



CHINA-CEE INSTITUTE

**CENTRAL AND EASTERN EUROPEAN
COUNTRIES IN 2019**

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Published by:
China-CEE Institute Nonprofit Ltd.

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ISBN 978-615-6124-21-0

Cover design:

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Budapest, April 2020

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Preface

The book is the third annual report published by the China-CEE Institute. Compared with the previous annual reports, the country analysis covered by the China-CEE Institute has been expanded to all 16 Central and Eastern European countries as well as Greece. The China-CEE Institute has included Greece in its Country-Study research since 2018. In April 2019, Greece officially joined China-CEEC Cooperation Framework, and the “16+1” cooperation was renamed to “17+1” cooperation.

The book is trying to provide reviews on the major developments of the countries in the region in 2019. The structure of the book is divided into four aspects: domestic politics, economic situation, social development and external relations. All reports were written by scholars from Central and Eastern European countries at the end of 2019. All reports are original and provide excellent insights into the development of Central and Eastern European countries in 2019. The English version of the individual reports has been published on the website of the China-CEE Institute. The views in the book are represented by the individual authors instead of the China-CEE Institute.

The China-CEE Institute, registered as a non-profit limited company in Budapest, Hungary, was established by the Chinese Academy of Social Sciences (CASS) in April 2017. The China-CEE Institute builds ties and strengthen partnerships with academic institutions and think tanks in Hungary, Central and Eastern European countries, as well as other parts of Europe. The China-CEE Institute aims to encourage scholars and researchers to carry out joint researches, field studies, to organize seminars and lecture series, to hold some training programs for younger students, and make publication, etc.

After the establishment of the China-CEE Institute, we contacted the think tanks and universities in Central and Eastern European countries, invited Central and Eastern European scholars to participate in the research,

and quickly established a country-study network for Central and Eastern European countries. According to the first-hand research information, a large number of publications were published. The English version of the original and individual reports is published in the first time on the official website of the China-CEE Institute (www.china-cee.eu). Chinese version of the individual reports is published via WeChat in name of the “China-CEE Institute”. We hope that this book will be a valuable documentation in promoting domestic and international research on Central and Eastern Europe.

Prof. Dr. CHEN Xin

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Part I Political Perspective

Albania's Politics in 2019: a Show, a Showman and an Audience

Marsela Musabelliu

Introduction

Albania's political scene in 2019 has unfolded to be alterable and consequential. The fluidity of actions and reaction from all political fractions revealed once again that the parties involved are living in a permanent "house of cards" situation. Political power has become more a mean to an end rather than the capacity of a government to conduct and influence its subjects. Prime Minister Rama's political capital and leverage have increased, inside the Socialists he has cemented his will and leadership style and with regards to his opponents, PD and LSI, awkwardly enough they managed to obliterate themselves. Yet, there's more to the story.

A year in preview

January 2019 found in office 7 new Minister out of 14 in Rama's Government. The Socialist Party's cabinet underwent a drastic makeover dictated and implemented from the Prime Minister himself. Finance, Transport and Infrastructure, Education, Culture, Foreign Affairs, Agriculture and Entrepreneurship/Business Development – all these branches of Government had new chiefs, and yet this rotation did not stop the opposition from going into their own path.

On January 19th, the Democratic Party (PD) National Convention, Basha proclaimed the course of action for the coming months and how the opposition intended to exert its influence to the base. The announcement was the call for national protest on February, with the main headline "Withdraw Rama's Government". As proclaimed on February 16th, the PD gathered its supporters in Tirana's main boulevard. While it started with

raw political rhetoric against the government, it soon was transformed unfortunately, in an aggressive display of vandalism. The protesters started attacking the building of the PM while asking for his resignation and expressing their frustration with deep rooted hate tones. The images of the protest were broadcasted internationally and it was the only highlight of the public discourse in Albania.

On February 18th, the leading group of the PD declared that they would all resign from the duty as Members of the Parliament (MP), invalidate their mandate of four years and altogether abandon the Legislative body; this action was also joined by LSI members one day later. The next step was the calling for another protest, on February 21st, this time in front of the Parliament building where in the joint leadership of PD and LSI informed their supporters that the system collapsed and from that day on their opposition would be on the streets.

The largest protest however was held on March 16th; for more than four hours in thousands fled the streets and surrounded the PM's building by symbolically marching around the same for three times. Tirana's main boulevard was blocked again for this protest and from the departure point (PM building) the protesters headed towards the Parliament where the first clashes amongst the State Police and protesters started. Cause and motivations of the protests were the opposition claims the Socialist Party majority in parliament is the result of collusion between the government and organized crime, according to them electoral fraud was not being properly investigated by prosecutors, thus the government is illegitimate.

After the collective renouncement of the mandates of the opposition, 57 vacancies in the parliament were created. The Chair of the Parliament addressed the Central Electoral Commission (KQZ) to demand the fulfilment of these 57 vacancies and soon it happened. Even though the new (non-elected by the people) members of the Parliament stormed controversy in almost all commentaries, it remains the fact that even constitutional changes can occur and this is political territory never explored before started to be perceived as normal.

In the midst of this controversy, the President of the Republic inserted himself into the crisis with calls for potential solutions and melodramatic media appearances. The Office of the President in Albania, due to its limited duties and responsibilities, holds mainly a symbolic significance; however, Meta with his unconventional political behavior has sought to make his presence more felt than any of his predecessors. Time proved that he has too little power and too much of a controversial past to serve as a uniting force between the parties. This artificial political crisis created by the opposition entitles two main concerns with regard to the present and the future of the country. In the present it is keeping an entire nation hostage of their will to boycott and not participate in a system created by them; for the future it creates a pointless precedent on forthcoming generations of politicians and oppositions.

This Albanian spring was in the constant blueprint of protests and social unrest. The opposition took the streets again on 11th and 13th of May with the same narrative and continuous display of unnecessary vandalism. A heated, nationwide political debate has characterized the weeks and months after the protests by vehemently impacting every aspect of the political scene.

The inflated political crisis in Albania in the first half of 2019 was more subjective than objective. If there was a real, deep-rooted, comprehensive and supported by the majority of the population Albanians would have witnessed a different behavior from both sides. Since the protests of the opposition are only a mere tool for raising their political capital through rallies and turmoil, the gravity of the situation is as huge as the aggressive behavior of a few fanatics of the right. With the rally of 11th of May, the Democratic Party demonstrated once again that it is capable (and willing) of spreading violence and chaos. The Molotovs in the streets of Tirana do not represent the popular sentiment and the normal behavior of Albanians. The distressed exhibition of violence and outrage is just an exhibition of harsh feelings mixed with an everlasting claim to power.

In mid-2019 Albania was on the verge of a Constitutional Crises for three main reasons: protests, leaked tapes and local elections - until a

shocking twist of event caught (almost) all by surprise when on the afternoon May 8th, Ilir Meta, the President of the Republic of Albania, canceled the forthcoming elections of June 30th. The debate was vicious but predictable, the outcome not so much. During another opposition's protest (June 13th) very different tones and high sense of fulfilment were observed. Basha declared to the participants that their battle was won – the President of the Republic cancelled the elections, considering this move as an enormous advantage for his own political battle!

It is obvious that the President of the Republic, his wife (in the official vest of the Leader of the LSI) and Basha were finally on common grounds – disrupt the electoral process. On the other hand, the Socialists started preparing the procedures for dismissing the President by two-thirds of Parliament's votes; although this decision should be confirmed by the Constitutional Court, before entering into force, and as of December 2019, the country still doesn't have one. Under these conditions, Meta could be a President dismissed by the Parliament, but will remain in office until the Constitutional Court functions.

On June 30th Albanians were summoned to vote for the local elections after 4 years; the aim and purpose of this process was to elect the new mayors of 61 municipalities of the country. Differently from every other electoral process this time the opposition did not participate with their candidates by claiming the illegitimacy of the elections. On July 1st, the outcome was clear, the Socialist Party (PS) prevailed; after the votes counting the result turned out to be 60 out of 61 Municipalities won by the PS. According to this vote Albania now is 98.4% is pro Edi Rama and his political party. The local elections witnessed the lowest participation of the population in a voting process; with the official numbers diffused by government entities at 21.6% and the opposition claims placing the percentage at 15 to 16% of the eligible to vote population. There was a voting process but there were no real elections.

This win was shattered really soon for the PS, because the controversies over candidate and process emerged immediately after. The end of Summer marked the start of new debates in local governance and

the political heat had a name, the newly elected Mayor of Shkodra, Valdin Pjetri. According to a document submitted to the authorities it was alleged that Valdin Pjetri has been previously condemned for criminal activities in Italy and according to the Decriminalization Law of the Republic of Albania cannot hold public office. Pjetri was not an isolated case, but just the expression of a deeper established practice and a well-known power script in Albanian politics. This case was followed by a “domino effect” that implicated scrutinizing the past of the newly elected mayors and the results were not promising. In the forms submitted to the Central Elections Commission, 7 out of 61 mayors admitted to have been convicted and 8 of them have changed their names or surnames. For the name change name and/or surname the unveiled names belong to: Mayor of Vora, Vau i Dejes, Kavaja, Memaliaj, Pogradec, Prrenjas, Saranda and Kolonja. Indeed, months later, the Mayor of Vora Agim Kajmaku, resigned and as of December 2019, he is a wanted fugitive.

All the above however, went in a state of total neglect when after their summer holidays Albanian politicians started a new conflict at higher interests at stake: The Constitutional Court. This time the “battle” is between the President and the PM.

Meta and Rama, these two pivotal figures of Albanian politics in the past 20 years - initially allies 2000, then adversaries (2009), then allies (2013) and now adversaries again (2019) – are always in the heights of power struggle for leadership. The next battlefield for them is the nomination of the members of the Constitutional Court. The nominees have proved to be politically biased and the elected ones will have to come from one list or the other, and the list are created by the two men above mentioned. The struggle on the Constitutional Court is severe and consequential, while Meta wants a referendum Rama has created a parliamentary group to investigate and later dismiss the President, which he can actually achieve with the new member of the Parliament, the so called “New Opposition”.

This highest legal institution of the country functions as the guarantor of the Albanian Constitution and its creation has produced unprecedented

chaos, as two pairs of judges go to the office for the same chair. At first glance it appears as a clash for the Constitution, but in fact for the President and the PM it is more than that. The political fate of Ilir Meta and Edi Rama is in the hands of the new Constitutional Court. In establishing its quorum, the Court will need to test at least two very important issues:

First, June 30th voting process. Are they legitimate without the presence of the opposition and will Meta's decree be overturned? If Rama gets a majority of members in this court, it secures a ruling in favor and legitimizes the process, even though it was without the presence of the opposition. The certification of violations or constitutional confirmation of decisions can only be done by this new body that is being set up.

Second, the personal fate of the President. The Parliament has set up a commission of inquiry that will conclude with a report on Meta's dismissal. If the 94 votes in the Assembly that are met, the Constitutional Court's decision certifying whether or not to dismiss the Head of State will be needed. To the public opinion it is waved the dreaded flag of the Constitution, but what is murmured in the corridors of politics and the media is that, who influences the Constitutional Court will control the political fate of the opponent, and the most important, a politically controlled Constitutional Court will jeopardize the entire Justice Reform.

On November 26th 2019, however, the entire political discord of Albania froze due to the deadly earthquake that hit the country, counting 51 victims and around half a billion Euros in damages – the political agitation just stopped, to be revived very soon, with all its nuances.

Conclusions

Albania's political course is strongly tied to the fate of Edi Rama and the end 2019 finds the country with a non-existing opposition and President out of control. The extreme measure of going out of the system turned into a boomerang for the PD and LSI - this 'all or nothing' approach is threatening the very existence of these parties, now in a political crossroad. Abandoning the Parliament backfired on the opposition and it appears that they don't have enough leverage to strongarm Rama, or do they?

When seen from outside-in the situation looks chaotic, but when analyzed from the inside-out, all excesses are smoothed and narrated as a “new normal”. One can only wonder, is this all an inside/tacit deal of all parties involved for the sake of their own political (and public) survival? It appears so!

The Show: more than a platform of events where a country’s destiny is being decided, Albanian politics looks repeatedly like a theatre stage where personal paths of the actors are narrated with the pathos of a cheap soap-opera. In many argue that there is an internal arrangement between the ruling party and the opposition, however, until this is proven to be right, it remains in the realm of speculations.

The Showman: Albania’s lead actor in this show is by all means Edi Rama. All attention is on him and all events are about him. The propaganda machine is swift and omnipresent and practically one by one he is controlling the Legislative, the Executive and if he influences the Constitutional Court (consequently the Justice Reform) the Judiciary as well. For better or for worse, Rama’s power remains unshaken, at least until the next general elections.

The Audience: and then there are the ones who pay the price of the ticket for this show - the Albanian people. While Albanians struggle to make ends meet the political “entertainment” is never dull. The Show is full of insults, conspiracy theories, anger, embarrassments and of course plenty of acting; the two political parties accuse each-other of all sorts of crimes and yet, in 30 years of pluralism they are in power, the country has never seen accountability. This year only widened the gap between politics and Albanian people and it is not surprising that in hundreds of thousands take their destiny into their own hands, by leaving the country altogether. Politics has become too distant to reach and too egoistic to accept, *ergo*, impossible to rely on.

BIH's 2019: Long Year Without Central Government

Ivica Bakota

BIH will soon bid farewell to 2019 with not much results to show on political board. A single political issue this year will be remembered for is surely the crisis in forming central and federal government following the 2018 October elections. By the end of 2018, BIH was relatively far from forming a new government, 20 days before 2020, it seems much closer but still without one. This issue could make a lengthy topic of this report if the most of the time in period from January to November wasn't squandered in intransigent quarrels without much arguments and transparency in negotiations. To borrow a phrase frequently used in BIH public, main political actors "lacked political will" to untie BIH political deadlock, and this was convenient excuse all of them used against each other throughout the year.

Things started to roll, without particular reason, just as they stayed blocked for 13 months. In mid-November, BIH Presidency finally decided to nominate SNSD candidate, Zoran Tegeltija, who was on stand-by from the beginning of the negotiations. After the House of Representatives confirmed his nomination, he is expected to come out with "pre-approved" list of ministers, as he promised, by December 19, precipitating the entry into a new year with a new government in place. However, it is still early to say that remaining procedures will go smooth. His list of ministers could be refused or, more likely, stalled in the House, pending final deal between HDZ BIH and SDA regarding the formation of FBIH government. Some analysts are not dismissing possibility that the whole thing could again reverse to deadlock, only this time blocking institution will be House of Representatives, not Presidency.

From the current perspective, a year-long government crisis was prolonged due to various reasons. Most will say the most dividing and stalling reason was divergence regarding the NATO accession and relations BIH should maintain with this military alliance. Nevertheless, despite

media coverage and the first annual evaluations telling otherwise, this issue as much as it seemed divisive, wasn't so controversial after all. BIH managed to form a government without making very clear inter-party and inter-ethnic consensus on relations with NATO. As mentioned in the previous monthly report, although "MAP issue" was claimed to be a main hot potato to make breakthrough, only ruling Troyka would go far to admit that it was "solved" with sending "reform program" to NATO, a decision that preceded nomination of Tegeltija for a new COM Chairman.

If Bosnian public is asked, maintaining deadlock was only triggered with NATO issue, electoral law reform or secessionist claims from RS, while "real diagnosis" is to be found in elusive political will structurally absent in programs and actions of "other" political parties, and combination of ethnopolitical, clientelist, captured, corrupt political system that reproduces itself through crises and instabilities.

Electoral law reform

BIH entered 2019 when no one thought the government will soon be formed. As a matter of fact, it was then when some media predicted that current post-electoral situation will resemble to the "long 2011" that followed the 2010 general elections. Everything was set for Croat HDZ BIH to re-open "Croat question". In reenactment of a play seen in 2010, many officials of HDZ BIH and its all-Croat platform HNS (Croat National Assembly) have claimed that the re-election of Zeljko Komsic (leader of 'civic' DF) as the Croat member of the presidency was due unfair electoral law enabling Bosniaks within the federation (FBIH) to vote on the Croat list. Indeed, most of the votes Komsic received came from predominantly Bosniak areas while he fared quite poorly in predominantly Croat municipalities (West Herzegovina, Posavina) Furthermore, Croat politicians were now more determined to demand their own entity or federal unit to stop "illegitimate representatives" to be elected on Croat ticket. In previous post-electoral situations "third entity" was dismissed by internationals, Bosniaks and Croatia as a step back from Dayton. Now, "third entity" as a standing demand of HNS was altered with less radical

reform of electoral law espoused by HDZ BiH. Zagreb also supported Croat political party in claim that BiH elections are unfair and fear of ethnic separatism should not be excuse for changing rules guiding elections that in every way are still dominated by “ethnic key”.

HDZ BiH leader, Dragan Covic, repeated early in the year that cohabitation with Bosniak parties in Federation will be possible only after electoral law reform is passed. Changing electoral law was also considered for several constitutional loopholes, such as Mostar municipal elections, electing “extra-constitutional” ethnicities (Sejdic-Finci law) and preventing ethnic gerrymandering for FBiH House of Delegates (Ljubic law). Throughout the first half of the year, Covic was waving with electoral reform as a condition for starting negotiations with Bosniak SDA.

During the course of the year, Covic consolidated pan-Croat support, gained SNSD support and raised bets with Bosniak parties. Eventually, however, main Croat and Bosniak parties agreed without mentioning electoral law reform and reexamining “Croat question”. This was interpreted as “an act of political will” to speed up government formation, but it also raised frustration among some nationalist Croats and undermined their trust in HDZ BiH leaders who “fought for seats, while claiming to fight for ‘Croat question’”. It is thus feared that Covic might “strike again” with electoral law reform through the House, demanding federal government to be formed together with the central.

BiH anti-nationalist block

In February 2019, Social Democratic Party (SDP), Democratic Front (DF) and Our Party (NS), three anti-nationalist, civic parties formed “BH Block”, an anti-platform that brought three novelties in BiH political life. First, non-nationalist parties for the first time organized principled alliance of anti-nationalist, anti-Troyka and anti-ethnopolitical parties; second, after successful ‘experiment’ in Sarajevo, it outgrow segmented, local level organizing and became all-federation alliance, with prospects to attract parties from Republika Srpska. Third, the most radical, the platform pledged to rather stay in opposition than join coalition with nationalist

parties. This proved to be the most controversial part of the agreement. Some parties, like SDP, could not honor anti-nationalist cordon sanitaire on local levels (Tuzla Canton), some, like DF, claimed responsibility for national interests and political stability outweigh ideological purism, and soon left BH Block. Without DF, BH Block remained a SDP+ platform (SDP and local level parties) and lost ultimate appeal in BIH public. SDP did, however, managed to stay off the central level coalition, but this is interpreted as biding its time, rather than consolidating the platform.

NATO issue

The most heated debates were caused by relations with NATO. As a signatory of Membership Activation Plan, BIH last year agreed to send Annual Plan as precondition for continuing progress towards NATO accession. The issue became divisive already during the electoral campaign when SNSD leader (and Republika Srpska President) Milorad Dodik promised honoring the military neutrality course set by the RS Assembly resolution in 2017. SDA and DF leaders, on the other hand, demanded that BIH continues with NATO accession procedures. By December 2018, DF leader and Croat MOP Zeljko Komsic draw a line for negotiation table, claiming that a new government will be agreed only after the Serb party endorses BIH plan for cooperation with NATO that will eventually prepare BIH for NATO accession. SNSD and Serb MOP Dodik refused to comply and indulged himself in occasional secessionist, anti-centralist and nationalist outbursts since then. Both sides started resolutely refuted demands from the other side, and mediating voices were scarce.

Reasons why NATO issue prevailed during the deadlock are generally attributed to an old feud between Sarajevo and Banja Luka regarding the quasi sovereign prerogatives Republika Srpska claimed to have on expense of central government. Sarajevo in principle didn't want to admit its foreign policy can be determined by the resolution of RS Assembly, neither (Bosniak MOP Sefik) Dzaferovic or Komsic wanted to consent to Dodik anti-NATO demands as long as they are backed by decisions "made by institutions that cannot govern BIH foreign policy".

Second reason was anti-NATO atmosphere in Republika Srpska, for which to big deal is to blame Dodik and ruling SNSD. Serb opposition was ready to accuse Dodik if he backtracks from the resolution on military neutrality and the public was galvanized to check and balance every move leading to cooperation with NATO. Dodik was believed to tiptoe between two sides, alternately giving hope for breakthrough and again paying lip service to RS sovereignist claims, ultimately exhausting Troyka partners and increasing the bargain cost. Compromise reached by mid-November through which BIH will send a reform program to NATO and nominate Tegeltija as a new government caretaker, despite accusations on RS side, is considered as Dodik's success. In relatively unchanged circumstances, he eventually had his nominee to be elected COM Chairman, while "no document prejudicing NATO membership has been adopted". Finally, stalling on European path was a reason for making emphasis on NATO accession. In situation where European Union is losing track with BIH integration path, while BIH, according to widely shared professional opinion, has virtually frozen its EU integration processes at least from May 2019 when the outgoing European Commission sent Opinion on BIH, BIH politicians "didn't dare to tackle EU integrations. NATO accession was only thing left."

EU integration

In terms of EU accession progress, BIH had one of the least performing years. In May 2019, the EC issued an Opinion on BIH's application for membership, without a clear deadline for when this country could obtain candidate status. Since May this year, when the European Commission published Opinion on the progress the countries in Western Balkan (including BIH) made in the EU integration process, BIH leaders rarely have made any statement to show the EC Opinion is given due consideration. The fourteen points (mentioned in one of the previous political reports) identified by the EC for BIH as priorities on its path to candidate status and the opening of negotiations, were to be analyzed and implemented by the newly elected authorities after the general election in October 2018. This means that BIH politicians and government officials

did nothing to initiate discussion and due diligence, let alone implementation of proposed recommendations. In the hindsight, this is to say that “official” BIH has been mute about everything concerning the EU and the “positions, standpoints and concerns” should be harvested from EU-minded watchdog institutes and agencies. Their response on the current stillness in the EU integration is simple: no progress in forming BIH central government means no progress in the EU integrations.

Bulgaria: Political Overview in 2019

Evgeniy Kandilarov

The political 2019 for Bulgaria was quite dynamic. During the year Bulgarian ruling party GERB has undergone serious problems and scandals that have undermined its political rating. Corruption scandals, clashes among the ruling coalition, criticism from Bulgarian President Rumen Radev and sharp attacks from the main opposition political force – BSP, represent only some of the problems faced by GERB and its Government.

Despite some speculations at the beginning of the year that the government may not be able to complete its term due to a number of political scandals as well as a result of the possible lost in the elections that took place during the year, the situation at the end of the year shows relatively stable political position of the ruling governmental coalition. Bulgaria continues to be governed by the Third Government of the Prime Minister Boyko Borisov (also called the Government of Boyko Borisov III or Cabinet "Borisov III"). This is the ninety-sixth government of the Republic of Bulgaria, elected by the 44th National Assembly on May 4, 2017. The cabinet, headed by Boyko Borisov is a coalition formed by the Borisov's right-wing party GERB and the so-called United Patriots which is a nationalist electoral alliance formed by three political parties: IMRO – Bulgarian National Movement (IMRO), the National Front for the Salvation of Bulgaria (NFSB) and Attack. The coalition between the three parties has been created by an agreement. The ministerial distribution among the government coalition is 16 (GERB): 4 (United Patriots).

During the year, there were several major political upheavals affecting Borisov's cabinet. One of these shocks was related to the relations in the so-called small coalition (the United Patriots) which is GERB's partner in governance. The United Patriots coalition had a serious internal crisis which led to speculations that the government will collapse as well. This crisis was due to the fact that two of the parties in the alliance, have voted to expel the third, Volen Siderov's Ataka party. The move is seen as

effectively spelling the end of the United Patriots coalition. This emerged on July 25, a day after a United Patriots coalition council meeting – the first in many months – lasted a mere two minutes before breaking up in the acrimony that long since has come to characterize the fractious grouping. A meeting of the United Patriots, held without Ataka, voted to expel Siderov, as well as Ataka MPs Dessislav Chukulov and Pavel Shopov, from the group. The decision came 15 days after the two parties – Valeri Simeonov's National Front for the Salvation of Bulgaria (NFSB) and Deputy Prime Minister and Defence Minister Krassimir Karakachanov's VMRO – voted to oust Siderov as parliamentary leader of the United Patriots. The leader of VMRO Krasimir Karakachanov explained that the decision did not end the majority in the National Assembly and nor did it put the government's term in office in risk. Since then, the United Patriots group was rent asunder by infighting. Karakachanov remained a Deputy Prime Minister and Defence Minister, while Siderov was ousted as leader of the United Patriots parliamentary group and following his recent election as a Sofia city councilor, resigned from Parliament. Valeri Simeonov was on November 20 elected one of the National Assembly's Deputy Speakers. Simeonov was elected to replace Yavor Notev, who had held the post allocated to the United Patriots group, but who stepped down after the Ataka party of which he is a member was excluded from the United Patriots.

Another sign of some instability in government were the ministerial changes that have been made during the year, which are mainly caused by serious socio-political scandals in the areas of dismissed ministerial posts.

First, Justice Minister Tsetska Tsacheva resigned over a scandal with bought apartment by her much more below the market price. This was part of the political scandal known as the "Apartment Gate". On April 5, 2019, MPs voted for the release of Tsacheva from the post of Minister of Justice. Prime Minister Borisov designated Danail Kirilov (former chairman of the Parliament's Legal Committee) for the post so he was elected next minister.

Later in the year, on May 15, 2019, MPs voted to dismiss Rumen Porozhanov from the post of Minister of Agriculture, Food and Forestry, following his resignation because of an investigation into abuse of

European funds by the State Fund for Agriculture, when the institution was run by Porozhanov. Borisov designated Desislava Taneva (former chairman of the Parliament's Committee on Agriculture and Food and former Minister of Agriculture and Food in Boyko Borisov's second government) for being the next minister elected on this post.

At the end of the year, on December 3, 2019, MPs voted to dismiss Bisser Petkov from the post of Minister of Labor and Social Policy following his resignation (and demanded by the Prime Minister) in connection with "time- gathered reasons". The latest scandal surrounding his name arose from the government's desire to pass a law that deprives workers of the right to a fully guaranteed and paid hospital sick leave. The government's proposal was the first day of the hospital sick leave to be at the employee's expense. This provoked a huge wave of discontent and ultimately the proposal was withdrawn. Boyko-Borisov-nominated Denitsa Sacheva (former Deputy Minister of Education and Science and former Deputy Minister of Labor and Social Policy in Borisov's second government) so she was elected Minister on the place of Biser Petkov.

In fact, due to these personal changes in the Government there was a feeling in the society that the purpose of the already third government of Boyko Borisov is not to solve problems, but to survive in power. The problem is that recently entire social systems such as health care, education, the social sphere began to collapse. All this indicates clearly that radical reforms are needed, but since they would be unpopular and thus can overthrow the cabinet, Boyko Borisov is using ministerial resignations to vent the accumulated social tension.

The main test for the government and central political issue for Bulgaria in 2019 were the two election campaigns that the Bulgarian population had to go through. First, the elections for Members of the European Parliament and on the second place the local elections in the country.

A number of political analysts have predicted that the ruling coalition will consistently lose both types of elections, leading to the fall of the government and early parliamentary elections as well. The events, however,

unfolded completely differently, and in the end the leading political party in the government, GERB, not only did not lose the elections, but further strengthened its political positions in the country's government. Boyko Borissov's GERB party (EPP-affiliated) won the European elections on Sunday (26 May), despite a number of scandals in which it was involved in months before the elections. Up until the last ten days before the election date, Borissov, looked set to lose to his arch-rivals, the socialists (BSP), according to opinion polls.

In particular, the so-called apartment scandal, which revealed that several high-ranking GERB politicians had bought real estate at suspiciously low prices, hurt support for the party, and in early May, a series of polls put BSP ahead. But during the elections GERB obtained 30.77%, against 25% for BSP. As expected, third was the mostly ethnic Turkish DPS, the Movement for Rights and Freedoms (ALDE-affiliated), with 13.7%.

The nationalist VMRO party of Krassimir Karakachanov got 7.7%, and the centre-right Democratic Bulgaria 6.9%. This translates into seven MEPs from the EPP, five for PES, three for ALDE and two for a Eurosceptic group.

Turnout was around 30%, lower than the previous European elections. The election threshold for EU elections in Bulgaria is 5.88%. Pundits say Borissov made a big impact, as he campaigned very actively during the days before the vote. BSP on the other hand made a series of mistakes in their campaign, and appeared divided in front of their electorate. Party leader Kornelia Ninova, who has ideological differences with Sergei Stanishev, leader of the Party of European Socialists (PES), did not even want to have him on the election list.

The good result of VMRO shows that this force from the so-called "United Patriots", the junior coalition partner of Borissov, has completely overtaken the nationalist electorate, at the expense of Volen Siderov's Ataka party and the National Front for Salvation of Bulgaria. Each of the two parties got around 1% from the votes.

Winning elections for the European Parliament stabilized the positions of the ruling GERB party, and the result for the main opposition BSP party led to serious internal political conflicts and clashes, further weakening the party as an opposition force. This largely determined the results of the next elections held in the country this year.

During the local elections the Socialists launched a campaign opposite to the character of that of the Eurovote - significantly more positive, entirely local, extremely cheap. If during the campaign for the EU elections BSP have lost the European dimension of its performance, within the campaign for the local elections BSP lost the national dimension as well. The biggest stumbling block for the party internally was undoubtedly the campaign of Maya Manolova, an independent and backed candidate for Sofia mayor. Manolova has repeatedly distanced herself from the BSP and its past, and this has created serious difficulties for the Sofia campaign of the Socialists. The BSP leader Kornelia Ninova showed a new image - not only remained in the shadows on the national media airwaves, for the first time since her election to the post, but also for the first time did not allow herself to express an opinion on a figure like Manolova, who provoked her political behavior. This ostentatious omission has positive effects as well - it led to better results. There were also negative consequences - it didn't properly exploit the power of the BSP precisely as a national party. The BSP broke out in big cities and 4 district mayors (against none so far), but lost small towns and lagged dramatically behind the GERB winner around most of the country.

Bulgaria's ruling GERB party have won in most regional centres in the country – as well as in the capital, Sofia. In the vote for municipal councilors, GERB took about 30%, BSP - 18%, MRF - 12.5%. In the vote for mayors GERB won 140 municipalities (including 17 regional centers, including Sofia, Plovdiv and Varna), BSP - 61 municipalities (including 4 regional centers), MRF - 47 municipalities (incl. 1 district center). For the first time since 2005 there was a run-off in Sofia, where incumbent Mayor Yordanka Fandakova defeated BSP-backed independent candidate, Maya Manolova (50 to 45%), with strong result from independent candidate

Boris Bonev in the first round (11%). Democratic Bulgaria has nominated 8 of the 24 district mayors in Sofia (13 for GERB, 2 for BSP, 1 independent). The invalid ballots in the mayoral elections were about 4%, and for municipal councilors - 15.09%.

The results show that GERB is the undisputed winner in the local vote - both in the number of district mayors and in the number of municipal mayors, in the number of municipal councilors, and in the absolute number of votes cast.

