies. Yet this is not what the law asked from him. The law orders that a defined group of public figures are disallowed from being the controlling persons in these companies.

The entire legal edifice could be compared to a model in which someone forbids the chief of an agricultural cooperative to own a cow and have any profit from the economic activities concerning the cow. The chairman of the co-op therefore transfers the ownership of the cow to his wife. Lest anyone has any doubts whose cow it is, the animal bears the following legend in colourful letters, 'This is a cow of the co-operative chairman's wife; it therefore has nothing to do with the chairman.' The chairman is very busy in managing the co-operative, buys the cowpats produced by the cow to fertilise the meadow and the field, and he also leases the meadow to his wife forever. The wife feeds the cow with hay from the co-operative meadow, the management of which, surprisingly enough, is the responsibility of her husband – the chairman of the co-operative; the wife milks the cow, puts the money generated by sales of milk to the independent co-operative in a special account, and so on.

When the person in question ceases to be the co-operative chairman, the cow, now nicely fattened up, returns to him and from the money from the sales of milk, which was kept in a special account, another cow is purchased. And the former chairman then also buys his neighbours' cows, which are rather emaciated, because on the basis of the contracts entered into by the chairman, they could not receive hay from the cooperative meadow.

If Andrej Babiš ever thought that people would swallow his trust fund trick, he had to think that the people who sit in the relevant offices, in our country and in Brussels, could not even understand the story of the chairman and the cow.

In January 2019, the local authority in Černošice was deliberating on whether Babiš had committed an offence, because he was in a conflict of interests due to media control by Agrofert (the Černošice authority was competent to decide this on the basis of Babiš's domicile). (i) In line with expectations, the authority ruled that the prime minister had committed an offence and fined him 200,000 Kč. Babiš, or more precisely his lawyers, appealed the decision at the Central Bohemia regional authority. However, before the case was assigned to the regional authority to resolve, the authority was purged, and on the basis of this, the competences to decide these cases were altered. (i) The Central Bohemia regional authority then decided to send the matter back to the Černošice authority with its objections, and the proceedings that followed benefited Babiš, even though anyone with a modicum of legal knowledge may think what they will about the later decisions. (i)

In addition to the Czech authorities, the European Commission also had to address Babiš's conflict of interests. This was no longer about a fine amounting to a few bags of chemical fertiliser for Babiš, but whether Agrofert could continue to draw down vitally important subsidies from the European Union. The substance of the review by the European Commission was whether Agrofert could draw billions in European subsidies if Babiš continued to be the controlling person. That he was, was confirmed among others by the Slovak Register of Partners to the Public Sector, which listed Andrej Babiš as the controlling person in Agrofert. (i)

I believe that Andrej Babiš was clearly the controlling person in 'his' companies. A subsequent European Union regulation went much further in defining conflict of interest, and this concerned Babiš. According to the regulation, it is not necessary to demonstrate the control of companies, as the Czech law on conflict of interests requires. The very position of a direct beneficiary means that the beneficiary draws a benefit (advantage) from the company; and the same applies when the cow, stuffed with subsidies, eventually returns to his direct ownership. The legal relationship between Babiš's wife Monika and the company is also interesting. The review may also investigate whether she, as a member of the highest authority in the trust fund, and a person close to Babiš, derives benefit from the Agrofert subsidy factory. The results of the European Commission's examination of Babiš's conflict of interests are known and hardly anyone will be surprised that the Commission was able to put 1 + 1 together and conclude there was a conflict of interests. (i) The number crunchers in Brussels also identified fraud, when companies controlled by Babiš sought to improve their receipts, which run into billions of crowns, with a few hundred millions worth of subsidies, for which they were not entitled.

The reasons, in addition to the beneficiary's conflict of interests, included Agrofert receiving money for something that had already occurred in another factory it owned, and hence could not be the innovation it was claimed to be. Yet in the end, Agrofert in many cases continues to draw down European money. I do not doubt that companies under the Agrofert holding will face fundamental problems in the near future. The question is what legal consequences this might have for specific people. If the European authorities conclude that Agrofert companies drew subsidies unjustly, and that someone misled the corresponding authorities in that no person in a prohibited position benefited, then the relevant Agrofert managers will have serious criminal responsibility. The officials who paid out the unwarranted subsidy might face a similar problem. In order to avoid the Czech police trying to talk themselves out of the matter by claiming they had never heard of the case, some time ago I elaborated an extensive criminal complaint and filed it with the High Public Prosecutor in Prague. (i) The results are not yet known.

Last but not least, there are potential problems for the Czech Republic, where the greedy Babiš was prime minister. Until the matter is resolved, the country could be sanctioned, i.e. by suspending the drawdown of European money.

Of course, the European Commission in its audit only addressed European subsidies. But an amendment of the Conflict of Interests Act, under which, according to European officials, Babiš was in a conflict of interests, also deals with other prohibited actions, such as participation in public tenders.

It remains to be seen how the next government addresses this partial problem; whether the administration will continue to ignore it as before, or whether it will assess the damages, file the lawsuits and start criminal prosecution, and unplug the law.

4.2.5. Subsidies for land owned by another

In 2017, Janek Kroupa, at the time a journalist at Český rozhlas, brought some serious findings to light. (i) According to his report, Agrofert companies in many cases were farming land they did not own. But the ultimate insolence was that for this land, which they exploited without the approval of its owner, or paying them rent, at least retrospectively – for this illegal act, in short – they drew down subsidies for the cultivation of land. According to the calculations published by Český rozhlas, 1,700 hectares were cultivated in this fashion without authorisation. Although Janek Kroupa was subsequently criticised for a lack of objectivity in his report, (i) he actually made Agrofert look less bad than the situation warranted. In his summation of the hectares, he only considered plots of land above a certain size. If he had added up the land area of all the plots, he would have arrived at a substantially larger number. As a deputy at the Ministry of Finance, I responded by ordering an inspection to prove or disprove a significantly more terrifying suspicion: that Agrofert companies also benefited in this way from state-owned property, with the Office for Government Representation in Property Affairs (ÚZSVM) inactive. That office at that time came under Babiš's authority, and Babiš was then an unconcealed owner of the illegally benefitting Agrofert. However, the inspection was not completed during my time at the ministry.

As far as I know, after the purges in which not just I, but the director of the Property Department and the head of Property Audit, which I ordered to conduct the inspection, also left, the whole affair was kicked into the long grass. My job was taken over by the son of a senior manager in Lovochemie, i.e. one of the companies in the Agrofert empire, which I believe was clearly acting criminally.

The issue concerned land with so-called insufficiently identified owners – there were about 200,000 such plots in the country at the time. In brief: the land registry includes plots of land where historical records indicate as owners people for whom we only know their first and last name, and possibly some other information, but due to lack of other information, such as date of birth, personal identification number or domicile, we do not know who exactly they are or were. From 1 January 2014, in connection with the new Civil Code and Land Registry Act coming into effect, new rules were adopted. According to these rules, the Office for Government Representation in Property Affairs should identify these owners. Should the office fail to do so within ten years of the new acts coming into effect, i.e. by 31 December 2023, the state would then become the owner of the property. And here we come to the substance of the suspicion that state property might have been stolen. One of the variants in the process of identifying owners and the subsequent proceedings is that the owner ultimately identified is not the person insufficiently identified in the land registry, but the Czech Republic is. For instance, this situation could have arisen as follows: a 'Jan Novák', stated in the land registry as owner, died in 1950 without heir and the Czechoslovak state became the owner on the date of his death.

A similar situation would arise if Mr Novák had emigrated and, for instance, had his assets confiscated in a trial in absentia; the field would have become the property of the Czechoslovak, now Czech, Republic, by the date of the trial's verdict. Suppose the land agency, which at the time operated by its own inertia, wasn't notified in the 1950s when the change of ownership took place, and Novák continues to figure in the land registry records today, even though the Czech Republic has been the owner for 60 years or more.

I believe law enforcement authorities should deal with one tranche of Agrofert problems linked with this. If someone uses an asset owned by someone else without authorisation, they are committing a criminal offence. If, furthermore, they are drawing down subsidies for this use, there is a suspicion that subsidy fraud has been committed. But in ordering the inspection I was interested in another thread. Assuming that it is established that the actual owner of some of these plots of land with insufficiently identified owners was the Czech Republic, these plots of lands would come under ÚZSVM authority, and the office would first demand payment for the use of the land without a contract – land that, in the example given here, had been owned by the state for decades. At that time, I received information that ÚZSVM did not perform this identification work, and I was interested to know why this was. According to my estimates, this concerned about 2,000 hectares. Let's assume that half of that area has long been owned by the state. Agrofert does its farming business on this land, and for decades no one demands payment for its use. Over decades, the income lost to the state could mount to astronomical figures – tens or hundreds of millions of crowns, which, mysteriously, according to the information available at the time, were not collected.

I admit that my removal from office and the pushing out of other people who were to conduct the investigation only convinced me that there were things to hide. At that time, I proposed to Minister Babiš that he remove the ÚZSVM director Kateřina Arajmu, following the uncovered property misconduct at the office she managed. Although further inspection ordered by Babiš only confirmed this misconduct, he never removed her. The problems persist and Alena Schillerová, later finance minister and Babiš's loyal right-hand woman, did not make this personnel change either. By contrast, Vladimír Kremlík, who was a deputy to Arajmu, was subsequently appointed the transport minister. I add that it was Kremlík who signed off some highly suspicious transactions.

4.2.6. Stork's Nest

The Čapí hnízdo (Stork's Nest) resort, which includes a hotel, a restaurant, a small zoo and other premises for events of all kinds, as well as land around the resort of many hectares, is found close to Olbramovice in Central Bohemia, near the main road and the railway from Prague to České Budějovice. It is mainly used for social, cultural and sports events. For many years an abandoned farm and former distillery, around 2000 a major new compound was planned at the site to accommodate large events as well as intimate, luxurious get-togethers. The restored mansion – perhaps more accurately described as rebuilt from the ground up – was named after a nesting family of white storks, and the design of the riding hall – the main building of the farm – is inspired by the appearance of their nest.

The architect, Jiří Javůrek, designed the project around 2006, and it was built from 2008 until spring 2010, i.e. in less than two years. (i)

The total cost of rebuilding and completing the resort is not known, but it must have been in the hundreds of millions of crowns. A disputed sum, 50,000,000 Kč, was awarded as a development grant by the Regional Operational Programme Central Bohemia. Three companies, ZZN AGRO Pelhřimov, Farma Čapí hnízdo and IMOBA, feature in this case. (i).

ZZN AGRO Pelhřimov was initially a subsidiary of Agrofert, that is, a mammoth corporation that was not eligible to receive a subsidy for small and medium enterprises. For that reason, the form of ownership was changed in 2008 and the owners hidden behind anonymous shares. According to a statement by Andrej Babiš, his children and his wife's brother owned the shares. (i) In its subsidy application, the company owned by Babiš's relatives declared that it was a small or medium enterprise. In connection with this suspicious removal of the company from Agrofert ownership, it was renamed Farma Čapí hnízdo. Having drawn down the subsidy, Farma Čapí hnízdo was brought back into Andrej Babiš's direct ownership by merging with IMOBA, whose sole shareholder was SynBiol, owned by Andrej Babiš at the time. As detailed above, both companies, Agrofert and SynBiol, were later parked in trust funds, of which Andrej Babiš was the beneficiary.

The charges pressed by the police against Andrej Babiš and several people around him were for fraudulently taking a European subsidy that was intended for small and medium sized enterprises only. As part of Agrofert, Babiš's company would not be eligible for the subsidy. Babiš claimed that, if he weren't in politics, the wangle would never have been found out. In this, he is certainly correct.

Subsidies from the European Union in the period after the Czech Republic joined were subject to all kinds of artful trickery, and most of these frauds and fraudsters will remain unpunished. But the point is that when Andrej Babiš entered politics, the main point of his political programme was to oppose a corrupt government, which allowed things to be stolen in the country under its watch.

From 2015, information about this case appeared in the media. On the basis of this, a criminal complaint was made, and the police started to investigate the case. (i) At that time, Babiš even organised a small exhibition about Stork's Nest in the main ministerial conference room. He would tell everyone who was willing to listen how beneficial the project was, how many kids from nursery and primary schools had visited the farm already, which animals were currently there and whether the storks had arrived, laid their eggs, and so on. I heard the story about the beneficial effects of the Nest about twenty times. I remember waiting in the corridor for a meeting with Babiš, and everyone coming out of the conference room telling me what a lecture they had been given.

After Andrej Babiš and Jaroslav Faltýnek were repeatedly stripped of their immunity as members of parliament, 11 people were charged with economic crimes. (i) Charges against Faltýnek, ANO's deputy chair, were later dropped. (i).

After an intervention by the supreme public prosecutor, most charges against the others were also dropped. Later, after much rigmarole, the case went back to the police, whom the public prosecutor asked to procure more evidence. (i).

In January 2018, the Ministry of Finance took the project out of European funding. (i) The damages were thus borne by the Czech public budget. The Regional Operational Programme Central Bohemia had to ask IMOBA to voluntarily return the fraudulently obtained 50,000,000 Kč subsidy. Only in June 2018 did IMOBA transfer the money into the public budget. (i) This was three years after the first information about the case appeared.

4.2.7. Bonds to the nominal value of one crown per bond

Since Andrej Babiš first entered the Chamber of Deputies in October 2013, all politicians have been obliged to declare their income in addition to the salary they get from the state. In that same year, Babiš invested 1,252,000,000 Kč in bonds. (i) As the parliamentary register of declared assets shows, during his first three months in the Chamber, until the end of 2013, Babiš declared 37,000,000 Kč income from activities outside public office. (i) The question that was asked was as follows: Could he actually afford to buy the bonds of his company for more than 1.25 billion Kč, or was this a tax-avoidance scheme? The point here is that we do not know about the state of Babiš's savings before he entered politics, and whether or not his purchase of his company's bonds was merely a fiction.

One-crown bonds are one of the tricks used to avoid paying taxes. If someone owns a company and does not want to pay tax, he has the company issue bonds to the nominal value of one crown each. The interest from these bonds is not taxed. Instead of correctly paying tax on your company's profit, you receive interest on the company bonds and do not have to worry about taxes.

There were two factors in particular that made the diversion of profits from a company via one-crown bonds advantageous. First, the rule that income tax, collected at a special rate (e.g. tax on interest from bonds) was rounded down to whole crowns, and second, the rule according to which the bond income tax base was set independently for each security. These factors have been present in the Czech legal system since the beginning of income tax regulation in the 1990s. Andrej Babiš blamed the wheeze, which has long been tolerated, on one of his predecessors as finance minister, Miroslav Kalousek. But Kalousek, who served twice as finance minister, only arrived in the post after the fundamental structure allowing this trick had been put in place, and his contribution is overrated. Babiš even once notably claimed that Miroslav Kalousek was the author of some sort of act on one-crown bonds. No such act ever existed. However, what can be attributed to Kalousek is that he used the trick in issuing state bonds, and hence the ministry itself demonstrated to business people that it was possible.

Like any other company, Agrofert could lawfully issue one-crown bonds, which Babiš could buy. In order for this not to be declared illegal optimisation – i.e. diverting profits from one's company without paying income tax – several conditions must be met. The company issuing the bonds has to actually need the money; the bonds have to be real and it has to be demonstrated that the money is actually invested in the company; lastly, the interest rate of the bond must be appropriate to the market environment. Andrej Babiš received interest at 6% p.a., receiving tens of millions per year, and questions about the legality of the scheme were voiced not just by the media and tax experts, but also by law enforcement authorities.

Babiš was not the only one to exploit the trick. Hundreds of firms issued such bonds. Another billionaire who did so was Radovan Víték, via his CPI real estate group; but so did the state-owned freight train operator, ČD Cargo, and many others.

4.2.8. Oligoprostitute

With his conflict, or fusion, of interests, Andrej Babiš has wreaked havoc in the organisation of this book, because he fits the definitions of both an oligarch and a prostitute. That's why I have allowed myself to bring the two terms together and devise the portmanteau 'oligoprostitute'. His oligarchic interests are huge and so are his chances of influencing our national interests to benefit superpowers. This book investigates the activities of the oligoprostitute Babiš in business, public life and other areas, and there's no need to recapitulate this here. Instead, I'd like to analyse one conflictual situation which, I believe, is particularly telling.

In December 2019, I wrote a comment piece for Seznam.cz in which I asked the provocative question: Has Andrej Babiš embarked on a treasonous path? (i). I tried to put together a few simple facts that in sum gave an answer to this question. Yes, I do believe that the now former Czech prime minister, who owed about a billion crowns to the Chinese communist-controlled Bank of China, went down a treasonous path. (i). In the past, it was unthinkable in our politics for a politician to owe a sum even a hundred thousand times smaller to an entrepreneur with which the state may establish a commercial relationship. Yet recently we observed a situation where the prime minister and the companies he controls were due to pay a billion crowns to a bank of a foreign power.

And it's not just any old foreign power. It won't hurt to analyse the situation in some detail so that it's clear to everyone what kind of problem our country acquired due to yet another economic relationship established by the prime minister.

As noted elsewhere in this book, the Agrofert group finds itself in a tricky situation. The company is vitally dependent on European Union subsidies and on public procurement contracts. (i) Whether it is in the black or red is ultimately dependent on the interest rates charged on its enormous loans. To be specific, in 2019 the Agrofert companies showed a profit of 1,700,000,000 Kč. (i) Yet direct subsidies drawn by the various Agrofert companies (whether rightfully or not) were about 2,000,000,000 Kč. (i) Without them, Agrofert would be definitely in the red. Again, I remind the reader that the amended Conflict of Interests Act, in force since early 2017, prohibits the prime minister not only from drawing down subsidies, but also from participating in public procurement. If we count in the amount of public procurement, which forms another pillar of Agrofert business, or more precisely, if we subtract the profits derived from these public contracts, not just in Czechia but also in several neighbouring countries, the Agrofert empire, concealed in the trust funds, would be making a huge loss of several billion crowns. If Agrofert did not participate in public procurement, it would not be able to make some of its products in the quantities planned, and the entire concept of the conglomerate of companies would collapse like a house of cards.

Let us add to the simple formula that the company is drawing down loans worth around 40,000,000,000 Kč. (i) An interest rate of a mere single percent is therefore 400,000,000 Kč per year.

How sensitively must the banks consider each new scandal, problem or criminal investigation of the prime minister? Available information suggests that the interest rate is about 2.5% and therefore the interest the group pays is about 1,000,000,000 Kč per year. How would the Agrofert conglomerate end up if it were owned, indirectly, not by Andrej Babiš, but by a Joe Bloggs? Logically, banks would decide that they were not prepared to finance the opaque structure established by Mr Bloggs, smelling of fraud, and if they were, they would only grant a short-term loan at a substantially higher interest rate.

Initially it seemed that the willingness of Czech banks to lend was dependent on Babiš's position on the sectoral tax on banks, but it seems even that was insufficient. Thus a consortium of Asian banks, including the Bank of China, appeared as players in the refinancing of the Agrofert debt. Let us not imagine that any state-owned company in China does what it wants to do. That is not how it works there. Why, then, did a bank owned by the communist state appear at this crucial moment?

For the Chinese communists, the prime minister's business, parked in the fishy trust funds, is the goose that lays the golden eggs in Central European politics. On a whim, they can decide to help the prime minister's business and keep his juggernaut afloat, or they can very quickly contribute to its rapid downfall. Why, if they demanded a substantially higher interest rate, as indicated by the economic situation of the various Agrofert companies, this would create a chain reaction in other banks, cause Agrofert results go red, trigger another rise in interest rates, and so on.

One of Babiš's favourite metaphors, with which he would constantly amuse me – and with which he probably continues to amuse those around him – was his satisfaction when he 'had someone by the balls'. A situation where he could put a squeeze on someone, be that a political party, a non-governmental organisation, his collaborator or another firm, was something he enjoyed so much that he considered it the peak of his power. Yet in this case, it was someone else who held Babiš by the genitals. The Chinese could manipulate the prime minister of this country entirely freely, and, threatening a change in the conditions for granting the loans, demand from him the fulfilment of rather more wishes than one could demand from the golden fish in the fairy tale.

When I worked at the Ministry of Finance, Babiš's relationship with the Chinese was not at all positive. He often remembered that 'the Chinaman screwed me out of several hundred millions'. For that reason, he was not inclined to view favourably President Zeman's megalomaniac plans concerning the New Silk Road or a tsunami of Chinese investment. By contrast, he noted fairly reasonably that, when the Chinaman buys the Slavia football club or a stake in a prosperous Czech firm, this is no help to the Czech economy. Information from those around Babiš suggests, however, that in recent years he has not been presenting such ideas, avoiding voicing any opinion about the Chinese. Given that it is the government that articulates our foreign policy, there must be many more options to help his business friends.

Elsewhere in this book, I recount the affair of the letter from the Chinese embassy to the late Senate president Jaroslav Kubera.

It remains an unanswered question why the Chinese ambassador is still in his post, and why no one from the Chinese party has adopted a position that would be at least a little self-critical. The answer is given by the paragraphs above concerning the loans to Babiš's company from a bank co-owned by the Chinese government. The oligoprostitute simply cannot afford to annoy his creditor, and national interests are laid aside, to benefit the financial stability of his enterprise.

4.2.9. A critique of subsidies as a campaign by Babiš's opponents?

Babiš's political opponents often claim that he only entered politics to retain, or possibly to increase, the flow of subsidies into his entrepreneurial empire. We do not have to judge, but it is true that the numbers for Babiš's business do support such hypotheses. Since Babiš entered politics, nearly a fifth of tax reliefs granted by the Financial Administration to enterprises in the Czech Republic has gone into Agrofert.

Babiš never saw tax reliefs as a priority matter to resolve. He would say occasionally that excessive and pointless reliefs were behind what he considered the unsatisfactory tax collection performance by earlier governments. After scoring a success in elections and obtaining the Ministry of Finance, he changed the tax relief policy, and did so more profoundly than indicated in the manifesto of his party. Soon there were changes to tax relief for sole traders and a substantial re-evaluation of the subsidies given in the form of tax exemptions to hitherto supported sectors. The planned result was a rationalisation: to grant support only where it was actually needed, and to abolish tax support for enterprises that did not really require it to maintain employment or investment. (i)(i).