In political term we can conclude that the local elections in Bulgaria set new trends, but not a major change. The government is gaining a new horizon of legitimacy. The formats of "explicit" and "hidden" majorities are still preserved. The search for an alternative goes beyond supply. The fears and disappointment of part of the society from the government goes beyond their initiative. At the end of the year the social-political attention was diverted to the 2020 budget and the hopes of social and professional communities that it will be linked to better opportunities for the next year.

Croatia: An Overview of Key Political Events in 2019

Benjamin Petrović

Summary

In welcoming the year 2019, a vast majority of political actors in Croatia had every reason to feel pressure caused by the necessity to gather their political potential and prowess in order to appeal to Croatian demanding public opinion. The reason for such pressure lies in the two major elections that came within 2019; the European Parliament election and the Croatian Presidential election. The justification for the mentioned caution in the political sphere and skepticism in the sphere of public perception are other two major political events that caused both political and social turbulence and brought a negative connotation on the two elections. Those events are the forced reconstruction of Croatian government caused by suspicions charges of corruption of certain ministers, and a massive strike in educational system caused by dissatisfaction of teaching staff.

The European Parliament election

In both Croatia and Europe, the first half of 2019 was shaped by the preparation for and execution of the European Parliament election. Considering that it was the third election for the European Parliament that Croatia has faced, the expectation was that those elections were an opportunity for a showcase of democratic maturity by both the political actors and the general public. In line with that, Croatian ruling center right party Croatian Democratic Union (HDZ), member of the European People's Party, attempted to affirm its dominance by nominating a list of candidates comprising of youth and experience symbolizing HDZ's political course of development in harmony with European values. The main opposition party, the center left Social Democratic Party of Croatia (SDP), member of the Party of European Socialists, went forward with a

more experienced group reflecting its necessity to achieve a strong result by presenting familiar faces to Croatian public. Other main contenders came from different sides of political spectrum, such as center left Amsterdam Coalition, anti-establishment and eurosceptic Živi Zid, right wing Croatian Sovereignists coalition, and a list headed by a political newcomer, former judge Mislav Kolakušić.

As expected, the campaign facing the elections was characterized by ideological and vague disputes, lacking the substance and content which could be conveyed in discussion on a European level. Another, even though legitimate cause of concern, was that a major point of debate were the shortcomings of the European Union and membership itself. Considering that Croatia is faced with many issues that come with the migrant crisis since its beginning in 2014, and is still not a member of the Schengen Area, it is not a surprise that a high level of detachment and apathy towards the European Union has developed among the population. Such sentiment was recognized by anti-establishment and right-wing organizations and parties which managed to mobilize the voters and turn them away from the usual orientation on the main parties HDZ and SDP.

As a result, on the 26th of May 2019, the voter turnout was only 29.9%, with a surprising dispersion of votes along the spectrum. Unexpectedly for the ruling party HDZ, it won an equal number of seats in the Parliament as the opposition party SDP. Such outcome can be explained by the growing dissatisfaction with HDZ in the midst of corruption suspicions and charges of some ministers, negative political and social atmosphere kindled by inefficient judiciary system, poor state administration and low living standard. In line with that, SDP, as a primary opposition option, received a higher than expected number of votes and saw the election as an important victory. Remaining four seats out of twelve reserved for Croatia's representatives were divided by previously mentioned Amsterdam Coalition, eurosceptic Živi Zid, right wing Croatian Sovereignists coalition and independent list by Mislav Kolakušić. The latter, with 7.89% of the votes, was the biggest surprise of the election. With his atypical approach for everyday politicians and a soldierly vision of fighting corruption,

Mislav Kolakušić received a high level of reasoning among the Croatian public and announced his run for presidency the day after the election.

Finally, the 2019 European Parliament election in Croatia, was less about European policies and values, and much more about setting up a strong position for further national elections, and an indicator of general public sentiment towards the main players on the Croatian political playfield. Coming from the election, both individual actors and parties, with an emphasis on HDZ which came out disappointed, received a strong public feedback and an impetus for further political actions.

Facing charges; the reconstruction of the Government of Croatia

As previously noted, the European Parliament election in Croatia were carried out in the shade of public distrust, apathy and general lack of both faith and interest in any matter political. The reason behind such negative perception of the political sphere in Croatian public lies in quite a large number of issues stemming from national economic and industrial development, ineffective public administration of mammoth proportions and questionable competency of their political representatives just to name a few. But the early to mid-2019 was especially characterized by suspicions and charges of corruption of several ministers in the Croatian government, led by center right Croatian Democratic Union (HDZ). In a few months stretch the Minister of Public Administration, Lovro Kuščević, Minister of State Property, Goran Marić, Minister of Agriculture, Tomislav Tolušić and Minister of Regional Development and EU Funds, Gabrijela Žalac, were all involved in suspicious claims, all of them researched by national media, about their property and assets. To a greater or lesser extent, each of the mentioned ministers were under a strong public and media scrutiny after it was published that their wealth and possessions exceed what is expected from a public servant.

As the social atmosphere was brewing in frustration towards the everyday reveals about the members of their Government, Prime Minister Andrej Plenković was under constant pressure to act accordingly and bring forward a solution to an issue that gradually took over all the headlines.

Besides that, some of the major coalition parties such as Croatian People's Party – Liberal Democrats (HNS), repeatedly declared reluctance to remain in the governing coalition. Faced with a disappointing result from the above mentioned European Parliament election, low public rating, and the pressure of incoming Presidential election, Prime Minister Andrej Plenković undertook a drastic but publicly welcomed move; on 17th of July 2019 he ousted five ministers, all of the previously mentioned plus Nada Murganić, Minister of Demographics, Family, Youth and Social Policy. Additionally, Minister of Labour and Pension System, who encountered a great deal of critique of his vision of pension reform, was announced as the new Minister of Regional Development and EU Funds, succeeding the deposed Gabrijela Žalac.

Prime Minister Plenković explained that such a move was not a product of media and public pressure but a “...necessary refreshment and a positive step with a goal of intensifying the effort to implement the program of the Government and working on the benefit of Croatian population”. The newly appointed ministers Josip Aladrović, Mario Banožić, Ivan Malenica and Marija Vučković are exactly what was needed for the Prime Minister to strengthen the shaken Government; young, educated, politically brought up in an environment more in line with his vision of the Croatian Democratic Union's political direction. On the other hand, more experienced Vesna Bedeković replaced Nada Murganić in the Ministry of Demographics, Family, Youth and Social Policy. The shake-up in Croatian government was a much-needed reform indeed, but it is yet to be seen whether it will imply a decisive stand against clientelism and corruption.

The teaching staff strike and the value of education

The summer of 2019 was a relatively calmer period which gave an opportunity to reflect on the previously described events and focus on the build up of presidential campaign which took most of the media and public attention. But the prolonged issues in Croatian educational system were to reach its pinnacle in the shape of the greatest strike in educational system

that Croatia has ever witnessed. In the basic perspective, the cause for the strike lies within a long-term indignation of the teaching staff in Croatia because their salary coefficient is the lowest of all public employees with a university degree. Accordingly, different educational staff unions, craftily organized, arranged and mobilized the frustrated teachers and others who supported them in order to create an impetus for the Government to act in their behalf.

After the initial proclamations of dissatisfaction were not treated in an expected manner, in October 2019, the strike began. It is important to note that the current school year, already prolonged, and scarred by the strike, was the year when the implementation of the *School for life* initiative, as a part of the educational reform by the Ministry of Science and Education, was to begin its implementation. In that way, a significant message of vulnerability was sent to the Government. Furthermore, in order to prevent the negative image that could come out of the strike as damaging to the students, and disruptive in the process of teaching, a circular method was adopted in execution of the strike. That meant that every day of the week, schools in a different county will be in strike. Such approach was skillfully organized and also enabled a prolonged strike.

Nevertheless, Prime Minister Plenković kept a distance from facing the issue, trading the burden of responsibility between the Minister of Science and Education Blaženka Divjak, disguised necessity not to irritate the rest of the public sector, and the failings of previous governments. Soon enough, the strike became frontal, culminating in a massive protest on the main square in the capital, Zagreb. Pressure from the teaching community, media, and members of the coalition such as Croatian People's Party – Liberal Democrats (HNS), urged the Prime Minister to begin talks with the protesters.

After several failed meetings, in early December, Prime Minister Plenković announced that a quality compromise had been achieved, and that the teachers' salaries could increase gradually through 2020, all confirmed in a proposed annex to the collective agreement. At the time of writing, the strike has finished and the students are back in their schools.

The final agreements with the Prime Minister's proposal are still to come from certain teachers' unions. It must be noted that the described issue of Croatian educational system is only a single part in a spectrum of concerns reaching from the quality of the curriculum, obsolete approach in teaching methodology, to troubling infrastructure.

The 2019 Presidential election

A single occurrence that followed all of the above-mentioned events which shaped the political landscape of Croatia in 2019, are the incoming Presidential election. The seventh presidential elections since the first ones, held in 1992, will be held on 22nd of December 2019, after the time of the writing. Even before the official candidacy, and gathering the required 10000 signatures from Croatian citizens, the main candidates were known and were heavily present in the media discourse, even if some were not quite present in person.

The final list of candidates consists of eleven names, more or less known to Croatian public. For example, right wing candidate Anto Đapić is a veteran of Croatian politics, while the names like Nedjeljko Babić and Dario Juričan, are not instantly recognizable, at least from the political perspective. Be that as it may, there are four main candidates who received the highest media exposure and level of reasoning with the general public. The sitting President of Croatia Kolinda Grabar Kitarović decided to run for presidency once again, even after speculation that she will not receive support from the ruling Croatian Democratic Union (HDZ), or that she is disinterested in the candidacy because of promises of prestigious positions in international organizations. Thereafter, the former Prime Minister of Croatia, Zoran Milanović, supported by the center-left Social Democratic Party (SDP) and other center-left and liberal options, decided that it is the time for his return to the political playfield, with an emphasis on his character, knowledge and determined attitude. Third candidate of significance is a musician Miroslav Škoro, running as an independent candidate but with a strong backing of some center-right and right-wing political options. In his unusual, for Croatian political environment hybrid

approach, of interlinking his career as an entertainer with the one of politician, Škoro designed his political vision as a look to the future through preserving traditional values, stressing the necessity for a constitutional change which would enable a higher authority for the president. The final candidate who received a high level of recognizability is previously mentioned Mislav Kolakušić. A lawyer and a former judge, now a Member of the European Parliament, Kolakušić represents himself as an independent candidate, looking to fight corruption and societal issues such as overwhelming public administration and clientelism by constitutional change which would enable the president power over several segments in both legislative and executive spheres of governing. Another candidate with maybe not so great chances of achieving result, but a pedigree for becoming a welcomed refreshment of Croatian politics is Dejan Kovač, an economist with a clear and ambitious social-liberal worldview, who graduated from Princeton University.

All of the candidates set forth, began their campaign with different approaches, depending on the means of their support channels. It can be noted that the use of social media was the primary communication method of a high number of candidates, especially Miroslav Škoro, while Mislav Kolakušić took the longest time to activate in the public and media domain since the European Parliament election. The polls suggest a tight contest between the most experienced candidates, President Grabar Kitarović and former Prime Minister Milanović. Nonetheless, the drop of support for both of them in the final years of their mandates as public officials, and a wide dispersion of votes perceived at the European Parliament election, prove that a strong shift in sentiment of Croatian voters is occurring. Hence, there is a not so insignificant possibility that some of the other mentioned candidates could give the two a tough challenge.

Conclusion

Taking everything discussed into account, the year 2019, was as tumultuous as every other in Croatia's political sphere. With the two major elections, one on a European level, one still to be conducted, and many key

political and social events which conditioned and shaped not only public perception, but also responsiveness of the Government, the finishing year has set forth a basis for further development and initiatives encompassing a vast spectrum of issues. As it is evident, the general public, strengthened by vital performance of the media, is slowly developing a tougher stance on the actors and institutions shaping their reality. Hence, those actors and institutions would have to adapt to such a trend through actions worthy of the profession and nation they represent.

Czech Republic: Highlights of National Politics in 2019

Dr. Ladislav Zemánek

The Czech internal politics was characterised and determined by several major issues and conflicts in 2019. These were closely connected with the two most influential figures in the Czech political arena, namely the president Miloš Zeman and the prime minister Andrej Babiš (ANO movement). For over the whole year, political, media and civic opposition was attacking these highest representatives endeavouring to at least undermine their position, if not bring them down directly. In spite of these efforts, the president's and PM's position remained strong, just as the majority public support of them. In the following analysis, I will focus, first, on the personal changes in the Czech government which indicated an alteration of priorities and practical execution of set political agenda; second, on controversies surrounding the PM which were predominantly provoked by the opposition, being present in the political discourse all year long; third and finally, on the May European Parliament election in a comparative perspective which enables to identify long-term tendencies typical of the Czech context.

Personal changes in the government

First, let's summarise personal changes in the Andrej Babiš' government. Formally, it has existed since the 27th of June 2018 when was approved by the Chamber of Deputies. Being composed of two political formations – the Czech hegemon ANO and weakening Social Democratic Party (ČSSD) – it has 10 members nominated by the ANO and 4 by the ČSSD respectively. It is worth mentioning that all the ANO ministers with exception of 2 members and the PM himself are not members of the ANO movement which is related to a new style of political governance represented by the ANO stressing expert skills and knowledge to the expense of political affiliation and ideological purity. Last year, five changes were made by Andrej Babiš in his cabinet. The Minister of

Industry and Trade Marta Nováková was replaced by Karel Havlíček, a chairman of the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic. Nováková was unpopular and criticised repeatedly, especially for her attitude towards expensive mobile data favouring the strong position of providers to the detriment of common consumers. Havlíček is considered to be very close to the PM who appointed him deputy prime minister as well together with incumbent Minister of Finance Alena Schillerová. These two ministers replaced the then vice PM and Minister of the Environment Richard Brabec. The change was probably motivated by the efforts to strengthen the economic agenda, strengthen the position of economic ministers and make the execution of economic governance more flexible and effective. Another personal change related to the Ministry of Transportation. After a long-term deciding, Dan Ťok resigned in response to permanent criticism and attacks from opposition and interest groups, being replaced by Vladimír Kremlík, a vice-chairman of the Office for Government Representation in Property Affairs. The Minister of Justice Jan Kněžínek was substituted for Marie Benešová who had already held this post in the past, subsequently being an advisor of the president Miloš Zeman. Regardless her erudition, she became the target of attacks from the opposition referring to alleged risk of meddling in the judiciary independence and criminal prosecution in progress against the PM. Since the appointment, the new minister together with Andrej Babiš have been confronted with massive protests of political, media and civic opposition which is likely to continue in the incoming year. The last change occurred in the Ministry of Culture in August when highly experienced social democrat Lubomír Zaorálek was appointed replacing his predecessor Antonín Staněk. This personal change was accompanied by the government crisis and conflicts between Social Democratic Party and the president Zeman who was accused of breaching the Constitution as he abstained to remove Antonín Staněk from office and appoint a social democrats' nominee. In general, irrespective of several personal changes, disagreements between the PM and social democracy as well as permanent questioning of the government and especially Andrej Babiš from the

opposition, the cabinet was able to advance their intentions, promises and plans maintaining the public support. Given the fact the government lasted out the crises which burst out due to the Ministry of Culture it is probable that it will finish its mandate. Both minority coalition parties together with the communist party demonstrated sufficient interest to keep the government project alive.

The Czech PM's troubles

The government initiatives and activities was complicated by permanent attacks from the opposition. Opponents of the PM Andrej Babiš could make use of his alleged conflict of interest and the so-called Stork's Nest case. According to his critics, the PM has concentrated too much power in his hands, thus posing a threat to the liberal democratic system. They have repeatedly appealed to him for either resignation or cutting off from the Agrofert Holding which gets EU subsidies and owns important media subjects. The problem in such an argumentation rests in the fact that the PM is not an owner of the abovementioned holding as he put the property in a trust in compliance with the Czech legislation. Nevertheless, his opponents refer to the EU legislation and initiated investigation conducted by the EU authorities. In December, the European Commission finished an audit on alleged conflict of interest which is confidential. But already in July, the EC's preliminary audit concluded that the PM had a conflict of interest and the Czech Republic might have to return some 450 million crowns in EU subsidies paid to the Agrofert. Both Andrej Babiš and the Czech authorities have denied such a statement. Therefore, the legal as well as political battle will continue definitely.

Simultaneously, the Czech police recommended to prosecutors to charge the PM with alleged financial fraud and damaging the EU's financial interests which was done indeed. Nevertheless, in September the Chief Prague State Attorney halted the four-year-long investigation. This decision was subjected to fierce criticism from political, media and civic opposition and eventually annulled by the Supreme Public Prosecutor. The investigation was thus reopened in December of which the opponents of

the government took advantage again. But it should be emphasised in this regard that the public support of the leading ANO movement and Andrej Babiš himself has not been decreasing and remains stable ranging between 30 and 34 per cent while the second largest party (either the Civic Democratic Party or the Pirates) has not exceeded 15 per cent. These data clearly demonstrates the hegemonic position of the Babiš' ANO.

European Parliament election

On the 24th and 25th of May, European Parliament election took place in the Czech Republic, which was the only one where citizens could go to the polls for two days. This kind of election has not enjoyed high popularity among the public. The election was held for the fourth time in our country but the voter turnout has not exceed 30 per cent so far as the following figures show:

Year	Turnout in %
2004	28,32
2009	28,22
2014	18,20
2019	28,72

The steadily low turnout in the European Parliament election coincides with broad scepticism of the Czech population towards the EU whose legitimacy was harmed as a consequence of the migration crisis which was a hot topic for a very long period of time. Different groups of citizens usually participate in this election in comparison with domestic ones that is more liberal, more pro-Western, more active in public affairs, thus rather citizens from urban areas. The other tend to abstain from voting as are not interested in the EU projects, its agenda and politics having low knowledge of such a problematics. It follows that results differs from those of domestic elections not copying political preferences of voters in general.

In addition, the phenomenon mentioned naturally leads to better results and higher gains of liberal parties at the expense of all other ones.

This year, 40 political subjects in total fought the election. The following table describes the results in a comparative perspective covering all subjects which gained mandates either in 2019 or in 2014. The subjects with better results in this year's election are written in green, whereas those with worse ones in red. Individual parties or coalitions are arranged in descending order in terms of the 2019 gains.

Political subject	Votes in %	Seats	Votes in %	Seats
	2019		2014	
ANO	21,18	6	16,13	4
Civic Democratic Party (ODS)	14,54	4	7,67	2
Czech Pirate Party	13,95	3	4,78	0
Mayors and Independents + TOP 09	11,65	3	15,95	4
Freedom and Direct Democracy (SPD)	9,14	2	–	–
Christian and Democratic Union – Czechoslovak People's Party (KDU-ČSL)	7,24	2	9,95	3
Communist Party of Bohemia and Moravia (KSČM)	6,94	1	10,98	3
Czech Social Democratic Party	3,95	0	14,17	4
Free Citizens' Party	0,65	0	5,24	1

One can observe several significant characteristics. In both elections, the ANO movement led by the PM Andrej Babiš managed to win in spite of the fact that the composition of voters favours more liberal forces. A much more considerable increase of votes can be noticed in case of the right-wing Civic Democratic Party and liberal Czech Pirate Party which gained no mandate back in 2014 while this year it became the third

strongest party. Almost 10 per cent reached the populist SPD which promotes an openly anti-EU politics. Another eurosceptic party, the Free Citizens' Party inspired by the personality of British politician Nigel Farage, which exceeded the limit of 5 per cent in 2014, failed totally, thus confirming marginalisation of this political subject. However, the major loser is the Social Democratic Party which was utterly defeated gaining only 3,95 per cent of votes and dropping by more than 10 per cent. This crushing defeat should be a serious warning for the oldest Czech political party and current coalition government member whose public support exceeded 30 per cent in the previous decade. Election results in the last years as well as recent public opinion polls show that those times are gone irretrievably.

Estonia: Kaleidoscope as Internal Politics

E-MAP Foundation MTÜ

When a provincial football team gets promoted from a lower division to the country's highest league, its first year that is spent competing with the game's more experienced range of squads is always eventful, but rarely successful. As a very common finale, the newly promoted team, regardless of the excitement associated with a couple of initial games, is to be relegated and has to go back to where it had come from, only a season ago. Keeping in mind this metaphorical setting, for the Republic of Estonia it has just been the first full year, during which the country has been 'playing' in the international community of nation's most reputable 'league'. In 2019, Estonia has been getting accustomed to its newly adopted status of a country with a centennial-long statehood. For a small European nation of 1.3 million people, it is a massive achievement to be able to survive the world's most devastating war, few occupations and deportations, and a loss of about 5% of its internationally recognised territory, having recovered from those dark historic periods as a full Member State of the EU and NATO and proudly celebrating its 100th anniversary in the best economic shape ever recorded. At the same time, almost all major celebrations took place in 2018, while, for the Estonian Government, the following year had to be predictably all about making sure that the country's new reputable status would not only be about reaching a respectable age. By the end of the year, giving a big interview to *Postimees*, Estonian President Kersti Kaljulaid underscored that, whilst her country had plenty of successes to be proud of, "there are [also] worrying prospects" and "[l]ess than beautiful seeds have been sown this year and we do not know the flowers they will bloom"^①.

^① Kersti Kaljulaid in Holger Roonemaa, 'We don't know what flowers will bloom from seeds planted this year', *Postimees*, 23 December 2019. Available from

Getting back to the aforementioned sporting metaphor, in order to solidify its place in a premier league of nations, the Estonian democracy needed to show its strength to withstand a number of serious crises, including those, which Estonian political elites skilfully ‘craft’ for themselves. There would be no better (say, more challenging) year for a well-functioning liberal democracy like Estonia to engage all of its effective mechanisms in a positive battle against destructive populism in a post-truth historic period than the year of two consecutive parliamentary elections, for both the national parliament *Riigikogu* and the European Parliament. To concentrate on the country’s internal politics, let us leave the geo-strategic turbulence-generating international factors (for example, the US-China ‘conversation’ on trade, the Russo-Ukrainian war, global migration and climate change crises, the Brexit *etc.*) outside the imagery ‘brackets’ of direct analysis on this particular occasion. For those to be covered, there will be a different briefing.

Elections No 1...

The March 2019 *Riigikogu* elections wrapped the most anticipated process in the country up. For Estonia, its parliament is nearly everything in terms of political substance – it is the epicentre of the country’s political activity and the place where it all happens. The *Riigikogu* forms the Government, adopts laws, votes for the nation’s Presidents, but, more importantly, represents the only source of power in the country – the political power of citizens of the Republic of Estonia. As usual, during the campaign, a high number of predictions were made in regards of visualising a configuration of what would be the country’s prospective governmental coalition. Before March 2019, nearly all of those political ‘weather forecasts’ were based on the assumption that no Estonian party, which

[<https://news.postimees.ee/6857626/we-don-t-know-what-flowers-will-bloom-from-seeds-planted-this-year>].

would be enjoying the honour to enter the XIV *Riigikogu*, would be willing to form the new Government together with the Conservative People's Party of Estonia (*EKRE*). The latter political party's relative success in the pre-elections polls was associated with extreme populism and xenophobia, which *EKRE* politicians extensively employed to gain attention of the electorate.

The actuality turned out to be much less idealistic – Estonia ended up with a minority Government where the *EKRE* managed to receive 5 (five!) ministerial portfolios, including 'Finance' and 'the Interior'. Despite winning the elections with 28.9% of the total votes, the Estonian Reform Party did not manage to lead the process of the next Government's formation. Primarily, it was due to the undisputed fact that the Estonian Centre Party (*Centre*) with their 21.3%, the *EKRE* (17.8%) and *Pro Patria* (11.4%) had already pre-negotiated a prospective coalitional deal prior to the day when the country's President offered Kaja Kallas, the leader of the 'reformists', the constitutional mandate to officially kick the process off. In few days, the whole country realised that a number of top-politicians who, before the elections, were publicly denouncing even a remote possibility to be in the same Government with the *EKRE*, had changed their minds and, by doing that, significantly broadened horizons of political compromise in Estonia. After all, the *EKRE* managed to collect 99,671 votes and added 12 more seats to the party's parliamentary faction, increasing its presence at the *Riigikogu* by astronomical 271%. All over sudden, the numbers did magically stack up for the Prime Minister and his *Centre* party to have a chance of keeping the chairmanship in the Estonian Government for another term. Jüri Ratas decided to take such an opportunity, at the expense of his own and his party's popularity though.

As for the actual process of the 2019 *Riigikogu* elections, there was something positively remarkable in regards of how a sizeable share of the Estonian electorate decided to cast their votes. While the turnout was fairly high to be also noted (565,045 out of 887,420 or 63.7%), the societal

segment who voted electronically represented 247,232 citizens or 43.75% of the participating voters. The latter figure is few steps shy from being described as unbelievable, especially when one compares Estonia with some of the more ‘experienced’ democracies, which are much more archaic in the field of e-governance than the small Baltic/Nordic nation. However, the dynamics is already speculatively ‘predicting’ a ground-shaking outcome of the 2023 *Riigikogu* elections – in four years, the majority of the participating voters are likely to ‘cast’ their ‘ballots’ electronically. It was already in May 2019, during the European Parliament elections, when Estonia nearly made it – 46.72% of the country’s participating voters decided to use the Internet when choosing their candidates, even though the total turnout was far less impressive than it was back in March (332,859 people or 37.6% of eligible voters).

Elections No 2...

Considering the March-April shake-up in Estonian politics as well as the *Centre* party’s significant drop in polls that followed the announcement of the new Government, the May 2019 elections to the European Parliament were arguably seen by the country’s main oppositional parties (*Reform* and *Social Democrats*) as a platform for a sounding political revenge. Indeed, the revenge it was, with Marina Kaljurand (*Social Democrats*), Andrus Ansip (*Reform*) and Urmas Paet (*Reform*) completing the list of the top-three ‘performers’ of the contest by winning correspondingly 65,549, 41,017 and 30,014 votes.

In a significant addition, the Estonian representatives in the latest ‘version’ of the European Parliament are, cumulatively, among the most high-profile groups of MEPs. As it was noted in one of the previous briefings, after May 2019, Estonia sent to the European Parliament three of the country’s former Ministers of Foreign Affairs (Urmas Paet, Marina Kaljurand and Sven Mikser), the EU’s former Vice-President of the European Commission (Andrus Ansip). There is also a possibility for Riho

Terras (*Pro Patria*), the former Commander of the Estonian Defence Forces, to become an MEP, if the Brexit ever gets eventuated with the British MEPs leaving the European Parliament. In such a case, Estonia should be granted an additional seat, which will be given to Terras.

The ubiquitous *EKRE* factor

There will be no exaggeration to claim that the *EKRE* factor has revolutionised Estonian politics in 2019. Since the March elections to the *Riigikogu*, the Estonian Government has not enjoyed a single working week without discussing a problem, which would be directly or indirectly associated with the *EKRE* and, more specifically, the party's leadership (Mart and Martin Helme). A myriad of sounding scandals pushed three *EKRE*-promoted Ministers (Marti Kuusik, Kert Kingo and Mart Järvik) towards resignations, and Jüri Ratas has been gradually losing his credibility as a Prime Minister. When it would appear to be impossible for the *intra*-Government level of cohesion to be as questionable as it was, Mart Helme (the country's Minister of the Interior) decided to test the limits of unthinkable and even improbable. Speaking on *TRE Raadio* broadcast *Räägime*, the *EKRE*'s leader made an unethical statement towards Sanna Marin, the newly appointed Prime Minister of the Republic of Estonia's closest ally, Finland: "Now we can see that a salesgirl has become prime minister and some other street activist and uneducated person has also become a member of the government"^①.

Immediately, it became very clear for the vast majority of Estonian political elites that the situation went far beyond a normal scandalous *EKRE*-associated extravaganza. Throughout the country's centennial-long existence, both as a free nation or an occupied territory, it was for the first time when an integral member of an Estonian Government made an

^① Mart Helme in "Reds' trying to destroy Finland, says Estonian interior minister", *ERR*, 16 December 2019. Available from [<https://news.err.ee/1014332/reds-trying-to-destroy-finland-says-estonian-interior-minister>].

offensive comment towards a Finnish Prime Minister. President Kersti Kaljulaid, when she was asked whether or not she was angry when she learned about the latest example of the *EKRE* leader's outrageous behaviour, stated the following: "I was not angry. I was shocked and sad. That is a more appropriate description of what I felt. I asked the PM whether he had considered replacing the interior minister"^①. From the side of the opposition, reflecting on what happened, Urmas Paet was, probably, the most outspoken:

Talking on the radio that the Finnish government is trying to destroy the Finnish state is a long-range mental problem. [...] However, a person who talks this way and harms relations with our significant neighbour sits in the Estonian government run by Ratas. While his recent words about brain-dead members of the Riigikogu and insulting people first and foremost undermine Estonian politics and government, this is a dangerous foolishness which weakens Estonia's relations with its closest allies.^②

The very end of the year, however, did not bring any personal changes within the current composition of the Estonian Government, meaning that Mart Helme is still the Minister of the Interior. There was a rumour-speculation, reported via *Delfi.ee* with a quote from Andrus Karnau, that the governmental coalition did not collapse only because Mart Helme was already on his way out from the Government, returning to the *Riigikogu* at some point soon^③. If it is going to occur, then the Estonian liberal democracy will have passed the test of 2019. Only just...

^① Kaljulaid in Roonemaa.

^② Urmas Paet in 'MEP: Interior minister Finland comments damaging insult', *ERR*, 16 December 2019. Available from [<https://news.err.ee/1014335/mep-interior-minister-finland-comments-damaging-insult>].

^③ Andrus Karnau as cited in 'Редактор газеты: Март Хельме вскоре подаст в отставку с поста главы МВД', *Rus.Delfi.ee*, 22 December 2019. Available from [<https://rus.delfi.ee/daily/estonia/redaktor-gazety-mart-helme-vskore-podast-v-otstavku-s-posta-glavy-mvd?id=88457503>].

Greek Politics in 2019

George N. Tzogopoulos

Following 4,5 years of SYRIZA (and Independent Greeks) administration, Greece saw a governmental change in 2019. The conservative New Democracy won the national election of 5 July and Kyriakos Mitsotakis became the new prime minister. While the first semester of the year was full with political tensions in view of the national election, the second was relatively calm. The government of New Democracy enjoyed a grace period and was not encountered with significant political challenges. The law allowing Greeks living abroad to vote was one of its successes and received broad political support.

2019 was an election year for Greece. All opinion polls were suggesting that the governing SYRIZA party would lose the national election to the main opposition New Democracy party. This happened in July indeed. The way until the national election was full with political tensions. The year started with the coalition government of SYRIZA-Independent Greek charting separate courses after 4,5 years of close cooperation. The main reason for the divorce was the opposition of the leader of Independent Greeks and Defense Minister Panos Kammenos to the Prespes Agreement signed between Greece and North Macedonia. When this Agreement came to the Greek Parliament for approval, Kammenos withdrew his support to the Greek government. But several MPs belonging to Independent Greeks did not follow the decision of their leader. They preferred to leave the party and support SYRIZA in order to keep their ministerial portfolios. This is how the SYRIZA government managed to remain in power.