Yet Babiš's early days as the holder of the public purse did not suggest the elimination of tax reliefs. In 2014, the new finance minister made a substantial dent in the national budget, by granting 10.79 billion Kč of tax exemptions and benefits. Tax relief was at a historic high; the only other similarly generous year was 2007, when at the beginning of the great recession the state gave 10.42 billion Kč of tax relief, money that would normally flow into the budget as part of tax collection.

According to the arguments by the leadership of the Financial Administration, the record tax relief in 2014 was caused by unusual circumstances – in particular, by a change in the assessment of applications for tax relief, allegedly brought in by new European legislation, and tax exemption for businesses damaged by extensive floods the year before. (i) While a natural disaster cannot be argued with, the rest of the justification can. The 'new methods' for assessing tax remission applications, which were to be characterised by the option to decrease sanctions, were only applied in the given year. By contrast, a long-term effect of the new methods for assessing grant applications has been that the list of companies, which received tax reliefs in the past, has been changed entirely.

Before Babiš entered politics, critics saw his massive conflict of interests as particularly dangerous. It was difficult to believe that a man who had gained large segments of the agribusiness and chemical industries and was entering into new projects in healthcare and other sectors, would forget his empire built over the years as soon as he entered politics. Many people wanted to believe him, and so they overlooked or made light of his conflict of interest.

But Babiš did not make much effort to draw a clear separation between his political and business careers, and was reluctant verbally to dispel suspicions that he was influencing the rules of the game for the sectors in which his businesses operated.

The analysis of the procedures by which the Financial Administration waived taxes calls the sincerity of Babiš's defence into question. In 2014, the year he was appointed minister, Agrofert, which he had still directed early in the year as chairman of the board and of which he continued to be the ultimate beneficiary, received relief on taxes and other charges amounting to 1.47 billion Kč. The firm of the finance minister, which in the year before his appointment into office received no tax relief, after his appointment thus received relief that amounted to 13.6% of the total tax relief granted to all firms in Czechia that had successfully applied for it.

From the viewpoint of the Financial Administration, which is under a statutory obligation of confidentiality and must not comment on individual business entities, the arguments about extraordinary circumstances linked with the changes in the methods for assessing applications for tax relief or the exceptional tax waiver linked with mitigating the consequences of the floods, do not stand up, as Agrofert's unprecedented success in obtaining tax reliefs continued in subsequent years.

This was despite the tax administration policy, which started to decrease the overall amount of taxes and other charges waived, in order to meet the principle of reasonable management of public money and of increasing tax collection.

The decision to waive a tax is made by the Ministry of Finance, in particular under exceptional circumstances such as natural disasters. For instance, the law allows for the exemption of certain ranges of products from tax during an epidemic. The more frequent and common practice is that the Financial Administration grants remission of tax and other charges to business entities.

Although this practice of tax remission was instituted as something of a back door for the Financial Administration, to be used if some businesses are affected disproportionately harshly and the authorities want to compensate them, over the years the practice has developed into something else entirely. The state started to use tax waivers as an instrument of its subsidy policy.

These tax waivers have become state aid to selected enterprises and constitute stimuli that are most often awarded with the argument that they are supporting investment. Relief is most often awarded on the basis of a contract with the investor, who promises to hire new staff or make investments in the public interest or in the environment, in exchange for tax relief or a full waiver. This is an instrument widely used in other European Union member countries, but usually the conditions for awarding such stimuli are clearly defined in a government subsidy policy. This is lacking in Czechia, and hence the justifiability of awarding tax reliefs in the various cases where they have been awarded is disputable and unclear.

This is a favourable environment for the recipients of tax reliefs, as these are not described as subsidies, and so they can be easily concealed.

If a company admits receiving them, it is most often in statutory documentation only, where all tax reliefs are summed up in the column 'investment grants'. This is how Agrofert does it too.

An analysis of the success rate of Agrofert's applications for remissions of taxes and other charges provides an interesting view of the tax pardons. Although the total tax reliefs for Czech firms have been decreasing, those for Babiš's holding company are not susceptible to this trend. For the period when the ultimate beneficiary of Agrofert has been sitting in government, the tax relief granted to Agrofert in the form of investment grants, mandatorily disclosed in the company's financial reports, has ranged from 0.28 to 1.47 billion Kč of taxes and other charges per year.

While in 2013 the holding company received no tax relief, from 2014 to 2019 the Financial Administration waived taxes and other charges of 3.75 billion Kč, that is 18.5% of all remissions of taxes and other charges granted to enterprises in the Czech Republic.

Year/Received investment grants by Agrofert holding company (in billion Kč)/Percentage share of all remissions of taxes and other charges granted to enterprises in Czechia

- 2013 / 0 / 0
- 2014 / 1.47 / 13.6
- 2015 / 0.67 / 15.4196
- 2016 / 0.37 / 17.5
- 2017 / 0.61 / 100.0
- 2018 / 0.28 / 29.8
- 2019 / 0.35 / 23.2

Source: justice.cz

Thus, since Andrej Babiš's entry into Czech politics – corresponding to when he took control of the Ministry of Finance – the Financial Administration has been granting Agrofert tax pardons equivalent to nearly a fifth of all reliefs granted to all companies in the Czech Republic.

It is also noteworthy that in 2017, the company of which Babiš is the ultimate beneficiary was the only one in the country whose application for the remission of taxes and other charges was successful.

Agrofert is similarly successful with direct grants. According to an analysis of all published grant and investment incentive agreements, Agrofert companies successfully applied for national or European incentives worth at least 13.5 billion Kč. This is the number for the entire history of the group, but most of the money – about 8.8 billion Kč – was received after Babiš entered politics. This follows from an analysis of available, published, grant agreements, conducted as part of the preparations for the book *Můj stát, moje firma* [My State, My Firm], which draws on six sources of information about grants. (i) Thus, it is possible that the actual number of grant agreements and the amount of money received was greater, but it is certainly not smaller than cited.

Another fact following from the data analysed is that the actual amount of money drawn down in direct grants is more than stated in the annual reports of the firms in Andrej Babiš's portfolio. In the financial statements that the Agrofert holding company is required to publish, it cites operating grants for the period since its owner entered politics in the amount of 7.35 billion Kč.

Data for the period from when Andrej Babiš was first elected to the Chamber of Deputies on 26 October 2013 to June 2020 – the month for which data were most recently available to us – show that Agrofert drew national and European grants in the amount of at least 8.8 billion Kč.

Other firms in which Babiš is the ultimate beneficiary thanks to having at least a share – in particular, Hartenberg and Imoba – drew subsidies in the tens of millions of Kč. Historically, publicly available data on grant agreements entered into by the Agrofert group amount to a total of 13.5 billion Kč. As the group has received 8.8 billion Kč of direct grants since Andrej Babiš entered politics, it is clear that the group has been particularly successful with its grant applications during the time its ultimate beneficiary has been sitting in government.

Historically, Babiš's firms have entered into about 7,900 grant agreements, analysed in the book *Můj stát, moje firma*. However, for many agreements analysed, important and mandatory details are missing, such as the size of grant received. Thus, the actual amount of grants will be even higher. Data on drawdown are lacking for 852 agreements.

In the Agrofert case, many of the direct grants paid to the applicant's bank accounts are under the single area payment scheme. These are paid to agricultural enterprises per hectare, according to the area of agricultural land they manage. Another important component of the grants are subsidies for livestock farming. While the investment grants are mostly granted by the Czech state in the form of tax reliefs, with operating grants the money is transferred directly into the recipient's bank account.

These items in the flow of subsidies to Babiš's enterprises also threaten Czech public budgets with substantial losses, due to the massive conflict of interests of the politician and entrepreneur which the European Union has started to address. As described in *Můj stát, moje firma*, the State Agricultural Intervention Fund (Státní zemědělský intervenční fond) has paid out and continues to pay out money to Babiš's companies which should have been frozen following the European Commission audit on the Czech prime minister's conflict of interests. The Czech side argued in 2020 that the decision of the auditors was not concerned with the operating grants for Agrofert. At the time of writing, Brussels has rejected such an interpretation and confirmed that Czechia risked not getting this money reimbursed from the Union's budget.

Agrofert has been successful in winning subsidies across Czech ministries. Grant sources and schemes come from the Environment; Industry; Agriculture; Labour and Social Affairs; Regional Development; Education, Youth and Sport; and Culture Ministries of the Czech Republic.

Much is also paid from European sources managed in Brussels, but in particular from those managed in Czechia: the European Agricultural Fund for Rural Development, the Operational Programme for Rural Development and Multifunctional Agriculture, the Operational Programme for Human Resources and Employment, the European Structural and Investment Funds (ESIF), the European Agricultural Guarantee Fund and the European Social Fund. Projects by firms in the Agrofert group have also been supported by the State Agricultural Intervention Fund, Czechinvest, the Czech Science Foundation and the Czech Academy of Sciences. The most important sources of funding have been the Agriculture and Environment Ministries.

On its website, the Agrofert group responds to criticisms that it has perhaps been overachieving in its applications for grants. It rejects the idea that subsidies stand behind its economic might, and emphasises that 'unlike other firms' it does not send its profits abroad; they remain in the country. The stories about Babiš's offshore purchases, as shown by the Pandora Papers, and the affair with the one-crown bonds, question the credibility of this statement. (i)(i).

Fighting for values with Orbán

Andrej Babiš slipped into Czech politics as a modern politician in the Western style, boosted by the European economic upturn and with the image of a modern manager who would negotiate a dignified position for Czechia in Europe.

Only a few years later, however, the dashing leader was transformed into a bitter and resentful Eastern European pigmy rebelling against the 'rich' countries that sought to direct the Union according to their own notions.

This change in behaviour was largely due to two factors: politics informed by populism and numerous private problems, caused by his failure to address the controversies around his business.

Andrej Babiš has had numerous issues with the European Union. Its institutions have investigated the purposes for which he has used extensive European subsidies granted to his business empire; showed that he continued to do business while pursuing his political career; and exerted pressure on the Czech authorities not to ignore the problems stemming from this conflict of interest.

How to respond? The easiest, and, in our region, proven recipe is to create an external enemy. In this case, members of the European Parliament, auditors, EU commissioners and others are to blame for Babiš's problems – they all conspired against him, they don't like Czechia and they want to remove Babiš from politics. Why? Because Babiš actually fights for Czech interests, because he shows things as they are, criticises the Union and rejects its migration policy.

In order to preserve a structure that allows the growth of power and business with European resources, the people from the environment that created Babiš are willing to go to the edge or beyond. Other groups backing typologically similar political leaders in other countries are thinking in a similar way. Among the most similar is Viktor Orbán, and an alliance thus made sense.

There has been a similarity between the domestic events linked with both Orbán and Babiš. While in Budapest trade unionists and opposition voters protested against Orbán's government because of its interference with democratic principles, in Prague crowds attempted to drive Babiš out of the government building primarily because of his personal and business affairs.

This is something Viktor Orbán understands. His close associates and relatives have been investigated by the European Anti-Fraud Office, OLAF. And what Orbán sees behind this is the same thing that Babiš sees behind his investigations – a campaign. According to Orbán, the European authorities started to pick on him due to his strict rejection of European solutions to the migration crisis.

In Hungary, Orbán's son-in-law István Tiborcz has had problems due to suspicions of fraud. According to OLAF, the husband of Orbán's daughter established a criminal group that interfered with public contracts. The accusation of European investigators was serious enough for the Hungarian criminal investigators to look into the matter even before the European review was concluded.

Tiborcz's firm, a street lighting supplier, won its first public contract a year after Orbán came to power. His success only mounted the more his father-in-law held the reins of power firmly in his hands. From 2012, for instance, over two years, he won 39 public contracts for supplying street lighting in Hungarian towns and municipalities. As the investigators' analyses showed, the margin of the firms linked with Tiborcz constituted an unusually large component of the price. For example, where his company was the supplier of lighting during a comprehensive reconstruction of infrastructure including rebuilding the roads, the lighting cost more than the building works. Generally, his firms' offers in public tenders were about ten percent costlier than those of competitors. According to OLAF, the success of the Elios firm in particular was due to the conditions of the tenders, which were 'tailor-made' so that only István Tiborcz's firm was able to meet them. There were also frequent complaints about the equipment supplied. Some municipalities claimed that the new lighting was worse than that before, which they had replaced at public expense.

Thanks to good relations with neighbouring countries, Tiborcz expanded his business, in particular in Slovakia thanks to Pavel Pavlis, ex-minister of the economy on behalf of Robert Fico's Smer-SD party – Fico was for many years a commercial partner to Andrej Babiš.

In Czechia, another man close to Viktor Orbán has scored a significant success. Oszkár Világi has expanded into the country with his network of MOL petrol stations.

Thus Orbán and Babiš intertwine not just on the domestic political stage, but also on the business stage. The paths of the traders and collaborators associated with them often intersect too. Co-operation between the leaders of Hungary and Czechia is visible not just on this level, but equally in the arguments of international politics. Czechia repeatedly vacillated and refused to express a clear view concerning the growing criticism by European authorities of the steps taken by Orbán's government that limited the freedom to conduct business, media freedom and the autonomy of academic institutions, and threatened the rule of law.

Together Czechia and Hungary adopted a similar rhetoric on issues such as the migration crisis and restrictions against Russia and China. Orbán supported Babiš when the latter attacked the authorities investigating how European subsidies were managed in the Czech Republic. He also showed up at an election rally in late September 2021 in the Ústí nad Labem region. Babiš, of course, has provided appropriate services in return.

Yet this alliance works only for negative issues and the war on Brussels. In terms of positive proposals, Hungary and Czechia do not particularly coordinate their approaches. Occasionally, Orbán even attacks Czech interests and representatives, something that Babiš ignores. This happened, for example, when the Czech European commissioner, Věra Jourová, criticised Orbán's governance in the German news magazine, Der Spiegel. Orbán called for Jourová's resignation; Babiš not only failed to defend her, he even dodged journalists' questions as to what he thought of the conflict.

Similarly, Babiš ignores the questioning of the Beneš decrees by Orbán's fellow party members, as well as the constantly fuelled nationalist tendencies among the Hungarian minority living in neighbouring countries.

The two enfants terribles of European politics had a big joint project: criticising the European Union for buying coronavirus vaccines together – this was linked with a marketing populism around the Sputnik V vaccine. In February 2021, Babiš supported Orbán by praising him for buying the unapproved Russian vaccine. He described it as high quality and safe.

Andrej Babiš also maintains with Viktor Orbán relationships that are advantageous for his business. He entered the Hungarian market via the Agrofert group in 2009 by buying Devecseri, a trader in agrochemicals, seeds and other commodities. The purchase made sense, because the company gained influence among local farmers and opened up further options for Agrofert expansion. A year later, Agrofert activities in Hungary were duly expanded, when it bought a well-known and important bakery company, Ceres. The major maker of long-life baked goods also provided Babiš with influence over business networks and grocery logistics in Hungary. In mid-2012, Agrofert bought a part of the sales and distribution network of the IKR group. In particular, the group signed over to Babiš's IKR Agrár its business activities, and it is precisely with these that an important part of the agricultural production by Hungarian farmers is linked. The expansion of the Czech businessman's empire continued in 2014, when Agrofert bought the sunflower oil manufacturer, NT Group. Testifying to its importance in the market are its annual sales of around four billion crowns.

Generous state subsidies, drawn in Hungary by enterprises of which Babiš is the ultimate beneficiary, are in part behind the success of the business group. This is resented by quite a few Hungarian farmers.

It is not just EU politicians, but also the business sector who are very critical of Orbán's regime, which damages the market with its interventions. The firms and the families of Orbán's sponsors receive a large share of European and national subsidies, which has allowed them to take virtually complete control of some segments of the market. By contrast, their competitors and firms linked with those critical of the regime face hurdles created by the state at every turn.

In the second half of his political career, Babiš's developed his close relationship with Orbán into something that could almost be described as friendship. After several face-to-face meetings and joint family gatherings with the participation of his wife Monika, Babiš highlighted the growing trade between Czechia and Hungary and the two countries' joint approach to migration policy.

The 'scratch my back and I'll scratch yours' principle works and Babiš's firms, propelled by national and European subsidies, are growing in importance within the Budapest sphere of power. The local media suggest that while its foreign competitors are decimated by regulators under Orbán's governments, the activities of the Czech agrochemical groups are supported. It must be added that agriculture is a traditional and major sector of the Hungarian economy, and one that the country is eager to protect.



Penta Investments Limited



4.3. PENTA

4.3.1. A characteristic of the group and essential information

The company Penta Investments Limited (Penta), or more precisely, its legal predecessor, was founded in 1994. Presently the company is headquartered in Limassol, Cyprus. However, its main administrative centre is located in Penta's flagship property development project, the Florentinum in Prague, which it had built but subsequently sold. (i)

Penta is currently one of the most important Central European investment groups. It focuses on long-term investments, particularly in healthcare, pharmacies, financial services, retail, manufacturing and property development. To achieve its aims, the portfolio is completed by a major media house. (i) From a firm operating in Slovakia and the Czech Republic, Penta developed into an international group with investments in a number of European countries and, more recently, in China. The companies owned by Penta provide employment to nearly 40,000 people, making it one of the largest employers in Central Europe. The group owns assets worth more than €10 billion. (i)

The main faces of this group, with extensive investment and influence, are Marek Dospiva and Jaroslav Haščák. Dospiva, a man in his fifties, has been consistently ranked by Forbes magazine among the top ten richest Czechs, usually in around eight place. Haščák, whose name continues to be associated with the Gorilla affair, (i) in terms of the size of his assets is ranked towards the top of the second ten of the richest billionaires in Slovakia.

Penta has a presence in Prague, Bratislava, Warsaw, Munich, Limassol, Amsterdam and Jersey.

According to 2018 results, Penta increased its net profit by 22% to a record high of €288 million. Revenues increased by a tenth to €7.5 billion.

The main contributors to Penta's profits were the companies Dr. Max and Penta Real Estate; however, Fortuna, the Dôvera insurer, Prima banka and Privatbanka also helped make the group's profit in 2018 the highest ever.

4.3.2. History of the group

Marek Dospiva is a graduate from the Moscow State Institute of International Relations. According to available sources, he and Haščák obtained their initial capital by trading with Chinese textile manufacturers and importing this kind of goods to Czechoslovakia after the fall of communism in 1989. Dospiva completed his education in Beijing, and was one of the first Czech entrepreneurs to notice the interesting business opportunities offered by the Chinese market. Alongside Dospiva and Haščák, the founders of the original Penta in 1994 were Josef Oravkin, Martin Kúšik and Juraj Herk. The company was then called Penta Brokers, and it traded in securities, particularly options. The name 'Penta' comes from Greek and refers to the fact that the five mentioned gentlemen were the partners. As the company's legal structure evolved, in 2002 Herk was replaced by Jozef Špirko, until then Penta's investment manager. (1).

The fundamental step of transforming a marginal regional trader in securities into a major investment company took place in 1997.

In a complicated transaction, Penta took over the fund VÚB Kupón with assets worth around 9 billion Kč. (1) The VÚB Kupón portfolio included more than 100 enterprises, mostly in Slovakia, but also some with factories in Czechia. In subsequent years, Penta restructured such giants as the Slovak oil refining company Slovnaft. The portfolio also included Drátovna Hlohovec (a wire manufacturer), Chemolak (paints and coatings), Slovenská plavba a prístavy (ship and port operator), VSŽ (steel), Elektrovod (power infrastructure), Sanitas (medical supplies) and Slovenská poisťovňa (insurer).

In 1999, Penta officials transformed the company into a group, with the parent company in Cyprus. In 2001, Penta entered the Czech market, where it invested in companies including Dr. Max (pharmacies), Fortuna (betting), Aero Vodochody (aircraft) and SmVaK (water utility).

In 2002–2006, there was substantial growth in the net value of Penta assets, from about €70 million to €460 million. During that time, the group invested in the health insurers Dôvera, Sidéria and Apollo, and water utilities. After 2000, Penta also started to invest in interesting real estate. Its first development project was Digital Park in Bratislava. Over the first few years, Penta became one of the top five developers in Slovakia. After stabilising the situation in Slovakia, it expanded its property development activities into the Czech Republic.

In the following years, Penta became one of the most important players in terms of investment in the retail pharmacy and meat industries, with investment in retail and pharmacy in Poland, mechanical engineering in Germany and meat processing in Hungary.

In September 2014, Penta entered the Slovak media market, in cooperation with the Dutch investment company, V3 Media Holdings, which completed the acquisition of the publisher 7 PLUS, a. s., including the internet company Centrum Holdings, as well as the acquisition of the publisher TREND Holding, s. r. o. (i)

A year later, in November 2015, Penta entered the Czech media market by acquiring the strongest regional news media publisher, Vltava Labe Media – a publisher of local papers that some years before had absorbed Zemědělské noviny and Svobodné slovo (the former Ntisk company). As part of this transaction, Penta obtained a 51 per cent stake in Astrosat. In 2016, Penta became the full owner of this publisher, when it bought the remaining 49 per cent stake in Astrosat Media from Bertelsmann AG group. (i) Astrosat publishes lifestyle titles such as Story, Glanc, Gurmet and National Geographic, as well as the traditional weeklies Květy, Vlasta and Překvapení and the weekly tabloid, Magazín Šíp. Each month the magazines are read by about 2.5 million people, and the websites have 1.5 million unique visitors each month. With their Chinese partners, Penta top executives long sought to take over the largest Czech commercial TV station Nova, or part thereof, or even the entire Central European Media Enterprises (CME), (i) which owns not just Nova but a number of other media outlets in Central and Eastern Europe.

4.3.3. Fortuna

FORTUNA, sázková kancelář, a. s. was the first odds-betting provider in Czechoslovakia, founded in May 1990 by four men, Petr Bouma, Jiří Balcar, Josef Kurka and Michal Horáček. That same year, it opened its first betting shop, Fortuna, in Prague's Lucerna shopping arcade.