(Former) Prime Minister Alexis Tsipras showed great political skills to save the government. Knowing that his governmental partner Panos Kammenos would not support the coalition any longer, he decided to work together with some MPs. Examples include Tourism Minister Elena

Kountoura and Deputy Minister of Foreign Affairs Terens Quick. For its part, the New Democracy party realized that the Prespes Agreement caused significant governmental damage to SYRIZA and voted against it in Parliament by largely focusing on its flaws, mainly Greece's concessions on the themes of 'nationality' and 'language'. But after its victory in the national election of July, it is respecting the important deal paving the way for North Macedonia to enter NATO and the European Union. The tendency of Greek politicians to connect their stance on important issues to political interests is not rare in domestic politics.

In January 2019 Tsipras certainly gained political time. His subsequent dilemma was when to announce the national election, noting that New Democracy was enjoying the lead in all surveys. He had already said the national election would have taken place in the end of the four-year mandate of SYRIZA, in September or October. He finally decided to keep his word in spite of speculation that the national election might be organized on the same day with the European Parliament and the local ones, in May. Proponents of this view were suggesting that the anger of Greek voters with SYRIZA could be shown in the European Parliament and local polls but not on the national one. Tsipras disagreed and believed that a small defeat of SYRIZA in the European Parliament and local elections of May could be overturned a few months later, in September or October. During his period he hoped that the continuing recovery and the positive impact of arrivals of tourists on the real economy could lead disenchanted voters to reconsider their May decision and vote for SYRIZA. His prognosis was incorrect. The May victory of New Democracy was impressive. It garnered 33.12 percent of the vote while SYRIZA 23.77 percent.

Being under heavy political pressure following the May defeat Tsipras decided to call an early election to take place in July instead of September or October. In a period of only a few weeks it was impossible for him and for SYRIZA to change the new dynamics in Greek politics. It was clear that the leader of New Democracy Kyriakos Mitsotakis would easily win the snap election benefiting by the momentum after the easy

victory of his party in May. The result of the July 5th poll is telling. New Democracy garnered 39.85 percent of the vote and SYRIZA 31.53 percent. Whereas the percentage of SYRIZA was much higher in comparison to that of the European Parliament election, the main success of New Democracy was it managed to govern alone – without the need to collaborate with a smaller party such as the Movement of Change. So, the new structure of the Greek Parliament is as follows: New Democracy: 158 seats, SYRIZA: 86 seats, Movement for Change: 22 seats, Communist party: 15 seats, Greek Solution: 10 seats, DiEM25, 9 seats.

As significant development in Greek politics after the national election of July is that the Golden Dawn party did not reach the threshold of 3 percent and did not enter parliament. Its performance was lower than the required percentage (2.93 percent). For the first time after the twin elections of May and June 2012 and the ones of January and September 2015 Golden Dawn failed thus to become elected. The main reason is that the status of the Greek economy was much better in 2019 in comparison to 2012 and 2015. Therefore, the desire of citizens to demonstrate their ire vis-à-vis mainstream political parties by supporting an extreme party was weaker. Also, the violent practices employed by Golden Dawn that had been largely exposed in the national and international media discourse while the party lacked a leadership to persuade voters who belong to the far-right spectrum. In the national election of July some of them preferred to vote for the Greek Solutions party former by Kyriakos Velopoulos instead.

The new Greek cabinet appointed by Premier Mitsotakis is not particularly flexible as it includes 51 members. It also encompasses a few technocrats and non-New Democracy members and it is male dominated. Key portfolios were given to Panagiotis Pikrammenos (Deputy Prime Minister), George Gerapetriris (State Minister), Akis Skertsos (Minister to the Prime Minister), Christos Staikouras (Minister of Finance), Nikos Dendias (Minister of Foreign Affairs), Nikos Panagiotopoulos (Minister of Defense), Michalis Chrysochoidis (Minister of Citizens's Protection), Adonis Georgiadis (Minister of Development and Investments) and Lina

Mendoni (Minister of Culture Sports). Mitsotakis abolished the Ministry of Migration and decided to re-establish it at the beginning of 2020 (the new minister is Notis Mitarachis) in response to the ongoing refugee crisis.

For many years during the economic crisis Greece lacked political stability. The victory of New Democracy in the July 2019 election will possibly put an end to concerns about political uncertainty in the country. With 158 MPs New Democracy has a clear mandate to govern for four years, until July 2023. Although Greek politics remain unpredictable and unknown factors – for example the deterioration of bilateral relations with Turkey can cause significant political problems to a government – this is a significant advantage for Greece on its way to recovery. Prime Minister Kyriakos Mitsotakis often reiterates the ‘political stability’ card in public remarks he makes and meetings with foreign leaders. International markets are gradually regaining confidence – despite usual delays in the implementation of reforms.

The second semester of 2019 was smooth for the Greek government of New Democracy. With the exception of tensions with Turkey, no particularly heated political debate took place. That is because a new government traditionally enjoys a grace period. Leader of the current main opposition SYRIZA Alexis Tsipras decided to keep a low profile. In the immediate aftermath of the defeat of his party in three different elections it would have been unwise from his side to challenge Premier Mitsotakis and New Democracy. His main priority was to start the re-organization of his party in order to win the next national election. The 31.53 percent SYRIZA garnered in the July election was particularly high for the Tsipras leadership in the party to be challenged. This does not mean other voices are not heard or disagreements do not occur. But it is clear that the former Prime Minister will hold the key for the reboot of SYRIZA in order for it to constitute a reliable pillar of the center-left.

In a period of calmness in domestic politics, the parliament voted in December 2019 a new law that allows the Greek diaspora to exercise their voting rights from their place of residence. For Greeks living abroad to qualify to vote, they need to have Greek tax identification numbers, have

filed a tax declaration in the current of previous tax year and have lived in Greece for two years over a 35 year period. The priority of the Greek government was to obtain a broad consensus and it therefore had to accept proposals of other parties in drafting the legislation and naturally presenting a draft of relatively limited scope. 288 MPs finally approved the new law that Mitsotakis illustrated as ‘historic’.

Conclusion

Alexis Tsipras made a significant political mistake when he decided for the 2019 national election not to take place on the same day with the European parliament and the local elections in May. The victory of New Democracy was then impressive forcing him to call a snap poll for July. New Democracy easily won again and with 158 MPs it is able to govern for the next four years alone. While challenges for the new government were limited in the second semester of 2019, its mission in 2020 will be more difficult. This is also the case for SYRIZA which attempts to correct previous mistakes and build a new center-left profile.

Hungarian Politics in 2019

Csaba Moldicz

The Hungarian domestic politics were greatly influenced by two major events over the course of this year, the European Parliamentary Elections in May and the Municipal Elections in November 2019 turned out to be very important for the DK and the Momentum, which political parties became the main winners of the year regarding their public support. In the meantime, the Fidesz-KDNP could stabilize its main political base, which can be explained by extremely positive economy trends in our understanding, economic stimulus measures favoring families and moderate campaign slogans that seemed to be credible to the majority of the population. This briefing focuses on the results of these election and major shifts in the political landscape caused by them.

1. The European Parliamentary Elections and the Hungarian Results

In Hungary, 43.7 percent of the eligible voters (3,409,785 voters) participated in the elections, that were held the 26th of May in 2019. This participation ratio was not only high, but the highest one in the history of the Hungarian European Parliamentary Elections. (2015: 28.92 percent; 2011, 36.1 percent of the voters participated in the elections.) The ruling party, Fidesz-KDNP won 13 seats in the European Parliament and received 52.14 percent of the votes. This result was better than four years ago, since then only 12 seats belonged to Fidesz-KDNP after the elections. The most successful opposition party was the DK with 4 seats, and it received the support of 16.26 percent of the voters. This result was also better than four years ago, since the DK had to be content with just 2 seats. That was the first time, when the Momentum could send members to the European Parliament, it won 2 seats in the EP right away. The MSZP-Párbeszéd and Jobbik received 1-1 seat in the European Parliament. In both cases, poor

public support was clear. 4 years ago, both parties achieved much better results; in 2014 the MSZP had 4 seats, the Jobbik 3 seats.

Table 1. Political support in the 2019 European Parliamentary Elections					
Fidesz-KDNP	Jobbik	MSZP-Párbeszéd	LMP	DK	Momentum
52.14	6.44	6.68	2.19	16.26	9.9
Source: own compilation					

In May, it was not clear to the observers, and analysts yet whether this shift in the support of the opposition parties was a one-time thing, or the first sign of a long-term trend. Now at the year-end the sudden change seems to be much more long-lasting and more fundamental than before. Its consequences cannot exactly be predicted at this point, however, the Fidesz-KDNP most likely will react to the transformation.

Another crucial element that might have a long-term both in domestic politics and the foreign relations of the government, is the fierce debate around the Fidesz-KDNP's membership in the European People's Party. Before the European Parliamentary elections, the political debate in Hungary revolved around the motion to expel the Fidesz-KDNP from the European People's Party. The story was an important part of the election campaign, and it has not come to an end yet. Though the debate did not have serious consequences for the support of the governing party, and the substantial increase in the support of the Fidesz-KDNP could be pointed out at this point, the question of how the membership will be settled, might influence the Fidesz-KDNP's abilities to enforce its interests in the European Parliament.

As mentioned above, it turned out later that it was more important in EP elections' results that the power relations in opposition camp were reshaped by the results, and two, until now more or less unimportant parties were rewarded by the increasing support of the voters. As we can see from

table 2, these fundamental changes became permanent in the Hungarian landscape, while the Fidesz-KDNP basically preserved the number of its supporters, the Jobbik, the MSZP and the LMP were substantially weakened by the sudden advances of the DK and the Momentum. The pollster's forecasts were surprisingly inaccurate twice this year. Both the results of the European Parliament election and the outcome of the municipal elections could not be properly forecast by them.

Table 2. Party support among eligible voters in percent							
	Fidesz - KDNP	MSZP	Jobbik	LMP	Párbeszéd	DK	Momentum
January 2019	32	7	11	3	1		4
November 2019	32	5	6	1	1		8
Difference	0	-2	-5	-2	0		4
Source: own compilation based on Ipsos surveys.							

2. Municipal Elections in Hungary

The local elections were held on the 13th of October 2019 and the outcome of the elections confirmed the dominance of the Fidesz-KDNP. The aggregate number of votes and the share of these votes increased in 2019 compared to the 2015 local elections. However, the votes supporting the opposition parties were more concentrated geographically and as a result of that, the mayor of Budapest and several mayors in Budapest, and county cities became the candidates of the opposition parties, the other striking difference to former elections was that the opposition parties were able to form an cooperation during the campaign and thus concentrated their forces. They used the strategy of not running against other opposition candidates, only against the Fidesz-KDNP mayor and local representative candidates. This strategy turned out to be successful since the Budapest

mayor candidate of the Fidesz-KDNP had stronger support in terms of vote numbers (306.608 votes) this October than four years ago (290.675 votes), still he was not elected.

Table 3. The results of the Hungarian Municipal Elections in 2019				
	Fidesz-KDNP		Opposition	
	Number of votes	Shares	Number of votes	Shares
County lists	1.364.048	57.23	979.056	41.08
County cities	346.385	49.08	332.408	47.10
Capital city	306.608	44.10	384.565	55.32
Aggregate numbers	2.017.041	53.30	1.696.029	44.82
Source: HVG.hu				

After local elections were held, the political debate intensified regarding the interpretation of the results. Anti-government news portals covered the elections as a landslide victory of the opposition, while other media sites referred to the data (number of votes, shares, etc.) and their approach was more low-key and nuanced. The final interpretation of the results became not easier with the political scandal around the former mayor of Győr, where the mayor resigned from his post since then and a new election will be held in the city.

In a broader perspective, we can argue that the circumstances under which the opposition parties have to operate, have just become more complicated and there are three main reasons for that:

- Though the cooperation of the opposition forces in the capital city worked well in the campaign, it does not mean that this cooperation can continue due to the diversity of political ideas and solutions proposed by these parties.

- It can actually turn out worse for them, if they continue the cooperation since they can easily be attacked by the ruling party which

could point out that only the power and the political positions and not the principles are important for these parties.

– The third reason why the new mayors and representatives of the opposition parties face challenges is that they have to make some compromises with the government regarding the finances that help them to carry out their plans and fulfil their promises, made during the campaign. At this point, we have to understand that tax revenues are collected in a highly centralized system which means in Hungary; thus the financial independence of the local governments is traditionally weak. (In 2017, the local government collected only 5.8 percent of the total tax revenues.) In other words, local governments must rely on the government financially and this is the point where they might be forced to give up in some ideas.

3. Summary

As we pointed out above, the Hungarian political landscape underwent a drastic change in the camp of the opposition parties during this year. The DK and the Momentum benefited greatly from the sudden change; however, it is not entirely clear yet, what the real reasons were for this significant shift in the Hungarian politics. It can only be just speculated that the ongoing party infightings and the weak leaderships of the two parties were the actual reasons for why a significant number of voters distanced themselves from the MSZP and the LMP firmly. Though it must be added too, that it would be really difficult to find scientific proof for these assumptions without carrying out relevant surveys.

When it comes to political position of the ruling party, we could easily see that the party basically could preserve its political support in huge swaths of the Hungarian society. At the same time, the party's disappointing results of the municipal elections revealed as well that it is increasingly difficult to mobilize the young generation for the Fidesz-KDNP and the political messages do not always find strong resonance among the young voters always. Some political analysts already pointed out that the Fidesz-KDNP tries to address the problem by putting younger, in many cases female politicians into important political positions. The

question, whether the steps will be enough to maintain the political support, remains unanswered at this point.

Lithuanian Politics in 2019

Linus Eriksonas

The year 2019 has been extremely eventful for Lithuania's political scene. It was the year that saw two significant changes taking place following the municipal and the presidential elections, namely, the transfer of power from the outgoing president (President Dalia Grybauskaitė) to the new president (President Gitanas Nausėda) and the formation of new governing coalitions in municipality councils. The first half of the year witnessed the building up of conditions for the changes to come. The second half of the year recorded the actual changes which took place as a result of the outcomes of the elections.

Towards the end of the year, the following outcomes became apparent, as noted by political pundits: the weakening of the position of the governing party and its coalition partners in the executive branch of power, a somewhat less direct, and hence, decreased, influence of the president on the legislative branch of power and the status quo in terms of power relations as concerning the judicial branch of the government.

Below is a brief outline of the main factors which shaped the political scene over the year and which have directly or otherwise contributed to the significant changes which made corrections to the political status quo in the country.

According to the constitutional law of Lithuania, three positions in the executive and legislative branches of power are vital for maintaining checks and balances, those, being the President (elected by popular vote), the Prime Minister (appointed by the President upon the nomination by the dominant party or the coalition in Parliament) and the Speaker of the Parliament (appointed by the governing majority). The checks and balances are further put in place and ensured by the Constitutional Court: the court acts as a watchdog for the constitution. If one of the positions becomes unstable, the system corrects the imbalances by rebalancing the power between the power holders. In one extreme case, this resulted in the impeachment of the President (this happened in 2004), in the recent case – in de facto strengthening powers of the President.

During two-terms of the presidency of President Dalia Grybauskaitė, her leadership and the close involvement in domestic politics helped to balance the political system top-down, especially when it was exposed to volatile political

influences. With the departure of President Grybauskaitė, the system has experienced an inevitable perturbation. The Speaker of the Parliament lost confidence in the governing party, yet survived the vote of confidence, thus becoming more vulnerable and hamstrung. The Prime Minister lost the presidential elections (not being able to enter the second round of elections), which impacted his power position and narrowed his frequent role as an intermediary between the President and the Parliament.

With two of the three key positions becoming exposed to a volatile political environment, President Gitanas Nausėda, who ran the presidential campaign on the bi-partisan ticket by distancing himself from the political parties, found himself in the situation where no clear major power-holders were available to work. The leader of the governing party (Lithuanian Farmers and Greens Union), though expressed his tacit support to President Nausėda, yet lacked cross-party support in Parliament and society-at-large. Numerous polls show that he is one of the most unpopular politicians and, as such, has limited sources of power, except through executing his powers within the party, which though has been dropping in opinion polls dramatically. The main opposition party (the Conservatives), which provided the support to the presidency during President Grybauskaitė's years, has a somewhat undefined relationship with President Nausėda, who has distanced himself from the opposition which supported the alternative candidate for the presidency. These and other circumstances created a political vacuum and a space to accommodate the emerging non-party politics.

The bi-partisan politics, as opposed to the party-driven politics, have manifested at the municipal elections, which took place in March this year. The electorate gave preference to the electoral committees formed around the directly-elected mayors in the major cities of Lithuania. In Vilnius, the governing coalition in the municipality has been formed around the Mayor Remigijus Šimašius who first distanced himself from the liberal party in the parliament (The Liberals Movement of the Republic of Lithuania) and then announced the formation of the new party, the Freedom Party (*Laisvės partija*, in Lithuanian). In Kaunas, the Mayor Visvaldas Matijošaitis led the electoral committee "United Kaunas," which became the main governing fraction in the municipality (the coalition also involves few councilors from the Social Democratic and the Liberal parties). In Šiauliai, the municipal coalition was formed by the Mayor Artūras Visockas who led the winning electoral committee "We work for the city" and in Panevėžys – by the electoral committee "Together". The erosion of the power base of the main

political parties at the municipal level of governance has opened a possibility to introduce bi-partisan politics at the national political level as well. In 2019 municipal elections, the parties received 818361 votes for council nominees and 787675 for nominees to mayors, while the electoral committees received 315424 and 357460 votes, which are 27,8% and 31,2% of the total votes respectively.

One of the significant barriers for opening up of the political system towards the elements of the bi-partisan and indeed a more direct democracy is the minimum required percentage of the popular vote that the parties participating in the parliamentary elections would need to meet in order to be included in the allocation of 70 out of 141 seats that are allocated proportionally to the share of votes received. According to the Law on Elections to the Seimas (Parliament), the parties are required to gather 5% of votes, while the multi-party lists – 7% unless the remaining eligible parties received less than 60% of the vote. The electoral committees cannot participate in the allocation of 70 seats through the multi-member constituency, yet they can participate in the single-member constituency (71 seats). It is argued that the lowering of the requirements for participating in the redistribution of almost half of the seats among parties is preferable not only for less popular parties but also for the electoral committees which are in transition to set up the party organizations and get involved in the national politics.

On 11 December, the Parliament approved the amendments to the Law on Elections to the Seimas, which has lowered the minimum threshold to 3% (for the single-party lists) and 5% to the coalition lists. This amendment, which still needs to get the approval of the President (however, the Parliament is in position to exercise a right to veto), can significantly impact on the political scene in the country after the next year's parliamentary elections. The opposition, which voted against the motion for this amendment, argued that the lowering of the barrier would further erode the party system and defragment the political scene, thus making it more difficult to form the majority coalitions in Parliament.

In systems with the national legal thresholds, as in Lithuania, the national vote share is the relevant factor for the electoral success of political parties. Political scientists have studied the analysis of the political impact of lowering or altogether abolishing the electoral threshold. Daniel Boschler has shown that electoral systems with national legal thresholds lead on average to 3.8 political parties. Most of the applied legal thresholds in Central and Eastern European countries are between 3% and 6% of the national vote. Of the CEE countries that are the EU Member States, only Slovenia (in 1990-1996) had a lower threshold

(2,5%) but later adopted 4%. However, the analysis has not found any measurable impacts of the changes in threshold percentages.

However, when analyzing the differences in the electoral outcomes the explanation was found that what counts are context variables, which create the conditions for electoral systems. Concentrating or strong electoral systems (such as single-seat districts or proportional representation with small districts or high thresholds as has been the case in Lithuania) do not have the same concentrating effect in non-institutionalized party systems as they have in institutionalized ones.

What is a key differentiator here, as is argued by Boschler, is the effect of social cleavages on electoral systems. The party nationalization (the homogeneity of the distribution of the party's votes nationality) is lower where significant social cleavages exist. Such cleavages could exist based on different ethnic groups (in Lithuania, the steep requirement to enter the Parliament created the necessity for the Polish-speaking community to support only one political party, the Electoral Action of Poles, thus, diminishing the prospects of having a more democratic setup in that community). Also, such cleavage could exist based on social groups (especially the socially affected part of society), predominantly in those cases where the occurring cleavages have a territorial character. If there are territorial cleavages, party system fragmentation might be high despite low district magnitude.

Thus, the defragmentation of the social base becomes the key to understanding the real sources of political fragmentation (which is related to the emergence of the idea of bi-partisan politics) in Lithuania. In December, the think-tank Vilnius Policy Analysis Institute (Vilniaus politikos analizės institutas, in Lithuanian) has published the results of the study entitled "The 2019 Welfare Index of Municipalities" which looks at the level of welfare in the individual districts and municipalities which represent electoral districts as well. The index is based on five sub-indices covering social security, physical security, sustainable economy, quality education, and demography.

The ranking was done on the scale from 1 to 10, where 1 is the lowest score, and 10 is the highest score. Only Vilnius City Municipality, Klaipeda City Municipality, and Neringa Municipality are ranked higher than 5. Most of the municipalities are ranked low (2-3.5) in terms of the status of welfare. It indicates the potential for social cleavages at the time of elections. Based on the assumptions as above, this can further signal that only in the electoral districts of Vilnius, Klaipeda, and Neringa the institutionalized major party organizations can

expect to face a weaker influence of the non-party organizations, while in the rest of the country the non-electoral committees can a forcible opponent to reckon. Thus, social cleavages, when put together with a lower electoral threshold, can contribute a more extensive proliferation of the national vote. However, the opposite can be the truth, that the major political parties with active organizations nation-wide (first and foremost, the Conservatives and the Social Democrats) could benefit from this development.

The increased role of the bi-partisan politics in the domestic political scene might also contribute and reflect the new style of leadership and presidency as represented by President Nauseda. By emphasizing the need to work on creating the social welfare in Lithuania and by declaring the mission to create a welfare state as his main ambition, the President is addressing the electorate, which is affected by social cleavages. That the message reverberates with the electoral is clear. The President became the most popular politician in the country; his public rating in November stood at 72,8%, according to the latest poll. His message also opened up the political system towards the dialogue with society on the shared values and shared an understanding of what kind of a society Lithuania wants to become. In this respect, the year 2019 has been formative for the country in searching for a new way forward towards fitting the model of political democracy with the societal needs and the challenges.

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Macedonian Politics in 2019

Anastas Vangeli

Introduction

After a prolonged period of crises and uncertainty, policymakers, experts and the mass public hoped that in 2019, the Republic of North Macedonia (hereinafter Macedonia) would move towards a political trajectory of reconciliation, reform and integration into the international rules-based order. Having entered a contentious process of changing the country's constitutional name (into North Macedonia) in 2018 in order to solve the decades-long dispute with neighboring Greece, once the renaming was concluded with the formal adoption of the several sets of Constitutional amendments in early 2019, the Macedonian government expected to receive a reward from the international community for its efforts, and designed its political strategy around this assumption. The reward would have arrived in the form of a resolute and smooth advancement of the country's bid to join NATO and the EU (both of which had previously stalled in part due to the objections by Greece), both of which have been widely expected to produce a momentum for simultaneously advancing democratic reforms and unlocking economic progress.

Nevertheless, these expectations were hardly met. 2019 turned out to be another year of challenges and difficulties, which in turn prohibited any significant steps towards meaningful political transformation in the country. Some of the reasons for this included the unexpectedly turbulent ride of the Macedonian government at the international stage, the increase in the already deep divisions across party lines, the rise of ethnic nationalism due to the change of the name of the country and the accompanying identity politics; and, even more significantly and unexpectedly, the emergence of a novel grand corruption scandal (the “Racket” affair), which – in what has seemed as a *deja vu* for the mass public – involved the proliferation of leaked incriminating audio tapes implicating the power elites in the country. Amid all these developments, then, Macedonia ended the year with another *deja vu* in the form of the announcement of a yet another early parliamentary election to be held in April 2020.

Renaming, Elections and General Political Trajectory

By January 11, 2019, the Macedonian Parliament had fully implemented the Prespa Agreement, which meant that the process of the renaming of the country had concluded and Macedonia has been since officially known as the “Republic of North Macedonia.” One of the key steps in this direction was securing a two-thirds majority in the Parliament to pass the proposed Constitutional amendments (i.e. the Government needed to secure the support of 80 out of 120 members of the Parliament). Since the ruling coalition of SDSM and DUI combined had no more than 60-something votes, the government needed to reach out to political opponents to secure the additional support in Parliament, primarily by MPs from the ranks of the smaller ethnic Albanian parties (Besa and Alliance for Albanians) and the largest party in the Parliament, the opposition VMRO-DPMNE. In return for the support of the smaller ethnic Albanian parties, the government supported the push for making Albanian a second official language in the country (the Law on the Use of Languages came into effect on January 14, 2019). The ruling coalition also ensured the support of 8 VMRO-DPMNE MPs (all of them in some way implicated in corruption cases) who broke the party ranks, and in return received a lenient treatment (and in some instances pardoning) for the various charges against them. Both trade-offs – the support for the introduction of Albanian as a second official language, and letting the suspected VMRO-DPMNE MPs walk away free from the face of justice – made the process of the renaming of the country even more controversial and contentious.

The Prespa Agreement was sealed with the voted of the Greek Parliament by January 25. In the period to follow, the practicalities concerning the change of the name entered full swing. Official signs at the border crossings were first to be replaced. Next in line were the names of public institutions, starting from the Government itself. Car registration plates and personal documents have been changed on a rolling basis. Greek-Macedonian committees have in the meantime discussed a number of other issues, from brands and trademarks containing the term “Macedonia” and its derivatives, to the interpretation of history in schoolbooks.

The renaming of the country and the new identity politics associated with it was accompanied by intense public debates. While the government and its supporters adopted a triumphant and optimistic position centered on the narratives of the prospective accession to NATO and EU, there was also a display of

dissatisfaction and frustration coming primarily from ethnic Macedonian voices who felt humiliated and victimized – the loudest one being the outgoing President of the country, Gjorge Ivanov. However, in practice, ethnic Macedonian political subjects – and in the first place VMRO-DPMNE – demonstrated disproportionately low level of actual political opposition to the process compared to the political rhetoric they employed. In that sense, the indignation of a significant share of the population was not represented and politically channeled, remaining to hover around the political landscape throughout the period to follow.

The process of the changing of the name of the country created new lines of division in the country in 2019: on one side, there were those in favor of changing of the name of the country on one side (ethnic Macedonians with a clear pro-Western orientation, who tend to vote for SDSM and the majority ethnic Albanians) and disgruntled ethnic Macedonians (partially represented by VMRO-DPMNE) on the other. The new lines of political division shaped the political reality around the presidential elections of 2019, which took place in April and May of the same year. As Gjorge Ivanov (a university professor supported by VMRO-DPMNE) was completing his second term in power (2009-2014 and 2014-2019), the names of the candidates for his successor were unknown up until few weeks before the elections. The governing coalition led by SDSM and DUI nominated Stevo Pendarovski, a university professor who was a runner up in the 2014 elections and close to SDSM. Pendarovski's nomination was the first instance of DUI supporting an ethnic Macedonian candidate in the first round of the election. VMRO-DPMNE nominated Gordana Siljanovska, a university professor with a history of progressive activism – but who had embraced a hard-line rhetoric on the Prespa Agreement. Blerim Reka, a university professor who has had a career in public officialdom in both Macedonia and Kosovo was nominated by the Alliance for Albanians and Besa as an ethnic Albanian candidate. The first round of the elections took place on April 21, 2019, and had a low turnout level (41.67% of the registered voters), barely meeting the validity threshold (40%). Reka (79,888) was eliminated, while Pendarovski (322,581) and Siljanovska (318,341) were in a virtual tie, separated by about 4.000 votes. In the second round which took place on May 5, the turnout increased to 46,7%; while Siljanovska (377,446) managed to mobilize some of the abstainers from the first round Pendarovski's (435,656) campaign managed to attract both abstainers and some of Reka's voters and to win by a respectable margin. Pendarovski's victory in the elections marked the peak of SDSM's reign, as now the party had

established control over the three pillars of the executive power in the country: the Government, the local self-government, and the Presidency. Pendarovski was a strong supporter of the change of the name of Macedonia; whereas Ivanov in his last months in power had opposed the renaming, Pendarovski had actively facilitated it since the first day in office. Therefore, Pendarovski's victory was also interpreted as another signal of the triumph of the pro-Western forces in the country, reinforcing the hopes that Macedonia's accession to NATO would be concluded in the course of 2019, while also creating the expectation that the country would also formally start the negotiations for joining the EU.

However, by summer 2019 it was obvious that joining both NATO and EU would be more complicated and would require other conditions to be fulfilled – beyond the name issue itself. Whereas NATO member states had ratified the resolution for Macedonia's accession to the alliance, delays related to their own domestic political developments had delayed the conclusion of the process. Even more complex has been the bid to start the negotiations for EU membership – while Macedonia has won the support of the European Commission and of the majority of the governments of the EU member states, on several occasions in 2019 it became clear that domestic politics in several EU member states (in the first place France and the Netherlands) stand in the way – leading to yet another round of delays in opening of the negotiations. As a consequence, whereas the Macedonian government had remained optimistic and did not alter its course, at some point it acknowledged that despite its efforts and sacrifice, it has not received the expected reward from the international community. Using the negative outcome of the October 18 European Council (when France once again blocked the opening of enlargement negotiations), the then Prime Minister Zoran Zaev called for swift early parliamentary elections (the regular elections had been planned for winter 2020).

Due to the complex regulation in place after the political crisis (as stipulated by the so called Przhino Agreement of 2016), the organization of parliamentary elections had to be carried out following special procedures that would ensure maximum transparency and prevent any potential manipulation by the government. This would include the stepping down of the incumbent Prime Minister, as well as the replacement of the Ministers of Interior and Labor and Social Policy with candidates nominated by the opposition, a hundred days ahead of the election. The leaders of the political parties in the country agreed that the date for the early elections would be April 12, 2020. On December 27, 2019, as

part of the Przhino-style arrangement, Zoran Zaev stepped down from the position of Prime Minister, and was replaced by Oliver Spasovski from the ranks of SDSM, considered to be close and loyal to Zaev, who held the position of a Minister of Interior under the Zaev government. Along with him, Mila Carovska, a rising star in the SDSM governments stepped down from the position of Minister of Labor and Social Policy, and became Vice Prime Minister in charge of economic affairs.

Struggle with the Rule of Law

Ever since the days of the major political crisis 2015-2017, Macedonia has been struggling with dealing with the numerous charges for grand corruption dating to the period of the VMRO-DPMNE rule (2006-2017). In 2019, the image of impunity of the VMRO-DPMNE elite was reinforced during a number of instances. The most notable case has of course been the one of the former Prime Minister, Nikola Gruevski, who had been found guilty for illegally influencing a procurement procedure and sentenced to 2 years of prison. Gruevski in late 2018, however, had escaped to Budapest, where he was granted asylum. Gruevski had spent 2019 safely in Budapest, actively posting on social media. Macedonian authorities never managed to come up with a coherent story about his escape. In Summer 2019, the Hungarian authorities rejected the request for Gruevski's extradition. In November 2019, the corruption charges against Gruevski for the construction of two highways (funded by China's ExIm bank, with Sinohydro being the major implementer) expired, and were dismissed.

Furthermore, while the Special Prosecutor's Office (SPO) pursued dozens of investigations and pressed charges against a number of former VMRO-DPMNE officials, in 2019 a number of cases ended in a dead-end or were forced to restart. In March 2019, the former security czar and Gruevski's cousin, Sasho Mijalkov, as well as the leader of the Democratic Party of Albanians, Menduh Tachi were among a group of people sentenced for electoral fraud. However, Mijalkov and Tachi appealed the sentence. In December 2019, the Appellate Court nullified their sentences, and they walked away free, and are now awaiting retrial. The former Minister of Interior Gordana Jankuloska who had been sentenced to four years of prison in the same case as Gruevski, had her sentence suspended by the Supreme Court. The former Mayor of the Karposh Municipality in Skopje, Stevcho Jakimovski of GROM (a junior partner of VMRO-DPMNE), was arrested on charges of abuse of office, but was put in home custody, and later on set free. One exception to this trend, however, has been the dealing with the

case of the violent break-in in the Parliament in April 2018. Scores of participants have been indicted, including Mitko Chavkov, a former Minister of Interior from the ranks of VMRO-DPMNE, who was sentenced to 18 years in prison on charges of terrorism (cumulatively 16 participants have been sentenced to 211 years in prison). However, a number of other suspects have been pardoned or found not guilty, including high ranking VMRO-DPMNE figures.

Finally, in July 2019, a new scandal broke out: a series of leaked audio and video tapes revealed a massive operation which involved Bojan Jovanovski (known as Boki 13, a media personality and manager of 1TV, a pro-SDSM media outlet), Zoran Milevski (known as Kicheec, a security operative who was part of the inner circle of Mijalkov), Katica Janeva (the Chief Special Prosecutor) and high ranking SDSM officials, who all conspired together to extort 1.5 million EUR from Orce Kamchev (one of the richest individuals in Macedonia, a tycoon who has had a close relationship with VMRO-DPMNE). This so called “Racket” affair dominated Macedonian politics until the end of 2019. Jovanovski, Milevski and Janeva have all been arrested, whereas a number of political figures, including the former Prime Minister Zaev have been called out for having had previous knowledge of the “Racket” operations, and others for being accomplices. VMRO-DPMNE officials have gone on the offensive and in their public relations campaign, have pointed to the potential “sequels” of the “Racket” affair, that would implicate an even greater number of SDSM officials. The downfall of Janeva, at the same time, has tarnished the reputation of the SPO and made the processing of the cases dating to the VMRO-DPMNE era even more complicated. Fittingly, as part of the legal reforms and political bargaining, in Fall 2019 the cases led by SPO were taken over by the regular Public Prosecutor's Office, which de facto meant an end for the SPO.

In sum, Macedonia has had another turbulent year in 2019. With a changed name, deepened political polarization, and embroiled into yet another grand corruption scandal, the country is entering the new year, expecting early parliamentary elections.

Montenegro's Politics in 2019

Vojin Golubovic

Several internal and external events marked political scene of Montenegro in 2019. Internal political developments were marked mainly by continued intolerance between the ruling parties and the opposition. This intolerance, as is usual for Montenegrin and Balkan circumstances, resulted in the absence of significant cooperation in any area where it was possible. Instead, obstacles to the work of the respective institutions were typically present, which indicates the irresponsible attitude of the political representatives towards the citizens who voted for them. This is especially true of the work of the Committee for the Reform of Electoral and Other Legislation, which has shown, by its dysfunctionality, the true face of the political situation in Montenegro.

When it comes to foreign policy developments that are significant for Montenegro, it should be emphasized that 2019 was marked by Montenegro's relations with the EU. A number of events have been charted along this path, notably the European Parliament elections, the election of a new Commissioner for Enlargement Policy, the French stop for North Macedonia and Albania (which also indirectly affects Montenegro), the French "non-paper", as well as the attempt to pull in Montenegro in the so-called "mini-Schengen" union that Montenegro rejected.

Reform of the electoral legislation – same target, same distance

The reform of electoral legislation was initiated in second half of 2018 with the main aim to improve the electoral environment, and further strengthen the confidence of citizens in the electoral process. This was expected to be implemented through functional and efficient institutional mechanism, i.e. through established Committee for the Reform of Electoral and Other Legislation^①. Although the beginning of the 2019 was promising

^① This Committee was formed in late 2018.

regarding the functioning of this body^①, the later developments revealed the all weaknesses of the Montenegrin internal political scene – insufficient capacity to cope with the daily political problems through cooperation, short-term political interests outweighing the need for real advancement and development, unbundled opposition and inability to agree in common activity, the ability of ruling parties to act on the principle “divide and conquer”, and many other weaknesses that hold Montenegro far from potential progress on internal political scene.

In addition to the continued intolerance of the strongest ruling party, the opposition parties continued their mutual disagreements, which were reflected through the work of the aforementioned committee. Namely, small political interests have made the division of seats for members of this committee a stumbling stone between the strongest opposition parties and alliances. “Democrats” seized an additional seat that did not belong to them (with the consent and support of the strongest ruling party), sparking disagreement with the opposition Democratic Front and shifting focus from co-operation to conflict within the Election and Other Legislation Reform Committee.

Although there were numerous misunderstandings between opposition parties during 2019, it seems that one of the rare agreements was made about demand for technical government. This was not the result of high understanding among opposition parties, but, rather, it seems that common request for technical government is the consequence of their political view that such government could be an additional chance for a better result in the 2020 elections. Despite their request the ruling parties, as expected, remain silent on this request, denying each possibility for its realisation. The constant argument against technical government was the opinion that it would be contrary to the electoral will of the citizens and a ruining of democratic principles. The arguments of opposition were still strong since they claimed during entire year that previous EU and OSCE

^① The initial problems that questioned the functioning of this body, such as the imprisonment of opposition leaders and the like were overcome.

statements confirms that there were numerous shortcomings in the previous electoral process, on the basis of which they question the real electoral will of the voters.

The total fiasco of the Committee's work came at the end of the year, when this body was permanently left by representatives of the opposition Democratic Front, resigning from membership in the body. The reason again, was accusing the ruling Democratic Party of Socialists of not wanting dialogue and not wanting to change bad election laws through the Committee. Also, the reason was the Committee's decision to coordinate the majority of the sub-groups by members of other parties (e.g. subgroup on work on Voting List Act, Law on Election of Parliament members and committee members, etc.) However, there seems to be no true will on either side. For, if there was political will, one more year would not be spent without genuine dialogue. An additional blow to this body is the decision of some other opposition representatives to leave the sessions of the Committee, without which the agenda of this body cannot be adopted, and the agony of inefficient work and dysfunction of such a body only continues. This is the best example of nonexistence of political dialogue on any issue in Montenegro. Next year will be election year, and political dialogue from 2019 does not promise that election results will be accepted by all parties, which was initial intention of the reform process.

Intensive foreign policy developments are blurring the EU's path of Montenegro

Although Montenegro has so far been recognized as the EU candidate country with the most progress in the negotiation process, various developments mainly at EU level somewhat obscure Montenegro's clear perspective on the European path.

The election of the new European Commission was promising for Montenegro, since the new European Commissioner for European Neighborhood Policy and Enlargement was from Hungary which with no doubt supports Montenegro in its accession to EU. Since previous administration from Brussels had serious stages of slowing down in the implementation of its most successful policy – enlargement policy, the

expectations were that new administration will be faster and more motivating for candidate countries. Although the initial candidate for the position of the commissioner for enlargement was not supported, the elected one is still Hungarian, which is good thing for Montenegro due to Hungary's official stance on Montenegro's further progress towards the EU.

However, despite the Hungarian Government's positive general position on Montenegro's accession to the EU, the later developments put a huge question mark on this issue. Namely, this is primarily referred to the French denial to start negotiation process with North Macedonia and Albania. Such behavior from French side send a message not only to these countries but also to Montenegro that EU accession will be more unclear than it seemed to be. This also showed that other countries, such as Hungary are still not so powerful to put its enlargement policy at the top of the European Commission's agenda.

France came out with the so-called non-paper (as a kind of reward and punishment system), which represents a new initiative and a new approach when it comes to policy towards the Western Balkans. The document is primarily a new methodology in the accession process that would be applied in the further negotiations. This approach abolishes deadlines and there is no longer a date until when Montenegro will become a member of the European Union. Change of the rules in the middle of the game is not fair, but Montenegro is small to complain. The French non-paper at least show that, seven years after Montenegro started negotiations, there are still many problems. It is obvious that these events from 2019 reveal that continuation of the negotiations would be much more difficult.

Additional external exam for Montenegro in 2019 was a so-called mini Schengen initiative, which is a regional attempt to answer to the EU behavior, but also supported by the EU representatives and, especially by France. Invitation to Montenegro to join to this initiative is legal. Initiative is aimed at reducing barriers, ensuring free flows of people, capital and ideas among Western Balkan countries, but Montenegro refused to join to such initiative. However, this seems to be rational decision of Montenegrin Government, since it does not mean that Montenegro is against promotion

of freedom as some would judge. Because, Montenegro already implements such measures (free movement of citizens at borders with only ID card, etc.) in practice with many regional countries. It seems that refusal of joining to mini-Schengen comes mainly due to the fear that such decision would equalize Montenegro with other regional countries in their EU accession process, and consequently neglect the leading position of Montenegro. The Montenegrin work on EU accession in last several years would be pointless.

Nevertheless, the real conclusion is that Montenegro's European perspective is not endangered in 2019, but it is not anymore clear (especially regarding the year of EU accession). All of this creates additional challenges for the strongest political party in Montenegro (DPS) that had a congress and elected new/old leaders at main positions. It seems that these events at EU level require from the ruling Montenegrin party more efforts and make the party more exposed to the risk of bad election results next year, than entire activity of opposition parties in Montenegro.

Polish Politics in 2019

Joanna Ciesielska-Klikowska

The year 2019 will be recorded in Polish history as extremely difficult, because the country was full of political disgrace, corruption scandals, issues of nepotism and unfair tricks. All this was the result of a tremendously harsh election game, which took place throughout the past year, because the Poles chose their political representatives twice - in May to the European Parliament and in October to the Polish Sejm and Senate. From the beginning it was clear that each political party would use tricks and take actions to discredit political opponents in the election battle. All camps were hoping for victory, although Law and Justice Party proved to be the final leader of the ranking. Despite numerous political perturbations, the grouping's good luck lasted throughout 2019.

In fact, “elections” - the political word of the year 2019 - was changed by all cases and beating from any analysis, any press article or TV interview. It was a term that have subordinated all other expressions in the past year, because the endless election campaign had an impact not only on the world of internal politics, but also on social policy, economy, education, justice and even foreign policy. Law and Justice Party (Prawo i Sprawiedliwość, PiS), together with their United Right camp (Zjednoczona Prawica), sought to maintain power. Meanwhile, opposition parties - primarily the coalition front of the center-liberal parties under the name Civic Coalition (Koalicja Obywatelska; during the European elections the common name was the European Coalition, yet the alliance was composed of slightly different parties), tried to take away power from PiS. As it turned out – without any special effects, though there were some visible successes.

Just as the main word of this year was “elections”, the term “credibility” became the key word for the election time. Already in 2015, Law and Justice had its key word, namely “dignity”. Thanks to it - specifically implemented by the “Family 500 Plus” program (Rodzina

500+), meaning financial support for every child in Poland till 18 years old, many Polish families could feel worthy and valuable. The reason for that was the fact, that for the first time in history, the institution of the state “gave” citizens financial gifts, without asking about their wages, problems or needs. Thanks to this, the new family benefit has become a symbol of a wider social satisfaction of the need for dignity.

Yet, the key word for the 2019 elections was “credibility”. When creating the “New program arena” in spring 2019, the ruling party was fully aware of this. It was about convincing citizens of the effectiveness of PiS’ policy, guaranteeing security in social policy, and, as a consequence, maintaining power through demonstration of credibility. PiS, thanks to this reliability, had a great chance of success from the beginning of the campaign. The unprecedented achievement of the Kaczyński party was the fact that PiS government could be positively accounted for the implementation of election promises – especially the 500+ program.

In this way, PiS introduced a new quality of governing – by fulfilling (at least in part) election promises while emphasizing the importance of “Polishness”, meaning tradition, conservative values and leaning social policy on unconditional financial support. In fact, the credibility policy according to PiS was about promising on one hand quite spectacular, but on the other hand only selected actions, yet bringing them to an end, instead of getting bogged down in dozens of small and necessary, but difficult to implement announcements. This tactic worked out - PiS promised extensive social policy, education reform and reform of the judiciary, and these promises were during the years 2015-2019 consistently realized. So people saw the effects of this work - its quality is very complex and hard to talk about, because some of the steps taken to implement the projects caused great controversy, often discussions and even protests, but the pursuit of achieving goals could not be refused by PiS.

It was also the plan for the 2019 elections. Namely, to present expressive several postulates, and after winning the elections - to implement them with all consistency. That is how the idea of the “new PiS five” appeared. The five postulates included: raising the tax-free amount,

program 500+ for every child (previously reserved only for each second and subsequent child in the family), “thirteen pension” for pensioners, liquidation of PIT tax to people up to 26 years old, counteracting communication exclusion.

Due to its achievements to date, PiS was much more credible than its competitors in implementing the promises, and - what is more important - Mateusz Morawiecki’s government began to implement them even before the start of the election race. Commentators critical of the government pointed out that PiS wanted to “buy voters for their own money”, but the tactics paid off.

In practice, this was already evident while voting in May 2019, when the Poles elected their representatives to the European Parliament. Over 45% votes in support of Law and Justice have shown that the group’s current strategy is effective and consistent. In the campaign, PiS focused on what is important for “the average person”, that’s why voters - in accordance with the reciprocity rule - went to thank for what they “received from PiS”. Meanwhile, the opposition, in particular the European Coalition, has lost its chance, not noticing that scaring voters with eventual Polexit or discussions about changing the PLN into the EUR are not sufficient arguments to convince those who are going to elections.

Thus, PiS has consistently shown, not only for the purposes of the campaign, that it has a program and vision for ordinary voters and that it is useful to the people. The European Coalition repeated generalizations about European values, but never presented them and too often insulted significant parts of the electorate, e.g. Catholics, who are definitely more conservative in their political views. Such an approach was contrasted with a simple message sent by PiS about Europe in specifics: “do you live better now or a few years ago?” (implied: during the rule of Civic Platform under Donald Tusk as Prime Minister). Economic indicators have been helping PiS in recent years, because Poland is experiencing a period of prosperity, so Poles have undoubtedly been living in recent years prosperous.

This rhetoric was also used before the autumn parliamentary elections. PiS has consistently built its image as a party that “can be trusted”

- presenting important problems and implementing significant social demands. For the time being, the opposition tried to keep up the pace, but often it was in a big mess and couldn't find an answer to a simple question - whether they want to be an "anti-PiS" only or would they present their own original and valuable proposition for Poland?

It turned out that the PiS narrative is still liked, although the electoral result was not as spectacular as expected, and opposition parties altogether gained more votes than the ruling right camp (10 million votes for all opposition parties to 8 million for United Right). This was a small, but at the same time important success, because in the new Sejm PiS will have to take more into account the opinion of the other parties (parties of the United Right coalition obtained a total of 235 seats out of 460 in the Sejm).

Important, although minimal in size, was the success of the opposition in the upper chamber of the Polish parliament, the Senate, in which opposition politicians have obtained slightly more seats than PiS (51:49) and gained their own marshal, Tomasz Grodzki (a Civic Platform politician). This mathematically small victory is of great political importance, because PiS will no longer be as free to conduct politics as in the years 2015-2019, when it had majority in the Sejm and Senate.

Thus, the autumn parliamentary elections consolidated the PiS power, but at the same time changed the balance of political forces, giving the opposition at least some influence on the system (i.e. in the Senate, in several parliamentary committees). In addition, new political groupings as well as new faces in politics appeared in these elections - which resulted in a very diverse parliament, consisting of the representatives of both the conservative right (Confederation, United Right), the center-right wing (Polish People's Party, Kukiz'15), as well as representatives of the center and liberals (Civic Platform, Nowoczesna) and finally even leftist parties (Democratic Left Alliance, Robert Biedron's Spring, Together) - in the last term of office completely not represented in parliament.

To conclude it has to be stated, that this election year was extremely demanding and difficult for the voters themselves, because the never-ending campaign strongly affected all participants of the political life. In

consequence, however, the constant scandals and affairs - brought to the light of the day by all parties of the political dispute - ceased to do impression on voters. In fact, even the saying was made that PiS is a "Teflon party" that no scandals stick to.

In recent weeks one can feel much more peace in politics, although the elections marathon is not over yet - the last lap is coming soon because presidential elections will take place in the spring. It is certainly known that the incumbent president will be seeking re-election. On the other hand it can be said without a doubt that Donald Tusk, after the term of office of the President of the European Council, will not defeat national politics and will not run for president. Yet, does it mean that the current President Andrzej Duda will remain in his position? Or maybe someone more expressive in his/her views will replace him? Maybe even a non-politician? This is an open question, because a list of candidates for the highest position in the country is still being created.

Romania's Political Developments in 2019

Oana-Cristina Popovici

The year of 2019 was rich in political events for Romania, as envisaged from the beginning of the year, given the two major rounds of elections – for the European Parliament and for the Presidency. However, the circumstances led to a complete change of the picture in the political arena. In brief, at the end of the year, Romania has a new government formed by the members of the major opposition party, the National Liberal Party (NLP), while the results of the presidential elections reconfirmed the current president Klaus Iohannis.

A major event in politics has taken place recently in Romania. The presidential elections were one of the most expected events of the year and were carried out in two rounds, on the 10th and on the 24th of November. Romanians choose continuity of the head of the state by electing Klaus Iohannis as president in the second round of elections at the end of November.

Iohannis got 66.09% of the total votes, while its opponent in the second round, the former Prime Minister Viorica Dacila, had a score of 33.91%, one of the lowest in the history of the Social Democrat Party (SDP). It was “the most categorical win ever recorded against the SDP”, according to Iohannis. Almost half of the Romanians voted in the country, namely over 9 million citizens. A record was established in the Diaspora, as over 930,000 Romanians voted abroad. Moreover, 93% of the votes abroad were for Iohannis. He started as a favourite and won the first round of the presidential elections with almost 38% of the total votes. Some of the strong points which propelled Iohannis were the fight for an unaltered justice system and the good image he managed to build in external affairs. In fact, during a debate with journalists, he even stated that “Without me, the rule of law in Romania would have been broken”. According to the

international media, it was an easy victory of Klaus Iohannis in front of his counter-candidate Viorica Dăncilă, in line with expectations, following the promise to resume the judicial reform slowed down by the social-democratic governments and preserve Romania's pro-European path.

However, although in the position of the winner, the speech of the President Iohannis wasn't one of celebration, but one in which he stated that "the war is not over yet", indicating towards the further local and parliamentary elections in 2020. At present, SDP has the highest number of members in the Parliament, being able to easily get a majority.

The end of the year culminated with these elections and with NLP victory, although in January, there were low chances for SDP to be defeated. The year started with tensions between the institution of Presidency and the Government, following the events in 2018 which brought harsh criticism from the European Commission on the justice laws. It was also the start of the Romanian Presidency at the EU Council and there were fears that the six-month mandate will not be managed accordingly, due to domestic interests in preparing the elections at the end of May, for the European Parliament (EP).

The governing party continued the discourse started in the last part of 2018, accusing the EU for unfair practices towards Romania (for example, for not including Romania in the Schengen area) or the foreign companies and banks for targeting high profits and not considering the welfare of the citizens. The adoption of amendments to the justice laws that would allow people in the investigation or trial to get rid of criminal files was the main aim of SDP during the first five months of the year. Refusing to act accordingly and to issue such decrees, the Minister of Justice was finally penalized by his colleagues and was dismissed from office.

During this time, both the European Commission and the embassies of 12 states persuaded the Government to refrain from changes that would weaken the rule of law and Romania's ability to fight against corruption. Authorities were appealed to stop the changes which could reverse the progress made in the last years in the field of justice and to start the reform process. Even more, both governing parties – SDP and ALDE –, were

threatened with the exclusion from the larger European groups. The potential use of Article 7 of the Treaty of the EU against Romania was also speculated.

For avoiding such measures, President Iohannis decided to have a referendum on justice in the same day with the elections for the EP for scrutinizing people's will related to the fight against corruption. Romanians' consent was required on the prohibition of amnesty and pardon for corruption offenses and the prohibition for the Government to adopt emergency ordinances in the field of criminal offenses. It was seen as an important gain for the President at that time the fact that the results of the referendum were validated by the Constitutional Court of Romania.

The decline of SDP was observed starting with the EP elections. SDP lost a large part of votes on the background of adopting the controversial Criminal Codes amendments, which was seen in the results of the European Parliament elections and further in the result of November's poll. SDP obtained the lowest score ever recorded in both the European and the presidential elections. The former ruling party leader, Liviu Dragnea, was sentenced to three years and six months in jail, following a final decision of the High Court of Cassation and Justice, based on his involvement in fictitiously hiring two women at the Teleorman Social and Child Protection Service, and paying them from public funds. SDP suffered a harsh loss and had to reorient and to select the person with the highest chances for the presidential elections. Viorica Dancila, the SDP Prime Minister at that moment, was chosen to become the leader of SDP instead of Liviu Dragnea and was further proposed as the candidate for Presidency, despite her poor political image in the country.

Another coup that weakened the party was the decision of ALDE, the junior governing party, to break the ruling coalition in late August, invoking a deadlock at the central and local levels. This situation had repercussions in the Parliament where, for the first time, the majority around SDP started to shaken. For the first time, discussions related to the change of the Government became more serious and were credited with the highest changes.

Overrunning the fears that taking over the government in a moment when the state budget is confronted with high deficit which could generate measures affecting the population in the dawn of further elections, NLP managed to configure a new legal Government right before the presidential elections following a no-confidence motion against the Dancila Government. The actual Prime Minister, Ludovic Orban, also managed to propose ministers which gather the approval of the Parliament, despite the fragile majority.

After losing the position of Prime Minister, the SDP candidate for Presidency, Viorica Dancila, was defeated in the second round of the presidential elections and resigned from the position of leader of the Social Democratic Party which she held in the last 5 months. At this moment, Marcel Ciolacu, speaker of the Romanian Chamber of Deputies, is the interim president, having the main duty of preparing the national congress for the election of the new leadership team, potentially in February.

On the other hand, the opposition parties started to strengthen their positions. NLP was the party achieving the largest number of votes in the EP elections, namely 27% of total votes. It was followed by SDP, with 22.5%, and the Alliance 2020, formed by two new opposition parties, USR and PLUS, with 22.4%, which surpassed other traditional parties. It was a result over the expectations of the most optimistic Alliance 2020 coalition leaders. The initially forecasts credited the Alliance with around 16% of vote' intentions, as the two parties were very young and did not have the structure in the country for supporting them. However, the USR candidate in the presidential elections did not manage to maintain his advantage, and was ranked the third, with only 14% of votes.

As envisaged at the beginning of the year, the element that made a difference was a higher than before involvement of the population in the electoral process. The EP elections gathered a record number of citizens who came to the vote, as the final presence at the polls hit 49.02% of total population. For the presidential elections, although the second round gathered almost half of the population in the country, weaker than in other

years, it registered a record abroad. The time period for voting in Diaspora was extended, given that problems related to the lack of effective time for voting were faced in previous pools. Therefore, Romanians abroad had three days for electing the President. As a result, almost one million persons have exercised this right. Such participation was seen as a way of penalizing the political class and of an increased attention towards the measures taken at political level.

The won of these elections also came with a huge responsibility for NLP, especially that the party is in charge now of both the Presidency and the Government: to start the reform and make functional the healthcare and the education system, to build the necessary infrastructure and to put an end to corruption and bribe. The almost 70% of the votes which Klaus Iohannis won points that he has a huge responsibility for the way in which Romania will be reformed.

Serbia in 2019: A Year of Gain or Loss

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Abstract: A review of political developments in Serbia during 2019 shows that trends from previous years have continued. Most controlled media, permanent election campaign, exacerbation of political conflicts, protests of citizens and students, influence of the ruling political group on all important segments of society, these would be the main images on the political mosaic. In addition to success in other fields, the Government's results in advancing the basic pillars of a democratic society are of notably lesser scope.

Key Words: media, control, governance, corruption, rule of law

Most of people in Serbia would probably prefer to live in a boring country; they would prefer to not know who their President and Ministers are or what they are dealing with. Ordinary people suffice his own worries. Unfortunately, this has not been the case here for three decades.

If we were to make an impression based on information available to the public, then 2019 would look like a year of fighting external and internal enemies, real and fictional affairs, a year of impossible dialogue between the Government and the opposition, an unresolved Kosovo issue. If we get away from this kind of systematic and daily media pressure, we will see a slightly different reality. Facts help best in this.

On the domestic political front, compared to previous years little has been changed. The main drivers of political activities were: the struggle to win or, at least, to maintain political and economic power, the process of the European integration and internal reforms it requires, the unresolved Kosovo issue.

The ruling Serbian Progressive Party is apparently at the height of its power, while the opposition bloc of parties and civic groups is divided and weak. This is the logical result of past years of systematic work directed to consolidate power; all available means were used. Parliament sits with some of the deputies, obstruction of his work by the majority has become the rule, and dialogue has been reduced to quarrels and insults. The ruling majority feint a forced dialogue with the opposition, which thus receives minimal concessions. Several months of civil and opposition protests have not seriously compromised the ruling party's position. The day-to-day and ongoing aggressive media campaign, led by President Vučić and his closest associates, left little room for anyone else.

Government policies are the result of political decisions and the conditions under which they are implemented. Their goals and results determine the overall life of the population. They cannot be a purely political issue because they are a life issue for the people. According to the rhetoric of the president and the Government, the Serbian people have never been better off, and the Government's achievements are either the first or the greatest in the history of Serbia. This can only be reminiscent of bad historical rhetoric. In line with the objectives of its policies, the Government has achieved results in several important areas. They are mainly rooted into the economic and partly into the social sphere: fiscal and budgetary stability, employment growth, continuity in the FDI inflows, dynamic activities in transport infrastructure, certain improvements in childcare, maternity, etc.

Certain effects of Government policies are not for praise to: The percentage of poverty is not negligible, and the standard of living is low. Unemployment has been reduced, but the population of Serbia has also been declining annually by about 51,000 who emigrated. Foreign companies are favored and subsidized, so all domestic companies are disadvantaged in the market. A recent Pisa test showed a low-level of knowledge of Serbian children. If we add to that the shamefully low percentage that the state assigns to science and culture, Serbia cannot expect a bright future. Unfortunately, one general attitude of leading

politicians towards higher education and science is negative. This is especially true in relation to a number of dubious diplomas and doctorates, owned by politicians. One purely academic issue has turned into a harangue on the University of Belgrade and its rector. It turns out that education, knowledge and expertise are not important, but rather an affiliation with a leading political group.

Most of the media is under the control of the leading political party, which anyone can see by its content. They have succeeded in polluting and poisoning the whole social atmosphere, infighting our people with all our neighbors, turning against each other. The authorities use the old recipe for ruling and keeping the people under control: it is always good to have an external enemy and some internal ones are welcome. The nation is endangered and the only ones who can save are the rulers! It's no encouragement that there are still a number of countries with this type of governance.

Did any improvements to the foundations of a democratic society happen this year? Perhaps the better question would be: how many concessions did the leading political group have to make? Although reforms are the first on the agenda of all Serbian Governments over the last three decades, it is obvious that they are quick to see that the achievement of reform goals would directly endanger their power. All the reform changes that have been achieved in Serbia are largely the result of external pressure. Or conditioning, if that sounds better. That is why the Serbian Government is reluctant to implement them, and efforts to circumvent such solutions through various manipulations are not rare. Whether this is a fortunate circumstance or not is hard to say, but the conditioning that come from European and international institutions are the main driver of reforms in Serbia. Especially when we keep in mind their inconsistency and changing game rules in progress.

As in previous years, the same remarks were repeated in the reports and statements of European Union institutions and officials, indicating that there was little improvement in certain areas. As a rule, these are the

following areas: media freedom, the rule of law, corruption, democratic institutions. To remind, one of the Copenhagen criteria is the rule of law.

We can state two current opinions. GRECO's Interim Compliance Report on Serbia was published on April 2, 2019, and found that no globally unsatisfactory, but none of the thirteen recommendations has been implemented in a satisfactory manner. New Law on Prevention of Corruption was adopted on May 2, 2019. Further, European Commission's Serbia 2019 Report was published on 29th May, 2019, states that corruption is prevalent in many areas and remains an issue of concern. During their visit in early December 2019, members of the European Parliament recalled that modernization involves fighting corruption, freedom of the press, democratic structures and principles, the rule of law and independent institutions. It is common for Serbian officials to rate such reports as inaccurate, partly accurate and the like. In a better case, President Vučić stated that he had heard the opinions of members of the European Parliament.

Representatives of the Judges' Association of Serbia and Association of Public Prosecutors and Deputy Public Prosecutors of Serbia actively participated in passing new legal solutions or updating existing ones. However, only part of their suggestions or objections has been accepted. Also, there are frequent objections to politicians commenting on ongoing litigation or non-final judgments, putting pressure on the judiciary and the prosecution. Today, there is no person in Serbia as Laura Codruța Kövesi, the former state prosecutor of Romania. A solid level of rule of law in the country would eliminate most of the problems that hinder faster development of society.

Kosovo's main problems have not been resolved. President Vučić's initiatives did not produce a positive outcome. The early parliamentary elections in Kosovo on 6th October interrupted all previous activities. His only success was the Serbian List, which enjoyed the full support of the Serbian authorities. The policy of the future Government of Kosovo is difficult to predict. Two former opposition parties that won a majority in the last election: Self-determination and the Democratic Alliance of

Kosovo are set to form a new Government in December. According to their announcement, they don't want to include representatives of the Serbian list in the Government. It remains to be seen the outcome.

Conclusion

Many years of political and ruling domination in Serbia implies responsibility and glory for results. There is no reason for glory, but it does have some accolades. Also, responsibility for many lost years led us to poor or halfway results. Acknowledging the omissions, it is not enough - such a condition could last for years.

In political terms, 2019 is a lost year: none of the pillars of political democracy has improved, political culture and communication have been further impaired. On the other hand, some social care has been improved, fiscal and budgetary consolidation has been achieved, a high level of FDI inflows has been maintained, a significant dynamics of infrastructure projects and investments continued, as well as future credit obligations.

Review of Slovak Political Development in 2019

Peter Csanyi

This current government's term was marred by corruption and by the brutal murder of the investigative journalist Ján Kuciak and his fiancée, after he started digging into alleged links between the office of the then Prime Minister, Robert Fico, and the Italian mafia. The murder caused a huge outcry from the public, who demanded a thorough investigation and staged the largest protests since the Velvet Revolution. The public called for anti-corruption measures and posed questions about the country's state of democracy. This ultimately resulted in the resignation of Fico, who was replaced by Peter Pellegrini. Multiple ministers also stepped down. However, with Fico still heading SMER-SD, he maintained scope to influence Pellegrini and set the direction of the government. The protests has also continued in 2019. The murder accelerated the decline of SMER-SD and bolstered the opposition. The presidential elections were seen as a crossroads: sticking with the old establishment in the form of SMER-SD-supported EC Vice-President for Energy Union, Maroš Šefčovič; or a desire for change embodied in the political novice Zuzana Čaputová from the relatively new social liberal Progressive Slovakia (PS) party. Besides, Slovakia has faced another problems during this year, what began with the chaos regarding the election of Constitutional Court judges and continued with another affairs of the Slovak coalition government - the Threema messages. Additionally, this year's EP elections could be a stepping stone towards next year's parliamentary elections, which will be decisive for Slovakia in choosing whether to follow the progressive or nationalist path.