Odds betting was made legal in Czechoslovakia on 1 May 1990. Soon thereafter, a sister company to Fortuna, Terno, was established in Slovakia. There was a capital tie-up between Fortuna and Terno from the very beginning. The first owners of Terno, in addition to Fortuna, included Igor Nosek and Richard Müller.

In 2005, the original entrepreneurs, led by Michal Horáček, sold Fortuna to Penta group for 2.4 billion Kč. (i) Penta thus became the owner not just of Fortuna, but also of the Slovak Terno, which it subsequently also renamed Fortuna. After consolidating and modernising Fortuna in the Czech Republic and Slovakia, Penta continued its expansion by buying the Polish betting firm Profesjonal, later also renamed Fortuna.

The biggest change for Fortuna came with an amendment of the 1990 Lottery Act, coming into effect in January 2009, when odds betting on the internet was legalised in a manner that was legally dubious. (i) This only concerned companies in the Czech Republic. The amendment was a cause for long disputes with foreign betting operators and through them with the European Commission, and it also complicated the adoption of a new gambling law many years later. Fortuna and another betting operator, Tipsport, profited from this amendment, and whispers about it having a corrupt background continue at the Ministry of Finance to this day. The legalisation of internet betting opened the way for so-called live bets, i.e. dozens of betting opportunities during a single sports event. Besides the socially positive change of shifting the overwhelming majority of gambling from illegal operators to licensed companies, the amendment brought new clients to the Czech betting operators, who had hitherto placed their bets mainly with foreign companies.

In the same year, the Fortuna Entertainment Group was established, which became the largest odds betting operator in Central Europe and one of the largest in Europe. Originally a Czech company, Fortuna grew into a holding company with interests in the Polish, Hungarian, Slovak and Croatian markets as well.

October 2010 marked another major change for Fortuna, the shares of which started to be traded on the Prague and Warsaw stock markets. After the collapse of Sazka in summer 2011, the Fortuna leadership attempted to buy the company. (i) Penta with Marek Dospiva failed at this, and it was another oligarch, Karel Komárek, who bought Sazka. Fortuna, at least, sought to fill the gap in the market left by the floundering Sazka by selling scratch card lottery tickets and expanding its offer on the numbers lottery market.

Another turning point for Fortuna was the new gambling act that came into effect on 1 January 2017. After an enormous race, Fortuna was the first to obtain a licence to run an online casino. Thus, the company could offer a virtually complete portfolio of gambling options via the internet in the Czech Republic. Thanks to the change of conditions brought about by the new act, the elimination of most illegal operators on the internet, and advantageous tax rates that were lobbied for a temporary period, since 2017 Fortuna has enjoyed its most profitable period ever. (i)

The dependence of gambling operators provides a classic example of the oligarchic administration of the country. Operators such as Fortuna are existentially dependent on the decisions of the regulator – the Ministry of Finance – and the legislation. If the tax rate or some other essential parameter is changed, the fundamental economics of gambling operators might start to collapse.

When we wrote the first draft of the Gambling Act in 2014 and later the legislative process was started, the intention was to reduce gambling at all levels. I notified Andrej Babiš that tax receipts might decrease if gambling were reduced. We proposed to increase the tax rates only moderately, and to reduce hard gambling in particular by other means. The draft of the main gambling act was submitted to the government's Legislative Council at the turn of 2014/2015 and the draft of the auxiliary act on taxing gambling was ready too; the only thing that needed adding were the actual tax rates. We proposed the following rates: 25% for odds betting and number lotteries, 30% for casinos and 35% for gambling machines. After consultation with Jozef Janov, a finance expert from his company Hartenberg, Babiš came back with the rates of 30%, 35% and 40% respectively. 'That'll shock the shit out of Komárek and Dospiva,' he said. When we argued that, with such rates, gambling would go underground, he replied: 'Rates might still change, they'll crumple their hats [as a sign of deference].' Everyone knows how it all ended: odds bets (Dospiva) and numerical games (Komárek and Šmejč) are taxed at 23% and hard gambling (i.e. gambling machines) at 35%. The 23% rate is optimal for the domestic providers; it is low enough not to hurt them and high enough to discourage foreign operators who, unlike the existing Czech operators, would have the expense of establishing the infrastructure of physical betting shops.

I wasn't there at the 'hats crumpling', but Dospiva and Babiš met several times, something the latter commented upon using the following words: 'That dickhead Dospiva bothers me even on the Alpine pistes.' I don't know what Dospiva offered in exchange, but in connection with Dospiva, Babiš most often talked about the influence of his regional daily newspapers.

He would pull out a specific article critical of him and say: 'If that rag of Dospiva's is going to write like this, he'd better not bother me at all.' Thus we can infer that the issue of gambling tax rates was linked with the media space in the Dospiva-owned dailies.

The second interaction between Dospiva and Babiš concerning gambling regulation occurred in late 2016, i.e. immediately before the new law came into effect. It all started with a text message from Dospiva to Babiš, in which the former complained about the procedures of my subordinates at the section that issued licences to gambling operators. Dospiva, or people in Fortuna, believed that the Ministry of Finance was sabotaging the issuing of licences. Babiš, shouting, relayed Dospiva's position by ordering us to issue his licence immediately. I explained that we would not issue anything until the application was complete. His conclusion was, 'If there's another complaint, I'll beat you black and blue!' I opted for a non-standard procedure and asked for a meeting with Marek Dospiva. I was ready for anything, but did not expect a rational debate. I outlined the situation and explained what was needed for the application, where the problems were, and so on. In the end, Dospiva did not intercede with Babiš again and instructed his people in Fortuna to respond to our objections. I reported to Babiš about the meeting as soon as I could. Naïvely, I supposed that he would be glad to have the communication issue resolved, but he accused me of being corrupt, in words that cannot be printed here. It was then that I understood that he himself wanted to take the credit for issuing the licence.

4.3.4. Dr. Max pharmacies

Available information indicates that the companies running the pharmacy chain Dr. Max are consistently the most profitable part of the Penta group. (i) Dr. Max pharmacies constitute about 15% of all public pharmacies in the Czech Republic, making it the largest chain of chemists in the country. The company Dr. Max Pharma, also owned by Penta, has become the largest domestic producer of pharmacy goods sold over the counter.

Ever since it bought the pharmacy chain, Penta has sought to develop this exceptionally profitable business, not just by establishing new branches but also by buying existing pharmacies or entire companies that had their own networks of branches. Dr. Max has sought to expand not only in Czechia, but also in other countries in the region. For instance, in late 2017, Dr. Max bought A & D Pharma in Romania, (i) which owned 600 pharmacies, as well as the wholesale company Mediplus.

Before this acquisition, Dr. Max ran 31 pharmacies in Romania under the ARTA brand, and the deal thus brought the total to 631, making the company the number one in the local market. Although Penta representatives refused to comment on the purchase price, it is evident that this was the most the Penta group had paid to acquire a company. A & D Pharma employs 4,500 people in Romania. After acquisition, Dr. Max group revenues increased to €2.3 billion and staff increased to 12,000 people, making it one of the four biggest chains of chemists in Europe. Dr. Max currently operates about 650 pharmacies in Romania, 450 in the Czech Republic, 380 in Poland, 273 in Slovakia and more than 100 in Serbia.

Another country where Dr. Max has tried to establish itself is Italy. But it wouldn't be Penta and Dospiva and Haščák if they didn't attempt to enter the Chinese market. (i) With a turnover of about \$140 billion, the Chinese pharmaceuticals market is an exceptional draw. To get ahead of other Western companies, Penta needs to be based in a country whose president who regularly sits down with Chinese Communists and does not criticise the human-rights situation in China; constitutional authorities who in response to a visit by the Dalai Lama confirm to Chinese Communists their support for the One-China policy; and police who during a visit by the Chinese president remove Tibetan flags from his field of vision. Thus, whether or not we wish success to Marek Dospiva and his Penta colleagues, we must be aware what ideals are betrayed by the highest constitutional authorities of our country in achieving this success. Of course, by saying this I do not argue that the Eastern orientation of our president and some other politicians is determined solely by their support for Penta deals – there are further companies, owned by the most important Czech oligarchs, that have crucial commercial interests in China and Russia.

4.3.5. Aero Vodochody

Unlike the aforementioned companies, which bring Penta a stable profit, Aero Vodochody has been a problematic piece in the Penta puzzle. However, given the plans Penta had with the airport located on the land owned by Aero Vodochody, it could have been the most brilliant piece of this puzzle. Aero can serve as an example of the Penta group's oligarchic style of operation. Until recently, it employed nearly 2,000 staff. The economic results of Aero make it clear that this company, which is now developing a new generation of its main product – a fighter jet – is undergoing a difficult period of repeated losses.

Aero underwent the first phase of an essential transformation, as part of which it returned to the development and manufacturing of its own training and light combat aircraft, the L-39NG. So far, the new project has not been profitable and Aero has sustained a loss for several consecutive years. Some time ago, the firm also lost a strategically important contract to supply cockpits for UH-60M Black Hawk helicopters manufactured by the US firm Sikorsky. In connection with the commercial failure and years of losses, the company announced a plan to lay off a tenth of the workforce. Due to the unsatisfactory economic result, the owners of the company decided to replace the top manager. Dieter John, the new CEO, until recently had been in senior positions in the Bombardier Transportation Group, the Airbus Group and the Eurocopter Group.

It is the two-seater, single-engine aircraft L-39NG, a successor to the well-known Aero L-39 Albatros, that is hoped to lead the company, once a legend of the Czech armaments industry, out of the crisis. It is expected to be furnished with a range of special technologies, including an on-board virtual training system and a helmet sighting device. Throughout 2018, Aero entered into several commercial agreements with customers from Senegal and Portugal, Skytech, a private company, and RSW, an American private company. (i) The first L-39NG type aircraft took off for the first time in December 2018.

Yet Aero is fundamentally bound by the decisions of, and support from, the Czech state. Thus it comes as no surprise that in addition to the negotiations for supplies with customers from around the world as noted above, one of the first orders came post-haste from the state-owned company LOM Praha, before a single series-produced L-39NG aircraft saw the light of day. (i)

The first order from the Czech state is for four aircraft, which so far are in the development stage. The contract is valued at 1.1 billion Kč + VAT, and this includes a ten-year service contract for the aircraft.

According to statements by the Ministry of Defence, LOM Praha will use L-39NG aircraft for basic and advanced training of Czech air force pilots, and possibly of pilots from other countries. The new aircraft will replace the outgoing L-39C aircraft, whose technical lifecycle ends in 2021-2022. It needs noting that this aid to Penta's loss-making company came from Minister Lubomír Metnar, considered one of Zeman's nominees, at precisely the right moment. Also, Marek Dospiva, with his Chinese connections – consider his commercial relations since the 1990s, the sale of Florentinum to the Chinese, and so on – is relatively close to the president, and hence we can suspect that there's more than the need of a state enterprise to train air force pilots behind the purchase of the untried aircraft.

As part of the programme for cleaning up ancient environmental damage that was caused before privatisation, the Ministry of Finance for many years put a hold on the application by Aero Vodochody to have such damage on the company's premises cleaned. Putting out the contract for the remediation work on the contaminated areas at Vodochody was difficult from the beginning. Babiš refused to have it included in the plan for the upcoming period, saying: 'Why do you want to pay for something on behalf of that dickhead Dospiva? He's got plenty of money.' We argued about this for several weeks; I emphasised that the state had committed to have this work carried out at the point of privatisation, and so on.

Ultimately, it was approved that the contract should be put out to tender; but new problems appeared from somewhere I would never expect them, that is, the Postřizín municipality affected by the contamination and the Ministry of the Environment. Controlled by Babiš's ANO, the Postřizín municipality, on whose territory exceptionally dangerous poisons were demonstrably present underground, wrote to us saying that they did not agree with the remediation work, and pointed to entirely misleading theories to the effect that there was no contamination found or that it was unrelated to the activities carried out by Aero Vodochody in the past. We therefore decided to organise a discussion in Postřizín, hoping that common sense would prevail, and that we would be able to push for the complete remediation work, i.e. inside and outside the Aero premises. The discussion was attended not just by local ANO politicians from the municipal council, but also by Berenika Peřtová, a deputy at the Ministry of the Environment for the ANO party (who previously collaborated with Agrofert) (1) – the ministry was led by Richard Brabec, at the time, ANO deputy chair and previously a manager in Lovochemie, owned by Agrofert.

The debate entirely lacked objectivity, and there was more correspondence. Ultimately, a situation arose that was evidently motivated by a deliberate desire to spite another oligarch: the Ministry of Finance would do the remediation work within the Aero compound, but not around it, even though contamination from there might reach the municipal water supply. This was a spiteful action by ANO representatives.

According to information provided by former Penta employees, one of the reasons for the Aero Vodochody purchase was the vision of exploiting the military airport owned by the company.

The Penta plan was to use the airport for tourism, particularly for clientele from China. A figure of three million tourists per year appears in the early calculations. However, the project met tough opposition from neighbouring municipalities, whose populations feared unbearable noise from the departing and landing aircraft. The expenditure on building a second large airport for Prague, originally calculated at four billion crowns, might also increase substantially due to the state's demand for a connection to the D8 motorway. Due to the complexity and difficulty of the project, information appeared about Penta, or more specifically Aero Vodochody, wooing the Chinese company Citic, whose managers include the celebrated expert on Chinese economic relations and Czech aviation business, Jaroslav Tvrdík, noted in the chapter on parasites. (i) Penta ultimately sold Aero in summer 2020 to the Hungarian entrepreneur András Tombor and the Omnipol group. (i)

4.3.6. Real estate projects

Penta's first real estate project in the Czech Republic was Florentinum. Completed in 2013, it was sold by Penta three years later. Following an international tendering process, the purchaser was the Chinese group CEFC.

Penta plans to build the Central Business district on a brownfield site near the Masaryk Station in Prague. The project, by the internationally recognised architect Zara Hadid, was supported by a number of internationally influential figures as well as some Czech architects, but it also met with criticism from other Czech architects.

A joint project by the Dopravní podnik hlavního města Prahy, which operates Prague's public transport, and Penta, to buy the land, especially in Prague 4 district, on which the stations of the D metro line would be built, attracted much attention from anti-corruption organisations such as the Anti-Corruption Endowment. According to the initial agreements between the ruling elites in Prague under the mayor, Adriana Krnáčová (ANO), and Petr Dolínek (ČSSD), Penta was to own a 51% stake and the city, through its transport operator, 49%. (i) The argument for this enterprise – which was described as a 'megatunnel', (i) or 'siphoning off funds on a massive scale', even by the coalition politicians at the city council at the time – was the alleged difference between the price the city would pay for the land and the price a private enterprise would pay, which the planned venture would pose as, given that it would be more than half-owned by private capital. Mayor Krnáčová was apparently unable to understand that it was precisely this problem of land acquisition that ought to have been resolved by legislation from her ANO government colleagues. Fortunately, the joint venture was called off, both by the old suite and by the new city council, although Councillor Adam Scheinherr said that he thought it possible for private capital to enter the Prague metro infrastructure in the future. (i).

4.3.7. The Gorilla Case

At the turn of 2011 and 2012 an affair broke out in Slovakia as part of which Penta, more specifically its Slovak segment led by Jaroslav Haščák, was suspected of being involved in the so-called Gorilla Case. The file, after which the case was named, concerns corruption and suspicious links between Penta and Slovak political representatives. (i)

The Gorilla Case started with the leak of a Slovak Information Service (intelligence agency) secret document of about hundred pages, codenamed Gorilla, in late 2011. The document describes in detail talks between Penta co-owner Jaroslav Haščák and foremost as well as marginal politicians in Slovakia in 2005 and 2006, and notes suspicions of corruption and major economic crime.

The file develops the information about Haščák's conversations with political and economic leaders including opposition politicians in Slovakia concerning commissions and kickbacks for 'services' during the privatisation of Slovak enterprises then owned by the state, as well as other 'services' rendered by Slovak politicians to the Penta group and others. The file is also concerned with the funding of Slovak political parties such as Smer-SD, KDH, SDKÚ and SMK, the economy minister Jirko Malchárek and the boss of the National Property Fund Anna Bubeníková.

There have been various interruptions but the case continues to be investigated, and a number of rallies have been held in Slovakia over this affair.

According to official information from the Slovak Information Service, which is now difficult to verify, the file and the case emerged as follows. In 2005, Peter Mravec, the head of the analytics department at the Slovak Information Service, noted that government vehicles containing well-known politicians and leaders of the Penta financial group were parked with suspicious regularity in front of the building in Bratislava's Vazova street where Mravec then lived with his family. In November 2005, SIS filed an eavesdropping application for the apartment adjacent to Peter Mravec's.

This flat was owned by a Penta employee, Zoltán Varga, whose imposing figure gave the file and the affair the codename 'Gorilla'.

The Regional Court in Bratislava accepted the Slovak Information Service's (SIS) application for surveillance. The specific objectives of this are a matter of speculation, as they were not disclosed by the court. The president of the court noted earlier in connection with this that the court may only disclose information that is not classified, and this case was classified.

A subsequently established special investigative team of the interior minister asked the Slovak president Ivan Gašparovič to lift SIS president Karol Mitrík's professional secrecy obligation. The president allowed this.

The Gorilla file referred to two Austrian companies, Raiffeisen Zentralbank and Flughafen Wien-Schwechat. The Austrian authorities investigated corruption allegations concerning these companies, but the results of the investigations are not known. Also referred to in the file was the future prime minister and leader of the party of government, Smer-SD, Robert Fico. The document alleges he met with Haščák in the apartment and his words are clearly intelligible in the recording. At the time when the flat was eavesdropped, Fico was in opposition, and a centre-right coalition led by Prime Minister Mikuláš Dzurinda was in power.

Parties across the political spectrum were suspected of corruption. The social repercussions were immense, and in early 2012, there were public protests against the establishment, dubbed the 'Gorilla Protest'. (i)

Some years ago, Penta representatives responded to the allegations in which they categorically denied the veracity of the files. 'I do not see any reason to comment upon rumours about alleged recordings from illegal eavesdropping and thus to involve myself in intelligence games and conspiracies,' said Penta spokesman Gabriel Tóth to Sme daily newspaper. (i)

It is amusing in the context of the seriousness of the accusation and its relation to a protected interest – i.e. the protection of the personality rights of Jaroslav Haščák – to return to a ruling by a Slovak court several years ago. The court banned the publication of a book about the background of the Gorilla case on the grounds that Jaroslav Haščák's rights would be infringed by the publication.

Until a few years ago, it seemed that the case was destined to be forgotten. Nobody was sentenced and the Slovak Supreme Court ruled in 2012 that the eavesdropping had been illegal and could not be used as evidence; and that the publicly known documents based on the eavesdrops are merely allegations and analyses of the links between entrepreneurs and politicians unsubstantiated by evidence.

However, the case was resuscitated in 2018, when it transpired that the controversial businessman Marian Kočner had an archive (i) similar to that held by the former legend of the Czech criminal underworld, František Mrázek. (i) Kočner became notorious when he was linked with the murder of the investigative journalist Ján Kuciak and his partner Martina Kušnírová on 21 February 2018. (i) One of the jewels in Kočner's archive – likely to be a veritable treasure trove – are the recordings of the eavesdrops that are transcribed in the Gorilla file, i.e. those eavesdrops that the court ruled procedurally inadmissible.

During a house search, the police seized a flash drive containing audio recordings, and very important and interesting recordings at that. These are the eavesdropped conversations between various Slovak politicians and the boss of the Penta financial group Jaroslav Haščák in the flat in Bratislava's Vazovova street. These recordings themselves were not known to the law enforcement authorities, and hence their very existence was questioned, and the transcripts were described as fabrications. (i)

The results of Jaroslav Haščák's criminal prosecution will show what the recordings found by the police in Kočner's safe will cause, and whether this discovery might potentially shift the political scene in Slovakia, or change the corrupt environment where one financial group has been pimping a number of politicians. Fifteen years after the eavesdropping was conducted, in late 2020, Jaroslav Haščák was charged with corruption and money laundering. (i)

Essential for the theme explored in this book are some sections in the published transcripts of the eavesdropping, which express the interests of oligarchs of the Haščák type and his relationship with the democratic system. In the transcript of a conversation between Haščák and then-minister Jirko Malchárek, when discussing a new political-party project Haščák allegedly said that democracy was a shitty system. 'The voter doesn't know a thing about anything; the voter is shit. The voter only sees the bare surface.' (i) Following his views on voters, Haščák supposedly proposed to create a new party, staffed with people linked with Penta. The transcript of the eavesdropping even goes on to say that Penta would literally 'own' the new party.

Perhaps it was in part this memory of Jaroslav Haščák's ownership of a political party in Slovakia that was the reason the foundation of the Realisté political party in Czechia in 2016 did not meet with a particularly positive response. The main face of the new party was the political scientist Robert Robejšek and it was financially supported by the other Penta co-owner, Marek Dospiva.
(i).

4.4. OTHER OLIGARCHS, WANNABE OLIGARCHS, GODFATHERS, FIXERS, MANAGERS AND OLIGARCHS PUT OUT TO GRASS

The three persons, or, in the case of Penta, a group, stated above, can be with clear conscience described as oligarchs and oligarchic groups. This is because they are directly or indirectly involved in public affairs while having a specific economic interest in how public officials decide. In addition to them, there are several other people in Czechia with whom either of these fundamental factors – i.e. influence on public affairs and economic profit from actions by public officials – is not as evident or they do not conduct their activities systematically. If someone in a particular case develops an activity to influence a specific decision and uses illegitimate means, he is either a briber or some sort of a stimulator of clientelism. If someone facilitates contact between a public official and the person who has an interest in the decisions made by the public official, that person is in the established terminology of Czech media called a fixer (šibr) or a godfather. A godfather is usually attached to a specific politician or region. We must also not forget the retired oligarchs, who are already a thing of the past, and wannabe oligarchs, people who'd like to occupy an oligarchic position, but simply can't do it – they might have backed a wrong horse or be unable to walk the walk. Last but not least, there are people who are not existentially dependent on public power, and hence are able to operate without fulfilling one of the characteristics noted above, or develop their activities in another country where we do not investigate their oligarchic tendencies.

I believe that Radovan Víték falls into the last-mentioned category. Although in many of his projects he is very substantially dependent on specific decisions made by state authorities, whether in zoning or construction regulation, he does not exhibit a tendency to develop an organised structure of power with facilitators of decisions advantageous to him.

The situation of Petr Kellner's partner in Home Credit, Jiří Šmejč, is a specific one. I believe Šmejč is one of the most capable managers in the Czech Republic. He was able to help Vladimír Železný to push foreign partners out of Nova TV, (i) and also stabilised the station after Železný's departure. Kellner essentially relied on Šmejč's financial capabilities as far as the Eastern activities of Home Credit were concerned, (i) but Šmejč has also been able to develop his own projects such as a luxury resort in the Maldives. (i) Personally, I met him during a series of meetings concerned with registering and identifying gamblers playing with the Sazka company. My colleagues were unable to reach an agreement with Sazka management and suddenly Jiří Šmejč unexpectedly appeared on the scene as co-owner of Karel Komárek's Sazka holding company. He was an entirely rational partner for discussion and sought to find a pragmatic solution. During a few hours or days, he was able to penetrate the mysteries of the lottery law, something that took some staff at the ministry years. Personally, I would not classify him as an oligarch, but rather as a manager close to oligarchs.

The situation is different with the other billionaires who are Petr Kellner's associates: Karel Komárek and Daniel Křetínský. With their instruments of power, contacts and interests in the decisions of people over whom they exert influence, both Komárek and Křetínský evidently fulfil the definition of oligarch.

There simply wasn't enough time to write their stories and activities here, although they definitely deserve it.

Zdeněk Bakala is a pensioned-off oligarch. Although he still controls one of the largest Czech publishers, *Economia*, it seems he now mostly dedicates himself to his other billionaire pursuits such as cycling. (i) However, there were times when one would place him in the highest echelons of power, and perhaps in one of the leading positions. Yet these times ended more than a decade ago, with the end of right-wing governments and the collapse of the companies NWR and OKD.

Luděk Sekyra is an example of a wannabe oligarch. Although he could arrange a thing or two in the People's Party, and sponsored them, (i) the party never wielded enough power to push through massive projects. Thus, their collaboration could only work in specific, limited cases. Sekyra's power was obviously derived from his cooperation with the major godfather, František Mrázek. (i) Although Sekyra sought to improve his image by highlighting the legacy of Václav Havel and co-operating with Professor Tomáš Halík, (i) still the 'big boys' never really accepted him, and financially he never advanced enough to be taken seriously.



THE CONSEQUENCES OF OLIGARCHY & OLIGARCHIC GOVERNMENT



5.1. TAKING CONTROL OF EVERYTHING

The question I have perhaps been asked most often over the past five years or so was whether I believed Andrej Babiš was mainly interested in money, or whether there were other motivations behind his actions. I believe that this question and the thinking behind it follow from a miscomprehension of the oligarch's soul. At the same time, I note that Babiš was never my friend and during the hundreds of conversations we had, we never became close enough for him to disclose his personal feelings or opinions on any regular basis. When this occurred and Babiš got talking, it was never clear whether these were his true personal views or another pose he adopted to see what my response to his words would be. Indeed, Babiš could switch roles multiple times during a single meeting. He would usually start by ignoring any new arrival and make ostentatious shows of that person's inconsequentiality, to make them grateful for the chance to talk to someone as powerful as Babiš at all. This would often be followed by a well-rehearsed noisy scene, in which Babiš reproached his antagonist about all that he had read about them and heard them say against him; he also often classified them into a social group in which the person did not belong at all, thus coercing them into passivity and a defensive role, in which they had to protest that they did not belong in the category stated by Babiš. In conclusion, he would condescendingly listen to their wishes and, under certain circumstances, accommodate them or negotiate the price for which he would do so.

Here I will say perhaps the only positive thing about Babiš. I have to admit that personally he is a rather modest man. I didn't get the impression that he was ever beguiled by personal luxuries. Rather, it seemed to me that he deeply despised people who flaunted their wealth. For instance, he would say about people from the J & T conglomerate: 'Those dickheads, they're just petty entrepreneurs; they focus on their Ferraris, whores and fur coats.' On another occasion, concerning Senator Ivo Valenta, about whom we held similar views, Babiš said a similar thing, replacing 'fur coats' with 'jets'. Yet it couldn't be claimed that Babiš did not know how to buy nice things for his money. He owned a compound in Průhonice with a number of villas, the luxury Stork's Nest resort, and a Michelin-starred restaurant in France. Nonetheless, I don't think Babiš's interest in money went beyond its usefulness as a means to achieve prestige, a certain badge of his rank. From this, I deduced that money in itself, or its equivalent value expressed in terms of personal comfort, did not interest Babiš. Hence we might ask: what motivated him in his daily grind, at the ministry as well as popping out to the restaurant opposite to meet his German managers; what made him annoy thousands of people in his companies, the regional politicians and the staff in his party apparatus? I believe he was driven not by money, but by power, and the way to power was through money. The more money he had, the more he coveted power. Evidently, he had the notion that he would be able to take control of virtually everything; he was constantly obsessed with the idea of synergies and linking the various elements of power, on the top of which he himself would sit. Yet he also hit his personal limitations: although hardworking, he could not provide a constructive solution to what every last person in the organisation should be doing.

The result was that Babiš was not able to resolve anything himself and only kept bugging others: when will it be ready? He virtually never proposed how to resolve a situation, but just kept shouting ‘How long now?’ or forwarded guidance provided by someone else. He could never delegate management to someone else and trust them to complete the job independently. His obsessive control of everything went so far that he busied himself with invoices coming in for marginal sums in the tens of thousands of crowns, and wanted to establish what connections the lady from facilities management had with the firm that re-potted the house plants in his office.

As I later found out from my friend whom I mention many times in this book and who was an employee of a number of oligarchs, the obsession of these people with controlling everything, down to marginal sums, is characteristic of them. In the sections that follow, I want to demonstrate some of the paths the oligarch’s thought processes may take in his effort to control everything.

5.2. PERSONNEL POLICY – THE TIME OF SERVANTS OR ENEMIES

In non-democratic entities, the liquidation of all alternative thinking people is fundamental for the exercise of governance. I do not need to remind the reader that all totalitarian regimes as well as those on a path towards totalitarianism operate on this principle. In governance as practised by Babiš, this approach is strengthened by the business conventions of companies, particularly those from Eastern Europe. As one of the most successful Czech managers once explained to me, there is a fundamental difference between an investor from the West and East making an acquisition in the Czech Republic. A Western European manager usually undertakes a thorough analysis of how the newly acquired company operates, discusses its problems with the incumbent managers, and seeks to understand the causes of the problems and the reasons for the failure to resolve them, as well as the role played in this by the incumbent managers. Only then does the new boss proceed to make carefully thought-out changes in the management structure. Often the new boss finds that the existing managers are competent, and leaves them in place. By contrast, the Eastern path in most cases means a quick replacement of the existing managers with the new boss's own people. Only later is an analysis of the company's problems, their causes and ways to resolve them conducted, and plans for the future devised. We might well ask: why do Eastern companies opt for what seems like a less efficient and – in both the short and long term – more expensive variant? This is not about achieving a short-term positive economic result, but about whether they want to conduct their business in an entirely legal way, and whether they can have a disinterested, and hence potentially disloyal, management in these activities.

Andrej Babiš essentially follows the Eastern model of acquisition, both in business and in public administration. The situation is more complicated in the latter, in that, for example, you cannot appoint some universal managers as section chiefs – you need long-term trained professionals. And this is where one of the biggest problems of Babiš's government lies. The systematic replacement of experts, linked with the previous government, with his own people had tremendous consequences for the very functionality of the state. But even more extensive problems can be expected in the future.

As noted in previous paragraphs, Babiš's first interest on arrival at the Ministry of Finance, and indeed even before that, was to map out the human resources. He had people vetted in advance, and divided into three categories: loyal (people whom he had had some contact with in the past and whom he found acceptable), negative (available references indicated that they had previously had a disagreement with someone in his network of snitches) and unknown. People in the second group were either dismissed on the spot or a plan was devised to get rid of them in the future. Note was taken of the due dismissal date so that it could be checked in the future. As I note in several places in this book, in deciding who should remain or go, verified facts, or even the prospects of replaceability of the person in question, do not come into consideration at all. What matters are suspicions and rumours brought to Babiš by people well acquainted with his personality. An understandable consequence of this is that people are sacked on the basis of mendacious information, leaving enormous lacunae in the public administration that cannot be adequately filled with people from the private sector.

Immediately upon his arrival at the Ministry of Finance, Babiš called me into a meeting and said he wanted ‘to acquaint himself with the progress in the agenda’ for which I was responsible. For this meeting, I prepared an analysis running into many pages detailing the various measures needed to achieve the established targets. In my naïveté, I even prepared various alternatives for discussion. I handed this analysis to Minister Babiš, but was surprised to see that it did not interest him at all. On the contrary, he pulled out a detailed list of my subordinates and shouted: ‘I heard that you do not get laid at all!’ Although I was already used to such outbursts, I absolutely did not expect observations about my sex life. When I objected that I did not understand what he was on about, Babiš clarified his reproach: he meant that I didn’t get laid at all ‘in terms of personnel’ and that I didn’t ‘bring in’ anyone apart from my colleague Karel Blaha (the chief of the section overseeing lotteries). I understood then that in Babiš’s eyes managerial success depended on the number of people sacked and replaced.

One of the first major conflicts I had with Babiš occurred at the turn of March and April 2014. In addition to serving as a deputy minister of finance, I was entrusted with the management of the Office for Government Representation in Property Affairs. There was a war going on between the directors of the Teplice and Ústí nad Labem branches. The director of the Ústí branch, superordinate to the Teplice branch, initiated the removal from office of the director of that branch following a tender to find a buyer for agricultural land farmed by an Agrofert company, because the tender had been tampered with. In brief, the Teplice branch called the tender to sell the land. The only interested party was První žatecká, a. s. (part of Agrofert), which presented its offer in an envelope which disappeared from Director Heřmanská’s safe; someone had evidently attempted to replace this offer with another, at a lower price.

When I learned about this criminal activity in Teplice, it wasn't clear to me what the problem was. The matter was referred to the police, Mrs Heřmanská was removed from her post and the tendering process was cancelled. What I didn't know was that Agrofert was involved: Darek Kysela, a member of the board at První žatecká, was Babiš's assistant in the Chamber of Deputies and was present at every ministerial meeting. And what was more, Mrs Heřmanská wrote Minister Babiš a heart-breaking letter, saying she had voted for his party and so on. When I decided that I would not reappoint Mrs Heřmanská, Minister Babiš went into one of his notorious febrile convulsions, shouting at me for about half an hour in an attempt to make me change my decision. He told me he alone would decide what was right and wrong and that he would 'fuck me down into black earth!' However, it was not yet the time of servants; I didn't change my decision and Minister Babiš had no option but to clench his teeth, accept defeat and hope that the police would not press charges for the fraud in which his company and a fan were involved.

Today, several years later, I know how naïve I was. Babiš well remembered these dozens of resistance actions against the frauds he had hushed up and took revenge at the earliest opportunity. He would continue to meet Mrs Heřmanská and take her advice on how to make the management of state property more transparent. By that time, thank goodness, Mrs Heřmanská had already left the staff of the Office for Government Representation in Property Affairs.

There was another conflict that was concerned with the Office: when Babiš came to the Ministry of Finance, the former director of its Financial Analytical Office, Milan Cícer, moved to the Office for Government Representation in Property Affairs.

Cícer was linked with the period when Miroslav Kalousek was the finance minister; when his position at the ministry was suddenly terminated, he became the director of the South Bohemia branch of the Office for Government Representation in Property Affairs (ÚZSVM). (i) Therefore, when in early April 2014 I became the director of ÚZSVM, Babiš pushed me to remove Cícer from office with immediate effect. When I argued that I considered Mr Cícer one of the most capable people at the office, Babiš wasn't interested in that at all and instead kept repeating that Cícer was 'Kalousek's motherfucker' and must be sacked immediately. He would continue to repeat this every week throughout my six-month stint at ÚZSVM. When I left, he did not link my time at the Office with any particular results in managing state property, or with undertaking any action to reform, but summed it up thus: 'I don't know what you did there for half a year, given that you couldn't even sack that criminal Cícer.'

I was present when Babiš made dozens of scenes, when he shouted at his subordinates and pressured them to summarily dismiss certain managers, whether that concerned the section chiefs already mentioned, members of boards of companies controlled by the state, or employees of state-owned enterprises. He never presented a specific problem linked to the person in question; the reasons for the order to sack were variously given as 'Kalousek's criminal', 'Rittig's bastard', 'Pokorný's lackey' or 'Bison & Rose fraudster'. During these rants, Babiš rarely expressed concern about who would replace these people, or, indeed, whether they could be replaced at short notice at all.

It was precisely these practices in the public administration that the Civil Service Act, adopted as a successor to earlier 2004 legislation that was never enacted, was supposed to prevent.

Responding to wishes of stakeholders that included the European Commission, the new act was supposed to ensure the apolitical nature of public administration, professionalism and stability of staff in public service, as well as their right to independence from the current government.

There were several reasons why the act was adopted, and very soon came into force. In addition to the aforementioned pressure from the European Commission and the fact that the ČSSD party took it on as a priority, it was because Babiš had already purged his ministries, and it was never properly explained to him what the consequences of adopting this piece of legislation and enforcing it thoroughly would have. We must also not ignore the fact that at the time Babiš's party, ANO, was represented in the coalition negotiations by people such as Robert Pelikán, Lukáš Wagenknecht and Věra Jourová, all of whom were serious about changing the Czech state for the better at the time.

As the 2017 elections to the Chamber of Deputies grew closer and an ANO government became more likely, Babiš was increasingly interested in how the act might be either fundamentally amended or circumvented. Major amendments to the act had already been made during Sobotka's government, and it must be said that with a few exceptions these were positive changes.

Here I would like to comment briefly upon the term 'systemisation', which appears in the Civil Service Act. The procedure is such that public servants are categorised into tens of thousands of tabular places, and unless there is a change in service progression as envisaged by law or the public servants decide otherwise, they sit in their civil service posts for eternity, or more precisely until the age of 70, when they deservedly retire.

The exceptions to this are stated by the act; for instance, if a civil servant is prosecuted or sentenced, or found guilty of having committed a disciplinary offence.

The act, however, does admit that once a year a new ‘systemisation’ may be adopted in order to improve the efficiency of public administration, and this has certain consequences. Such a change must lead to a demonstrable improvement in public administration performance. Any such systematisation can only be adopted to come into power on 1 January of the following year, and is supposed to be adopted alongside a kind of budget for the public service, i.e., how much will be spent on public administration in the following year. If the amount to be spent is lower than previously, a systemisation may be adopted that decreases the amount of the tabular places. The law also allows for the systemisation to change during a year, for instance if the powers of some service office are transformed. If, for example, an agenda item were to be moved from one ministry to another by law or by government decision established by law, a change of systematisation would be adopted hand-in-hand with this.

When in December 2017 Andrej Babiš was appointed the prime minister of a government without the confidence of the Chamber of Deputies ⁽¹⁾ and was never to have it, the systemisation for 2018 had already been approved by the Sobotka government. There were no organisational changes that would provoke a change in the systematisation; and hence the new government invented a ‘change to systemisation’ – something the law did not recognise – on the basis of which it abolished a large number of sections at various ministries and established new sections. Three deputies would be removed from one ministry; elsewhere, sections would be split up, and this created more deputy posts.

The result was such that at the time Babiš's first government came to power – this was a government that did not enjoy the confidence of the Chamber of Deputies, as envisaged by the constitution, but only of the president – during this time alone, at 1 January 2018, 26 deputies at various ministries and dozens of other top experts lost their positions. (i) Concerning the issue of Babiš's first cabinet ruling without the Chamber's confidence, I'd like to remind the reader of the case law of the Czech Constitutional Court, according to which a government not enjoying the Chamber's confidence must not take irreversible measures – and such a cull of experts in the public service certainly is such an irreversible measure. (i)

To staff the newly created offices of deputies, tenders were called whose results were clear in advance. In my case, Minister Alena Schillerová did not conceal the fact that the law would be broken. I was told that I could apply, but that my colleague Jan Landa (the son of a manager from an Agrofert group company (i)) would become the deputy. (i) The result was that at 1 January 2018 as well as at 1 January 2019, Babiš rid himself of all deputies who were linked with political or ideological views different from his. It was no different with directors of departments and section chiefs. When Minister Schillerová wanted to get rid of my colleague Petr Vácha, his section was merged with another. Vácha was the chief of the section that was investigating dubious, and for the state, entirely disadvantageous, accommodation for Schillerová; was checking Agrofert companies that used the property of another without authorisation and were drawing down subsidies for this improper use; see section 4.2.5. Vácha was also drawing up criminal complaints about transactions in which the future Transport Minister Vladimír Kremlík was involved.

The only person at a ministry who could not be sacked on the basis of this systematisation was the relevant secretary of state, the most senior public servant at the ministry. The logic of the matter dictates that there must be only one such secretary and they must be in post, by law; their position cannot be divided, abolished or otherwise diluted by systematisation. For that reason, the government, with the aid of Minister Klára Dostálová MP, proposed an amendment to the Public Service Act that ensured that even the secretaries of state could not remain independent of government, and the government could remove them from their positions. This amendment, pushed through by the Babiš government coalition with the Communists and SPD, despite resistance from the Senate, ensured that there was not a single public servant who might discharge their duties safe in the knowledge that they couldn't be removed from their post because of their views. At a later point, another amendment to the Public Service Act was inserted into the legislation process, by means of which the government sought to ensure that certain types of decision about systematisation would no longer have to take the form of a government resolution – for which a consultation process is mandatory – but could be some sort of agreement between the Ministries of Finance and the Interior. In practice, this means that neither the staff affected, nor the public, have to be told about decisions in advance; changes may be made suddenly and without warning.

Security corps

Andrej Babiš, who faced criminal prosecution, and other oligarchs who were involved in criminal cases, were interested in not just the loyalty of public servants, but also of law enforcement, to the future ruling set.

The changes of personnel in this sector started with the departure of Miloš Trojánek, the chief of the Prague police, in May 2018. (i). This police officer, who had conspicuously and resolutely rejected any interference with the investigation of the Stork's Nest affair and political attacks on the investigators, asked the police president at the time, Tomáš Tuhý, to be transferred to Vysočina region. Trojánek was the head of the Prague police from December 2015. (i). The experience of previous governments showed that removing the police president wasn't all that easy. For that reason, an unusual step was taken and Tuhý was moved to the diplomatic service: he was appointed the ambassador to Slovakia. (i). As I said, Babiš does not do compromise with people whom he hates, or those who know something about him. In this case, our sources close to the police president indicate that intercessions were made by other behind-the-scenes players and that Tuhý also had plenty of information that was embarrassing to Babiš, so there were good reasons not to nettle him.

The two changes of personnel in the police were made following moves in the General Inspection of Security Corps (GIBS), (i). an armed force tasked with investigating crimes committed in other security forces. Thus, the General Inspection is an essential instrument for controlling the police. We may recall many affairs in the past where its intervention was almost standard practice: as soon as some politically sensitive investigation was launched, the daring officers conducting it were slapped by the GIBS or its predecessor, the Inspection of the Ministry of the Interior, which would thoroughly examine the luncheon voucher records, signatures in journey log books and whether the coffee machine in the kitchenette had its electric safety certificate in order.

For that reason, taking control of the GIBS became one of Babiš's first priorities. As early as February 2018, the GIBS director, Michal Murín, announced that Prime Minister Babiš was pressuring him to resign. (i) That only happened many weeks later and, according to some government office staff, the government office and Babiš's residence in Průhonice had seen many a noisy meeting over a plan B to remove Murín.

In May 2018, the interior minister Lubomír Metnar put the director of the Office for Foreign Relations and Information (the foreign intelligence service), Jiří Šašek, out of service. (i) The reason was that a criminal investigation had been launched of allegedly substantial irregularities in the management of the Office. Given that the allegations were never made public, we do not know how relevant they were. But the fact remains that a minister in a government lacking parliamentary confidence effectively rid himself of a director of an intelligence service, after half a year of this government doing what it wanted, without any of its representatives worrying about its legitimacy. It is another fact that Babiš connected this intelligence service with the publication of a recording (i) of his conversations with the journalist Marek Přebil before the 2017 elections, which was released on the Július Šuman Twitter feed, (i) named after an erstwhile StB colleague of Prime Minister Babiš.

Several months before Šašek's suspension, his deputy Zdeněk Blahut resigned his post in January 2018, only a few days after the appointment of Babiš's first government. Blahut was appointed to his post earlier than Šašek. The Chamber of Deputies' Standing Commission on the Activities of the Office for Foreign Relations and Information met to investigate the way personnel were replaced in this intelligence service.

Purges everywhere you look

In addition to purges of deputies at ministries or in the security forces and intelligence services with direct influence on the secure movement of information and criminal prosecution of sensitive cases, representatives of Babiš's two governments also substantially replaced the leaders in all institutions, state-owned enterprises and state-controlled firms. These are offices and companies that directly award contracts to companies in the Agrofert group, such as Lesy České Republiky (Forests of the Czech Republic), where the director Daniel Szórád was replaced in spring 2018. (i) At the Ministry of Agriculture, the central director responsible for the State Land Office (SPÚ), Svatava Maradová, resigned her post. (i) A successor to the Land Fund and the Land Office, the SPÚ is important for anyone involved in agricultural business. It makes decisions about the privatisation of agricultural land; for example, it proposes to the government and the Ministry of Finance to privatise large areas of agricultural land by putting them out for tender or selling them directly. It also enters into lease agreements and de facto decides whom the land may be sold to directly in the future and so on.

Under the purview of the Ministry of Health, led for the longest period by Babiš's adviser of many years Adam Vojtěch, (i) the purges affected all major hospitals and health insurers. Needless to say, two former health ministers, Dana Jurásková (i) and Svatopluk Němeček, (i) did not escape the purges. The removals were preceded by audits, the conclusions of which were quoted during the removals from office; (i) but it cannot be claimed that the conclusions of these inspections were very specific. Indeed, it's not particularly difficult to prove that this or that healthcare facility is managed with insufficient transparency.