The briefing deals with the most important political events, which has had an effect on Slovakia in 2019.

Slovak Presidential Elections:

Thanks to the victory of Zuzana Čaputová, Slovakia joined the few countries in the world with female presidents. She gained 1,056,582 votes in the recent presidential election and became not only the first Slovak female president, but also the first female president among the countries of Central Europe. Although observers warn about jumping to quick conclusions about how progressive Slovak society is in terms of gender equality. Still, electing a woman to the highest constitutional post in the country is definitely a breaking point. However, even though the election of Čaputová is symbolic, one should keep in mind that Slovaks did not elect “a woman” to the presidential post, but a specific candidate. She has a background in law and in the third sector, a woman who openly talks about her liberal attitudes, her view of how insulting and equivocal is the political communication in Slovakia.

Čaputová is a political newbie whose anti-corruption campaign struck a chord in a country still grappling with the murder in February last year of investigative journalist Ján Kuciak. The murder triggered some of the biggest protests seen in post-communist Slovakia. The killings were one of the main reasons what motivated Čaputová to run for office for the very first time.

Although Čaputová was largely unknown before she skyrocketed in polls just weeks before the election, she has condemned widespread corruption and vowed to fight for justice for all. Her connection with journalist Kuciak's case began long before his death. Čaputová as a lawyer previously waged a 14-year legal battle with a company represented by accused businessman Marian Kočner that planned to build an illegal landfill in her home town in Pezinok, and she won the case.

During the election campaign Čaputová turned her back on issues that have worked so effectively for populist parties in neighboring Hungary and Poland, such as migrants and family values. Besides, in Slovakia, a country where same-sex marriage is illegal, she called for greater LGBT rights. Voters apparently liked what they heard, and Čaputová gained just

over 58% of the vote in a second-round run-off against a European commissioner Maroš Šefčovič.

Besides the success of the new president, a very positive news for Slovakia was that some extreme candidates for the presidency were eliminated already after the first round of voting on March 16. The final results were a victory for a different brand of politics. Čaputová's victory may give a boost to opposition parties looking to replace Smer-SD, still the most popular party, in next year's general election. However, the fact that anti-system voters, represented in the first round of the presidential race by far-right extremist Marian Kotleba and Supreme Court judge Štefan Harabin, who together won some 25 percent of the vote, may pose a problem.

The victory is also unique when compared to some of Slovakia's neighbors. Her emphatic victory represents a rare success for liberal forces in Central Europe, where populist and nationalist parties have racked up a string of victories in recent years, and pushed through illiberal reforms that have sparked consternation in Brussels that the region is drifting away from its democratic moorings.

European Parliament Election in Slovakia:

The EP election in Slovakia was predicted as combative campaigning with a clash between pro- and anti-EU political movements with an expectation that the new Slovak delegation in the EP would be probably significantly fragmented. While the election was important for new parties to consolidate their presence on the Slovak political scene, the far-right extremist ĽSNS, for example, were trying to build as much as possible on the relatively strong showing of its leader in the recent presidential elections.

The coalition of Progressive Slovakia and Spolu (who supported Zuzana Čaputová in the presidential election in March) won the election ahead of the ruling Smer-SD. The far right ĽSNS ended third. The election turnout was 22.74 percent, much higher than in 2014, when Slovakia posted a turnout of 13 percent. It was a substantial improvement over 2014.

Despite the fact that the turnout in Slovakia has almost doubled since 2014, it was still the lowest within the EU, with the European average at almost 51 percent. It is nothing the Slovaks could be proud of, but it does show a positive trend. Slovakia has reversed the decreasing turnout that had been dropping in the last three European elections. It partly means that Slovak citizens are interested in issues that concern the international community and are not focused only on themselves.

The results of the European Parliament election in Slovakia have clearly shown and confirmed the victory of pro-EU forces. Slovaks have chosen mostly pro-European politicians to represent them in the European Parliament in the next five years. In the EU election, voters have turned away from parties of the ruling coalition. The EP election meant a total blow-out of the two coalition partners of Smer-SD (Most-Híd and SNS). They did not get any mandates in the European Parliament.

Out of the 14 mandates that Slovakia gets in the EP (13 + 1 after Brexit), only three will be taken by candidates of a coalition party (Smer-SD), while six go to non-parliamentary opposition, two mandates to far-right extremists, and three to parliamentary opposition parties.

A coalition of two new parties, Progressive Slovakia and Spolu, confirmed their victory wave during the elections to European Parliament. After electing Matúš Vallo as Bratislava mayor and Zuzana Čaputová as the president of Slovakia, they won the EP elections with 20.11 percent of votes, which will translate into four mandates. However, the far-right People's Party-Our Slovakia (ĽSNS) also had a strong result. With the support of 12 percent of votes, it obtained two seats in the EP.

As many expected prior to the elections, those two forces, strongly pro-EU (PS and Spolu) and strongly anti-EU (ĽSNS), were most successful in mobilizing their electorates. This mobilization helped to increase the turnout to slightly over 22 percent. The election in Slovakia, however, also highlighted other parties. The Christian Democratic Movement (KDH) and Freedom and Solidarity (SaS) also managed to mobilize their voters, both gaining two seats in the European Parliament.

Election of Constitutional Court Judges:

Nine vacancies were formed at the Constitutional Court in February 2019, with the Parliament supposed to elect double the number of candidates, from which the President was expected to appoint nine judges to the bench. However, the Parliament was not capable of electing the needed number of judges or just did not want to do it. This failure was considered mainly as the failure of the incumbent ruling coalition.

The direct cause behind the failure of voting in parliament was a dispute inside the tripartite government coalition. Most-Híd, the smallest party in the government coalition, was opposed to the candidacy of Robert Fico for Constitutional Court judge. As a result, Smer-SD tried to push through a secret manner of electing the candidates, which would have made it easier for Fico to forge behind-the-scenes alliances. However, neither Most-Híd nor Smer-SD's second coalition partner, the Slovak National Party (SNS), nor the opposition backed this proposal. Faced with a high likelihood of open defeat, Fico withdrew his candidacy, and Smer-SD's MPs cast invalid votes, thus blocking the election of judges.

The paralysis of the Constitutional Court was to a great extent an effect of Robert Fico's ambitions which also met with resistance from the then-President Andrej Kiska. Fico served as the prime minister for many years and had to step down in spring 2018 due to a government crisis caused by a wave of protests. He chose the position of the presiding judge of the Constitutional Court as a good place for his political retirement. Most likely, he was planning to reach a compromise with the president, who would thus rid himself of one of his greatest political opponents. However, a deal like this would have damaged the meticulously constructed image of Kiska as an opponent of behind-the-scenes deals and political corruption which he plans to capitalize upon in party politics after the expiry of his presidential term in June this year.

Most probably, by blocking the election of candidates for Constitutional Court judges, Smer-SD wanted to bring about a situation where at least part of the judges would have been nominated by a new president. The plan was that, in the case of victory of Smer-SD's candidate,

Robert Fico would also be able to put forward his candidacy. He has long been looking for an adequate position to take during the next stage of his political career. Obviously, this plan did not work, because Smer-SD's presidential candidate, Maroš Šefčovič, lost the election and Zuzana Čaputová became the new president of Slovakia.

Threema Messages:

The 2020 parliamentary election will take place at the end of February, coinciding with the second anniversary of the Kuciak and Kušnírová murders. Given that this will be the first general election since that awful event changed Slovakia, we can expect an unprecedented campaign. This summer we have learned some things that suggest anyone following Slovak current affairs will need a strong stomach over the next six months. The most frequently heard name in this campaign will not belong to a politician. Decades of "hard work" have elevated Marian Kočner to a main element in the campaign, but as object rather than subject. The leaked decoded messages that he exchanged with Alena Zsuzsová, his hardworking associate who, according to the police, was behind the planning of several murders, including that of Ján Kuciak, suggest he was preparing to enter the political arena rather than just pull strings from offstage. But as things stand three months before the election, Kočner will vote from prison for sure and the question is who else will join him.

Marian Kočner, the man who stands accused of ordering the murder of Ján Kuciak, worried about the future of Smer-SD after the murder. This stems from a police report about the Threema communication from his smartphone what was published by Denník N at the beginning of August. The police have decoded the messages Kočner sent through the Threema application in May of this year, with the help of partners from Europol. Prosecutors used the messages that Kočner exchanged with Štefan Agh and Norbert Bődör during the trial in the promissory notes case, in which Kočner is one of the defendants.

The Threema communication suggested he was always ready to help Robert Fico, was loyal to him, sacrificed himself for Smer-SD,

proposed and took steps for Smer-SD to stay in power. He even used his own money to influence the public's opinion through media, attempted to influence various political posts, which should have also been done using information that he managed to get hold of even before they were reported by the media. Marian Kočner used to phone former interior minister Robert Kaliňák or former general prosecutor, Dobroslav Trnka, and meet with former Prime Minister Robert Fico, according to the messages found on his mobile phone. Unfortunately, the situation is even worse, because the communication indicates that more politicians and “important people” are involved in this case. It is obvious that, besides the parliamentary election, the investigation of “Threema” communication will be one of the most important topics in Slovakia and can bring major changes on the Slovak political scene in 2020.

Slovenia's New Government: Navigating the Balance

Helena Motoh

Summary

The government formed after the 2018 elections is in many ways particular. It is led by a newcomer in the sphere of national politics, it consists of many political parties and it was initially organized as a minority government with a support secured by an agreement with a partner political party outside the government. The year 2019 in national politics was marked by this starting period of the new government along with several step-downs and corruption scandals and ended with the extra-government partner breaking the alliance with the government. Despite all these the government still enjoys a high support in the public opinion polls.

Replacing ministers and high-level political representatives

Ministers and high-level political representatives stepping down is part of every government term, but the so-called “new-faces parties” seem to be even more prone to issues related to the past background of political newcomers that they put in the high government positions and the lack of political experience in running their respective ministries. The previous government of Miro Cerar, as well established just shortly before the 2014 elections, had several issues like that. Many of their ministers were previously unknown in the political sphere and soon after the government was formed, a series of resignations started, eventually resulting in more than a third of ministers being replaced, some of them for corruption-related issues.

In the process of forming the government, this new-faces related problem was one of the concerns the media and the public expressed, and it seemed that Marjan Šarec, the new Prime minister, took a great effort to avoid falling into the same trap. The selection of candidates was

surprisingly slow, and he also was quite wary of not presenting the names of the candidates of his political party before the coalition agreement was reached, as to prevent any scandals in media even before the formation of the government. When the first list of ministers seemed final, he still had to change two of the candidates. The final selection was seemingly conservative, there were a lot of familiar political figures. Partly this was due to the fear that newcomers may present a liability, and partly this was a consequence of a coalition with a large number of coalition partners. Five political parties, out of which four received a very comparable support at the elections, competed for the ministries. Three of the key ministries are thus led by coalition parties' leaders. In November, the Minister of Cohesion, Marko Bandelli (SAB) had to resign due to several inappropriate media communications. In 2019 more resignations followed, partly due to the image of zero corruption tolerance that the new Prime Minister wanted to portray and the pressure from the coalition partners that same standards are applied for all the government representatives, regardless of their political party background. In January a tragic case of a suicide of an employee in the Ministry of Culture resulted in harsh criticism against the Minister of Culture Dejan Prešiček. He was accused of actively conducting and passively allowing mobbing practices to happen at the ministry. Despite the initial hesitation by the Prime Minister to act upon this scandal and a harsh opposition on the side of Prešiček's party, the Social Democrats, he eventually did resign at the end of January. The second resignation followed soon after a bizarre affair which was reported in media as "sandwich affair". In a parliament committee meeting Darij Krajčič, a parliament member from Marjan Šarec List (LMŠ), admitted having had stolen a sandwich from a nearby grocery store. A scandal exploded immediately and Prime Minister Šarec was forced to undertake strong measures to try and save the reputation of his political party. A more surprising resignation occurred in the first month of 2019. One of the most strongly profiled ministers in Šarec government, the Minister of Environment Jure Leben (SMC), became part of a police investigation. They researched a corruption scandal that happened when Leben was the

Secretary of State at the Ministry of Infrastructure. For his political responsibility Leben decided to resign, although his resignation was interpreted in media and the general public as being the result of a pressure of some strong players from the environmentally problematic industries, which Leben and his team in the Ministry were working strongly against. Similar scenarios were played out in media when another sensitive ministry position was changed. Traditionally one of the ministries where the lobbying pressure is understood to be the highest, Ministry of Health saw a series of resignations in the previous government mandates. In the case of Šarec' government, the Minister of Health, Samo Fakin, allegedly resigned due to a health condition, but many commented that the pressure for him to resign came from the Prime Minister himself, not being satisfied with the speed at which the health system reform was progressing. In September, Minister for Development and Cohesion, Iztok Purič decided to resign. The reasons for his resignation remain unclear, although one of the possible reasons are the disagreements within the SAB party. One of the biggest surprises was the resignation of one of the PM's closest advisers in the government, Vojmir Urlep. Although the official reason given was health-related issues, the most probable reason is his disapproval of the government-led interventions in the state-owned companies, most notably the replacement at the top positions in Telekom and Petrol.

Coalition and partnership with the Left

While each of the resignations is related to a different background story, all of them seem to be indicative of three main issues of the current government, the troublesome relation between the coalition partners, the issue of whether the government will be able to pursue its agenda under the strong pressure of interest groups (e. g. in the health sector) and the unclear strategy of managing state-owned companies. In political sphere the first of these seem the most problematic. The disagreements between the coalition partners became evident at each of the occurrences listed above but also at several other issues.

In October, a separate action of one of the government partners provoke a crisis in the relation between the five parties. DeSUS on their proposed an amendment to the budget act on balancing the pensions with the economic growth, lowering the threshold from 3 to 2,5 percent growth. The strongest reaction to this separate move of DeSUS came from the side of SAB party, which also targets the retired population as its support base. The disagreement was finally resolved by agreeing on the joint amendment.

All through the 2019, the additional destabilizing factor was the fact that the minority government had to rely on the support of the extra-government partner, The Left, which expected them to follow the joint programme they agreed on at the formation of this partnership in autumn 2018. With the first disagreements starting already in 2018 after the naming of former SDS member Damir Črnčec to the position of the State Secretary of National Security in Šarec cabinet, over 2019 this collaboration slowly broke apart. The passing of budget proposal in July 2019 revealed several discrepancies. The Left protested the tax relief for the highest income group, the doubling of the budget for the intelligence service, no increases for R&I budget and cuts in the budget for culture. They also strongly opposed cuts in the system of support for the working poor. The crucial split, however occurred in November when The Left submitted a proposal for an abolishment of the supplementary health insurance system. The move itself was part of the initial agreement between the government coalition and The Left, but the coalition eventually blocked the proposal with last-minute amendments which stopped the process. This led to an official withdrawal of the Left from the cooperation with the government coalition and a need for the minority government to seek the parliament support elsewhere.

When the budget act was proposed, the government found it hard to get support in the parliament, eventually resorting to an ad-hoc agreement with the opposition extreme-right Slovenian National Party. Despite the threats from DeSUS that they will not support the budget due to their disagreement with the system of pension balancing, eventually the coalition was able to pass the budget law in early December with a 48-vote support. Another difficult test of the coalition coordination followed at the

end of December, when a replacement candidate for the resigned Minister of Cohesion was proposed by the SAB party. The choice was partly surprising – the candidate was an ethnic Slovenian Austrian citizen Angelika Mlinar, who previously also ran for EU elections on the side of SAB party. Although she was rapidly granted a Slovenian citizenship few days before the vote there was a lot of criticism among the opposition in the parliament against her candidature. Even a member of DeSUS decided not to support the candidate and the vote was unsure until the very last minute. She was finally confirmed with 44 votes against 43.

Despite the uneasy balance seeking process, the Šarec government still enjoys a surprisingly high public support. From the initial 60% support, which is comparably high for any Slovenian government, it slightly fell during the November crisis to just below 45% but rose again to over 50% in December.

Conclusion

The political sphere in Slovenia in 2019 was marked by the specific situation in the government. The minority government with five almost equally strong coalition partners found it hard to secure both the internal unity and external support. Despite the break with its extra-governmental partner, The Left, they seem to have navigated the difficult situation successfully and still have a strong public support. In the future year, its biggest challenge will be how to get support for the key coalition projects, e. g. the pension reform and the health reform.

Part II Economic Perspective

Albania: Anticipated Slowdown, Unexpected Droughts and Exposed Fragility

Marsela Musabelliu

Introduction

According to the official data from World Bank, at the end of 2018 Albania's Gross Domestic Product (GDP) ranked 118th in the world with a total of 15.059 billion US\$ and a per capita GDP amounting to 5,252 US\$. As growth in 2018 was quite favorable (4.2%), mostly to be attributed to electricity output raised by abundant rains, 2019's growth went below expectations. Given that the official yearly data are not public yet, Albanian economist placed the growth to a maximum of 2.9% in a very optimistic scale by analyzing the data of the first, second and third trimester (respectively 2.21, 2.31 and 2.9). In order to better understand how 2019 has unfolded for the national economy the following indicators will be analyzed: *GDP growth, imports and exports (Trade Balance), Foreign Direct Investments (FDI), business climate, inflation, wages and fiscal/financial position, by analyzing their yearly performance and their respective contribution.*

GDP Growth

The estimation for the Albanian economic growth according to national and international institutions at the beginning of this year were: World Bank 3.6%, IMF 3.7%, EBRD 3.9% and Albanian Government via the Ministry of Finance 4.3%. In December 2019, it is realized that the potential of the local economy was overrated in the estimation of all institutions because the Albanian GDP growth is not exceeding 3%, most reliable sources estimate a 2.8-2.9%.

According to final county datasheets there are three main reasons for the economic slowdown of 2019 – low levels of rainfall, the closing of gambling activities in 2019 and the slowdown of the works of the Trans Adriatic Pipeline project (TAP).

The main reason to this decline is attributed to a drastic decline in rainfall which cut hydroelectric power production. Indeed, power production fell sharply during 2019 due to long period of droughts, by indicating the group of “industry, energy and water” - the main driver of 2018 annual growth of 4.06 % thanks to electricity output – as the main influencer on the overall GDP declining points in 2019. The group of Industry, Electricity and Water totally decreased by 1.89%. The main subgroup impact was given by activities of Electricity and Manufacture and processing of basic metals, which are decreased respectively by 27.54 % and 4.79 %.

Construction activity also decreased by 1.75 %, mainly influenced by companies related with the TAP project, a project which now is its final phase and subcontractors are not needed for further works.

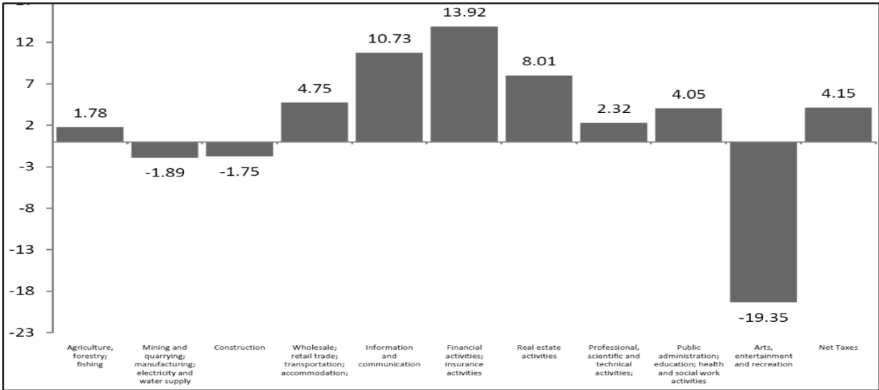
In 2019 gambling was not permitted any longer in Albania via a special law – this entire industry was swept out of the system. In the previous year there were 14 companies licensed for this activity, with a turnover of around € 150 million and this value is missing from the GDP in 2019. Indeed, in the official data, the group of Arts, Entertainment and Recreation services, is decreased by 19.35 %.

On the positive trend there are: Agriculture, Forestry and Fishing activity increasing by 1.78 %; Trade, Transport, Accommodation and Food Services increasing by 4.75 % influenced mainly by Wholesale, which marked an increase of 6.37 %; Information and Communications is increased by 10.73 %; Financial and insurance activity is increased by 13.92 %; Real Estate activity is increased by 8.01 %; Professional services and Administrative services is increased by 2.32 %. The group of Public

administration, Education and Health is increased by 4.05 %. While Net Taxes on products is increased by 4.15 %. ^①

To put the above figures into an overall perspective, the latest official display is the following:

Fig 1 – Overall changes by branches of economy



Source: INSTAT

Imports and exports

The total value of exports decreased by 10.3 % and the total the value of imports increased by 1.6 % compared with the same period of previous year. As of Nov. 2019, trade deficit is signing an increase by 14.3 % compared with a year prior.

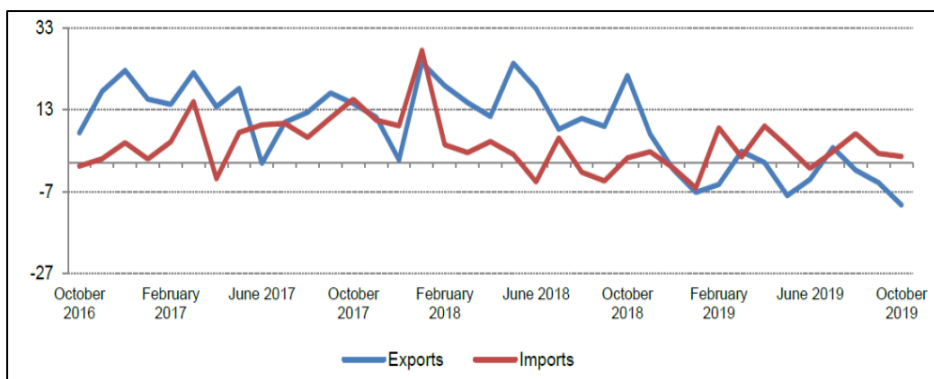
The influence of the main groups in the annual change in exports was given by the groups: Construction materials and Metals with -3.2%; Machinery, Equipment, Spare Parts with -2.8 %; Minerals, Fuels, Electricity with -2.3%. While, a positive contribution was given by Chemical and Plastic with +0.2% and Leather with +0.04%.

The influence of the main groups in the annual change in imports is: Minerals, Fuels, Electricity with +1.4%; Chemical and Plastic with +1.1%; Machinery, Equipment spare parts with +1.1%. While, a negative contribution was given by the group: Textile and Footwear with -1.3%;

^① All data are retrieved from: <http://www.instat.gov.al>

Construction Materials and Metal with -1.2 % and Wood Manufactures and Paper with -0.5%.^①

Fig. 2 – Percentage of annual change in foreign trade



Source: INSTAT

Trade with the EU countries, in ten months of 2019 is 64.2 % of total. In this period, the share of exports to EU countries was 76.4 % of total export and share of imports from EU countries was 58.5 % of total import. The main trade partners are: Italy (32.7 %), Greece (7.2 %), China (6.9 %) and Turkey (6.4 %).

In the 11 months of 2019 trade indicators have fluctuated as follows, in exports: countries with which Albania has had the highest increase of exports, compared to the same period of 2018 are: China (+13.7 %), Kosovo (+12.9 %), Germany (+5.8 %); while, countries with which has had a decrease of exports are: Italy (-2.6 %) Spain (-13.3 %) and Greece (-4.6 %).

In imports: in 11 months of 2019, countries with which Albania has had the highest increase of imports, compared to the same period of 2018 are: China (+14.5 %), Turkey (+11.2 %) and Greece (+8.1 %). While,

^① Full data available at: <http://www.instat.gov.al/en/themes/industry-trade-and-services/short-term-statistics/publications/2019/short-term-statistics-services-q2-2019/>

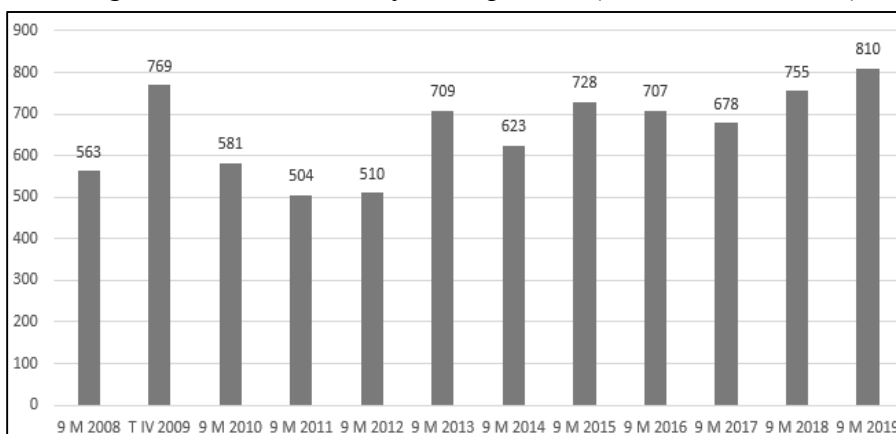
countries with which has had a decrease of imports are: Italy (-6.0 %), Germany (-7.5 %) and Russia (-12.4 %).^①

Foreign Direct Investments

On December 12th the Minister of Finance and Economy, via a press release, stated that the statistics of Bank of Albania for three quarters of 2019 demonstrate an all-time record for foreign direct investments in the country.^②

Foreign Direct Investment in Albania increased by 7.3% for the 9-month period of 2019, reaching 810 million euros and with this data the country reaches the highest historical level of foreign investments. She stated that: *“The increase in foreign direct investment confirms the government's projections for this year to exceed 1 billion euros. Also, for the third quarter of 2019 alone, these investments recorded a value of +272.2 million euros, or + 1.3%, compared to +268.6 million euros in the third quarter of 2018.”*^③ The table below demonstrates the yearly trend since 2008.

Fig. 3 – Stock of FDIs by threequarters (Unit: million Euros)



Source: monitor.al

^① Ibid.

^② Albanian Telegraphic Agency (ATA). Full text available at: <http://ata.gov.al/2019/12/11/niveli-me-i-larte-historik-rriten-me-73-investimet-e-huaja-direkte-per-9-mujorin-e-2019/>

^③ Ibid.

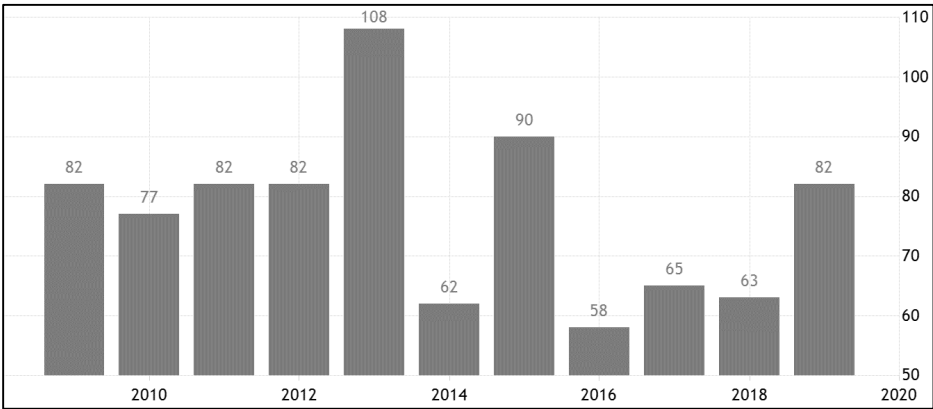
However, beyond the positive numbers there is needed a better understanding of what constitutes the overwhelming majority of these investments. Indeed, figures of FDI has been at a high level in recent years, due to two major projects, the TAP pipeline and hydropower plants rising over the Devoll River. TAP, the 1.5-billion-Euros investment concerns the construction of the Albanian section of the pipeline including the cost of pipes, compressors and other equipment and machinery needed for the construction of the pipeline. The highest concentration of works was in the period 2017-2018. In December 2019, 95% of the earthworks in Albania have been completed, including the pipeline itself, block valve stations, metering and compressor stations, restoring, exiting, etc., including works for marine section in Albanian waters. Also, the other major investment, hydropower plants being built on the Devoll River by Statkraft, with a total investment of 590 million Euros, is also coming to an end. The Banja HPP is already operational and generates energy, while the Moglica HPP has been completed and is in the testing phase. Official sources from Statkraft said that in 2018, investments were around 86 million euros and in 2019, they are expected to be around 73 million Euros. ^① Bank of Albania reported that in the third quarter, investments were mainly concentrated in the energy (at 23%), hydrocarbons (at 21%) and financial intermediation (at 13%), thus majorly related to the two projects above. On one hand, this is a very positive circumstance because these investments have been a important source in creating local jobs, on the other, it might backlash because Albanian economy has become heavily depended on these projects. The lack of diversification of investments is the major risk for the near future.

Business climate

^① FDI reach 890 million Euros in 2019. Translated from:
<https://www.monitor.al/investimet-e-huaja-rriten-me-7-3-per-9-mujori-n-arrijne-ne-810-milione-euro/>

Albania is ranked 82 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Albania deteriorated to 82 in 2019 from 63 in 2018. Ease of Doing Business in Albania averaged 78.33 from 2008 until 2019, reaching an all-time high of 108 in 2013 and a record low of 58 in 2016.

Fig. 4 – Albania’s position in world ranking “Ease of Doing Business”



Source: World Bank

In 2019 Albania lost 19 positions in this list, which only demonstrates a more unfriendly regulation to businesses. Small businesses (especially micro) have been facing numerous difficulties and according to the owners, or others expressing concerns on their behalf, the issues are just piling up and in many are already closed. This was first initiated by changing in legislation and later worsen by market conditions. Stricter taxation policies intertwined with corruption are making Albanian business environment deteriorate in quality and in expansion.

Inflation

According to World Bank presence in Albania, inflation declined compared to end-2018, reversing the trend of the recent past. The monetary easing and improvements in the loan portfolio has facilitated private sector

credit growth.^① In quantitative terms, with price stability, the Bank of Albania will realize keeping consumer price inflation at 3.0 percent in the medium run. The inflation target is the annual change in the Consumer Price Index, measured and published by INSTAT. The Bank of Albania deems that by maintaining inflation around 3.0 percent, monetary policy will continue to make a positive contribution to the development of the Albanian economy.