Dodgy deals in healthcare are a matter of common knowledge, but one needs to prove the connection between the dubious contracts and the top managers. After all, some of the irregularities noted in the audits took place under Vojtěch's watch, but the prime minister did not remove him from office for this.

It is not just the clinics owned by the Hartenberg investment fund, now among Babiš's trust funds, but also several crucial oligarchs, that are dependent on decisions made by the Health Ministry, the health insurers and senior hospital managers.

From early 2018, the purges of managers of state organisations even affected departments hitherto led by ANO representatives. One example is Karel Bureš, the chair of the board at the Czech Export Bank. (i) In connection with his removal, I cannot but mention a 'joke' penned by the Ministry of Finance Press Office, which said that his departure would help to stabilise the personnel at the bank.

The arrivals of Karla Šlechtová and, at a later point, Lubomír Metnar necessitated changes in the management of the organisations subordinated to them. There were two reasons for seemingly superfluous changes in the departments long controlled by ANO. First, someone like Metnar was clearly a Castle nominee, and hence he installed people loyal to his own interests; second, we cannot forget Babiš's fascination with liquidating everything that is established, and that the number of leading staff replaced is his yardstick of success. So, when figures such as Karla Šlechtová arrive at the Ministry of Defence, they must first show how poorly the institution was managed in the past. (i) The improvements are then quantified in terms of the contracts cancelled and managers sacked.

The dismissal of the director of the Military Research Institute, Bohuslav Šafář, constitutes a special case. (i) Only a few hours before his removal – which Šlechtová said was totally unrelated to this – Šafář responded (i) to statements in the Russian media, similar to utterances by President Miloš Zeman, to the effect that the Novichok substance which was used to poison Agent Sergei Skripal, was tested at this Military Research Institute.

The dozens and hundreds of changes in personnel did not cease after three years of Babiš's premiership, and affected even internationally recognised authorities in their fields, such as Jiří Fajt, who directed the Czech National Gallery. Fajt was removed at Easter in 2019 by Culture Minister Antonín Staněk, who himself ceased to be a minister a few months later. (i) Although the greatest art experts in the world opposed the move and some collectors wanted to boycott National Gallery exhibitions, nobody withdrew the measure against Fajt who had developed the National Gallery into an internationally recognised institution.

Babiš promised to attract outstanding managers, and his ability in this regard and the 'stability' he provided can be chronicled by an overview of the changes in the leadership of Czech Railways. After Vladimír Kremlík arrived at the Transport Ministry, there was a sixth change of the Czech Railways top manager for the period when the department was controlled by ANO.

5.3. INFLUENCE ON, OR DIRECT CONTROL OF, LAW-MAKING

Millions of crowns for Hartenberg rather than glasses for those who need them

One of the many areas where the businesses run by Babiš and many other entrepreneurs are existentially dependent on state regulation is that of reproductive medicine. This is where the investment fund Hartenberg, co-owned by Babiš, has its core interests. (i) According to estimates published, nearly half of all assisted reproduction procedures in the Czech Republic are carried out in Hartenberg-owned clinics. (i) Moreover, Czech clinics are at the forefront of what has been called 'reproduction tourism'. (i) The reason for the enormous yield of this goldmine is the favourable set-up of Czech legislation. Yet the system as it has been set up is perverted for many people and, instead of the desired conception, often leads to failure. It costs the public purse nearly half a billion crowns each year, and this money is then lacking elsewhere. One area where cuts had to be made was subsidies for spectacles.

Let's first talk about the phenomenon of reproduction tourism. Babiš's clinics, now owned via a trust fund, conduct thousands of assisted reproduction procedures each year on women who come to Czechia from throughout Europe. (i) The reasons are, first, that Czech legislation allows assisted reproduction to be much cheaper than abroad, and second, that methods are used that are ethically unthinkable in most Western European countries. The fertilisation of an egg provided by an anonymous donor is forbidden in Western countries.

The second example is the use of anonymous sperm donors. Putting aside the ethical aspects, according to which the practices of trade in genetic materials are inadmissible in Western European countries, Czech law, which allows such procedures, makes the country El Dorado for the clinics that perform these procedures.

A much more serious consequence is that thousands of couples needlessly undergo assisted reproduction procedures – which brings rich profits to the oligarch – rather than medical treatment followed by natural conception. The current practice in seeking solutions to infertility is very individual, because no minimum standards have been defined for gynaecologists.

Thus, what often happens is that once a woman discovers she is unable to conceive, she goes for a medical examination where the doctor tries to find the cause of the problem. If no evident anomaly is found, the woman is then usually referred to one of the fertility clinics, many of which are owned by Hartenberg. Unless this is a university clinic, it's quite likely that they won't delve into the issue too deeply and will recommend in vitro fertilisation. Under the current legislation, for women up to the age of 39, this is paid for by their health insurer and costs about 100,000 Kč. In this process of 'searching' for the cause of infertility, the health of the male partner is entirely ignored; yet, according to available medical knowledge, it is there that the problem lies in nearly half of the cases of infertile couples. Treatment of male infertility is successful in the overwhelming majority of cases of treatment, and is much cheaper than the entirely superfluous artificial treatment that is medically burdensome for the woman.

Cases have been described where the couple were told that in vitro fertilisation was their only option, but the woman did not undertake it, found relevant information on the internet, while her husband had his infertility treated and now the couple have healthy children.

The non-governmental organisation Hnutí Pro život ČR [Czech Pro-Life Movement] recently proposed to the Ministry of Health some draft legislation under which in vitro fertilisation would be paid for from public insurance only after quality diagnostics and treatment of the causes of infertility in both partners had been undertaken. What happened at the ministry controlled by ANO? Instead of adopting this rational proposal, which in addition to avoiding stress and pain to women would also save hundreds of millions of crowns, the government supported another proposal, under which in vitro fertilisation of older women than before would be covered from public health insurance. In practice, this will mean that extra tens of millions of crowns will be poured into Babiš's clinics, even though it is known that the success rate of fertilising older women is close to nil. The proposal to prefer treatment has not been discussed at the ministry; but several months after proposing draft legislation which will see tens of millions of crowns poured into clinics of which the former Czech prime minister is the ultimate beneficiary, the Ministry of Health came up with a measure to cut costs in public health insurance. This is to be achieved by reducing allowances for spectacles needed by those who pay their health insurance contributions.

But it cannot be claimed that Babiš does not want to share the profits created by his inactivity in legally fixing the perverted model of his minister Adam Vojtěch.

According to earlier statements by his partner in the Hartenberg fund, Jozef Janov, the plan is to float the network of fertility clinics on the stock market. (i) If this is achieved, everyone will be able to buy shares in companies linked with an oligarch's interests that were lobbied through. This will be the first Czech business model that could be called 'Oligarch & Partners'. It'll also be interesting to watch whether Hartenberg buys a chain of opticians so that we'll know when the spectacles allowances are restored. It might also happen that once the shares of Babiš's clinics are traded on the stock market, the human reproduction business will be regulated and the shares will lose their value.

The joy of cut flowers

After all, this would not be the first time that Babiš had attempted to help his Hartenberg fund. For many years he has sought to decrease the rate of VAT on cut flowers from 15% to 10%. (i) This objective even appears in the ANO party's official programme and Finance Minister Schillerová witlessly repeated that the trade in fresh flowers needed such assistance. But beneath the beautiful plan to help romance in Bohemia lay a mean and rational motive. The Hartenberg investment fund bought a majority stake in the network of florists, Flamengo, with an annual turnover of about a billion crowns. (i) Thus, if the company owned by the fund of which Babiš is the beneficiary continued to sell flowers at the same final price including VAT as before, it would make another 50,000,000 Kč from a five-percentage-point drop in the VAT rate.

Consumer loans regulation

A copybook example of oligarchic legislative activity in regulating a sector is provided by the recent consumer loan regulation (Act No. 257/2016 Coll.), which came into effect on 1 December 2016. With this act, the state rid itself of tens of thousands of very varied, dubious, non-bank loan providers, which can be considered a step in the right direction. Another positive aspect of the new legislation is that a loan provider must test the applicant, i.e., to consider whether they'll be able to pay back the loan. If this consideration of the ability to repay is not undertaken, or if the testing is unqualified, the loan agreement is rendered void, and the debtor is not obliged to pay any interest on the loan or other expenses.

As said above, the direct result of the regulation was a massive reduction in the number of loan providers – from tens of thousands to less than a hundred. Unfortunately, this only took place after a transition period lasting for a year and a half. But who profited the most from all this? The entire market was shifted into the hands of the few dozen remaining providers, led by Petr Kellner's Home Credit. Home Credit certainly didn't lose out in the reduction of the market; it strengthened its position, and most importantly there was no revolutionary reduction of the market in inessential loans. Analyses show that only a very small proportion of consumer loans are awarded for the purchase of something the borrowers truly need. The remaining loans are granted for inessential, or even entirely unnecessary things or entertainment.

The main problem with consumer loans and the difficulties they create for a certain segment of the population that is less financially literate (see Section 6.3) is that loan providers continue to try to put it into their clients' minds that they need the loans so that they can purchase things which they do not actually need at all. Hundreds of thousands of people become unreasonably indebted, run into problems when they can't repay; debt collectors are called, and debtors may face economic ruin. The reason for all this is that our law does not regulate advertising for these entirely unnecessary loans of the type: 'we'll give you a loan to go on holiday, buy Christmas presents, an enormous television set or some other inessential thing you can't afford.' The hundreds of millions of crowns that go into advertising and sponsoring of sporting and other events, then constitute the reason why thousands of families face ruin, while the late Kellner's group becomes wealthier and more powerful.

Nor can we ignore the fact that the prestige of this company, operating on the margins of proper, decent business, is increased by its sponsorship of the White Tigers hockey club of the city of Liberec, whose arena is named after Home Credit. Kellner used to go there to watch the games together with his building contractor of choice and friend Petr Syrovátka, who owns the club. The advertising budget grows in line with the size of the market, and for that reason, Home Credit sponsors no fewer than three football teams in the Chinese Super League.

I had one of my most appalling experiences when I went to a meeting of the ANO parliamentary party – but at least it explains how the legislative process works in there.

I was invited to attend ahead of the third reading of a bill of a gambling act I promoted, to explain to the MPs the Finance Ministry's positions on their objections – or that's how the invitation was formulated. My experience can illustrate to the reader how ANO MPs degenerated from supreme legislators as intended into pawns in a mechanism for transferring the will of the oligarch into particular votes in his favour. Minister Babiš did not attend the parliamentary party meeting, which Jaroslav Faltýnek ruled with an iron fist. Naïvely, I expected that there would be discussion about objections voiced by MPs, and that the arguments concerning the various amendments would be crucial. But the idea of a substantive discussion quickly went out of the window, when Faltýnek shouted at his colleagues: 'Everyone shut up now! You've got papers in front of you which say how you will vote.' When despite this someone had a question for me and I attempted to answer, Faltýnek shut down the discussions using even less choice words.

From this experience, I understood that the ANO parliamentary party was not interested in working on draft legislation to make it as good as it can be, but that the party is a voting machine, operating as a blunt instrument to promote certain objectives.

5.4. PRIORITIES OF SUBSIDIES

In addition to legislation tailor-made for selected oligarchs, or even boycotting legislative changes that are necessary for the country's future, the focus of the oligarchic administration is on who will receive European subsidies. More precisely, the oligarchs are interested in the priorities of the successive programming periods, and what new programmes and challenges there will be. When in early 2014 the newly installed finance minister Andrej Babiš presented the priorities of his office, he described the country's investment plan as one priority: 'I'll force everyone to present immediately what they want to build in the upcoming years, and an investment plan will be created on the basis of this.' Incidentally, no such plan was conceived until recently, though some opposition politicians demanded it for a long time. But more interesting that idle blather about putting the country right on the basis of an investment plan was the continuation of Babiš's dream: 'When everyone will present their investment proposals and everything will come together, we'll have a look at what can be funded from European money. Concrete is the absolute priority. Let's cut off the soft money for random piffle and analyses and let's put it all together to construct infrastructure!'

What happened over the seven years with this vision of 'everything for concrete'? There was no significant shift in the new programming period to benefit infrastructure. Rather, the former transport minister Dan Ťok some years ago had to sign a memorandum with a European Investment Bank representative, on the basis of which the Czech Republic could start drawing down an infrastructure loan worth up to a hundred billion crowns.

A second example where the money is lacking is electromobility. Due to European standards, European car manufacturers will have to quickly decrease the emissions produced by the vehicles they sell. Practically the only option for meeting the upcoming standards for recalculated harmful particles emitted is a mass reorientation towards electric or plug-in hybrid cars. But the prices of such vehicles are such that ordinary people cannot afford them. The large car manufacturers, on which the Czech economy is existentially dependent, have therefore asked the oligarch-led government to intervene, to make electric cars available to a much greater number of people. There are range of options of how they could be supported, from direct subsidies on the price of an electric car, VAT discounts or various benefits to owners or drivers in traffic, for instance reserved parking spots, access to priority lanes, and so on.

Let us now look at real numbers. After record sales in 2018, there were fewer than a thousand electric cars being driven in the Czech Republic. (i) In Western countries, there are tens of thousands of them, and in total, hundreds of thousands. However, their governments are interested in fulfilling the European parameters, as well as supporting their industries, and hence they support electromobility as much as they can. It is also worth comparing the number of charging stations: fewer than 500 in Czechia, while the Netherlands, a country similar in size and with a population larger by a few millions, has 70 times as many.

Prime Minister Babiš and his government in 2018 provided several hundred million crowns to develop electromobility in enterprises. (i) That is enough to buy a few dozen cars or build several charging stations.

There are plans to give money to municipalities and regions to buy these new vehicles. But the oligarch has stated unequivocally that people should not count on there being extensive support for people to buy these cars, unlike in Western Europe. Having described the situation in electromobility in the Czech Republic and abroad, let us now look for the reasons for Babiš's intransigent position on e-cars – a position that is damaging to Czech industry. Given that we cannot see e-cars in the streets or parked in our neighbours' front gardens, we need to turn to the internet and look at these vehicles there to uncover the reason why the government resisted them. We can then see that they have no fuel tank to be filled with petroleum products to which the oligarch-produced rapeseed components were added. The answer is thus clear: the longer Babiš sabotages the development of electromobility, the longer Agrofert will grow richer from its rapeseed products added to fuels, even if the price to be paid for this is the deterioration of relations with foreign investors in Czech car makers and a further worsening in relations with the Brussels administration.

Having now explained what the Czech state will not give money to in the subsidy policy it has negotiated, let's now look at some examples of where funds, coming from Western countries via the European Union budget, are available. A hundred-million-crown subsidy for building a new toast bread production line for the Penam company, part of Agrofert and hence covertly controlled by Babiš, met with particular opposition from the Czech public. (i) Yet this support for one oligarch's factory is not the only instance; tens of millions of crowns flow into other companies: to improve energy performance of a meat processing plant here, or to build a seed dryer there. Still further billions of crowns go into agricultural projects.

And what takes the biscuit is that, due to Babiš's covert control of Agrofert, some of these projects are currently paid for from the Czech national budget. How many kilometres of new railway tunnels or highways, for which we have to borrow from foreign banks, could be built for all that money that goes into the oligarch's business empire? All we get is better-dried Agrofert seed and a somewhat worse position in Brussels.

5.5. OLIGARCHIC TERRITORIES AND MUTUAL BUSINESS DEALS

As explained at the end of Section 2.4, due to historical developments, a model emerged in this country where a few individuals – mostly with dodgy pasts and ways of acquiring wealth – overtook others in terms of the size of their possessions, the number of public persons who are linked with them and other parameters of power. The fact that, whether consciously or randomly, these people have divided between themselves some of the markets for various goods and therefore created an oligarchic group, does not make them a team. Babiš's entry into politics was apparently preceded by some attempt at a joint initiative. He has made about three casual references to this, but given his veracity, it is difficult to distinguish the truth from facts wrapped in fiction and purposeful lies. However, Babiš said several times that around 2012 he called on the 'big boys', as he described them – in this book, we call them oligarchs – to join him in a common political project. According to information that comes not just from Babiš, these negotiations failed. According to a close associate of another oligarch, the negotiations did not result in a joint project, because others had had negative experiences with Babiš in the past and could not imagine that he would stick to their agreements.

In Chapter 4, I purposely did not create a separate chapter for Daniel Křetínský, for instance, because like people around J & T Bank he acted in mutual agreement with Petr Kellner. Marek Dospiva and Jaroslav Haščák are even closer to each other. However, there are very specific and tense relations among the other oligarchs.

They are aware that the others are invincible in their territories, and do not attempt to interfere with their businesses there. It would be absurd if Kellner had attempted to start a business in fertilisers or bakeries, or for Babiš to compete with Kellner's businesses in consumer loans and telecommunications. Thus, oligarchs rarely compete with each other directly. Currently, there is such a situation in gambling, where Karel Komárek's Sazka and Marek Dospiva's Fortuna struggle for the same turf. The situation in property development is specific, as there is enough space for a number of players. Thus, Radovan Vitek, Marek Dospiva and, for example, Luděk Sekyra can all run large property development projects concurrently. These exceptions aside, the oligarchs either hold monopolies in their lines of business, or their positions are so dominant that it would be economically unviable for others to enter their segments.

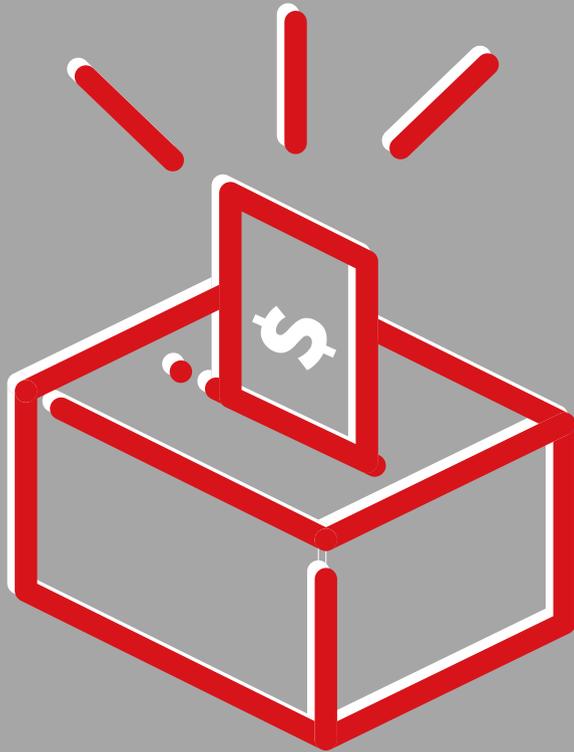
But the fact that oligarchs do not compete directly does not mean that there are no interactions among them. For instance, gambling is linked with telecommunications, telecommunications must be in tune with banking services, insurance with banks and everything with the media. In consideration of this, the big businessmen are constantly looking out for any advantage that would improve their negotiating positions. When, some ten years ago, Babiš entered into politics and bought big media outlets before elections, it looked as if he had obtained a significant advantage over others. However, they quickly balanced that out by buying the remaining press media and radio stations. Although on countless occasions, Babiš has presented his business and public life as separate, it is evident that it took several years before he understood what he could and could not do.

Obviously, he had an obsessive idea that it was precisely his political career that gave him the main competitive advantage over other oligarchs as well as the other players in the marketplace. His delight when one of the 'big boys' needed something from him and he could savour the situation was evident and jejunely spiteful.

I have mentioned several times that Babiš speaks in epigrams. The expression he used to convey his delight that some other big player needed something from him and he could cherish the moment was the 'crumpling of the hats'. He would repeat this with unconcealed delight every time a message came with some request from another oligarch; for instance, he would say: 'That dickhead... would like to change the ministry's view of... but he'll have to crumple his hat first.' But, as I noted at several meetings, the 'big boys' ceased to enjoy crumpling their hats in Babiš's private residence in Průhonice, and sought to counterbalance his authority by strengthening their own structures of power. According to information I have, it was sometimes easier for the other oligarchs to do a deal with the president, who then, using his own levers of power, would negotiate their request with Babiš. Zeman could at any point distract attention from Babiš's problems by throwing something to the media, for example, by pardoning the multiple murderer Jiří Kajínek. When the president needed to help his oligarchic associates, all he had to do was to suitably arrange these quid pro quos. After all, Zeman, through his help with Babiš's issues, managed to hustle for himself four close collaborators in government, and other people in the public administration, whom he could then use to assist people and companies who had helped him elsewhere. I have also heard that Babiš in some of the demands he placed on his billionaire colleagues went far enough that the other 'big boys' would want to put him back in his place as an ordinary oligarch.



THE CONSEQUENCES OF OLIGARCHY



6.1. MORAL DECLINE

Since the Velvet Revolution in 1989, Czech political culture has been distinguished by setting the bar extraordinarily low in defining the transgressions that should lead public officials to resign from office, and I fear that the prevailing tendency is to move the bar ever lower. There were times about 20 years ago when the deputy prime minister Jan Kalvoda resigned his government office because he falsely used the academic title of doctor of law, JUDr. (i). Although Kalvoda did graduate from law school, he merely failed to fulfil some formalities needed to obtain the title of doctor. Although this is now ancient history and there were probably other reasons why Kalvoda decided to leave politics, his continues to be that rare example.

In Western European countries, it is the norm that politicians leave their offices if some revelations are made that cast a negative shadow on their activities, the government or the political party they represent. The difference with our politicians is also perhaps that a German politician, let's say, only loses his career. A top expert will earn a living even without a government engagement, and usually makes a multiple of it, with less stress. In our country, unfortunately, it continues to be true that seats in government tend to be won by people for whom a government job with a salary of about 100,000 Kč per month is their best paid job in life, and even if they fail they try to hold onto the job as it pays the mortgage. Also, losing the ability to do various deals is exceptionally painful, and hence voluntary retirement after misconduct is rare, and may even look odd.

If we are to remember the resignations of some Czech ministers and prime ministers, we must be really patient, because they sold their ministerial lives dearly. The political career of Václav Klaus, linked with dead or fictitious donors, survived such affairs and Klaus made it up to the Prague Castle – though the stink of corruption followed him. Stanislav Gross – the embodiment of the American dream: from wheeltapper to the Straka Academy, the seat of government – was also able to prolong his political life by many months, until lies about loans for the purchase of his flat destroyed him completely. It was no different for Prime Minister Mirek Topolánek, who was able to survive full four years, in tandem with the criminal Marek Dalík. Some MPs did not resign their seats even when they were in jail (Roman Pekárek MP of ODS party in 2013). (i) But it is debatable whether at this point they could have damaged the reputations of their parties. A similar paradox occurred when Senator Ivo Valenta asked to see me at the Ministry of Finance. I warned the customs officers who were responsible for security in the building that Mr Valenta was a sentenced scoundrel, and I couldn't be held responsible for his actions. They asked me why then was I bringing him to the ministry, and when I explained that he was not just a criminal, but also a senator, their brains took some time to process it.

With Prime Minister Andrej Babiš, we perhaps reached a new low, or are still searching for that low. The executive branch was headed by a Communist secret police collaborator who had been caught lying several times, while his ANO ministers could not even answer journalists' questions without their boss.

The constant shifting of the notion of acceptability for public office is an interesting cultural innovation.

There was a time when the Social Democrats proclaimed that they could not sit in government with an accused. (1) This in itself was strange. Whether someone is being prosecuted or not is not that important for the government's credibility – a more compelling argument would be whether someone tried to outfox the state or the European Union, and whether it is dangerous to keep that person in government. I believe it is secondary whether these swindles that misappropriate the property of the state are, or are not, criminal. But recently, when it has taken the police a good many years to prosecute the prime minister of an allegedly 'anti-corruption' government, the Social Democrats have shifted their condition of staying in government to the point of Babiš being sentenced. Should he be sentenced, it would be interesting to observe the citation from the Criminal Code, according to which the accused – or, as the case may be, the defendant – is only sentenced on the basis of an effective judgment.

Beyond the new principle that, as long as people are not actually serving jail sentences, they are acceptable for public office, there has also been a shift in the acceptability of lies. Prime Minister Babiš lied so often that journalists got tired of writing about it, and this made the lies, as if were, acceptable. His behaviour is emulated by his hangers-on, who understandably think: 'If the boss can do it, why can't I? It's normal.' During my time at the ministry, I saw this shift in real time. I remember two ministerial meetings in early December 2016. This was at the time when the system of electronic sales records (EET) was first launched in the country.

At the first meeting, the ANO spokeswoman, Lucie Kubovičová (incidentally, I don't know what she was doing at those ministerial meetings) noted that it was inappropriate for the ministry website to feature a counter of how many people had informed the financial administration about pubs that had failed to issue receipts. This was discussed for about an hour at the meeting and, at the insistence of his then-deputy Schillerová, Babiš decided that the counter should stay. A few days later, journalists asked Babiš about this and, without batting an eyelid, he lied that this was the first time he had heard about the counter. At the meeting the next week he complained about 'the stupid journalists wrongly attributing to him something about which he couldn't have had an idea'. And then it came: Schillerová took the floor and said how terrible it was and how the minister could not in any way have known. When I remembered the earlier meeting, where Babiš had made a decision about this, I was reminded of a scene in Zdeněk Podskalský film *Bílá paní*, in which Brodský's kids vie for who lied best, and started to laugh out loud. Babiš asked me, 'Why are you laughing like a twat?' When Babiš is joined in the public domain by Zeman and his claims, for instance about the writer Ferdinand Peroutka and his non-existent articles about a gentlemanly leader of the Third Reich, (i) we end up with the cocktail that is the current Czech political culture.

Many people around Babiš take their inspiration from their boss's vocabulary. As one of my colleagues said after a meeting, 'He hardly said anything at all – it was either genitalia or prepositions and connectives.' Some other colleagues noted down his best sayings. When one colleague who had been busy note-taking was leaving the department, I asked him to compile a digest – The Best of Babiš of sorts.

Here are some of the gems: 'That Gräblová is such a cunt, she can't see beyond the end of her own nose.' At one occasion Babiš shouted at me: 'That fucker of yours, Belobradok, perhaps thinks he knows what science is, but in your brotherhood you don't even know how to wipe your own arses; the main thing for you is to go to confession, you arseholes!' or 'That Kalúsek, that human scum, that dickhead has got 9 billion with Háva in an Austrian bank. That criminal can only look at that fucking bank account of his; he can only jerk off thinking about the money, because if he withdrew it, they would lock him up, that stupid shithead!' Admittedly, other billionaires use similar language, apparently to let off steam. But the problem is that young hangers-on imitate their deity, and do not want to get left behind in terms of vocabulary. Once, an MP's assistant (or perhaps he was only an ANO minion) brought me some papers from the Chamber of Deputies and tried to explain the issue using Babiš's vocabulary, so I threw him out, asking him to come back when he had mastered better language than that used by jailbirds in the Valdice prison. But the problem is that this was the language of the prime minister, and it is difficult to throw a PM out. Babiš infected people around him. Once, I was present when Babiš, at the time the finance minister, was discussing something with Milan Chovanec, the interior minister and previously a greengrocer, who could hardly suppress the expletives at the ends of his sentences. I wondered how we were viewed abroad, and how some politicians from the era of the First Czechoslovak Republic must be turning in their graves. Let's remember that, as prime minister, Babiš was for four years a successor to such people as Alois Eliáš, one of our greatest anti-Nazi resistance fighters, a man to whom we owe our freedom – while in Babiš we had a primitive who could not express a simple idea in a sentence without referencing genitalia.

6.2. DETERIORATION OF THE LANDSCAPE AND ENVIRONMENT

As with the decline of elementary morals, the current state of the environment is just the tip of the iceberg, which has its foundations deep in the past. The fruits that we now harvest cannot be blamed only on the recent government and its oligarch; the problems that are now evident in drought and bark-beetle infestation were not resolved by preceding governments either. But what is fundamental is that due to lobbyist pressures on previous governments and offices, it was the oligoprostitute Andrej Babiš, ruling until recently, who profited the most from the situation.

More than any other problem, the issue of drought in recent years and the related problem of overabundant bark beetle (i) need a comprehensive solution. After all, it was because of the promises of vigorous reform measures that people voted for the strong figure of Babiš the entrepreneur in elections. But, it is precisely his activities in this area that reveal how chimeric that vision was. Anyone not acquainted with Babiš and the mechanisms of state power cannot take into account a treacherous factor, in consequence of which a comprehensive solution is nearly impossible. If the first thing that Babiš and the agriculture minister did at the ministry was to cull those experts whom they thought would not be loyal to them – describing them as incompetent – then a gap was left when those experts departed. The incompetence in resolving a complex issue was amplified by Babiš's tendency to set people against each other. The media propaganda about a government team headed by an enlightened manager was as distant from the actual situation as the problem of our spruce forests were from the overabundant rabbit population on the other side of the globe.

With Babiš, it works like this: the managers arrive and after a few months they leave, all the while struggling for power and for the favour of the mentally twisted Babiš; they snitch on each other and, when the conflicts which the oligarch revels in become so fierce that he ceases to enjoy them, he replaces his people. Understandably, his underlings follow the same pattern. This results in chaos and unresolvable difficulties in working relationships and any conceptual resolution is impossible. When we add to these perverted relationships and the gap left by departing experts the oligarch's direct interest in not resolving the situation, catastrophic scenarios are more realistic than calming down and finding a remedy to the situation.

Drought and landscape

Like me, you may link idyllic childhood memories with a particular place or situation. When remembering the comfort of my childhood, I return to my grandma's living room. In addition to the humming of the stove and other sounds of the ancient household, including the remote clacking of my grandpa's typewriter as he wrote his scholarly treatises – a clacking occasionally interrupted by the rattling of sweets in the Winter Mix tin – I also remember the pictures on the wall. Besides some portraits of the ancestors, which were rather traumatic for me as a child, a large picture of a village and its environs, dating to the turn of the 19th and 20th centuries, dominated the room. The painter must have captured the scene from some low hill. On his canvas he depicted a farm in the foreground, with dozens of fields and pastures in various colours in the background. And it was precisely this variety of farmed land and its separation by hedges, with birds flying out of them, that symbolise the idyll of my childhood at grandma's, but more importantly that ought to remind us how the countryside looked some 100 or 150 years ago.

Some 50 years after the painting was made, the comrades arrived and ploughed up the smallholdings and hedges to make one big field. The pasture's waterlogged edge, where a little brook ran, was 'cultivated' by straightening the stream and attaching the drained area to the enormous field. The cows were removed from the pasture into a massive cow barn concentration camp, and so on. After the Velvet Revolution in 1989, the fields were restored to their original owners, but they are now farmed by one entity only, a global corporation. The cow barn is gone; it was surplus to requirements due to synergies in mergers with other agribusinesses. The manure from the cow barn, once spread on the fields, has long been replaced by synthetic fertilisers anyway. The result is that, as far as the eye can see, the field is sown with a single crop: wheat, corn or rapeseed. Enormous machines spray the fields with chemicals, birds and butterflies are no longer part of the living memory, and walking along the dry bed of a brook during the five months of summer we feel as hot as if we were standing in a supermarket parking lot. In short, the landscape has been converted into a revolting agricultural factory for crops and subsidies awarded per farmed hectare.

Here we could end with a cheap shot at the oligarch: he is to blame for 'that disgusting oilseed rape'. But he did not invent this – he exploited the situation, and more importantly, he did not change it. Why did it take so many years of historically record droughts for steps to ameliorate the situation to be taken – and only marginal steps anyway? The government wants to give money for the restoration of ponds (i) and there is going to be a reduction in the maximum area that may be contiguously planted with a single crop – but that's more or less it.

Although these are steps in the right direction, they will not bring water back to the landscape; perhaps they will bring back a tenth of a percent and it'll take a thousand years to happen. Another planned measure that will not resolve the problem at all is the idea of building new dams. (i) Instead, what if the government proposed true reform? What if it changed the way subsidies were paid out so that they were linked with the water retention potential of specific areas? Or with plant coppicing between fields, returning to a combination of animal and plant production, motivating farmers to plant catch crops (i) and practise deep ploughing to avoid a layer of hard hermetic undersoil preventing water absorption forming under the shallow topsoil? If these measures were put in place, there would be more water on a larger area of farmed land – and not in a few ponds sponsored by the agricultural minister. There would be fewer chemicals, insects and birds would return and the country would become cooler, with the additional benefit of reducing drought in forests. But the crop yields would decrease, there would be less subsidy for the prevailing conception of farming and the sales of chemical fertilisers would decline.

Forests and bark beetle

As we reach the final part of this book and readers have had plenty of opportunity to get to know the oligarch Babiš, it is time for a strategic game. Let us imagine that in this hypothetical game Babiš would like to acquire Lesy České republiky, which manages the state-owned forests. How would he go about it? To suggest an answer, I could use the stories from several books to which I have referred many times; in particular I would like to recommend sections from the books Boss Babiš or Žlutý baron [Yellow Baron] and their sections on Agro Jevišovice and Kostelecké uzeniny.

What his partially or fully successful takeovers of these – or other, state-owned – companies have in common is that they were pushed into a corner. There are multiple ways to achieve this: by buying their debts, or blackmailing their management through close connections with the suppliers of strategic commodities, or by contrast, purchasing their products. The former representatives of the government coalition could not understand why Babiš as minister of finance demanded all the profits be squeezed from Lesy České republiky, including reserves that had been squirreled away. And they didn't comprehend why he did so at a point when the bark-beetle crisis was becoming acute and it was clear that it would be wise to save much of the profits for use when the beetle made a bigger dent in the company's economic results, as the price of wood stood to decline markedly and new trees would have to be planted. Thus, for example, in 2018 the state-owned enterprise paid about 2.5 billion Kč into the national budget. Lesy posted its worst economic results at the time of the Opposition Agreement and thereafter, when Agrofert was developing into its current form thanks to its purchases of state-owned chemical factories. By contrast, Lesy was at its economic best when Marian Jurečka was the minister of agriculture and the company was run by managers that Babiš's people later sent packing. Another important fact was that at the time when every last crown was being squeezed out of Lesy, that money could have been taken instead from special privatisation funds, but these were not used to fund measures against bark-beetle infestation. And there are two more things. Lesy's biggest partner is the Uniles company, part of the Agrofert group, (i) which won government procurement contracts irrespective of Babiš's conflict of interest. And last but not least, does anyone understand why Lesy divested its wood processing facilities?

These were privatised, some bought by Babiš through various entities and many were dismantled. Yet these sawmills and other processing plants would have played a major role in debarking and further processing the wood infested with bark beetle.

Incidentally, when Babiš, as newly installed prime minister in the full sight of the media, acquainted himself with the bark-beetle issue, he said that now he was a supermanager, he would address the problem, ensure that thousands of labourers were brought from Ukraine, Belarus and Serbia, and involve ČD Cargo to find foreign customers for the wood. The result was that there were no customers for the wood, in some areas the dead forests were left standing, there are no people to fell the trees and nowhere to put the wood. Lesy ran into serious economic difficulties, (1) and these will be exacerbated by its lack of sufficient financial reserves. Perhaps there'll be a proposal from an independent Agrofert manager, who, like the administrator in the fairy tale *S čerty nejsou žerty*, will propose that a prince would be happy to help the lord to get rid of that castle (in this case, Lesy České republiky)?

We will have to wait for the landscape to return to the times when it wasn't a subsidies factory, and we will also have to wait for a government that will fight drought and bark beetle effectively. So far we have had the interconnection between the ruling oligarch and the current management model, which has brought us to where we are – the two are so closely linked that no change is possible. But, unless the key posts in the Ministry of Agriculture are staffed with real experts who are not linked with the flows of subsidies, we'll soon live in a kind of semi-desert without forests, where without chemical stimulants nothing will grow at all.

6.3. BREEDING SOCIAL PROBLEMS

In another book, I confided in readers about my dream in which one scene is projected onto a screen and something different is happening behind the screen; here I cannot but mention another example of this phenomenon. In elections, virtually all parties cite unfair debt collection practices as an example of what they want to fight. But as shown below, there must be plenty of people who have an interest in preserving the status quo, in which massive debt collection contracts are awarded, but their actual effectiveness is low. Some of the enforcement officers, who profit from the system at the expense of society's financial stability, must be so powerful that even the ruling oligarch ignores solutions that are evidently correct and simple.

According to recent data, there have been about 4.8 million proceedings for default against 820,000 people and companies; and of these about 2.9 million were against 420,000 people subject to three or more proceedings. (i) Of these, 103,000 people had more than 10 proceedings launched against them each – a total of 1.9 million. And it is here that the crucial problem lies. As more proceedings are started against the same person, in 90% of cases the enforcement cannot collect anything, but the debtor is further burdened with tens of thousands of crowns in costs for this useless action. At this point, debtors might not care that the creditor and the enforcement officer leave empty handed, but it becomes a problem when defaulters attempt to lift themselves up off rock bottom. If they inherit property or start to receive a pension, for example, the amount they receive is cut because of the enforcement action.

An important factor that contributes to the present situation is that the creditor chooses the enforcement officer, and this is likely to be a different officer every time, though each new appointee does the same things as the preceding officer did.

Let us imagine a Joe Blow from Sleepy Hollow. He worked as a labourer in an agricultural cooperative, taking home 18,000 Kč each month. Because he liked Jane, who worked in the school canteen, he took a 25,000 Kč loan from the oligarch-owned Home Credit to go with Jane on holiday to Bibione. Looking forward to a break on the Adriatic, Jane acted as the loan's guarantor. But as the coop where Joe worked was bought by Babiš, who was looking for synergy, they declared Joe's job redundant and sacked him. Joe stopped repayments and action was launched against him. As Joe had hardly anything to his name, the enforcement officer could only collect a drill and a guitar. These sold for 700 Kč at auction, but the costs of the enforcement action were much higher, running into tens of thousands of crowns. Now Joe has no job, no Jane (who dumped him because she was the guarantor for the loan that paid for the Italian holiday and bailiffs came to her place too), no guitar and no drill. He takes out more loans and there are more actions against him. Because he takes the loans from various 'good-natured' lenders, the debts are collected by many various officers. If he were to inherit a flat from his aunt in a district capital, there'd be a queue of eight enforcement officers, each with 50,000 Kč of entirely superfluous costs, so even if Joe inherits after the death of his beloved aunt, he loses the flat too, without ever being able to pull himself together and dazzle Jane with his own money for another holiday.

For more than a decade, enlightened NGOs, experts and some enforcement officers not dependent on public administration contracts have been proposing the so-called principle of territoriality of enforcement officers. (1) Each defaulter would have an allocated enforcement officer. Whether Joe faces his second, third or 12th action, the collection of the debt would be assigned to the same officer. That officer carries out the standard operations only once, and when he finds that it's useless, there is no need to repeat the costly searches for property. Thus when Joe eventually inherits his aunt's flat, there will be no eight lots of 50,000 Kč costs for failed actions dumped on him, but only a marginal sum that he'll be able to repay when he lets out the flat for a few months to a tenant. Although the officer will put a lien on the flat, as long as Joe keeps the lines of communication open, the officer will have no reason to force its sale, as long as the officer does not face competition from another officer who might sell the flat first.

And now back to the beginning. Why do officials at the Ministry of Justice not propose, and politicians adopt, this territoriality, given that it has been promised a thousand times? One explanation is concerned with how outstanding debts are enforced in public administration. Practically every authority and organisational unit of the state chooses its own enforcement officers. As the officers' fees are set by law, they cannot offer a different price from their colleagues, so there is evident potential for corruption in the selection of an officer. The system of kickbacks paid by some officers to public officials, and the ensuing enforcement of debts that cannot realistically be collected, is so embedded in practice that nobody wants to give it up.

The most precious thing we have in our country is that we do not yet know true poverty.

In particular, we do not have experience of an area with a population affected by true poverty. Yet people cannot catch a breath with enforcement officers queuing behind their backs; they cannot restart their lives, as they are directed towards this state of absolute poverty. To this we need to add that many work as undeclared labourers, drown their despair in alcohol or illicit drugs, or seek their fortunes in gambling machines. They'll never have a decent pension – and even if they had, the debt collectors would take their cut. This problem of poverty and linked social issues is going to appear in our country.

About 400,000 Czechs are trapped in debt. They usually work illegally, because they could not live on a salary once the enforcement deductions are taken off. If they did work legally, they'd each pay more than 10,000 Kč a month to the state, which for the 400,000 people means four billion crowns a month. Thus the state is currently failing to collect 48 billion a year, and on top of that has to pay out unemployment benefits and so on.

If the territoriality principle were introduced – that is, the principle of 'one enforcement officer, one defaulter' – defaulters could come to reasonable arrangements with their officers concerning their repayments, because the officers would not be pushed by the market environment to squeeze as much as they can from the defaulter. Thus defaulters would be legally employed and would make repayments commensurate with their capabilities. Of course, officers would take harsher action against people who avoided repayments or refused to communicate. Another explanation, which is not incompatible with the first, is that the oligoprostitute's government party has been receiving generous donations from some officers or their companies, and hence the boss of the ANO parliamentary party, Jaroslav Faltýnek, sabotaged the bill as much as he could.

Perhaps I haven't mentioned this yet, but I hate conspiracy theories. When I hear that 9/11 was an inside job or that the Czech communists orchestrated the Velvet Revolution in 1989, it drives me mad. If we accepted the argument that we are controlled by some all-powerful structures behind the scenes, there would be no point in taking any action, because we could not compete with these super-godfathers with unlimited options, techniques and, according to some reports, supernatural abilities? But in the case of the future disaster that is being systematically created in Czechia, and the breeding of a social stratum of hopeless defaulters, I feel I need to make an exception. I do not imagine – in this scenario of which we have so far seen only the first act – crooked villains smoking cigars and sitting on bags marked with the dollar sign, plotting to destroy Czech society. But it is impossible not to see where these hundreds of thousands of hopeless paupers are going. And where is that? With every turn of the economic cycle, a further hundred thousand people fall into poverty. Every one creates an additional burden on the public purse, but there are no comprehensive solutions for this proposed; in fact, the matter is pretty much ignored. What will these people do? In their despair, they'll seek assistance from Home Credit, owned by one oligarch's group, or from gambling machines owned by another, while a third oligarch will profit from the advertisements for alcohol, gambling and consumer loans. People who find themselves in such a situation will give a hearing to simple solutions proposed by a government oligarch, a xenophobic fascist, and will not mind at all if there is some shift away from democracy. If you consider this too much of a conspiracy theory, let's wait a few years and if something is not done about it, you will find that it wasn't such a conspiracy theory after all.

But to end this on a more optimistic note: there are no supernatural beings operating behind the scene. A group of people, who in many ways are pretty ordinary, are responsible. We still have democratic mechanisms to elect people who do not profit from poverty. We only need to stop spending all our time watching television, eating Kostelec sausages and washing it down with beer from a brewery managed by the pro-Castle parasite Jaroslav Tvrdík, and when we get ill to seek assistance from Dr. Max. What we need to do is to show some interest in what happens around us.



HOW TO GET OUT OF THIS



7.1. SHOW SOME INITIATIVE

Every morning I must repeat to myself the most beautiful thing: we have freedom, we have democracy and we have a rule of law. It should all be terribly simple: if we want to change something, it only depends on ourselves, not on anyone else. Every morning I must say to myself that the established system of oligarchs and the prostitutes they pimp, and all other democracy-deforming phenomena, are simply a consequence of elections. If many of us decide for change and make the right decision, nothing prevents change. Citizens elected poor candidates; they can elect others. Why then are we ruled by a twisted system with even more twisted people in charge? Because either we don't believe it can be changed, we don't give it our all or we don't go about it the right way.

Personally I do not believe much in such a thing as a national character. Yes, every nation has its cultural customs and there is some historical experience that can suggest in some way how the bulk of people in that social group sharing a historical experience will behave. But this majority response can be changed by new impulses; it can be influenced and new experiences may overcome the established pattern.