According to the final yearly report of Bank of Albania for 2019, the average annual inflation was 1.4% and fluctuated near the level recorded a quarter earlier. The fastest rise in prices of services and processed foods was almost offset by the increase slower price of raw foods. Prices of goods in the consumer basket made, overall, a low but positive contribution in the annual inflation of this period. In the macroeconomic terms, low inflation rates reflect the still insufficient growth of inflationary pressures from the economy domestic and weakness of imported inflationary pressures. The pressures of Inflationary domestication are estimated to have increased, as illustrated from the slight upward tendency of core inflation. However, its low values witness the still low and below historical, wage and growth averages of other production costs.^②

Fig 5 - Annual Change of Consumer Price Index (%)

Groups/ Time	01-19	02-19	03-19	04-19	05-19	06-19	07-19	08-19	09-19	10-19	11-19
	01-18	02-18	03-18	04-18	05-18	06-18	07-18	08-18	09-18	10-18	11-18
Total of all items	1.9	1.7	1.1	1.4	1.5	1.3	1.5	1.4	1.3	1.3	1.4
Food, and non-alcoholic beverages	4.3	3.8	2.0	2.7	3.1	2.7	2.8	2.4	2.5	3.0	3.2
Alcoholic beverages and tobacco	1.8	1.6	1.0	1.0	1.4	1.4	1.3	1.5	1.5	1.4	1.1
Clothing and footwear	-0.8	-0.3	0.0	0.3	0.5	0.2	0.2	0.2	0.2	-0.1	-0.3
Rent, water, fuel and power	0.8	0.9	1.0	1.2	1.1	0.8	0.8	0.8	0.7	0.1	0.1
Furniture household and maintenance	0.1	0.2	0.5	0.7	0.7	0.7	1.3	1.5	1.5	1.4	1.5
Medical care	-0.6	-0.5	-0.4	-0.3	-0.5	0.0	-0.1	-0.1	0.0	-0.1	0.0
Transport	0.0	0.1	0.5	0.4	-0.1	-0.6	-0.1	1.2	-0.6	-2.0	-1.6
Communication	0.4	0.1	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0
Recreation and culture	1.8	2.1	1.1	-1.1	-0.6	-0.1	1.1	2.2	0.5	1.2	2.1
Education service	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.2	0.2
Hotels, coffee-house and restaurants	1.1	1.1	1.2	1.1	1.1	1.3	1.1	1.1	1.2	1.2	1.3
Miscellaneous goods and services	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.2

Source: INSTAT (own graphic elaboration)

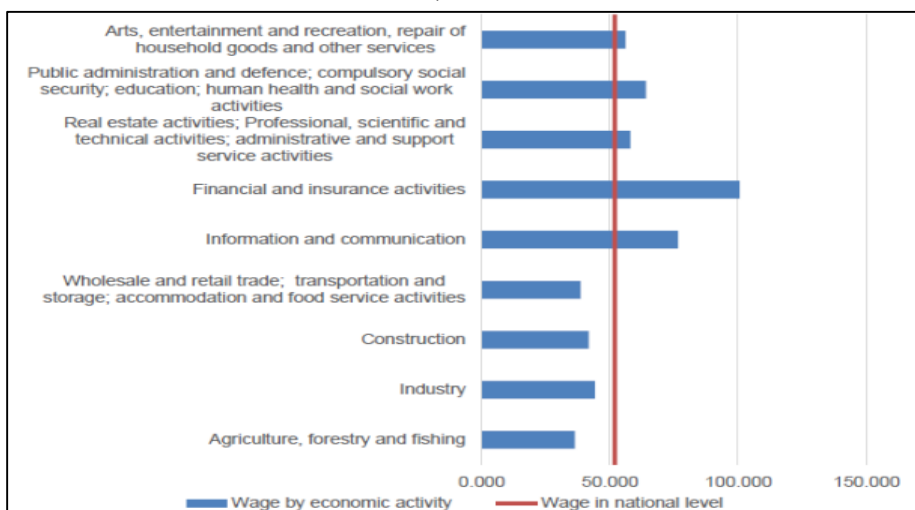
^① Available at: <https://www.worldbank.org/en/country/albania/overview#3>

^② Monetary Policy Report, Bank of Albania. Translated from: https://www.bankofalbania.org/Botime/Botime_Periodike/Raporti_i_Politikes_Monetare/

Wages

During the third quarter of 2019, the average gross monthly wage per employee in Albania is 51,870 ALL (425 Euros), showing an increase by 3.7 % compared to the same quarter in the last year. However, the gap in remuneration between categories still remains broad.

Fig. 6 - Average gross monthly wage by economic activities (Unit Albanian Lek: ex. 1 € = 122 ALL)



Source: General Directorate of Taxation, social insurance contributors.

Financial position

Although Albania's fiscal position improved in 2019, risks from contingent liabilities and state-owned enterprises (SOEs) remain high. In 2019, fiscal revenue growth was limited by lower GDP growth and especially by the increased repayment of value added tax refund arrears. The budget deficit is projected to widen to 2.2 percent of GDP in 2019, while the public debt, including guarantees and arrears, is expected to decline to 68.4 percent of GDP.^① The latest statement on Financial Stability expressed that the overall activity in the financial system continued amid a stable environment and key performance and resilience indicators remain

^① World Bank in Albania. <https://www.worldbank.org/en/country/albania/overview#3>

at good levels. The share of assets of the financial system in the GDP fell by almost 2.1%. The fall came mainly from the decline in the reported value of banking sector assets, after the finalization of the transformation of a bank branch abroad into a subsidiary. The appreciation of Lek's exchange rate, contributed negatively to the reported values in foreign currency of the banking sector's balance sheet; however, the impact was low. In terms of financial soundness, the banking sector was characterized by good levels of capitalization and profitability. In the Banking sector the main risks remain on non-performing loans remained overall stable during the period, at ALL 63 billion. The ratio of non-performing loans recorded 11.2%. From a year earlier, non-performing loans fell by 18%, whereas the ratio of non-performing loans stands around 2% lower. ^①

Conclusions

Albanian economists argue that this year's drought revealed the fragility of the entire economy. When the economic growth of a country is massively driven and relied upon a natural phenomenon (occurred mainly from rains and massive electricity sales), nothing can be controlled or properly projected for the development of the future. Sound economic policies become crucial and relying on proper expertise is the only way ahead in diversifying sources of development.

Furthermore, to the already financially burdened Albanian households, 2019 will mean not only economic stagnation/slowdown but it will also be consequential. Because of the earthquake of November 26th, where besides the tragic loss of 51 lives, more than 10.000 ruined homes require an emergency budget to house the families affected by this natural disaster. Millions of Euros has been flowing into Albania from all around the world to help the unfortunate with an unprecedented solidarity,

^① Bank of Albania. Retrieved from:
https://www.bankofalbania.org/Financial_Stability/Financial_Stability_Reports/Financial_Stability_Statement/Financial_Stability_Statement_for_2019_H1_25212_1.html

however, it is widely accepted that the government will have to provide for the majority of the funds.

BIH's Economy in 2019

Ivica Bakota

General indicators

According to IMF estimates, nominal GDP of Bosnia and Herzegovina in 2019 was USD 20.106 billion (decrease from 2018), or GDP (PPP) of USD 49.79 billion (slight increase from 2018). In per capita figures, it is: USD 5748 or USD 14220 (PPP).

The World Bank predicts that the economy will grow 3.4% in 2019, which represents continuation of stable growth figures (above 3%) from 2015. BIH Foreign Trade Chamber in April 2019 published that unemployment rate (combined for RS and FBIH) is on record low, 15.7%. Average net salary is USD 825, confirming continuous increasing trend in the last three years.

Bosnia and Herzegovina was ranked 83rd on the Index of Economic Freedom, making some progress relative to the 91st place in 2018, and keeping above the global average, but still lagging behind fast-growing regional level. According to index, Bosnia and Herzegovina is "moderately free" country in terms of doing business.

According to the BIH Central Bank report published this year, total deposits in BIH banks were BAM 21.9 billion (EUR 11.20 billion) as of January 2019, which represents 61.15% of nominal GDP. In the first half of 2019, exports amounted to BAM 5.829 billion (EUR 2.98 billion), which is 0.1% less than in the same period of 2018, while imports amounted to BAM 9.779 billion (EUR 5.00 billion), or 4.5% more than in the same period of the previous year. Export continues to mainly rely on electricity, processed wood, metal ores (aluminum, iron, bauxite) and automobile parts (car seats). Main export partners are Germany, Italy, Austria and neighboring Croatia, Serbia and Slovenia. BIH import data also haven't changed much in the last year. Main import goods are fossil fuels (crude,

motor oil), automobiles, etc. Main import partners include Germany, Croatia, Serbia, Italy, Russia, China and Turkey. Total import and export data are not yet available for 2019, but according to 2018, it was USD 10.21 billion and USD 6.21 billion respectively.

Public debt of Bosnia and Herzegovina in June 2019 was, according to central government, BAM 11.15 billion (EUR 5.6 billion), out of which the external debt amounted to BAM 8.2 billion (EUR 4.13 billion) and domestic was BAM 2.9 billion (EUR 1.5 billion). The share of public debt in gross domestic product (GDP) was 31.42%. BIH Federation participates with 59.91% in total public debt, while Republika Srpska with 47.97% (and Brcko District with 0.47%). Public debt increased by BAM 50.85 million (EUR 26.4 million) compared to the end of 2018, or 0.46%. External debt was reduced by BAM 1.49 million, while domestic debt increased by BAM 52.34 million.

From miscellaneous figures, in the second quarter of 2019, the average price of new apartments sold in Bosnia and Herzegovina was BAM 1,606 KM (EUR 821.47) per square meter, slightly less than in 2018 (EUR 886), but with not yet obvious trends indicating stable decline in consumption. However, BIH real estate market registers significant differences in local prices, augmented also with current emigration trends and rural depopulation.

On the other hand, in the first seven months of 2019, 906,788 tourists visited the country, which is 11.7% jump from the previous year and not yet the most representative figure as the most arrivals of tourists are expected in the season from July to September and December (currently unavailable). Comparing to 2018, when 1,465,412 tourists visited Bosnia-Herzegovina, it is expected that 2019 will register a double-digit increase (more than 12% as in 2018), and finish a year with total around 3,500,000 overnight hotel stays with two-third of tourists coming from foreign countries.

In the first six months of 2019, foreign direct investment amounted to BAM 650.1 million KM (EUR 332.34 million).

Challenges

Despite positive general indicators, BIH economy is still burdened with long-term problems for which in this year are not shown any signs of progress. Swelling administration, low score on Doing Business list, corruption, grey economy, inefficient tax system and low productivity are at the top of the list, while following four issues made most of the news in 2019.

Non-performing SOE sector. This year, the IMF mission in BIH has grappled with non-performing SOE sector and unsuccessful privatization in BIH. In a working paper on “State-owned Enterprises in BIH” is stated that out of 550 publicly owned companies in BIH, disappointingly few are squaring sustainable business. In general, SOEs own 40% of total business assets, employ about 11% of the total number of employees and account for only 10% of total turnover (added value), indicating that employees of BIH state-owned enterprises produce less added value than other countries in the region. The total debt of SOE sector is approximately 26% of GDP. However, despite lower productivity, average wages in SOE are 40% higher than in private sector.

These findings are confirming what Bosnian economists have warned as structural problem of Bosnian economy. Pervasive clientelism, or what Anto Domazet, professor at Sarajevo Faculty of Economics, calls Bosnian political capitalism is a system of privileges for the political class, which accompanied by corruption and organized crime through privatization, allocation of public resources, procurement of public contracts and public employment creates an “inefficient and non-performing public sector and inert, stagnant economy that does not offer economic growth, creates unemployment, poverty and growing migration that call into question the economic viability of the country”. Failure of this ‘business model’ was seen in July when Aluminij Mostar, largest SOE in Herzegovina-Neretva Canton was shut down. The company that was once biggest exporter of aluminum was drawn to bankruptcy due to inefficient and conservative business policy (failed protectionism of the domestic market, monopoly, technological and market lag), but above all, because it was a source of

illicit financing for its political campaigns and employment for political cadre and supporters.

Hard to do Business. Bosnia and Herzegovina is one of the last countries Europe in terms of "ease of doing business". With the gray economy accounting for a quarter of GDP (according to the European Commission's Progress report), poor protection of ownership rights and slow administration procedures, BIH is yet to make comprehensive reforms to attract foreign capital and investments. The World Bank in explaining poor position of Bosnia and Herzegovina on the Doing Business list outlines other categories BIH lacks, such as: starting a business (on average 40-60 days), obtaining building permits (can be extended up to several months), connecting to the electricity grid, registering ownership, access to finance, protecting small investors, paying taxes (big burden on small and medium size enterprises), foreign trade (taxes and barriers), contract realization and insolvency resolution (slow and corrupt judiciary). As a result, bad business environment contributes to the growth of the gray economy, unemployment and poverty, and according to many experts, such an economic situation prevents society from investing sufficiently in the acquisition and creation of knowledge.

Brain drain and shrinking labor force. That emigration from BIH is becoming serious and chronic problem was becoming obvious from indirect and non-official sources. Simple comparison with neighboring Serbia, North Macedonia and Kosovo indicated that depopulation trends in BIH are on 20-year peak, parallel decrease in employment and unemployment and increase of remittances provided substantial evidence in spite of central statistics failure to give accurate picture on BIH labor force. In 2019, BIH government endorsed a report, presented as part of the Strategy for Cooperation with Emigrants that stated 2017 data, according to which at least two million people originally from BIH currently live outside the borders of Bosnia and Herzegovina. In percentage it makes 56.6 % of current BIH population (estimated at 3.53 million). The World Bank has slightly lower estimates and believes that 44.5% of people originating from BIH (being born, excluding second and third generation

of those only having parents or grand-parents born in BIH) reside outside of Bosnia and Herzegovina. This places Bosnia and Herzegovina in 16th place in the world in terms of emigration in and population drain.

This problem is augmented with the fact that neither local nor federal or RS government is keen to establish an accurate number of people leaving the country, discrepancy between different methodologies tackling the number of non-resident people is also politically exploited. There are, however, warnings from international institutions (including the World Bank, UN, EU) and BIH non-governmental sector, which translated in the statement issued by the FBiH government earlier this year are still rendered a bit vaguely as a “serious trend of leaving Bosnia and Herzegovina, not only for (pursuing) higher education, but also for other employment opportunities”. Therefore, acknowledging rather than dealing problems with depopulation and shrinking labor force are main challenges BIH is currently facing.

Insufficient transport infrastructure. BIH has only 130 kilometers of motorway built since the end of the war (also the total length of BIH motorways), and for the last five years no new motorways have been built in the full length. Dire circumstances regarding the road infrastructure is usually justified by the harsh conditions on the ground (mountainous terrain), but also with the frequent alteration and delay of previously agreed construction plans and projects. The main construction project is building motorway along Corridor VC (Samac, Zenica, Sarajevo, Mostar, Ploce), which is built in about sixty kilometers long section between Zenica and the town of Tarcin (Sarajevo outskirts towards Mostar). Currently, there are also shorter sections in Herzegovina and less than a dozen kilometers around the Zenica bypass. The border bridge (with Croatia) near Svilaj is in the final stages of construction, but it will be idle for some years because the connecting motorway has not been built. The tunnel through Prenj Mountain is also challenge for federal government to implement within the next years.

Republika Srpska built motorway connecting Banja Luka with Gradiska and sections of Banja Luka- Doboj motorway (part of the future

Banja Luka-Belgrade motorway). Both entities, RS and FBiH this year made agreement to construct circular Sarajevo-Belgrade motorway, however this plan is still in initial phase and it might take several years before the implementation. Besides roads and motorways, BIH remains one of the least developed regional countries in terms of railway infrastructure, and only progress has been registered in air transportation (extension of passenger terminal at Sarajevo Intl Airport).

Overview of Bulgarian Economy in 2019

Evgeniy Kandilarov

Over the past four years, Bulgarian economy has grown over 3.5%, and foreign direct investment has increased over the same period. The country's macroeconomic indicators are stable, financial policy is solid, with debt to GDP at close to 22% - the third lowest in the EU and declining. Bulgaria has made the political decision to initiate Eurozone membership procedures, which means stricter oversight of the financial sector and especially of the banking system by the ECB. This has a positive impact on the market. This is the general assessment of the Bulgarian government and most of the media for the performance of the Bulgarian economy.

For 2019, the forecast shows economic growth of more than 3%. The main indicators in the autumn macroeconomic forecast for this year are to maintain the predicted economic growth. It is expected to reach over 3 per cent, with its engines mainly going to be consumption and investment, and according to the government by the end of its term in the office, GDP may even surpass 130 billion leva. The European Bank for Reconstruction and Development (EBRD) has raised its forecast for economic growth in Bulgaria in 2019 predicting 3.7 per cent, which is up by 0.3 per cent from its forecast in May. The EBRD said also that the Bulgarian economy grew robustly at 4.2 per cent year-on-year in the first half of 2019. Household consumption continued to be the main source of growth, fueled by strong activity, increased earnings and a higher employment rate amid the tightening labor market. Unemployment was down to almost four per cent in June 2019, while nominal wages kept growing at high single-digit rates. The government raised the monthly minimum wage by 10 per cent in January 2019, to 286 euro. Investment also continued to contribute positively to growth, although at a slower pace than in 2018. Meanwhile, the exports also boosted growth, as exports grew at a faster rate than imports, which almost stagnated. Government spending rose in 2019,

mainly due to a army-related expense, and the budget may be in deficit after three consecutive years of budget surpluses. Public debt stands at around 21 per cent of GDP, one of the lowest percentages in the EU. The economy is expected to grow by a solid 3.7 per cent in 2019 and 3.0 per cent in 2020, broadly in line with the country's current growth potential. Growth is likely to be underpinned by private consumption, which typically fuels economic activity.

Investments also contribute positively to the growth, as the absorption of EU funds have been accelerated towards the end of the 2014-2020 funding period and the government embarks on a major energy investment cycle.

Key risks to the outlook are prolonged weakness of major trading partners, particularly that of the Eurozone, and an exacerbation of current labor shortages.

The data from the Bulgarian National Statistical Institute show that GDP in the third quarter of 2019 increased by 0.3% in the EU-28 compared to the previous quarter by seasonally adjusted data. For the same period, GDP in Bulgaria increased by 0.8%. Compared to the previous quarter, in the third quarter of 2019, Poland recorded the highest economic growth - 1.3%, Hungary - 1.1%, Estonia - 1.0%, Bulgaria, Slovenia and Croatia - 0.8% each. At current prices GDP during that same period amounts to 31 764 million BGN. In Euro terms GDP is 16 241 million Euro or 2 323 Euro per person. In the third quarter of 2019 compared with the third quarter of 2018, the relative share of the agricultural sector in the value added of the economy decreases by 0.6 percentage points. The share of industrial sector increases with 0.9 percentage points to 27.0%. The relative share of value added from service activities decreases from 67.2% in third quarter of 2018, to 66.9% in third quarter of 2019. In the third quarter of 2019 the final consumption expenditure formed 68.4% of GDP.

Investments (gross fixed capital formation) composed 16.5% of GDP. The external balance (exports-imports) is positive. Gross value added increase is 3.5%. The indicators' movement is determined by the increase recorded in: Financial and insurance activities - 6.4%, Professional,

scientific and technical activities; administrative and support service activities - 5.0%, Construction - 4.7%, Real estate activities - 4.2%.

As it was already pointed out, regarding the expenditure components of GDP, the main contributors to the registered positive economic growth are the individual final consumption - with growth of 5.1%, collective final consumption - 5.0% and gross fixed capital formation - 1.8%. Exports of goods and services increased by 1.3% and imports of goods and services increased as well by 1.2%.

The European Commission's autumn forecast for the EU economy, released on November 7, also raised Bulgaria's economic growth estimate to 3.6 per cent this year, the same level as in the winter forecast, before it was cut to 3.3 per cent in spring. But growth was expected to moderate in 2020, when it was forecast at three per cent, compared to the 3.4 per cent estimate in the summer forecast. Despite weak external demand and elevated uncertainty abroad, domestic demand dynamics should underpin growth in 2019.

The Bulgarian economy is thriving, though at a rather moderate pace compared to the other former socialist countries, members of the EU where rates of 5-7 percent are registered regularly. Why so? A question that has one answer that stands out above all others – labor shortages coupled with a symbolic unemployment rate of just over 4 percent. Commenting on this fact, PM Boyko Borissov stated that, in practice, the only people who do not work in Bulgaria are those who do not want to.

The positive developments in the Bulgarian economy are due most of all to the good level of domestic consumer demand which is likely to even go up next year because of the planned increase in salaries and pensions. This will boost consumption and economic growth, and will make up for any possible drop in exports. In October this year the general consumer confidence index went up by 1.1 percent compared to July. The coming Christmas and New Year holidays are also expected to provide an additional impetus with the traditional gift-buying and stimulation of consumption and economic growth.

Exports also contributed to growth, continuing the favorable trend in the first quarter, but declining in the second quarter as external demand has continued to falter. However, investment was expected to regain some momentum in the next two years and grow at a moderate pace, against the backdrop of elevated economic uncertainty abroad and somewhat worsened growth prospects.

Again according to the NSI data in the period January - September 2019 Bulgarian exports to the EU grew by 3.3% in comparison with the same period of 2018 and amounted to 29 049.1 Million BGN. Main trade partners of Bulgaria were Germany, Romania, Italy, Greece, France and Belgium which accounted for 66.3% of the exports to the EU Member States.

Bulgarian imports from the EU in the period January - September 2019 increased by 2.2% compared to same period of 2018 and reached 30 209.7 Million BGN. The largest amounts were reported for the goods imported from Germany, Italy, Romania, Greece and Spain.

The foreign trade balance of Bulgaria with the EU in the period January -September 2019 was negative and added up to 1 160.6 Million BGN.

In the same period (January - October 2019) the exports of goods from Bulgaria to third countries increased by 5.8% in comparison with the same period of the previous year and added up to 16 026.9 Million BGN. Main trade partners of Bulgaria outside of EU were Turkey, China, Serbia, the United States, the Russian Federation, and the Republic of North Macedonia which accounted for 50.0% of the exports to non EU countries.

At the same time imports of goods to Bulgaria from third countries decreased by 10.7% in comparison with same period of 2018 and added up to 17 048.6 Million BGN. The largest amounts were reported for the goods imported from Turkey, the Russian Federation, China and Serbia.

The foreign trade balance of Bulgaria with third countries in the period January - October 2019 was negative and added up to 1 021.7 Million BGN.

The statistics show that within the observed period of time the total value of all the goods exported from Bulgaria amounted to 48 702.6 Million BGN which is 4.2% more than the same period of the previous year.

The total value of all the goods imported in the country in the period January - October 2019 amounted to 51 157.1 Million BGN, or by 2.2% less than the same period of 2018.

The total foreign trade balance was negative and amounted to 2 454.5 Million BGN.

At the same time the annual average consumer price inflation is seen slightly slowing down from 2.6% last year to 2.4% in 2019. Unemployment is expected to edge down from 5.2% in 2018 to 5.0% this year. The forecast by the EC for the Bulgarian economy shows even 4.4 unemployment rate. Bulgaria's current account balance calculated as percentage of GDP is projected to fall steadily, but remain positive. The country ended 2018 with a current account surplus of 3.9%, and is expected to post surplus of 1.9% and 1.3% in 2019 and 2020, respectively.

Regarding the labor market issue in the second quarter of 2019 there were 3 262.8 thousand employed persons aged 15 years and over, of whom 1 733.2 thousand men and 1 529.7 thousand women. The share of employed persons in the total population aged 15 years and over was 54.7% (60.5% for men and 49.2% for women). In the second quarter of 2019 there were 142.0 thousand unemployed persons, of whom 82.7 thousand (58.2%) men and 59.3 thousand (41.8%) women. The unemployment rate was 4.2% and went down by 1.3 percentage points from the second quarter of 2018. The unemployment rate decreased from 6.1% to 4.6% for men and from 4.7% to 3.7% for women.

In the second quarter of 2019 the total hourly labor cost (preliminary data) rose by 11.0% compared to the second quarter of 2018. The total hourly labor cost grew by 9.8% in industry, by 11.1% in services and by 10.6% in construction.

According to the NSI business inquiries in September 2019 32.0% of the industrial enterprises pointed out the labor shortage as a factor limiting their activity.

In June 2019 the average wage and salary was BGN 1 253 or 0.6% more compared to the previous month. Compared to June 2018 the increase was 12.0%.

Traditionally Bulgaria is considered as a agricultural country, but in fact, the agricultural sector only accounts for 4% of GDP and employs 6% of the workforce (World Bank). The main crops are sunflower, tobacco and wheat.

Industry represents 24.7% of the GDP, and 29% of the workforce is employed in the industrial sector. Industry continues to rely heavily on the manufacturing sub-sectors (metallurgical, chemical, machine building), which are estimated to contribute to 14.7% of GDP (World Bank). However, the most dynamic sectors are textile, pharmaceutical products, cosmetic products, the mobile communication and the software industry. Bulgaria's main mineral resources include bauxite, copper, lead, zinc, coal, lignite (brown coal) and iron ore.

The tertiary sector has more than doubled its contribution to the country's economy since the end of the communist system, accounting for 58.3% of the GDP and employing 64.5% of the workforce.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	6.1	29.0	64.5
Value Added <i>(in % of GDP)</i>	4.1	24.7	58.3
Value Added <i>(Annual % Change)</i>	8.9	4.1	3.1

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

The Bulgarian economy is ranked 49th in the global competitiveness ranking according to the World Economic Forum (CIF)

ranking. In 2019, Bulgaria climbs two positions in the prestigious ranking, comprising 141 countries worldwide. According to that rating system the Bulgarian economy is more competitive than most economies in our region. Bulgaria is two places ahead of Romania, which is 51. We also perform better than Greece (59th place), Turkey (61st place), Croatia (63rd place), Serbia (72nd place), Montenegro (73 place), Albania (81st place) and Northern Macedonia (82nd place). One of the specific features of this rating is that it does not evaluate the rules of law and procedures, as in the World Bank ranking, but takes into account investors' subjective assessment of the investment climate.

In conclusion we have to say that as the year nears its end assessments of Bulgaria's economy by observers, analysts and experts have been growing more and more positive. They practically all agree that it is in very good shape and that it will even outperform preliminary expectations of GDP growth for 2019. In a comment, BCCI's (Bulgarian Chamber of Commerce and Industry) President Tsvetan Simeonov states that "2019 was a successful year for Bulgarian businesses because the economic growth rates in the country were comparatively high. Businesses are looking towards 2020 with even more optimism." According to the same vision and analyses consumers themselves hold a similar view – that the overall economic situation in the country has improved over the past year, according to the National Statistical Institute. In the final analysis 2019 will be considered as a pretty good year economically, to be followed by a negligible decline in 2020. According to this point of view the Bulgarian economy continues to grow, slowly but surely, and Bulgarians are growing more prosperous. This is basically the official governmental position regarding the Bulgaria economy.

It should be noted, however, that such an assessment is very superficial and more or less one-sided, as it reflects only some macroeconomic indicators of the economy, but not the deepening contradictions and problems in Bulgarian society and the existing social systems, which show a much different picture of the socio-economic development of the Bulgarian economy. Unfortunately, the real picture is

not so optimistic and raises fundamental questions regarding both the economy and the society of the country.

Croatian Economic Review of 2019

Nikica Kolar

Summary

Three events have marked the economic situation of Croatia in 2019: the crisis in Croatian tourism, the demand for a reform of the pension system and the economic growth that causes multiple divisions in society. All three events are very closely correlated with the emigration of the local population and a radical change in the demographic profile of Croatian society.

Introduction

In Croatian history, 2019 will be remembered as the year in which the government seriously wanted to implement economic reforms but failed, because it was politically and socially too weak to implement them without immediately losing power. The government, headed by Andrej Plenković, wanted to carry out a comprehensive reform of primary and secondary education, but did not have the political support in its own coalition and political party to fully implement it, nor the support of the main actors of the reform (above all, teachers) to implement the reform without providing necessary financial resources (salary raises for teachers) for it to function. Furthermore, a key reform to strengthen the Croatian economy, namely, the reform of the pension system, in which the age limit for the right to retirement age would be increased from 65 to 67 years of age, could not be implemented because of union's revolt which had overwhelming citizens' support. The government, which announced structural and comprehensive reforms, ends the year with an economic status quo, regardless of the phenomena of significant economic growth.

Pension reform

Year after year, the Croatian pension system is increasingly unstable and harder to maintain. There are several reasons for that: in Croatia, there are fewer and fewer insured persons (workers who pay into the system) and more and more beneficiaries (pensioners). The ratio of insureds to beneficiaries dropped to a critically low number of 1: 1.26. The system is evidently unsustainable and radical reforms are needed. Given the emergence of an aging population in Croatian society (median age in 2018 is 43.3, which is the highest number ever recorded), consequence of the exodus of young people and families from Croatia, a radical reform of the pension system needs to be implemented as quickly as possible. The government has put forward a proposal of the pension reform where would the cost of pension reform be shifted to the expense of the workers, creating the conditions for ensuring the stability of the pension system by increasing the working life of all workers up to 67 years of age, which would increase men's necessary retirement age by two years and women's by five years. The government's plan was resisted by the unions, with the strong support of the citizens, threatening the government with the citizens' signatures collected that they would call for a referendum on the pension reform proposal. Under pressure from unions and citizens, the government withdrew the proposed pension reform, accepted all of the unions' demands and affirmed the uncertain economic status quo.

Crisis in Tourism

Tourism in Croatia was the most surprising phenomena in economic terms of 2019. This year was discovered that the old business model could no longer function in tourism. The era of the 'sun and sea' paradigm is over. Additional facilities and more investment in tourism are needed if the level of GDP generated by tourism is to be maintained. A structural demographic problem is also present in tourism: there are no longer enough domestic workers to do jobs in tourism during the tourist season. For the first time,

the season significantly underperformed, namely, it became clear that Croatian tourism had no seasonal income at all during July. Competition in the Mediterranean tourist market has recovered, especially in Turkey, and the tendency is there will be even better tourist offers next season on the market. Croatia is forced to change the entire format of tourism policies. It must prevent and restrain wild apartmanisation and regulate short-term rents in order to fulfil existing capacities of tourist accommodations, since the tourist season actually depends on the revenue of hotels and other conventional tourist accommodation. In addition, Croatian government must with flexible tax policies encourage entrepreneurs in the tourism sector to offer adequate wages to potential workers on the labour force market in order to halt domestic workers leaving the country to work the season elsewhere. In recent years, domestic workers have shown a trend of going to other tourist destinations (such as Austria and Germany) during the season as they work there for equal or less hours and for much higher wages than in Croatia. This trend must be stopped if the major contribution of tourism to the state budget is to be preserved. All in all, 2019 has shown that Croatian tourism is in a major crisis and shows weaknesses as there are manifested in the entire economy of the country, primarily in the shortage of labour force, consequence of the acute depopulation of the whole society, which is a structural problem of the political community that will in the coming years become even more serious social problem.