National memory

One unpleasant trait generally shared by Eastern Europeans is the conviction that the established order cannot be changed. The further east you go, the worse it is. This clearly follows from historical experience. An ordinary subject in Tsarist Russia, a muzhik, couldn't do anything at all. He would get up in the morning, the steward would drive him to the field where the muzhik laboured and in the evening he went to bed.

The burlaks came to the ropes, by which they hauled vessels upstream, and in the evening they fell over from exhaustion. They all did this, as far as the memory of the elders reaches: I'll do it too and so, understandably, will my children and my children's children. That's why it's unchangeable. Although the situation in this country was much better than in Russia, compared to, let's say, the Netherlands, which has experienced centuries of freedom, we are still halfway between Moscow and Amsterdam. Furthermore, the generation of my grandparents had a complex about 1938 and the Munich betrayal, while my parents' generation had a complex about events that occurred 30 years later. These two historical events are joined in an experience: when we have something that we have built up ourselves, some external force comes in and tramples it into the ground. This experience has even overshadowed examples to the contrary: that thanks to the diplomacy of a few individuals, one of the most developed rule-of-law systems in Central Europe appeared here, a country with a mature economy; and that Czechoslovak soldiers changed the fates of millions of innocent people by executing that monster, Reinhard Heydrich; and that our nation produced thinkers such as Václav Havel, rid itself of communists and divided Czechoslovakia without a single person being killed or injured.

Change in gambling

In early 2014, the Czech Republic was among the countries with the highest prevalence of gambling in the world. In the past, the gambling operators successfully lobbied for such rules that their business was practically unregulated. Even at the Ministry of Finance there were pro-gambling figures whose reputations would make a hyena vomit. With a few colleagues, we decided to change this.

Normally, preparing a new bill takes years in Czechia, but our group of people had legislation ready in three months and it was supported by hundreds of pages of analysis that even the best pro-gambling demagogues couldn't shoot down. During the legislative process, I encountered every method of sabotage: lobbying from Babiš, overnight filibusters in the Chamber, masses of amendments, each of them able to paralyse the bill, and so on. But the small team managed to overcome every obstacle and the bill became an act. The result is that we now have one sixth of the shops with gambling machines that we used to have, and yet an extra five billion crowns are collected in taxes from gambling firms every year. Perhaps I could be permitted to write a narcissistic sentence here. But I won't do it, because it would negate my entire philosophy of management. Gambling in Czechia could be tamed, because the whole team did it, and they all believed that things could change. I wouldn't want to collaborate with someone who did not have it in himself or herself, because in that situation it was about the belief in change. I could add to my own experience dozens, hundreds, perhaps thousands of beautiful examples of civic projects or transformed municipalities, achieved by the power of one person or a group of enthusiasts. All these changes have two things in common: the idea of what needs changing, and the belief that it can be achieved.

In society as a whole, and in each of us, I constantly perceive the struggle between these two basic emotions: 'nothing can be changed' and 'if we all knuckle down, it must work out'.

Tears at the bottom of the hill

I remember a peculiar experience with my elder son when he used to come home from nursery school in the Hodkovičky forest. He would be quite tired and on those afternoons the whimpering was never far away. At one place on the way home there was a steep hike of about a hundred meters. He would regularly stop there and, imagining the steep ascent, start crying. But if he were distracted from the depressing height before him, tears would be avoided that day.

This reminds me of the current depression about the state of society, public administration and the people this country has generated as its 'elite'. Every day I receive emails from people saying that they cannot see the light at the end of the tunnel, that this country with all its Babišes, Zemans and Okamuras is totally finished and that they don't know what to do. I always reply in the same spirit: do not look up, but under your feet. In other words, deal with those things you can change personally. Let us all find tasks that we can manage, alone or with our neighbours, friends or colleagues. The state does not consist merely of the prime minister and president, there is civil society too. When tens of thousands of small initiatives are added up (a shared compost bin for an apartment block, a firefighters' ball or a theatrical performance at a country cottage), society will be drawn together. At these opportunities, we will all understand that something can be changed by watering that withering tree behind the prefab high-rise, and we will all be stronger to achieve higher goals. Some years ago, a police officer told me about the bleak situation of corruption in politics: you can't round them all up together, but you can take them in one at a time. And her work showed that: she did manage to have a few scoundrels prosecuted.

Upwards thanks to civil society.

I'd like to suggest a few more things to consider that could help to change society for the better: generate a leader, introduce a trade blockade; and there are other ideas too. But nothing will change unless we build up a dense network of formal and informal civic initiatives and achieve self-confidence to promote change, starting with small projects. When we have a confident civil society without miserable and frustrated people dependent on the favour of the state, we can deal with how to bring it all together and resolve matters 'up there'.

7.2. STRAIGHTENING THE TWISTED SYSTEMS

One reason why people do not like the state is because of its unintelligibility. Let us forget for a moment the idea that some rules are so complicated that ordinary mortals can no longer understand them. Instead, let us step into history, when the institutions, their powers, the structure, the hierarchy and their mutual relations were constituted. Essentially, this occurred in three situations.

In the first case, many institutions were constituted a very long time ago, sometimes more than a century. Since then the world has changed and so did the ways the country, society and other institutions operate, but nobody had the courage to alter the mechanism, which might work poorly, but does work after a fashion.

Examples of institutions that have been around a long time are the financial administration (previously called tax offices) and the customs administration. As for the latter, the idea periodically surfaces of abolishing it, or transforming it into something like an armed hand of the financial authorities. But that would be too big a change and so people prefer to think up new agendas for the customs administration, agendas that no-one else wants. Thus the customs administration is asked to check foreign workers, motorway toll stickers and people's temperature when they arrive from areas affected by coronavirus. In other words, nobody has the courage to say that the institution is essentially superfluous and that its powers should be divided between the financial administration, police and firefighters. And so, rather than abolishing it, politicians decide nonsensically to increase its importance.

A second case of an institution that is not organically embedded is when it was established by a populist decision. In such case, a group of MPs agrees on something attractive, and because they are able to exploit it well in marketing terms, and in the opposition nobody is bothered enough by it to put themselves on the line and protest against an evident nonsense, it gets approved by the majority. The proposal is usually half baked, because if someone attempted to model it thoroughly and competently, it would take too much time, and more importantly it would be revealed how stupid the idea actually is. A good example of this is directly electing the head of state. Yes, we could have adopted a presidential system, but that would require a thorough constitutional overhaul. And so a constitutional travesty was created. No change was made to the powers of the head of state, elected by all citizens of our country, but that head has become a lot more confident, precisely because the post derives its powers from citizens and not from members of the legislature. The logical consequences include unclear relations, chaos and things done out of spite, which the constitutional mechanisms are unable to address.

A third model of the emergence of a dysfunctional system is some sort of a broad change, which cannot be achieved in its entirety at any given time and thus some partial changes are postponed and an interim solution is adopted. But the unit of temporariness is usually 'one forever'. Let us recall in this context the federal arrangement of Czechoslovakia, dating from the 1960s, and the corresponding hierarchical, four-instance judiciary. We said our goodbyes to the Slovaks more than a quarter of a century ago and yet the over-complicated system of four instances of courts and public prosecution remains in place.

Beyond that, there are clearly institutions lacking in our country that we need. If they were endowed with appropriate powers, things in our state could be shifted forward in a major way. The long-term trend of pilfering the state via IT systems, (i) the locking-in of the state apparatus, captured by these companies and their practically dysfunctional products – all of this calls for an institution that would change this trend. And how does the state respond? It periodically establishes various councils, committees and advisory think-tanks. Yet the people sitting in these institutions have their own interests, they have no responsibility and more importantly no experience of how the state apparatus functions. We had a Ministry for Information once, and this represented groundwork on which we could have built up, but it was soon abolished, (i) and so we have the councils, which advise things to be done that cannot be practically implemented, things that no one takes seriously, while the state continues to pour billions into products that were never properly chosen through a tendering process.

Why, then, is no real reform implemented in our country – and this does not concern only the separation of powers among institutions? The answer is fairly simple: these are not popular or interesting solutions, they will not bear fruit soon, in particular not within one electoral term, and they exceed the horizon of one government department. Let us first look at what would be required in terms of time.

First, any fundamental reform must be properly conceived. We need to analyse its potential consequences and ensure that what looks interesting at first glance will really produce savings and benefits in the future. Such a reform must be properly planned, must be supported from the highest levels and must have a leader who bears all responsibility and has every power.

After preparing and analysing the reform, which may take around a year, the preliminary draft of the legislative change can be presented to the government in a few months. Once this is approved, the bill with its sections amending the existing acts can be developed. Once the text is ready, it is submitted for comment to the ministry, and once the comments have been dealt with, it is submitted for interdepartmental comment. Understandably, there will be dozens or more likely hundreds of comments, and they too will all need to be dealt with, changes accepted or justifiably rejected. The ministries then argue for weeks about the acceptability of the new wordings to various stakeholders. Only then is the material submitted to the government's legislative council, where over months legal experts pore over the document, comment on the formulations used and so on. Then the reform bill is submitted to the government and if the government approves it, the legislative process itself starts in both chambers of the parliament. When things go well, the entire process takes about three years. But we must add a period of time that is technically required to implement the change, for example the time needed to prepare the changes to the implementing decrees, and so the new acts can only come into effect in the next electoral term. In the end it's hard to find support for such reform, as people will not be able to reap its rewards, and hence are not interested.

In the paragraphs that follow I'd like to propose several areas for reform that should be at the very least considered and discussed. Understandably, there should be more reforms than outlined here, but what I propose should help to change our perceptions of the state so that we do not think of it as an enemy power.

Elections

The Czech Republic has broken many records. But in addition to those of which we should feel proud – for example, that we have the densest and best marked network of tourist trails (i) and the largest proportion of apiarists in the population (i) – we also have records which should provide food for thought. For example, we have the greatest number of elections, that is events during which the cards are dealt for various representative assemblies. This is because, unlike many countries of similar size, we have a parliament with two chambers, as well as elections to regional and local assemblies. To this, we need to add a directly-elected president, as well as elections to the European Parliament. The result of this excessive electioneering is that during the election weekend about 80% of people prefer to withdraw to their country cottages to tend to the aforementioned bees rather than show any joy in the state-building activity. And what about the legitimacy of the democratic representatives thus elected by, let's say, 15% of voters on a turnout of 11%? Nor must we ignore the substantial costs of elections.

If we don't want to change the two-chamber system, given that the Senate provides a safeguard against the ideas of the current ruling set (for example, during the era of the Opposition Agreement, and when Babiš was prime minister), we must consider whether we couldn't reduce the number of other elections, or at least merge them into a smaller number of election days.

As I wrote above, the directly-elected president is salt in the eyes of constitutional lawyers and political practitioners. I believe it is absolutely necessary to return to the model where the president is elected by members of parliament.

We'd save billions and remove one event from the electoral calendar; our society would be less divided by disputes over whether the neighbour is voting for this or that candidate.

For the remaining five types of election, the objective is to reduce the number of electoral events as much as possible. I think nothing bad would happen if the elections to local and regional assemblies were held together, and concurrently with the election of one-third of the Senate. If elections to the Chamber of Deputies were held two years later, they could again be held concurrently with elections of another third of the Senate. It is also worth considering whether we really need to elect members of local and regional assemblies for four years, and whether the term of these officials couldn't be extended to six years.

By reducing the types of election and the number of election days, we would save several billions in each four-year term, and more importantly reduce the situation of permanent campaigning that now prevails. As soon as one election is over, another looms and politicians feel the need to please voters with slick and cheap promises. There is simply no time for real work and unpopular reforms. And if there were fewer elections, perhaps neighbourly relations would improve too, currently being twisted due to incessant thinking about who voted for whom and who gave campaign money to whom and what is the likely quid pro quo.

A significant change should be introduced to the electoral system by the implementation of a modern voting algorithm, such as the Janeček method, also called D21. It is a voting and electoral tool to make group decision-making more efficient.

It allows the use of multiple votes, and in certain cases also allows for a negative vote. Thanks to a greater gamut of votes, voters can more precisely express their preferences and achieve a consensus that reflects the interests of a greater segment of the electorate than is possible in a single-vote system.

The basic premise of the D21 Janeček method is that each voter has more votes than there are winning options. All votes carry the same weight and the voter may, but does not have to, cast them all. A voter may only award one vote for each option. In order to cast a negative vote, at least two positive votes must be cast. The number of positive and negative votes may be adapted to particular electoral situations. (i)

The modifications are always made according to the basic algorithm, devised by the Czech mathematician Karel Janeček. Thanks to the multiple-votes effect, the option that wins under the D21 Janeček method is that on which the greatest number of voters agree with their votes. The fact that electors have multiple votes helps to prevent vote splitting among similar candidates and shows the precise extent of their support, reveals the polarising candidates, decreases the extremist candidates, supports sincere voting and thus avoids the choice of a lesser evil.

The effect of the multiple voices would also change political campaigning. Candidates, in order to win the second and third votes from the voters of their counter candidates, would have to seek what they have in common with their opponents, rather than tarnishing them in negative campaigns, as so often happens today. The negative vote then reveals controversial options that might have many supporters but also many opponents. This weakens extremism and consequently the adoption of the D21 method would decrease divisions in society.

Voting by casting one vote only forces us to adopt an 'us vs. them' division. Politics, which ideally ought to help to cement society to find a solution acceptable to all, often leads to divisions into implacable camps. The present electoral system forces us to adopt a black-and-white vision of the world, yet our preferences are more varied, and often cut across the spectrum. We have more favourite variants, as well as those of which we are certain we do not want. Our opinions cannot be reduced to a single word, a single option, which, moreover, represents the lesser evil, as we are concerned about wasting our votes. The D21 Janeček method allows us to make the full statement – to express our opinion in full – and thus demonstrates the variety of our preferences. Perhaps it would also show that we are not as divided as might seem at first glance, and that there are more things that unite us than divide us. Thanks to its playfulness, the presented method would help to increase voter turnout and hence the legitimacy of the candidates elected.

Judiciary

If a government, a president or a mayor loses the trust of the population, it isn't such a big problem because the people in these posts can be replaced at the next election and the new officials can quickly improve the reputation of their institutions. The problem is more serious in the judiciary, which, once it loses its good reputation, finds it very difficult to regain it. Although fortunately there have been few blunders and outright abuses in the Czech judiciary, people find the justice system difficult to understand, disunited and slow in the way it conducts trials and arrives at decisions.

Let us first look at the few uncovered cases of corruption or similarly serious misconduct among the judges. I am leaving aside the cases of the judges Berka, (i) Havlín (i) and Elischer, (i) which were successfully uncovered, documented and sent to an independent court to resolve. After all, these were cases of failed individuals who wanted to line their pockets in exchange for helping some scoundrels. Although this is terrible, the worst about it is that some people managed to escape from the gears of justice and police time was wasted. But there are also much more serious cases, which constantly need drawing attention to and which are much more socially damaging. These are cases where judges systematically damage the defendants whose cases they should assess impartially and independently.

The Anti-Corruption Endowment has set the fight against this evil as one of its priorities and recently pointed out two such cases. The first is the Opencard 2 case, where former top Prague politicians, led by former mayors Bohuslav Svoboda and Tomáš Hudeček, stood trial at the criminal chamber, chaired by Alexandr Sotolář of the City Court in Prague. Here the judge demonstrably interfered with the minutes of the hearing, to the detriment of the defendant, and invoked the distorted statements recorded in the minutes in his sentences. (i) He probably had his reasons for doing this. (i) What I can't understand is what happened when this came out into the open: I would have expected Sotolář's colleagues to be furious and distance themselves in the strongest terms from such atrocity. But that is precisely what did not happen. Although disciplinary action was launched against Sotolář, he continued to serve as a judge. (i) Only when we submitted a criminal complaint and described the case in plain language, and the media took up the case, did the minister of justice wake up and suspended the interfering judge from duty. (i)

For me as a lawyer, the outcome which saw Sotolář remaining in the judiciary is entirely unacceptable. I simply want this judge to be put on trial, and for his case to be heard in every detail, in the public eye. The second case where statements were distorted to harm the defendant was the case of the accused Jaroslav Fröhlich. Based on distorted hearing minutes and demonstrably false expert testimony, Fröhlich was given a multi-year sentence, though that was not yet legally effective when the appeal court (fortunately, we have courts of second instance) responded flawlessly and annulled the punishment. Yet the result is, so far, the same: the judge who issued the wrong sentence continues to judge, and the false expert witness can continue to harm the innocent.

But let us return to the systemic problems in the Czech judiciary. The four-instance system is a hangover from the federation era and even 28 years after the dissolution of Czechoslovakia politicians have not found the courage to do something about it. When I talked about this matter with representatives of two other parties during coalition negotiations in December 2013, Robert Pelikán and Helena Válková, later justice ministers, rejected the proposed change as too extensive. But let us imagine there were only district courts, which would hear all cases in the first instance, and 14 regional courts, which would serve as courts of appeal. In addition to this, there would be a supreme court, which would deal with exceptional legal remedies and unite the rulings of the courts of lower instance. Wouldn't that be clearer than when the High Court in Prague decides something different from the High Court in Olomouc, and then we have to wait for 10 years until it's heard by the Supreme Court? The various panels and divisions often have different views on the same matter, and the only authority that can provide unity is the Supreme Court in its totality.

And then, actually, we may have to wait for another 10 years for the opinion of the Constitutional Court. In addition to simplifying the system, we would hopefully also develop more unified case law, and the judiciary's work would be of higher quality.

If such a change is to be implemented, we should allow a suitable implementation period – let's say six years – so that it could be done in multiple steps and with sufficient technological and personnel measures, to prevent even greater chaos than that which we currently have.

Together with the high courts, we could also abolish the offices of the high public prosecutors and achieve closer integration of the police and public prosecution. Today, according to the Constitution at least, public prosecution is part of the judiciary power, while the police are part of the executive power.

Wouldn't it be great for the police and the public prosecutor to sit in the same building, and communicate daily over cases, rather than send files back and forth with a week allowed for a response, as they do now? We could then also expect a significant acceleration of proceedings, and a clear division of powers in preliminary criminal proceedings.

Decentralisation

Our capital city faces the problem of unbearably expensive housing that a mere mortal, for instance someone who is just launching their scientific career, let alone starting a family, cannot afford. These people then commute to Prague from ever-greater distances, spend hours doing so every day, and go crazy because of it.

The other solution to their housing crisis is to rent, but rental properties are expensive and our workers compete with tourists on AirBnB and similar platforms. On the other side of the equation we face the depopulation of non-attractive regions that are lagging behind – the quality of life there decreases and these regions are losing their young people, who can find jobs in large corporations, central offices or scientific jobs, all largely concentrated in Prague.

This situation in Prague, which is pulling away from the rest of our miniature country, must be changed as soon as possible. Let's recapitulate what interesting things we have outside the capital; what can attract people with higher education outside of the capital. First, there are several factories and other enterprises, which attract researchers and managers with a technical education. Let's recall the car factories and the nanotechnology businesses in Liberec, for example, (i) whose goods find applications in products that are able to establish themselves in the marketplace. In several cases, these centres have been supported from European funds, and so two strong research centres have grown up in Prague's satellites.

The state should lead by example, yet we can count how many public authorities are headquartered outside Prague without reaching double figures. In addition to supreme judicial bodies including the Czech Supreme Court, the High Court in Olomouc and the corresponding offices of public prosecutors, and the Constitutional Court, there is also the Office for the Protection of Competition as well as the Ombudsman in Brno, and, looking at the fine detail, I can only think of the Energy Regulatory Office in Jihlava. Meanwhile, the state attempts to sell large office buildings in the regions and at the same time pays enormous sums to lease, construct or buy more offices in Prague.

The Mayors and Independents Party have come up with several practical proposals – for example, the Czech School Inspectorate and the Czech Telecommunication Office could be moved to Zlín, the Czech Mining Authority to Ostrava, the Czech Statistical Office to Plzeň, the Supreme Audit Office to Olomouc and the State Institute for Drug Control to Hradec Králové. Relocation should not be limited to these offices and to regional capitals only; towns such as Kladno, Benešov and Kolín could easily welcome more authorities, whose chiefs do not need to sit daily in ministerial meetings. I am thinking of such bodies as the Office for Government Representation in Property Affairs, the Czech Office for Standards, Metrology and Testing, and the Directorate General of the Czech Prison Service.

What is it that prevents decentralisation tendencies? There are three factors. First, any move needs to be planned long in advance, so that staff can prepare for the change. An appropriate intermediary step would be to first create a branch in the new locale, so that the first employees could work there before the authority is moved completely. Then there must be a quick and environmentally sound connection with Prague. But that would require the government not to constantly recalculate whether it is worth establishing a sensible connection to Liberec, a regional capital; spend dozens of years thinking how many tunnels are needed for the railway to Beroun and then to Plzeň, or where the tunnel will be bored under Prague 6 district to the airport and to Kladno. Things would simply have to get going, and fast. The third factor is the development of information technologies and especially their practical implementation. In other words, we don't need wheelbarrows of paper files being pushed back and forth between the Ministry of Education and the School Inspectorate: officials should be able to push them around by pressing keys on their keyboard.

7.3. A TRADE WAR

If you feel that the following lines about Polynesia have been wrongly copied from another book and do not belong here, please keep reading; the ideas wandering throughout the world will return to the main topic.

Between 1960 and 1996, France conducted 210 nuclear tests, (i) of which 17 took place in Algeria. (i) When Algeria gained independence in 1962, France moved its testing (a further 193) to French Polynesia. (i) The pictures of a mushroom cloud above the Mururoa atoll became a symbol of the French nuclear tests in this exotic locale. French government representatives long maintained that nothing dangerous to health was happening during these explosions and that people in this Pacific Ocean region did not need to worry. Some years later we discovered these were barefaced lies, because the number of malignancies, in particular leukaemia and thyroid tumours, increased in the area where the tests were performed.

In the early 1990s, President François Mitterrand banned the tests. That did not last long, as once elected president in 1995, Jacques Chirac renewed the testing. And it is precisely with this period that I associate some very special experiences, which I consider inspirational for our current situation. In summer 1995, we visited friends in the Netherlands and Belgium and the renewed nuclear testing was a major issue. The events provoked such strong resistance that people in the Netherlands spontaneously stopped buying French food. This was to force French traders, whose earnings declined, to exert pressure on their own government to stop nuclear testing.

I remember that our friend, at seeing a bottle of French wine or a packet of cheese in the supermarket, never forgot to comment that he would be buying no such goods from a country that damages the world. One could even see handwritten notes on the descriptive stickers next to the stock: 'French product!!!'

We do not know all the reasons that caused France to abandon its nuclear testing, hopefully for good, but the social resistance and in particular the trade 'blockade' mounted by conscious Western European citizens must have played a cardinal role in the decision. I emphasise that an embargo of products from one country by consumers in another is only one possible method. A blockade of products from a particular manufacturer within one nation state would certainly be substantially more effective. Moving back from palms and coral reefs to our country, we again need to consider several facts. Society in Czechia is divided into those who are concerned about where our country is heading; those who are happy with the direction; and those who are indifferent or do not have the time or the mental capacity to understand the problem at all. In other words, society is divided into those who have been 'bribed' by the populist steps of Babiš's government, especially the elderly and those citizens who orient themselves poorly on the problem, who for increased pensions, decreased fares and selected cheaper foodstuffs made possible by misused subsidies, have supported or tolerated the system. The second group in our polarised society are the others, that is, those who are not indifferent to the foreign-policy direction of our country, the decline of democracy or the fact that we have been ruled by mendacious monsters; this second group is willing to push their personal interests to the background for the sake of something higher.

Ever since the massive demonstration at Prague's Letná in 2019, the 'Million Moments for Democracy' (i) meetings have, among other things, discussed the fact that the rallies alone are not enough. It is, of course, right that we all demonstrate that something is wrong, but if the ruling politicians, so to speak, wipe their arses with us by claiming that 300,000 people at a rally were only a tiny fraction of the electorate and those present mostly did not vote for the current representatives anyway, we need to toughen our act.

Here we face the problem that people around Mikuláš Minář are democrats in every fibre of their being, and avoid the wilder manifestations fearing that they might damage the standing of the Million Moments as a polite initiative. But what exactly is wrong about a trade embargo on villains, be they oligarchic or international?

What if we thought a little more when doing our shopping? I do not mean only that we should use apps such as Bez Andreje [Without Andrej] and so on, (i) but to 'think politically' when making our purchases. I therefore do not call only for a blockade of baked goods from an enterprise that commits subsidy fraud with toasted bread innovations that were made a long time ago and of smoked meat products from Kostelec, the takeover of which by the ruling oligarch has been the subject of several books; I am also bothered by purchasing goods from countries that damage peace in the world. I simply cannot with that 10 Kč of profit support Chinese traders by purchasing peach compote from a country where political opponents disappear in broad daylight, free speech on the internet is blocked, protesters are shot, and neighbouring countries are encroached. Likewise I cannot enjoy a Russian product from a country where journalists are murdered, agents poisoned and the territory of foreign states is invaded and occupied.

Although our society is divided about half and half between supporters and critics of the Babiš government with all its feats concerning subsidies, corruption and international prostitution, that half which cannot acquiesce with all those things should be the economically stronger one. What if we exploited this and had a bit of a trade war?

I am not convinced that by buying sausages not from Agrofert-owned Hodice or Kostelec, but from Mr. Němec's farm, or milk not from Olma but from a 'mooing cow', we will make the Earth rotate in the opposite direction, but if we managed to decrease the earnings of some large firms by one percent to benefit family farms and decent enterprises, the significance would be immense. Let's remember that Agrofert would feel the decrease in earnings in the increase of the interest rates on its loans, and would thus face a double problem. If we also managed to exert pressure on some decent companies not to place their advertisements in Babiš's mouthpieces, but in *Deník N*, *Reportér* or *Neovlivní.cz*, I believe something important would happen. Nor have I heard that Brno's ice hockey fans would express much surprise at the fact that their club's stadium, 'DRFG Arena', is named after David Rusňák, (i) the son-in-law of Minister Schillerová, who was apprehended by the police as a member of an organised crime gang. I really couldn't go to watch my favourite team play and see that it flaunts the name of a scoundrel. Why don't the woke fans flood the website of their team with requests to change the main sponsor? Is there really no decent company in the Moravian metropolis who would support the work of Libor Zábanský, the owner of HC Kometa Brno?

7.4. GENERATING PERSONALITIES

Perhaps the most urgent current issue our country faces is the following: where to get interesting personalities, who can engage the public and voters and then not disappoint them once they take their new offices? In connection with our search for such personalities the idea arises that we should be able to discover them somewhere. If I exaggerate, the notion arises that we should pull them out of some forgotten cottage or hermitage as if in a fairy tale. But the solution I propose is exactly the opposite.

The fairy-tale model has one fundamental flaw. Even if we found, in a remote department of some regional university, an upright person with interesting ideas, he or she would lack one of the fundamental requirements, that is, experience of managing an institution. And thus at the first opportunity, he or she would fall into a snare laid by a fixer, be ground down by administrative complexities, or break down due to personnel disputes. People coming into higher public offices must not only know their area of expertise and be morally upright, but they must also be able to manage well. In addition to the craft of senior management, which can only be acquired through many years of experience, these people also need gradually to develop their professional personalities. I have seen dozens of people who skipped some rung on the management ladder, did not really have the capabilities to hold a very senior position, and when appointed to it, made a total spectacle out of themselves due to lack of experience. But traditional career development is not fashionable in our public administration, and hence – to use the language of the comrades – Czechia lacks a ‘cadre reserve’.

The career ladder that was in place at the Ministry of Finance was redolent of the story told in one of my favourite books, Umberto Eco's *The Name of the Rose*. For those readers who have not been lucky enough to read the novel, I must explain that, at the fictitious monastery, the head librarian would be promoted to abbot, while the deputy head librarian would become the head librarian. At our ministry, the director of the national budget section would be promoted to deputy minister of finance for budget. A deputy who, while holding these offices, stood the test of the most difficult negotiations, whether in meeting representatives of other departments or by being able to defend the budget well in the Chamber of Deputies, would be exceptionally highly regarded. For instance, Eduard Janota, who had earned extraordinary respect in this fashion, would go on to become the minister of finance, and in this position during the years of crisis prevent our country sliding into a fiscal hell. I would like to point out that Jan Gregor, who held these two lower offices after him, rather than observe the decline of the ministry, went to work for the European Court of Auditors. (i)

I believe this system of generating people with experience should also be applied to the highest constitutional offices. I do not think we can obtain a quality senator, deputy, mayor or president if we do not know their past in detail before election. Our main criterion should be: how did these people act at the point when they could influence something, and when tempters were making rustling noises at them with corrupt proposals that benefitted a fixer and damaged the public good? Nobody changes their life-style, views of various values, communication style and the circle of their acquaintances – factors that should be of essential importance to us at elections.

Looking now back into the past, who has disappointed us? Babiš, a grifter who through his lying and peddling developed into one of the country's most important business people, then tried to create the impression that he was someone entirely different from who he was. Had we given a better hearing to Jaroslav Kmenta and other investigative journalists at the time, things might have turned out entirely different. David Rath, a small-scale shyster operating on a regional scale, became a corrupt monster, yet he did not change his methods at all and continued to do exactly what he did before, only with bigger sums of money. If we look at Alena Schillerová's past and the environment from which she emerged, what do we see? Again, small-scale enrichment at the expense of the state and very strange transactions; her husband with his firm supplied goods under very remarkable conditions to state institutions and city-owned companies around Brno, where their daughter was a councillor. (i) Minister Schillerová's son-in-law, David Rusňák, sponsored ANO under circumstances that were clearly illegal. (i) Rusňák is linked with a downright criminal environment, and had he not reached a plea bargain, he would have been sentenced. (i) From such an environment and with such a history, nothing else could arise than what emerged.

But there are also examples to the contrary. These people are not as well-known and entertaining as the popular politicians bred by PR agencies, such as Stanislav Gross and Jiří Paroubek in their eras, and some other specimens, but in our post-November 1989 history we have also had plenty of people who proved themselves in their posts and never dirtied their hands with corruption.

Were we ever disappointed by Petr Pithart as prime minister? Yes, he was no showman, but when in the early 1990s some businessmen tried to bribe him, he resolutely refused to be corrupted, and in his views continues to hold the same course. He was even able – and this is deeply unfashionable in our country – openly to reflect upon some of the mistakes in his life. Were we ever disappointed by Zuzana Roithová? As director of an enormous healthcare juggernaut, she fought mafias; as a member of the European Parliament, she advocated precisely those things she promised to defend. The chair of STAN party, Vít Rakušan, improved the town of Kolín for many years, (i) and personally I am not aware of him ever committing a moral misstep. Why, then, are these people not massively popular? We allow ourselves to be dazzled by slick promises, the current popularity of the same old scoundrels, backed by money stolen in the past, and then we are surprised that our country is not moving forward. Isn't it time to change our approach and, rather than going into the polling station with rose-tinted glasses on, high on the sweetness of sugary promises and with our mouths stuffed with doughnuts, make use of our experience, the internet and common sense, and instead of allowing ourselves to be duped by the same hackneyed tricks, vote for those who have not disappointed us?

7.5. MODERN HISTORY AND SYMBOLS TO REFRESH MEMORY

We come to that point where the book poses another question to the kind reader. Incidentally, I would be very grateful if after reading you sent your responses to the email address indicated at the end of the book. Have you ever encountered a situation in which, at a primary or secondary school in the Czech Republic, history was taught properly up to our century or at least the second half of the 20th century? When I encounter a pupil, I always ask this. From the dozens of answers so far, I have come to the following conclusion. In the overwhelming majority of cases, history after the dropping of atomic bombs in summer 1945 is simply not taught. Two grammar-school students told me that they did learn about the arrangements in Europe after World War II. And in one case, lo and behold, they learned several interesting chapters from the communist era such as the year 1968, albeit in civics and not in history. There were also several instances of the year 1989 being discussed in schools, in connection with the recent 30-year anniversary. But the events of the Velvet Revolution were treated rather encyclopaedically. Beyond this... nothing! Maybe I was out of luck and there are enlightened teachers of history here and there, but I doubt my sample was that unrepresentative, and that the teaching of late-20th-century history is widespread in our schools.

A secondary aspect of my little survey of pupils was that I was also interested in the extent to which other historical periods were being taught.

For instance, I usually learned that at primary and secondary schools, prehistory and antiquity together were studied for a full year, of which prehistory – that period somewhere on the boundary between natural science about the evolution of the skeleton of apes and humans and history – was given a period from the start of the school year to November, i.e. about three months. Looking at the notes of my nieces studying at an eight-year grammar school, I also discovered the depth to which this period of history may be gone over in such an institution. For example, I discovered that the teachers did not let them down in terms of prehistoric cultures, and how to distinguish the culture of the ‘gnawed ceramics’ from that of the ‘lopsided pots’.

Summing up my findings, in our society, pupils from 10 to 19 years of age have become experts on flint knapping, hunting large extinct mammals and identifying the artifacts of various prehistoric cultures, yet they don’t know a thing about who Josef Toufar, Heliodor Píka or Cardinal Josef Beran were. We can only dream about grammar-school alumni of the future understanding the system of communist propaganda, the course of the Cold War or the currents and countercurrents in 1980s Soviet politics.

How the precursors of humanity grasped sticks, what system of government was in place in ancient India or what ancient Sumerians ate – these things do not have an immediate impact on our current travails on this Earth. If we understand this, we see that the way history is taught to our children does not give them much. We should be interested above all in those things that might quickly repeat themselves; things like the nature of Communism, why both Bolsheviks and the Nazis murdered the best people and how to prevent radicalisation among some minority, for example.

What is genocide, where and on which nations has it been perpetrated in modern history, and why is it not being talked about in connection with China, for instance.

It is evident that the teaching of these topics with clear curricula will not be changed under a government of which Communists form a part, who with their families nostalgically reminisce about the beating up of dissidents. However, this chapter is not intended as an inspiration for the government, but as food for thought, to inspire all of us to think what we can do for society. After all, during the Sunday trip to the shops we could discuss the Prague Spring with our children for ten minutes; we could choose a documentary about the Cold War for them to watch on YouTube, or to show them on Prague's Národní třída where it was that the colleagues of the Communist member of parliament Zdeněk Ondráček clobbered the students in November 1989. Teachers in schools can hook up with contemporary witnesses (e.g. through the Post Bellum organisation) or make use of the services of an NGO such as Dalekohled', to make an inexpensive trip to Lidice and help children understand what the carriers of Communist and Nazi ideologies can do and what they would very happily perform again. Then, the next time our better educated children hear the ramblings of Ombudsman Křeček or information about the cooperation between Professor Válková and Public Prosecutor Urválek, it might click in their heads that these probably are not the directions we want to take.

When walking through the boroughs of Prague and other cities, I am constantly fascinated by how many interesting places are littered with Communist symbolism, the topic of building socialism or how many streets in Prague's Jižní Město borough, for instance, are named after third-rate Communist anti-Nazi fighters.

By contrast, memorials to one of the 20th century's greatest figures, thanks to whom – among other aspects – the superpowers were willing to talk to us after the war as with a victorious nation, are embarrassingly scarce. Alois Eliáš, the only prime minister executed by the Nazis in the countries they occupied, in France or Benelux would have a monument on the main square. We have given him two plaques on a building. When we have been able to deal with a monument to Marshal Ivan Konev, why can't we build an appropriate memorial to the heroes of our domestic and foreign resistance? It's no surprise that a prime minister who knows nothing of our history fails to come up with such a proposal, but there's still the Prague City Hall, which hopefully is oriented more towards European values than to worshipping the giant panda and its Communist promoters.

I have a strange relationship with Lubomír Kubík's book *Proč Gabčík nestřílel* [Why Gabčík didn't shoot], (i) because it is far-fetched and the main explanation for the unwillingness to kill the mass murderer and monster Reinhard Heydrich is almost ridiculous. But despite this, I often think about the closing scene, with the assassins and other resistance fighters in the crypt in Ressl Street. The thought processes of the heroes who sacrificed their lives for future generations of people after the war – I cannot get these out of my mind. At the time when his comrades had already concluded their lives, Gabčík was there looking at the reflection of the June sun on the surface of the flooded, dark hole, and believing that it was a reflection of something beautiful after the war, something which he had helped to achieve with his actions. I still can't get over the fact that there are hundreds and thousands of national heroes that are not on the curriculum, that there is nothing distinctive to commemorate them, and because we fail to present their stories to the next generation, will soon experience something similar.

7.6. CHALLENGE

In conclusion, I will outline two pieces of news, one good, the other bad. I'll start with the bad news. Looking back at Chapter 2, we see that everything was directed towards ever more sophisticated corruption. There is no reason to expect that on its own this trend will cease or reverse. If nothing changes, the future will be miserable. The promotion of superpower interests, the suppression of independent institutions and the disinformation chaos perpetrated by prostituting politicians will all sadly become worse. And what is the good news?

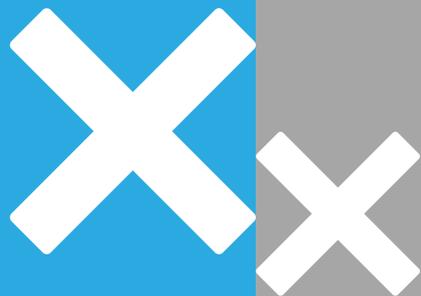
As you have come to know me from the preceding pages, you will have noticed that I do not expect the salvation of our democracy by any fairy-tale being. Nor will it be saved by a new messiah raised on marketing, who by his involvement in public office will seek to help his own moribund firm. So who will save us? The positive piece of news is that we can be our own saviour! If we realise that the people – that is, all of us – are the bearers of power, we can achieve change together.

Let us not deepen the chasms between ourselves by hating the confused, but let's discuss! Let's not define for ourselves goals that cannot be achieved all at once, but let's realise what can be changed, and let's promote that!

Let's not tolerate any suggestions of xenophobia, let's oppose them! They must never become the norm for us. And let us not forget modern history, which, if not repeated as curriculum, will repeat itself in the future.

At the outset of this book, I compared the present corrupt model of the oligarchy-superpower-prostitution triangle to a cancer that has affected the brain. When in recent months and years I watched media reports about the coronavirus, one of the things that shocked me was the following. A few exceptions aside, politicians and other public figures expected salvation from vaccines and drugs. I never once heard from them that the overall state of our bodies could change the course of the possible disease of every one of us.

But as we know, we can change the health of our bodies. As with the virus and our bodies, let's build defences against the cancer of corruption by improving the overall immunity of our society. In terms of the health of our communities, that immunity is called 'civil society'. If we develop it so that it functions well, we'll cure the cancer together.



ABOUT THE AUTHORS





ONDŘEJ ZÁVODSKÝ

is a well-known Czech lawyer and for many years was a civil servant. Currently he is the legal expert at the Anti-Corruption Endowment. He has written many papers on fighting corruption, transparency in the management of public property and gambling regulation.

During his studies at the Faculty of Law, Charles University, he worked as a journalist, specialising in reporting on judicial proceedings and investigating organised crime and justice. In 2003, he was appointed a lawyer at a service organisation for the Ministry of the Interior, Zařízení služeb pro ministerstvo vnitra. Two years later, he was appointed the director of its legal section. At that time, he successfully promoted several conceptual changes in the management of state property.

In autumn 2010, Závodský opposed the non-transparent transactions undertaken by the leadership of the organisation at the time. These included building works for his employer that were vastly overpriced, dubious public procurement procedures, leases of state property at a fraction of the usual cost and many other unfair contracts.



For his activities he was removed from his post in September 2010. He faced death threats to his children and attempts to have his name besmirched in the media. By contrast, he was awarded the Prize for Courage by the recently established Anti-Corruption Endowment.

After considerable media pressure, the management in Zařízení služeb pro ministerstvo vnitra was replaced and Závodský was offered his job back. The suspicions of non-transparency were investigated in an independent forensic audit. The results were handed over to the police. Two of the most senior managers were subsequently sentenced for interfering with contracts, as pointed out by Závodský. During his remaining years at the Ministry of the Interior, Závodský focused on ameliorating non-transparent procedures to prevent such criminal activities from reappearing.

In early 2014, as an incorruptible official, he became a deputy at the Ministry of Finance, responsible for state property and gambling oversight. Temporarily he was in charge of the Office for Government Representation in Property Affairs. He has been able to promote comprehensive reforms in several domains, but believes that pushing through the new Gambling Act was his greatest success. Thanks to the act, the number of establishments with gambling machines was reduced to one sixth of the previous number, an extra five billion crowns were paid by gambling companies to public budgets, and dozens of measures limiting the emergence of addiction to hard gambling were put in place.

Závodský was removed from the post of deputy finance minister on 31 December 2017. This was done by a special government resolution after he had ordered an inspection into the conditions for accommodation of the new minister, Alena Schillerová, and an inspection to clarify the conditions under which the various companies in the Agrofert group could use land in state ownership. The validity of the decision to remove him is subject to a judicial review. The Ministry of Finance even refused to pay Závodský the salary it owed him; in response the intrepid lawyer did not hesitate to order an enforcement action against the property of the state.

As part of his current work at the Anti-Corruption Endowment he writes positions on draft legislation and points out lack of transparency in the actions of public officials. He summed up his findings in 2019 in the book *Čas oligarchů, jejich sluhů a nepřátel* [The Time of Oligarchs, their Servants and Enemies]. He followed this successful book with another, *Výstup na vrchol korupce, od obálek k národní prostituci* [Ascent to the Peak of Corruption, from Envelopes to National Prostitution].

Ondřej Závodský is blind. He spends his free time with his large family, his guide dog Cirk and at his country cottage. He likes to read, is involved in several civic projects and plays chess.

Ondřej Závodský, contact: ondrej.zavodsky@nfpk.cz



TOMÁŠ LEMEŠANI

(born 1988) worked as a journalist from 2008 to 2017. He reported in particular on business, various affairs and transparency. He has worked for a number of Czech and Slovak media outlets. As an investigative journalist, he works for non-profit organisations that fight corruption. He earns a living as a business analyst for clients including Czech, Slovak and other European institutions, organisations and employers' representatives. He also runs his own media project, biztweet.cz.

He wrote the book *Z Bureše Babišem* [From Bureš to Babiš, 2017], which was followed by another, *Můj stát, moje firma aneb z Babiše Burešem* [My state, my firm or from Babiš to Bureš], the factual work *Politika s.r.o.* [Politics Ltd.] and two novels in Slovak, *Štokholm* [Stockholm] and *Dôvod* [Reason].



OLIGARCHS & CRONIES

: state capture in post-communist Czechia

Ondřej Závodský
Tomáš Lemešani

September 2022

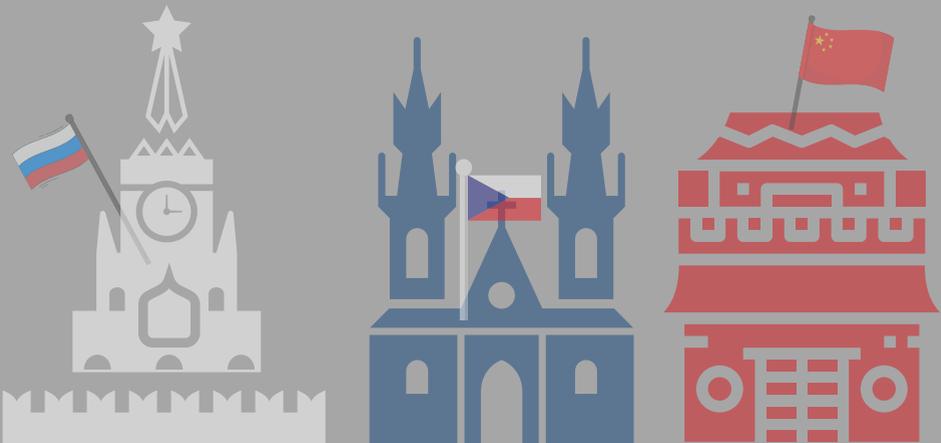
Editor in charge : Tereza Šlápotová

Translation by : Štěpán Kaňa

Graphics by : Tereza Šlápotová

Technical edit by : 65. pole

NFPK
www.nfpc.cz



OLIGARCHS & CRONIES