Economic growth which divides the whole society

In 2019, Croatia finally achieved significant economic growth, to which credit rating agencies and other relevant international financial institutions responded by raising Croatia's credit rating for foreign direct investments. Quarter by quarter Croatia returned to the level of economic growth before the period of the global economic crisis of 2008-2009, which also revived the old demands of various social strata to improve their economic positions in society. Suddenly, a large number of professions in society, through trade unions, announced their struggle to improve their economic and labour rights, with the realistic possibility of union action,

such as strike, if their interests were not realized. Teachers and non-teaching staff have been on strike for 34 days before reaching a compromise solution due to a previously unsuccessful agreements with the government to restore their job complexity ratios to pre-economic recession levels. Medical doctors announced a strike if they are still not going to be paid overtime. Customs officers and other police workers have announced union actions if their pay does not align with the rising cost of living which had increased during these years of economic recession and stagnation. The nurses also demanded an increase in their salaries, moreover, when the union leadership negotiated with the government a salary increase of 50 HRK (6 euros), the nurses bypassed the union, organized themselves through social networks and went out on the streets to protest. Carer parents caring for their children with disabilities from 0 to 24 also have been protesting because of their low economic rights (€ 300 pay, without the right to sick leave). This summer, bus drivers and other transport workers also protested, demanding better working conditions to be included by the authority of the Ministry of the Sea, Transport and Infrastructure, in order to give workers incentives to not go abroad as well as the rest of the massive economic migration of domestic workers. All these worker protests were manifested precisely at a time of significant economic growth for the Croatian economy. However, the government insists that it must lead a responsible fiscal policy, and that, therefore claims, there is no money in the state budget for all demands of various unions and worker collectives. The long-awaited economic growth actually brought the opposite of the desired effect: contrary to the desired financial consolidation of public debt, there is a need to save social peace among different sections of society. The economic growth in 2019 has caused new social unrests and the uncertainty by this new social rupture which makes possibility of destabilizing the entire Croatian economy seem realistic scenario.

Conclusion

In sum, at the end of 2019 Croatia is economically in worse state than at the beginning of the year, despite the appearance of the significant and stable economic growth. The necessary reforms of the economic system were absent and time was lost irretrievably. In the meantime, the local population emigrates from the country and leaves empty spaces on Croatian territory, while the remaining population is considering how to improve their own economic situation or leave the country. In an atmosphere of captured states and its growing corruption in all spheres of society, there are only two paths for ordinary working people to operate: either to fight for their own economic and labour rights or to pack their suitcases and go abroad to work. Many have left the country in search of a more prosperous future and many decided to fight for their rights by taking their demands to the streets. However, in the context of the announcement of the probable European economic recession in 2020, the government must indeed lead a responsible and balanced fiscal policy, create an economy more resilient to the macroeconomic shocks of the European and/or global economic crisis, and therefore not be able to address to all interest groups, which have at a time of favourable economic growth decided to gain for their interests a share of this positive economic phenomena. At the very least, a fiscally responsible government should decide on Croatia's development strategy and the priorities it must achieve in the short and medium-term phase of society's economic development, not solely subsidise with public resources the interest groups and individuals on whom the current ruling parliamentary majority depends.

Highlights of Czech National Economy in 2019

Dr. Ladislav Zemánek

The last year's economic development of the Czech Republic can be characterised as positive in many directions, especially in comparison with the data coming from Western Europe. Naturally, there were problems and shortcomings, for instance a high inflation rate exceeding 3 % at the end of the year, excessively fast rise in the real estate market, uneven participation of regions and individuals on the economic growth or labour force shortage, nevertheless the Czech ANO-led government's active approach and strategic planning gave positive signals to the economic subjects and economy as a whole. In the following analysis, I will present the major achievements in the last year highlighting substantial points with the aim to cover a wide array of segments of the Czech economy.

The leader in fighting poverty and unemployment

According to the newest Europe Sustainable Development Report, the Czech Republic takes the 8th position among the EU member states in fulfilment of the 17 sustainable development goals set by the UN within the Agenda 2030 which have been transposed to the Czech milieu by means of the *Czech Republic 2030 Strategic Framework*.^① The yearly report is elaborated by an expert team headed by the economist Jeffrey Sachs from the Colombia University. Last year, the Czech Republic overtook all other CEE countries as well as several Western European ones, namely Belgium, United Kingdom, Ireland, Spain, Portugal, Luxembourg, Italy and Malta. Basing on the SDG Index, the authors conclude that Denmark is the best among European countries with 79.8 points, whereas the Cyprus is the

^① https://www.vlada.cz/assets/ppov/udrzitelny-rozvoj/projekt-OPZ/Strategic_Framework_CZ2030.pdf.

worst gaining 55 points (the Czech Republic has 71.8 points). The Czech Republic is a European leader in fighting poverty and unemployment occupying the first position. Regarding more long-term tendencies, the Czech Republic has been on track or maintaining SDG achievements in the areas of poverty, decent work and economic growth, inequality reduction as well as peace, justice and strong institutions. Moderate improvement can be observed in health and well-being, gender equality, clean water and sanitation, affordable and clean energy, industry, innovation and infrastructure, sustainable cities and communities and, finally, life on land. The indicators of zero hunger, quality education and partnerships for the goals have been stagnating. On the contrary, climate action has been decreasing which is connected with CO₂ emissions during the energy production processes.^①

Nevertheless, an evaluation conducted by the World Energy Council, recognised as a global energy platform by the UN, provides somewhat different perspective. Its Energy Trilemma Index reflects individual countries' ability to provide sustainable energy grounded in the following dimensions: energy security, energy equity (accessibility and affordability) and environmental sustainability. According to the recent rankings, the Czech Republic takes the 16th position with 77.4 points, Switzerland being the first (85.8 points) and Niger the last (30 points). In terms of the CEE region, only Slovenia is better gaining 79.2 points (12th position). In comparison with other EU countries, the Czech Republic overtakes for instance Spain, Italy, Belgium, Ireland or Portugal, falling only 0.1 point behind the USA. Compared to 2018, the Czech Republic moved up by 5 positions.

Responsible and reliable partner

^① Much more data in greater detail see here:
<https://ieep.eu/uploads/articles/attachments/3af13d3d-41a6-47d5-8199-405052fd620f/Europe%20Sustainable%20Development%20Report%202019.pdf?v=63741369539%20>.

In July, the international rating agency Standard and Poor's (S&P Global) confirmed the AA-credit rating with a stable outlook. The S&P highlighted low government debt level, healthy public finance and flexible monetary policy expecting a relatively high economic growth rate (approximately 2.5 % p.a.) with regards to high domestic demand and consumption in the following years. They evaluate positively the state of Czech public institutions and – in spite of political fragmentation – a relatively high degree of stability and consensus at the government level in terms of pro-European orientation, guaranteeing healthy business environment and fiscal responsibility. The credit rating is an important indicator of the debtor's ability of meeting financial liabilities. The higher the rating is, the better as the debtor (in this case a state) is considered to be reliable, thus having an opportunity to get a cheaper loan. In this regard, the Czech Republic's perception by international financial institutions was favourable in 2019.

The assessment mentioned above coincides with the 2019 data presented by the CBRE Group, which is the world's largest commercial real estate services and investment company. From the CBRE statistics follows that the Czech Republic is very attractive for foreign retail businesses whose number increased by tens over the last years annually. The data confirms that the Czech retail sector is in good shape, however, the potential is even higher being, at this moment, limited especially by a low increase of new shopping malls, outlets and retail centers, which is, undoubtedly, connected with protracted process of getting a building permit, i.e. unsatisfying legislative conditions. Between 2014 and 2018, 16 retail malls were opened in the Czech Republic, of which 6 being located in the capital of Prague. According to one of the largest commercial real estate services firms Cushman & Wakefield, Prague serves as an entrance gate to the Central European market for new retail businesses. Foreign entrepreneurs appreciate an open, cosmopolitan environment and an appropriate proportion of local customers to foreign tourists.

Returning home from tax havens

Improvement of business conditions is also confirmed by the fact that an increasing number of Czech companies have been moving its registered office from tax havens to their home country. For instance, in the first quarter of the last year, the number of such companies amounted to 259 which is more than in the whole year 2018, 2017 or 2016. This tendency started back in 2015. The highest decrease in the number of registered Czech companies could be observed in the Netherlands and the USA being left by almost 250 enterprises in the period mentioned. At the same time, Malta, Liechtenstein, United Arab Emirates and Chinese Hong Kong became the most popular among the tax havens. The total number of Czech subjects controlled from the tax havens was equal to 2.52 per cent.

An opposite development became evident in the field of foreign direct investment (FDI). The data from 2018 (the last year's ones are not available yet), introduced by the EY company, show that the FDI in the Czech Republic dropped by 51 per cent as a result of labour force shortage and increasing labour costs. In 2019, it was difficult to find unoccupied and qualified workers, which hindered prospective investment projects. A considerable decrease applied to the Netherlands or Sweden as well, whereas the highest rise occurred in Italy, Ireland and the adjacent Poland (taking only European countries into account).

Attracting foreigners

Another view is provided by the Adecco Group, the world's largest human resources provider. From their 2019 study follows that the Czech Republic holds the 25th position worldwide in terms of quality of labour and working conditions and opportunities. The same position is occupied by Prague in an analogous rankings focused on cities. At the same time, the Czech capital city is the 8th best in the world in the ability of guaranteeing such standard of living which attracts talented people to the domestic market and keeps them there over a long period. According to the study, analysing 125 countries and 114 cities, the Czech Republic's strongest points are sustainability of the quality of life and people's technical skills, while people's general knowledge counts among the major weaknesses.

The study authors conclude that Prague has already surpassed such metropolises as London, Paris or Washington in terms of care for the living standard of the citizens, which is an important factor for attracting new and trained labour force in the future.

But not only is the Czech Republic attractive for foreigners, it also dominated the traditional Deloitte's ranking of the 50 fastest developing technological companies from the Central Europe (Technology Fast 50 CE), 19 out of the total 50 and 4 out of the first 10 being from the Czech Republic. Another analogous Deloitte's ranking (Technology Fast 500 EMEA) collects data about the enterprises from the wide region of Europe, Near East and Africa. In 2019 it showed that the Czech start-ups Prusa Research and Kiwi.com were placed among the first 5. The Prusa Research is a 3D printers manufacturer whereas the Kiwi.com occupies itself with reselling different airlines' plane tickets operating an online travel agency.

Supporting innovation and economic self-confidence

The aim of innovation and development is pursued by the *Czech Republic Innovation Strategy 2019–2030* which was approved by the government in February 2019. It is a newly formulated strategic framework defining principles and goals of the national policy in the field of research, development and innovation. As such, it is to contribute to render the Czech Republic one of the most innovative countries in Europe. The Strategy consists of nine intertwined pillars determining basic starting points, goals and due instruments and including support of start-ups and spin-off infrastructure, digitalisation, smart investments, innovation and research centers or technical education.^① In a similar direction, the government has been preparing a new *National Investment Plan* which is meant as a strategic document presenting investment potential in the Czech Republic, key development projects and investment roadmap for Czech governments. The National Investment Plan should be put forward in the next few days.

^① Full document in English see here:
<https://www.vyzkum.cz/FrontClanek.aspx?idsekce=867922&ad=1&attid=867987>.

Conceptual and strategic orientation and thinking, typical of the current government headed by Andrej Babiš, manifest themselves in the *National Strategy for the Development of the Capital Market in the Czech Republic 2019–2023*, adopted in March last year.^① The government aims at supporting sustainable economic growth and increasing national competitiveness by means of well-functioning capital market, which is far from ideal at this moment, thus inhibiting the economic development of our country. The Strategy focuses on improving the quality and resilience of savings of Czech households, reducing the financial dependence of the SMEs on bank financing as well as the EU subsidies, increasing the number of high value added jobs and supporting innovation.

The analysis should have sketched the major achievements of the Czech economy in 2019 through the prism of different – both domestic and foreign – evaluations, reports and surveys. Macroeconomic as well as microeconomic data show a largely positive development which can continue especially in case of implementation of measures and fulfilling obligations and goals defined by the government's new strategic documents.

^① Full document in English available at: <https://www.mfcr.cz/assets/en/media/201903-National-Strategy-CZ-Capital-Market.pdf>.

Estonian Economy in 2019

E-MAP Foundation MTÜ

While the final figures-indicators on how the Estonian economy has actually performed in 2019 are getting summarised to be presented in a month or even two, this brief is more about those narratives, which were detected as being associated with different economic dimensions of the Republic of Estonia. Depending on an analytical angle (or a methodology of collection) to be taken (chosen), there is always a possibility to pick a different range of narratives. On this particular occasion, it is worthwhile outlining the *status quo* on the following two issues: money laundering scandals and public debates on the oil shale socio-economic cluster.

In 2018-19, a number of **serious money-laundering scandals**, discussed in our previous briefings, rocked the Baltic States' financial system. For Estonia, it was something rather new to experience on such a big scale, because the country's financial culture was known internationally for its ability to elegantly avoid any noticeable involvement into the 'darker' side of global financial interactions. Moreover, in Estonia, the main commercial banks are of Nordic countries' 'origin', and one does not need to check it out every now and then to notice that both Scandinavian nations and Finland are among the least corrupt in the world. However, as it was argued by *The Economist*, this latest comprehensive as well as "massive money-laundering scandal stains the image of Nordic banks"^①.

^① 'A massive money-laundering scandal stains the image of Nordic banks' in *The Economist*, 17 October 2019. Available from [<https://www.economist.com/finance-and-economics/2019/10/17/a-massive-money-laundering-scandal-stains-the-image-of-nordic-banks>].

In the particular case of Estonia, reputation wise, it was damaging enough to go through the *Danske Bank*-related crisis in 2018^①, but the following year had risen the imagery bar on how negative the news about locally operating banks could ever be. In March 2019, a credible report appeared on the media surface that “Swedbank processed gross transactions worth up to 20 billion euros a year from high-risk, non-resident clients, mostly Russians, that passed through its Estonian branch between 2010 and 2016”^②. Enjoying the status of the country’s biggest banking institution for many years in a row, by 31 December 2017, *Swedbank* was capturing 40% of the market share^③. Therefore, it had to react quickly and, in June, Swedbank “ousted the chief executive and finance director of its Estonian operations as part of its internal investigation into extensive money laundering allegations against Sweden’s oldest bank in the Baltics”^④. Finally, in November, Estonia’s Finance Minister Martin Helme (*EKRE*) stated that “Russian special services have used Swedbank for destabilising several countries”, elaborating on the issue with the following:

One thing that we are not satisfied with is the fact that Swedbank did n[o]t tell the truth to the [Estonian] Financial Supervision Authority. They either withheld information or provided misleading information. I cannot say whether they did it because they refused to believe it or it was a conscientious choice. Fact is that Swedbank

① The situation eventually led to the decision made by the Estonian authorities to order Danske Bank to leave the country. See more on the issue in Martin Selsoe Sorensen, ‘Estonia Orders Danske Bank Out After Money-Laundering Scandal’, *The New York Times*, 20 February 2019. Available from [<https://www.nytimes.com/2019/02/20/business/danske-bank-estonia-money-laundering.html>].

② Esha Vaish and Gederts Gelzi, ‘Investor Browder files Swedbank money laundering complaint in Latvia’ in *Reuters*, 17 April 2019. Available from [<https://www.reuters.com/article/us-europe-moneylaundering-swedbank-browd/investor-browder-files-swedbank-money-laundering-complaint-in-latvia-idUSKCN1RT0PM>].

③ ‘Market shares of Estonian banks 31.12.2017’ in *Eesti Pangaliit*. Available from [<https://www.pangaliit.ee/banking-information/market-shares-of-estonian-banks>].

④ Richard Milne, ‘Swedbank ousts Estonian chiefs over money laundering claims’ in *The Financial Times*, 17 June 2019. Available from [<https://www.ft.com/content/f02c75a6-9136-11e9-aea1-2b1d33ac3271>].

was not honest with the Estonian Financial Supervision Authority in the era of the previous management, and this is a serious problem. [...] We see ourselves as the main victim, hence we believe that when this ends with penalties it would be logical for a substantial part of it to be given to Estonia.^①

To a surprise of many, for the Estonian economy, the ongoing banking crises did not make any ground-shaking negative impact. Mainly, it was due to a relatively small size of the Estonian financial market, enormous capacity of *Swedbank* (and other major banks of the Nordics) to bounce back from a problematic period into a period of relative positivity, and common acceptance that the problem would need to be solved in cooperation with the European Commission. In a significant addition, after having received a comprehensive overview of the story's development, Prime Minister Jüri Ratas announced that the Estonian Government “decided to finance the anti-money laundering capability of the Police and Border Guard Board additionally with EUR 1.6 million and the [P]rosecutor's office with EUR 300,000 in 2020”^②. It is just about time, because, as reported, the country is due for a new evaluation to be conducted by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, and, on this occasion, the evaluators “will be assessing how Estonia implements different laws and regulations in practice and what its institutions actual capability for combating money laundering”^③.

^① Martin Helme as cited in ‘Russian special services used Swedbank to influence other countries – Estonian minister’, *The Baltic Times*, 14 November 2019. Available from [https://www.baltictimes.com/russian_special_services_used_swedbank_to_influence_ot_her_countries_-_estonian_minister/#].

^② Jüri Ratas as cited in ‘Fight against money laundering to intensify’, *ERR*, 4 October 2019. Available from [<https://news.err.ee/988636/fight-against-money-laundering-to-intensify>].

^③ ‘Fight against money laundering to intensify’.

When it comes to a discussion on strategic energy resources, there is nothing that ‘beats’ **oil shale** in the Estonian context – as it was once reported, the oil shale-associated economic segment accounts for about 4% of the country’s GDP^①. It could also be evidently argued that this particular commodity literally saved the Republic of Estonia’s economic sovereignty in 1990s, preventing the country from becoming yet another ‘Belarus’ in terms of nearly total dependence from Russia-supplied energy. These days, when a discussion on climate change has already become the discussion, Estonia is receiving plenty of questions on what the country has in plans regarding its not-so-environmentally-friendly oil shale industry. However, the digits do not stack up at the moment – as reported, if Estonia gives up its oil shale, it would cost the country about EUR 1 billion per year and 13,000 jobs lost, keeping in mind higher electricity prices as well^②. On the other side, “the country’s exit from oil shale energy [...] would cut the production of greenhouse gas emissions in Estonia by approximately 90%”^③.

Given the context, the dilemma is pretty obvious, and the fact of the Estonian representative in the current European Commission (Kadri Simson) is holding the ‘Energy’ portfolio does not help either. After all, Commissioner Simson is responsible for pushing the ‘climate neutrality target by 2050’ within the EU, of which Estonia is a full Member State. Currently, Estonia is in the process of conducting a very difficult ‘homework’, collecting all sorts of data from different sources, so the picture will be clearer at some point soon. *Eesti Energia*, as it should, is leading the process of data gathering. For example, Hando Sutter, CEO of

^① Jordan Kearns (with Emmet Touhy), *Trends in Estonian Oil Shale Utilization* (Tallinn: ICDS), October 2015, p. 2. Available from [https://icds.ee/wp-content/uploads/2015/Jordan_Kearns_-_Trends_in_Estonian_Oil_Shale_Utilization_Oct_2015.pdf].

^② ‘Giving up oil shale would cost Estonia €1 billion per year’ in *ERR*, 15 November 2019. Available from [<https://news.err.ee/874659/giving-up-oil-shale-would-cost-estonia-1-billion-per-year>].

^③ ‘Giving up oil shale would cost Estonia €1 billion per year’.

Eesti Energia, is positive about achieving the aforementioned 2050 target, “even if oil shale production continues into the future, if handled with care”:

To do this (i.e. attain climate neutrality), we need to analyse each investment from the point of view of environmental protection, affordability and security, and favour local resources and expertise, as this will leave more value to Estonia. [...] The energy sector has been the backbone of the Estonian economy for years, and [...] [t]he oil shale industry is not an obstacle to the country’s climate goals. Direct burning of oil shale into electricity has been reduced by 50 percent over the past year already, and will decrease further due to the closure of older production facilities and rising CO₂ prices.^①

From her side, Commissioner Simson expressed a fair point that whatever the target the EU has set up for achieving by 2050, it is not necessarily for Estonia to be at that point already in 2020. Going into the substance of the question, Kadri Simson noted that

[Estonia’s] ambitions in terms of reducing CO₂ emissions and relative importance of renewable energy are far greater than the European average. We have nothing to fear in that sense. [...] And talking about oil shale, it is not coal that is only good for turning into electricity in solid form. Oil shale power generation has a greater ecological footprint than turning it into shale oil. That way, we can use our strategic resource more sparingly during the transitional period.^②

^① Hando Sutter in ‘Eesti Energia says it has halved CO₂ emissions on year, oil shale not dead’, *ERR*, 3 December 2019. Available from [<https://news.err.ee/1009999/eesti-energia-says-it-has-halved-co2-emissions-on-year-oil-shale-not-dead>].

^② Kadri Simson in ‘Simson: New oil shale plants will not be a problem for Estonia’, *ERR*, 4 October 2019. Available from [<https://news.err.ee/988661/simson-new-oil-shale-plants-will-not-be-a-problem-for-estonia>].

As for the current composition of the Estonian Government, which, from its inception in April until the end of the year, has not really had a good working week without battling an internal crisis, the oil shale-related debate represents a mega-question of political significance. The lion share of the country's oil shale industrial capacity is located in the Ida-Virumaa County, which is predominantly populated by different communities of Russian-speakers. This is where the Prime Minister's *Centre Party* has been historically enjoying plenty of popularity due to its special populism-driven focus on the Russian-speaking segment of the Estonian society. Getting rid of the oil shale industry will, with necessity, mean making plenty of people jobless, and the negative effect will be damaging the Ida-Virumaa's relative economic stability. Therefore, Jüri Ratas considers "environmental debates and the EU's goal of becoming carbon neutral by 2050 as the most important topic of the [next] year"^①. Giving his interview to the ETV+, the country's major Russian language-based public canal, the Prime Minister was trying describe his vision on the issue:

I [a]m not going to say on ETV+ that oil shale has to be discarded overnight. For decades, oil shale has been our most important resource and has laid the foundations for our economy. Over 60 percent of our electricity comes from oil shale today. The question is, how will oil shale perform in the future, since less and less electricity will be produced. [...] Climate policy concerns three areas: The natural, the economic and the social environments. All three of these components must be taken into account in climate policy. That is why climate neutrality is to be pursued by 2050. But with such an ambitious climate target, certain countries need to be invested in, such as Estonia in oil shale and Poland, in coal.^②

^① 'Jüri Ratas' year-end interview: I don't want to be president' in *ERR*, 28 December 2019. Available from [<https://news.err.ee/1018408/juri-ratas-year-end-interview-i-don-t-want-to-be-president>].

^② Jüri Ratas in 'Jüri Ratas' year-end interview: I don't want to be president'.

Without any doubts, both the money laundering theme and the oil shale-related debate are not to remain in 2019 – there will be plenty of continuation on these and other topics in 2020. The next year is when the new European Commission will be outlining its strategic stance on many issues, and it will be much easier for Estonia to forecast its prospective steps forward, in economic terms.

Greece's Economy in 2019

George N. Tzogopoulos

2019 was a national election year for Greece. Some economic measures taken by the SYRIZA government to satisfy its electorate provided some relief and did not finally derail the country from meeting its fiscal targets. The New Democracy government that won the July election preserved those measures but reduced the budget ceiling. It also showed an appetite in proceeding with privatizations. Both the European Union and the International Monetary Fund acknowledged progress made in the Greek economy. They also elaborated on challenges ahead. Greece remained under supervision by its lenders with more flexible terms.

Following Greece's exit from the bailout in August 2018, its economic policies are monitored under the European semester for economic policy co-ordination and under the enhanced surveillance framework according to regulation No 472/2013. This happened throughout 2019. In particular, the European semester enables Greece to cooperate with the European Commission in order to ensure sound public finances in line with targets sets. And the surveillance framework under resolution No 472/2013 aims at facilitating the country's normalization by supporting the implementation of necessary reforms in the post bailout era. While the 2019 country report for Greece in the context of the European semester was published in February 2019, surveillance reports were published three times, in February, June and November.

According to the latest available data from the European Commission, economic growth in Greece is expected to reach 1.8 percent in 2019. Private consumption and investment were the main contributors to growth. Growth rate in the first six months of the year was registered at 1.5 percent. This was perhaps due to the political uncertainty as the national election

took place in 2019. Additionally, employment is expected to grow above 2 percent in 2019 driving unemployment rate down from 19.3 percent in 2018 to approximately 17 percent in 2019. Greece's jobless rate in October, for instance, eased to 16.6 percent in October from a downwardly revised 16.8 percent in September. This was the lowest percentage since April 2011. It should be mentioned that several jobs were of seasonal nature though. Statistics from the Labor Ministry exhibit a record number of worker departures in October 2019 (125,668) making it the worst October since 2001.

2019 saw property prices in Greece rise making the country one of the fastest growing markets in the European Union. Bank of Greece data show property rates expanded 5.3 percent year-on-year in the first quarter of the year, with the annual rise climbing to 7.7 percent in the second quarter. Moreover, property prices across the country enjoyed yearly growth of 7.4 percent over the January-September period. This rise was higher in Athens and amounted to 10.3 percent. The biggest growth was registered in Ambelokipi which is located near the center of Athens. The 2018 average at the national level growth rate only came to 1.8 percent. The difference was the result of inflow of foreign funds for the acquisition of properties and their utilization in the short-term rental sector.

As far as the primary fiscal surplus is concerned, Greece was on the course to reach the agreed 3.5 percent of GDP in 2019. This is of high significance as the fiscal success eliminated concerns some measures taken in the first months of the year by the previous SYRIZA administration could have derail Greece from meeting targets. The measures included, among others, new settlement schemes for debts on taxes and on social security funds and municipalities, a value added tax reduction on a selection of items, the reintroduction of a 13th monthly pension payment and the abolishment of a tax-reform that would have broadened the tax base and that had been pre-legislated in 2017. The New Democracy government that came to power in July preserved these measures. It also decided to make improvements to the scheme of installments, reduce the property tax (ENFIA) and suspend the value added tax on new buildings for three years.

But it reduced budget ceilings leading Greece's creditors to anticipate primary fiscal surplus 0.3 percent higher than the 3.5 percent target.

With reference to the Greek banking sector, the liquidity situation of banks was improved. In the first nine months of 2019, deposits increased by about 3.5 percent and the emergency liquidity assistance was fully repaid. More importantly, capital controls were lifted and this brought the national economy back to normality as the Governor of the Bank of Greece Yannis Stournaras mentioned last August. The capital controls were imposed at the beginning of July 2015 because the then SYRIZA-Independent Greeks administration had failed to come to an agreement with the country's lenders on a new fiscal adjustment program. Former Prime Minister Tsipras called a referendum and Finance Minister Yanis Varoufakis proceeded to the closure of banks in order to prevent chaos from desperate citizens attempting to withdraw their deposit. This was perhaps the most dramatic moment during the Greek economic crisis.

Another theme of high interest was the reduction of non-performing loans. The pace of reduction was accelerated throughout the year. Although the ratio remains high, progress is remarkable. Statistics exhibit the stock decreased to €75.4 billion by the end of June. Initiatives such as the Hercules asset protection scheme play an auxiliary role in cleaning up the balance sheet of Greek banks. Under the scheme, each bank may transfer non-performing loans to separately managed special purpose vehicles. For its part, the state provides a public guarantee for the senior, less risky notes of the securitization vehicle and receive in exchange a remuneration at market terms. In October 2019, the European Commission found that this plan aimed at supporting the reduction of non-performing loans of Greek banks to be free of any state aid. In other words, under Hercules asset protection scheme the Greek state will be remunerated in line with market conditions for the risk it will assume by granting a guarantee on securitized non-performing loans.

Furthermore, the New Democracy government agreed to strengthen the capacity of the Independent Authority for Public Revenue. In particular, it remains committed to complete reforms to allow the latter to recruit and

retain highly qualified personnel and allocate the needed budget. The staff level of the Independent Authority for Public Revenue at the end of the third quarter of 2019 reversed the negative trend observed in 2018. It remains some 1000 persons short of the target set for end-2019 though. On the same wavelength, Finance Minister Christos Staikouras elaborated on the interconnection of the Independent Authority for Public Revenues with municipal registry offices, metropolitan churches and the citizens' registry to ensure the necessary cross-checking of information and updates.

Concerning structural reforms, several problems did appear as it had happened in previous years. For example, some progress in the implementation of electronic auctions was made but the majority continued to be cancelled or suspended. In addition, the elimination of the backlog of cases at courts in the context of the household insolvency framework remained significantly behind schedule. This was also the case with the third phase of the single payment authority report. The new Greek government was keen on relaunching the privatization process but results will be judged in the future. Plans included the development of the old Ellinikon airport, the sale of 30 percent of the Athens International Airport, of regional ports and of the Public Gas Corporation and the concession of the Egnatia Motorway. Last but not least the New Democracy administration worked on a rescue plan for the Public Power Corporation. Energy Minister Kostis Hatzidakis sought to increase revenues.

The new Prime Minister Kyriakos Mitsotakis wants Greece to return to sustainable growth. For this to happen an ambitious plan needs to be set up. To that end the Prime Minister's Office announced it will be shaped by a team of distinguished economists with knowledge of the market and experience in economic policy planning issues. The economists' team will be chaired by London School of Economics professor and Nobel laureate Christopher Pissarides, with the alternate chairman being the general director of the Foundation for Economic and Industrial Research, Nikos Vettas. The other members with a coordinating role are LSE professor Dimitris Vagianos and Yale professor Costas Meghir. It is uncertain if the

plan to be drafted by the scholars will intersect with the one prepared by the previous SYRIZA government.

Conclusion

In parallel with the European Union, the International Monetary Fund was also involved in the Greek post-bailout era in 2019 – despite its limited role. Greece owes the Fund SDR 6.7 billion but asked the European Institutions for approval to prepay the portion of SDR 2.2 billion that is subject to surcharges. Throughout the Fund was perhaps more skeptical on the perspectives of the Greek economy in comparison to the EU. In its report for 2019 it concentrated on the success of the return of growth but also on problems such as low private and public investment. In the view of the International Monetary Fund deeper reform implementation will be a pre-requisite for remaining challenges to be addressed in the future.

Hungarian Economy in 2019

Csaba Moldicz

The Hungarian economy's growth was extremely robust in 2019, the annual growth is expected to be around 5 percent. This expansion is one of the largest ones in the European Union, it will most likely surpass the forecasts of the EU and maybe other economic research institutes. There are several underlying factors explaining this fast development: rapidly expanding manufacturing, increasing services export, EU transfers and state schemes aimed at boosting the economy. At the same time, the inflation could be controlled, the annual inflation is most likely to be around 3.3 percent which doesn't necessarily indicate the intervention of the Central Bank of Hungary (MNB). Public debt target was 1.8 percent for 2019, which can be reached based on the extremely positive figures of tax revenues. Lower public budget deficit could be reached without any problems, but that is rather a question of where and how the Hungarian economic policy used the surplus revenues. The economic growth is balanced, the balance of payment is expected to be 2.4 percent in terms of GDP (Gross Domestic Product) for this year. This briefing looks into the main trends of the following areas: growth, inflation, trade, investment flows and public budget.

1. Determinants of the economic growth in 2019

The GKI Zrt.'s GDP growth forecast is 4.9 percent^①, the Századvég Research Institute^② predicted 4.8 percent for this year, while the European Commission^③ and the IMF expect 4.6-4.6 percent. The MNB was more cautious in its Inflation Report^④ published in October 2019, and it's GDP growth estimate was 4.5 percent for 2019.

Table 1. GDP growth forecasts and factors of growth in the Hungarian economy		
	GDP forecast for 2019	Main factors of growth:
MNB	4.5	<ul style="list-style-type: none">• Expansion in private consumption• Expansion in corporate investment• Growth in manufacturing industry• Boom in the construction sector
European Commission	4.6	
IMF	4.6	
OECD	3.9	
Századvég Research Institute	4.8	
GKI Zrt.	4.9	
Source: own compilation		

In the above-mentioned forecasts, the following factors of the rapid development are highlighted and detailed the following way:

- The expansion of the private consumption, which is expected to be around 4.9 percent by the Századvég and MNB;
- At this point, the MNB mentions the expansion of lending to private households and firms as one of the underling factors behind the increase in the private consumption.
- The other element, the significant rise in the disposable incomes is referred to by the Századvég too that is to be explained by circa 7 percent increase of net salaries and wages;

^① GKI Zrt.: Előrejelzés 2020-ra. <https://www.gki.hu/wp-content/uploads/2019/12/Sajtónak-előrejelzés-1912.pdf>

^② Századvég: Német stagnálás mellett magyar növekedés. <https://szazadveg.hu/hu/kutatasok/a-gazdasagkutato-kutatasai/elorejelzesek-kozlemenyek/kozlemeny-nemet-stagnalas-mellett-magyar-novekedes>

^③ European Commission: Autumn 2019 Economic Forecast: A challenging road ahead. https://ec.europa.eu/economy_finance/forecasts/2019/autumn/ecfin_forecast_autumn_2019_hu_en.pdf

^④ MNB: Inflációs Jelentés, szeptember. <https://www.mnb.hu/letoltes/hun-ir-digitalis.pdf>

- The annual increase of investments is estimated to be around 15 percent, which substantially contribute the fast development in the economy, is a common element in the mentioned analyses.
- Rapidly expanding manufacturing, increasing services export, EU transfers and state schemes are pointed out by the GKI Zrt. as main elements of the growth;
- The boom in the domestic construction is pointed out by the MNB and the European Commission as significant factor of the growth.
- The revival of the automotive industry is also emphasized in the European Commission's forecast as a key element of the fast GDP growth.

2. Price stability

Table 2. Annual inflation forecast for 2019	
MNB	3.3
European Commission	3.1
Századvég Research Institute	3.4
GKI Zrt.	3.3
IMF	3.2
OECD	3.0
Source: own compilation	

According to the GKI Zrt, the Hungarian inflation rate is relatively – in European comparison – high, however, it can be managed. The Századvég Research Institute

underlines that the inflation rate has been over the target – 3.0 percent – however, it was below the intervention point – 4.0 percent. Strong fluctuation of the indicator is emphasized by several forecast and analyses, since the inflation rate was on rise until May 2019, and it reached 3.9 percent, but then it went down to 3.1 due to the decrease in oil prices in August 2019. The annual inflation forecast of the Századvég Research Institute is slightly higher (3.4 percent), they argue that the oil prices seem to be unpredictable at this point, and the weakening domestic currency also adds to the inflation pressures.

The European Commission was more optimistic in its Autumn Economic Forecast, since it predicted 3.1 percent annual inflation rate for this year. Besides the fluctuating oil prices, the analysis pointed out to the strong but easing consumption and wage growth as core elements of the inflation trends.

The MNB points out to stagnating demand in the world economy and the vigorous domestic demand that reversely effect the inflation trends, however, the consumer inflation rate is expected to stabilize around 3.0 percent which is basically explained by the slow-down in the eurozone. At this point it is worth remembering the economic policy debate between the Central Bank of Hungary and the Ministry of Finances. The debate revolved around the interpretation of how the stagnating eurozone will affect the Hungarian economy. The bank argued that the links between the German and Hungarian economy are still strong, and spill-over effects are unavoidable.

3. Balance of payments and the public budget balance

In the second half of 2019, the balance of payments had 1.6 percent surplus (in terms of GDP). The Hungarian economy is running a 1.1 percent deficit on the current account while the capital account shows 2.7 percent surplus. Behind the increasing current account deficit, the strong import dynamics in goods and the accumulation of stocks can be pointed out, while the export in services has been strong and foreign direct investment flows financed the deficit on the current account. The net external debt of the economy was 8.8 percent of the GDP in the second quarter of the year, while the gross external debt was 58.8 percent in terms of the GDP.

As we can see from table 3, the forecasts are not just slightly different as in the case of growth and inflation, but the predictions vary significantly, however at this point it should be added that the MNB's forecast is most likely to be nearest to the real results, since it is the latest one of the estimates in the table. Despite the variations in the predictions, similar explanations are offered:

- Significant foreign direct inflows could offset the worsening current account balance;
- New manufacturing capacities are about the dynamics of Hungarian exports;
- The depreciation of the currency will help to boost the export again;

- Weakening domestic demand and slower wage growth help to rebalance the current account;

Table 3. Balance forecasts for 2019		
	Current account Balance	General government balance
MNB	-0,9	1.8
European Commission	-1.2	1.8
Századvég Research Institute	0.0	1.6
GKI Zrt.	-	1.8
IMF	0.5	1.9
OECD	0.0	2.0
Source: own compilation		

If looking at the external financing based on a sectoral approach, we can see that net financing position of private household and corporations deteriorated, while the financing position of the public finances could significantly improve. Still the external financing position of the private household is excellent. The target for the general government (growth instead of gov?) balance has been 1,8 percent of the GDP, which goal can be achieved without problems, moreover, several analyses add that the deficit could be further reduced, it only depends on whether the reserves in the budget will be fully used or not.

4. Summary

According to the latest data available in the Eurostat statistical database, the Hungarian economy grew by 4.8 percent in the third quarter of 2019 compared to the corresponding quarter of 2018. This number has demonstrated the fastest development in the European Union, however, at this point it should be also added that four countries' data are not available yet. This rapid economic growth, typical for the recent years, is the main precondition of the catch-up process which has been high on the economy policy agenda of the governments since 1990, however real improvement took place only after 2010. Since 2010, the Hungarian GDP per capita in

PPP improved by 5 percentage points – from 65 to 70 – compared to the EU average.

To catch up with the Western European countries, the Hungarian economy needs capital and technology which has been consensus among the Hungarian economists, however the question of how important the diversification in the ‘origin of capital and technology’ is still debated. In my understanding, the diversification of investment and trade relations, especially the opening up to the Asian countries, especially to China is essential in the long run, since when the next crisis hits the world economy, Western European countries are to focus on their own problems, while Hungary, along with other Central and Eastern European countries rely on the West in an asymmetric way. The significant difference in today’s economic power relations is that we can import technology from the West and the East too. Japan and South Korea are significant partners; however, the real growth is expected to come from China.

Lithuania Economic Development in 2019

Linus Eriksonas

The year 2019 was a period of stable and predictable economic growth for Lithuania. GDP growth was 3,7% (up from 3,5% as in 2018). The unemployment rate has stabilized at 6,1% on average. The unemployment of the male workforce stood at 6,9%, the unemployment of the female workforce – at 5,2%. The average monthly gross earnings in the whole economy kept growing and, in the third quarter, reached 1317,6 EUR. The index of real earnings (showing the change in net earnings after the elimination of the impact of the change in consumer prices) increased to 111,8 (comparing to 106,6 in the same quarter last year). However, the index of industrial production, which refers to the value (VAT and excise excluded) of the sales of goods manufactured or manufacturing work carried out by an enterprise compared to the respective period of the previous year remained the same, while the export figures have not changed significantly over the last year. Though the performance of the economy did not show any major problems, yet the Bank of Lithuania has issued a cautious warning that the economy might slow down due to the worsening external environment.

Below is a brief outline of the main issues and challenges for Lithuania's economy in the years to come, as noted by the national and international expert bodies. It will try to explain the main drivers, which might impact the prospects of economic growth in the short-term.

According to the latest edition of the Global Index of Economic Openness from May 2019 (a report published by the Legatum Institute in partnership with Templeton World Charity Foundation), Lithuania has been ranked for two consecutive years (in 2018 and 2019) 32nd out of 157 countries assessed. It is the third-best result among the Central and Eastern European (CEE) countries, the best being that of Estonia (ranked as 21st) and the second-best that of the Czech Republic (ranked as 29th). Though it

is a somewhat medium result if compared with that of other EU Member States (the 18th out of EU28). The Index is measured on four criteria: market access and infrastructure, investment environment, enterprise conditions, and governance.

Lithuania scored best in terms of investment environment, which measures the extent to which investments are protected adequately through the existence of property rights, investor protections, and contract enforcement, and the extent to which domestic and international capital (both debt and equity) are available for investment. It scored slightly worse (ranked as 38th) on market access and infrastructure (which measures the quality of the infrastructure that enables trade, such as communications, transport and energy, and the inhibitors of the flow of goods and services to and from a country's trading partners). It ranked as 36th on enterprise conditions (which measures how easy it is for businesses to start, compete and expand). It ranked as 32nd in terms of governance (the extent to which there are checks and restraints on power and whether governments operate effectively and without corruption).

The report argues that the level of economic openness globally is at its highest ever level and that the countries with greater levels of economic openness are more productive as measured by productive capacity, which is measured as a total GDP of a country without resource rents divided by its working-age population. Further, it maintains that policy choices could improve economic growth as related to the benchmarked aspects of the economy in this ranking and especially those noted in the report as being the most significant and fast-growing differentiators across different economies.

In the Market Access and Infrastructure category, the report notes that the communication infrastructure (including the new generation of mobile networks under development) are key to the economic openness of a given country. In this respect, one can add that Lithuania is well ahead on opening its economy further through the communications, e.g., by preparing to launch frequencies auction for its 5G network in 2020.

Under the category of Investment Environment, three issues are noted in the report as very important for improving the economic openness, namely the Property Rights, the Investor Protection, and Financing Ecosystem. On all three counts, Lithuania has made significant progress over the last few years. The country accessed the OECD Convention last year following the implementation of the OECD recommendations, which also covered the above aspects of governance. Especially in the area of financial technologies, Lithuania is spearheading the improvement of the investment environment. One illustrative example of such initiative is an international Fintech summit (hosted by the Bank of Lithuania and the Ministry of Finance) took place in Vilnius on 27 November. The forum brought together the representatives of the central banks and the ministries of finances from the CEE countries and the People's Republic of China (as part of the 17+1 cooperation platform) to share the experience in de-risking fintech and form the policy advisory network.

Under the category of the Enterprise Conditions, the key aspects (as noted in the report mentioned above) are (in order of relevance) Environment for Business Creation, Burden of Regulation, and Domestic Market Contestability. They are also crucial in determining how people interact with businesses in any given country. Lithuania has made a significant step forward in decreasing the red tape for business creation. Lithuania is ranked 11 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Lithuania improved to 11 in 2019 from 14 in 2018.

Under the category of Governance, Government Effectiveness and Political Accountability are singled out as two primary drivers impacting the openness of the economy. In all these respects, Lithuania's government has made a far-reaching decision to ensure the consolidation and optimization of government resources by creating the shared services centre for governmental agencies and institutions. In an unprecedented way, as of next year, the government will concentrate the accounting, and the human resources function from 166 governmental institutions (employing around 26 thousand state employees) into one shared service

centre (to be staffed by 400 employees). It is foreseen that by 2022 the accountancy and the HR functions of all governmental institutions (some 500 institutions employing more than 130 thousand state employees) will be serviced through the single service centre, thus creating a more streamlined and responsible management system of public governance.

However, despite the improvements in the easiness of doing business and government efficiency, Lithuania is facing a few notable challenges which can be attributed to the structural weaknesses of the economy, which is still being dominated by the low and medium-added value economic activities. Manufacturing has a significant impact on the economy (industry contributes ca. 26% of GDP), yet it lacks innovation, as noted in the reports by the Ministry of Innovation and the Economy. European Innovation Scoreboard 2019, shows that the business R&D expenditure is among the smallest in the EU, while the share of knowledge-intensive services is the lowest in the EU. At the same time, while, according to the Digital Economy and Society Index, Lithuania has improved its position within this ranking on all counts (connectivity, human capital, use of internet, integration of digital technologies, digital public services), yet this has not reflected in the overall economic performance. Thus, what is the barrier which precludes the country from securing more robust economic prospects, despite the relatively good performance in international rankings, as observed above?

OECD reported that one of the main structural deficiencies of Lithuania, which might impede the growth is related to a relatively low level of tax-to-GDP ratio. The OECD's annual Revenue Statistics report found that the tax-to-GDP ratio in Lithuania increased by 0.8 percentage points from 29.5% in 2017 to 30.3% in 2018. Lithuania ranked 28th out of 36 OECD countries in terms of the tax-to-GDP ratio in 2018 and was fourth from the bottom in the EU, according to this indicator (the average EU28 tax-to-GDP is 40,3%).

The latest research exploring the connections between tax structures and economic growth (McNabb, 2018) has shown that different tax structures could drive growth differently in the countries of different levels

of national incomes and that no one-size-fits-all approach could be adopted. For example, for low-income countries, reductions in trade taxes being offset by increases in domestic consumption taxes could work for lower-middle-income countries but not with the same effect for low-income countries. The shifts of revenue-neutral taxes from consumption and property taxes toward income taxes could slow GDP growth in upper-middle countries but have no observed adverse effect in lower-middle-income countries. It was found that personal income taxes and social contributions appear most harmful for long-run GDP growth rates, yet no evidence is found to support the theory that increases in corporate income taxes are harmful to growth rates.

The World Bank list of economies (the latest update from June 2019), classifies Lithuania as a high-income country. Thus, following the hypothetically confirmed research findings as above, being the upper-middle-income country, Lithuania is more sensitive to the increased income taxes and social contributions within the overall tax structure and less sensitive to increased role of the property tax and the corporate tax. It is especially relevant since the tax structure in Lithuania markedly differs from the OECD average in the substantially higher revenues drawn from social security contributions, and higher revenues from value-added taxes and in a lower proportion of revenues from taxes on corporate income and gains and property taxes, and substantially lower revenues from taxes on personal income, profits, and gains.

Thus, International Monetary Fund (IMF) has recommended to Lithuania as part of the regular annual advisory exercise that tax reform could have been more ambitious in shifting taxes away from labor and the reduction of tax exemptions, and privileged regimes are also needed. “Lithuania still confronts severe demographic pressures, large social disparities, and external uncertainty that can only be addressed with structural reforms. This is the only way to ensure sustained high wage growth and improved living standards”, - stated the IMF in its report on Lithuania in 2019. It further noted that Active Labor Market Policies should

be strengthened to address skill mismatches and increase labor force participation effectively.

Another issue that impedes economic growth can be related to tax compliance. The European Commission acknowledged in its annual country-specific recommendations for Lithuania that some progress was made in fighting the shadow economy, but further efforts are needed. The EC stated that tax compliance remains relatively low: although Lithuania's VAT gap decreased slightly from 26 % in 2015 to 25 % in 2016, it is still one of the largest in the EU. More so, the need to broaden the tax base has been noted. Environmental taxes are significantly below the EU average. Taxes on transport are the lowest in the EU and do not take into account vehicles' environmental performance. CO₂-based motor vehicle taxes are not in place in Lithuania.

Thus, Lithuania's economic growth can be increased by the synergy of export-driven and taxation policies.

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Macedonian Economy in 2019

Anastas Vangeli

Introduction

For the Republic of North Macedonia (hereinafter Macedonia), 2019 was another year of stable but mediocre economic performance. Overall, its GDP grew 2.8% on a year-to-year basis, which is a respectable growth rate compared to the European average, right about the same compared to the regional average (2.4%), and far below the necessary level for Macedonia to actually be able to catch up with the more developed parts of the continent (at least 5%). There have been some changes in the social policy, but no major structural changes in the economy or the country's economic policy in 2019.

General Trajectory: Not Good, Not Terrible?

In 2019, Macedonia's economy had yet another undistinguished year that will likely be easily forgotten. The GDP growth was below the desired range of 5-6% (and promised as an average growth rate for the period 2016-2020 by SDSM), and below the initial projections for 2020 of more than 3%. A major reason for the lower than expected growth level has been the continuously low rate of capital investments, and in particular the public under-investment in strategic projects. While initially the government originally planned to invest more than ~420 million EUR, in the course of the year the amended projection was that the government can only manage to invest ~370 million EUR; whereas they managed to invest only ~290 million EUR by the end of the year. There has been no coherent explanation for the reasons behind the inability or reluctance of the state to invest funds that have been already sourced for the purpose, which has accompanied the governance of SDSM and DUI since 2017. One assumption is that SDSM has spent considerable amount of time in sorting out the finances, reviewing previously made arrangements, reforming the taxation system,

and trying to tame and reduce the level of the public debt – all while being focused primarily on redistributive policies – all of which has inhibited the drive for public investment. In other words, the administration was afraid to take risks, which runs counter to the core assumptions of how a state should work.

Nevertheless, despite acknowledging the issue of under-investment, the government officials – and in particular the former Vice Prime Minister in charge of economic affairs, Kocho Angjushev, have often repeated their assessment that even though lower than projected, Macedonia's growth in recent years is healthier and more sustainable compared to the growth in the years under the rule of VMRO-DPMNE, thanks in particular to the new, more prudent and risk-averse approach to public investment. The major argument is that the government sees the growth as generated by the “real economy” and the production sector, and not artificially inflated by pouring money into “empty shell” construction projects (as they tend to describe the previous policies of VMRO-DPMNE). Former Prime Minister Zaev, however, has been more concerned about fixing the issue of under-investment and has kept on promising an increase in public investments in infrastructure and other sectors in the period to follow.

The government pursued some pro-active policies aimed at sustaining and improving the support for foreign direct investment (FDI), and attracting more investors in the country. However, despite these measures being undertaken – and FDIs being an intrinsic part of the rhetoric of the government – in 2019 Macedonia attracted significantly less investments than in 2018 (326 million EUR in 2019 compared to 624 million EUR in 2018). The government, while not having an ambitious industrial and technological policy, pursued some policies to boost domestic innovation. In this, it noted mixed success – while it bolstered the role of the national Fund for Innovation and Technological Development as an incubator of ideas, vehicle for creating new jobs, and stimulating growth and development – the Fund was also a subject to a number of scandals about potential conflicts of interests and corruption.

Political stability, a functional, agile bureaucracy and the rule of law are some of the cornerstones of a fertile business environment, which in 2019 were insufficient in the country, at least in the eyes of domestic and foreign businesses. The government has had a number of swerves with regards to a number of policies, especially with regards to revenue collection, which were also perceived as unfavorable by entrepreneurs. Increasingly, companies in the country have complained that there is a lack of trained, highly skilled labor, as Macedonian highly skilled workers kept on leaving the country - brain drain has intensified in 2019. Some of the key reasons behind the brain drain are non economic – i.e. many people leave the country because of overall lower life quality – but economic policy has also been a push factor for some categories of emigrants. Scores of medical professionals – ranging from nurses to doctors – have left the country because of the low salaries, leaving it with decimated medical workforce. Engineers and operators of machinery have also massively left the country in pursuit of more lucrative appointments abroad. The latest group of emigrants are professionals working in the information technology sector – including both workers and entrepreneurs, who in part have cited the new progressive taxation and the income tax as a push factor.

In 2019, the Macedonian government has been involved in regional economic integration efforts, which became known as Little Schengen – which aims to first and foremost reduce the barriers for the movement of people between Albania, Serbia and Macedonia, and potentially Montenegro and Bosnia and Herzegovina. With the prospective relaxation of the borders and migration regulation in the region, a common labor market may emerge, which could help tackle the numerous issues that have arisen with the continuous brain drain experienced by all countries in the region. These measures are also expected to facilitate the intra-regional and external trade, and facilitate the movement of goods from and to the countries involved. Yet, despite the measures to strengthen regional connectivity – and despite the delays in Macedonia's EU accession – Macedonia's economy remains closely intertwined with the one of the EU, and in particular with the German one. As a result of the integration of

Macedonia in the German automotive industrial supply chain (as Macedonia hosts several car parts producers), Macedonia had a trade surplus in the relationship with Germany. In general, 2019 was better for export-oriented companies, as the domestic market and consumption seems to be inconsistent and too small.

Taxation, Redistribution and Criticisms

Some of the accomplishments in 2019, according to former Prime Minister Zaev, were the 300% increase in social aid, the provision of public pensions, the increase in support for children in socially endangered situations, the increase of salaries for the kinder garden employees (21% raise), social workers (21% raise), education workers (20.6% raise), medical workers (depending of degree of specialization, up to 40% raise), and the Army. The minimal wage has been increased to 14.500 MKD (about 240 EUR). This has been the latest in the series of increases of the minimal wage under the SDSM-led government. By introducing this measure, the government triggered an increase in the median wages as well. The government has also foreseen some form of subsidies for the private companies that would increase wages, a temporary measure that is set to last during the next three years. The unemployment rate has been reduced to 20.7% which is still high, but shows a downward trend. Some critics argued that these are unsustainable measures, and can backfire in the event of the first serious crisis down the road.

In 2019, the progressive taxation system took off. In order to warm up the population to the progressive taxation and to stimulate businesses to pay taxes, the government launched a program for returning 15% of VAT paid to the consumers. To facilitate this process, the government launched a mobile application that citizens use to scan special QR codes printed on receipts issued by businesses. The government has also introduced a lottery for citizens who scan their receipts. This has motivated citizens to be proactive and demand receipts for all the transactions that they make. 2019 was also a year of open finances, as in an unprecedented move, the government has made available the complete public expenditures data. This

move was aimed towards increasing the transparency and combating corruption.

VMRO-DPMNE has harshly criticized the government's economic performance. They have often pointed out to three key aspects which they see as a failures: a) the GDP growth is lower than projected and far from the necessary level (and way below SDSM's own promises); b) the public debt continues to increase, despite the pledges for a more prudent policy from SDSM (these claims are done despite the fact that VMRO-DPMNE, while in power, heavily borrowed money); c) all of the social welfare measures follow a particular political logic and serve the interest of SDSM and DUI to build up their clientelistic network (worth noting, VMRO-DPMNE itself championed such policies as well). Furthermore, VMRO-DPMNE voices have repeatedly argued that most of the successful stories – e.g. the rise in foreign investment or the rise in industrial production are consequences of the economic policies set in motion by the VMRO-DPMNE-led governments and that the SDSM-led government should get no credit for it.

VMRO-DPMNE's criticisms may have been excessively partisan and contrarian. However, that former Prime Minister Zaev himself was also not satisfied with the implementation of economic policies in the country was seen in Fall 2019, when surprisingly, during a reshuffling of his cabinet members, he decided to let go of the former Minister of Finance, Prof. Dragan Tevdovski. Initially, Zaev wanted to take over the Ministry of Finance himself. His argument was that he has an ambitious economic agenda, and needs to be fully in charge in order to implement it. However, after his motion to take over the Ministry of Finance (and serve both as a Prime Minister and Minister of Finance) was deemed unconstitutional, Zaev withdrew the proposal and instead appointed Nina Angelovska, a young e-commerce entrepreneur to the position of a new Minister of Finance. The move raised a lot of eyebrows – while Tevdovski prioritized social welfare and higher taxes (especially for businesses), Angelovska is considered to have a salient pro-business, low taxes orientation. In fact, some of the landmark policies introduced by Tevdovski were the

progressive taxation system; some of these newly introduced measures (e.g. with regards to the increase of the personal income tax for higher income categories) were “frozen” by Angelovska. At the end of the year, another shuffle in the government took place, as part of the pre-electoral change of government – Vice Prime Minister in charge of economic affairs Kocho Angjushev stepped down, and was replaced by Mila Carovska, former Minister of Labor and Social Policy. While Angjushev hailed from the business sector and was known as a pro-business advocate, Carovska was a pivotal figure in the advancement of redistributive policies. The older contradictions – between the more socially-oriented face of SDSM, and the pro-business one – have thus been a major driving force of Macedonia's economic policy in 2019, and are likely to shape 2020 as well.

Montenegro's Economy in 2019

Milika Mirkovic

Positive macroeconomic trends, which have been reflected in growth of Gross Domestic Product (GDP), investments, tourism activity, construction, mining... growth of minimum wage, developments in banking sector, but also trends in public finances, in the shortest, marked economy in 2019.

Positive macroeconomic trends in 2019

GDP recorded real growth of 5.1% in 2018 (MONSTAT, 2019). Positive GDP growth rates were recorded in the first three quarters of 2019. Real growth rate in the first three quarters amounted to 3.0%, 3.2% and 4.7%, respectively. Due to the growth of tourism activity and related sectors, the highest growth rate was recorded in the third quarter. The growth of tourism has also led to growth in the trade and transport sectors. In this case, in the first three quarters of 2019, trade growth of more than 6% was recorded, while the transport of passengers at airports increased for 7% compared to same period of 2018 (MONSTAT, 2019). The growth in the number of foreign tourists during the summer season as well as the growth of low cost airlines have influenced positive trends in air traffic. In addition to the above sectors, intensive activity in the construction sector also contributed to the positive GDP growth rates. During 2019, the implementation of construction' projects in the transport sector continued, where the most important infrastructure project is the construction of the highway, but also significant projects in the tourism sector, which include the construction of tourist complexes at seaside. In the first three quarters, a value of finalized construction works increased by 18.7% in comparison to the same period of 2018.

The industry makes about one-tenth of GDP. During the period January-November 2019 industry production fell for 8% in comparison to the same period of previous year. Positive growth was recorded only in the mining sector (17.5% in observed period), mainly due to the growth of mining bauxite. Production in the sector of electricity, gas and steam supply sector recorded has decreased by 11.7%. A similar trend was observed in the manufacturing industry which decreased for 9.4%, mostly due to a decline in metal production and other non-metallic minerals. It is the most important category of industry and accounts around two fifths of total industrial production. However, significant problem of industry production is the low level of processing and lower phase of production of the final products, which results in a lower added value of this sector. Consequentially, export of industrial products is characterized by non-diversification.

The Montenegrin economy is also characterized by significantly higher imports than exports, especially in the case of imports and exports of goods. Namely, total import is 1.3 time higher than total export (January – September 2019, MONSTAT). This ration is much worse in case of export/import of goods, where import of goods is 6.4 times higher than value of export of goods and the coverage of imports of goods by exports amounted to 15.7% (in the first nine months of 2019, MONSTAT). The most important trade partner is Serbia (one fourth of total export and one fifth of total import of goods). In addition, almost half of the import of goods are from EU countries. When it comes non-European countries, the most significant trade partner was P.R. China (8.6% of total import of goods and 3.8% of total export of goods^①).

In the third quarter, the unemployment rate was 15.2%, while the employment rate was at 50.9%. In comparison to the same period of 2018, unemployment rate has increased for 1.1 p.p. The largest number of employees is in the service sector, or three quarters of the total number of employees (Labor Force Survey, 2019, MONSTAT).

^① In the period January – Novemebr 2019, MONSTAT

In addition, in the first ten months total net FDI amounted to 290.0 million EUR. In comparison to the same period of 2018, it has been increased for 14.8%. Total inflow amounted to 658.1 million EUR or 2.2% higher in observed period, mainly due to increase of intercompany debt.

Structure FDI inflow indicates that 96.7% is related to inflow to nonresident investments and the most important component are intercompany debt - 40.2%, and investments in companies and banks - 34.4% (Central bank of Montenegro, 2019). In 2019, the most significant countries from which the largest volume of investments comes are the Russian Federation, Hungary, United Arab Emirates and Virgin Islands (GBR) which in total makes 28% of total FDI inflow.

Budget issues and public debt

One of the important economic issue in 2019 was related public debt and public finance. At the end of the third quarter of 2019, the government debt amounted to two thirds of the estimated GDP^① for 2019. In absolute terms, the government debt amounted to 3.128 million EUR (third quarter 2019, Ministry of Finance). It decreased slightly during 2019.

During summer, a budget rebalance was adopted which has allowed to Montenegro additional borrowing of half a billion euros. Background of such as decision was the refinancing of public debt, that is, the provision of a fund that would pay the obligations due in the 2020, as well as developments in the fiscal sector that influenced the growth of expenditures and the change in the budget structure. These trends are related to growth of unemployment benefits as a result of the increase of minimum wage, the growth of expenditures in the health sector (consumption of medicines) and budget rebalancing provides two state guarantees for the implementation of capital projects, but also pays for the previously given guarantees.

During 2019, Montenegro issued bonds on two occasions. At beginning of year, Montenegro issued bonds in amount of 190 million EUR

^① Estimated GDP for 2019 is 4871 million EUR, Ministry of Finance of Montenegro

with a maturity period of five (140 million EUR) and seven years (50 million EUR) with interest rates of 3% and 3.5%, respectively. After adoption of rebalance budget, in September, Montenegro issued bonds in amount of 500 million EUR, which was the same amount as the budget change. Considering the maturity and interest rate, this issue was realized on more favorable terms than the previous one. The bonds were issued for a maturity of ten years, while interest rate on bonds was lower by 0.45 p.p. and 0.95 p.p. respectively and amounted to 2.55%.

At the end of 2019, Budget Law for 2020 has been adopted. It amounts to 2.58 billion EUR and it is the largest so far. New Budget Law includes increase of earnings in education and health sector, but also expenditures for supporting national airline company. Regarding the structure, next-year budget is better structured than the previous one, but it seems that some unreasonable increases in planned expenditures (such as increases in salaries for members of Parliament and expenses for their transport) remain a signal of strong bureaucracy.

Developments in the banking sector

The first quarter of the 2019 were marked by trends and turbulence in the banking system. Namely, two banks went bankrupt in 2019. Due to poor financial position, the Council of the Central Bank introduced bankruptcy to the IBM bank, and three months later, after two unsuccessful attempts of recapitalization, to the Atlas Bank. At the time of the bankruptcy introduction at IBM Bank, the total deposits amounted to 39.9 million EUR, of which 56% were paid from the Deposit Protection Fund (According to the Deposit Protection Law, all amounts up to 50,000 EUR are paid from this Fund), while the rest is paid off from the bankruptcy estate. On the other hand, at the time of the bankruptcy of another bank, i.e. Atlas Bank, the total deposits amounted to 189.9 million EUR (according to the Central Bank of Montenegro), of which 47% were guaranteed deposits. It is important to note that after the bankruptcy of both banks, the

amount of guaranteed deposits was almost equal to the funds available to the Fund, so it was almost discharged.

An important issue concerning these fluctuations in the banking market is related to the stability of the entire system. The participation of Atlas Bank and IBM Bank in the banking system was below 10%, which indicated to the lower risk for the whole banking system. After the bankruptcy of the two bank, total deposits had fallen in the first half of the year. It seems that the bankrupt banks at the beginning of the year has reduced confidence in the banking system, if trends in deposits are analyzed, especially deposits of households, but in the second half of the year has been recorded an increase in deposits and in November 2019 its reached level which is above the amount at the end of 2018 and early 2019. In terms of structure, growth in deposits was recorded in all sectors compared to the end of 2018, except in the household sector, where deposits in November 2019 were 1% lower than in December 2018. At the same time, household's deposits accounts for 37% of total deposits, while almost one third is related to corporate deposits. Also, in the observed period, growth of loans was recorded. In general, according to the estimates of the Financial Stability Board in Montenegro, the indicators of financial stability from the third quarter of 2019 indicate that it is at a slightly higher level than in the same period of the previous year (Central Bank of Montenegro).

Polish Economy in 2019

Joanna Ciesielska-Klikowska

In 2019, the Polish economy was full of events - although economic growth slowed down, it still remained at a fairly good level for Poland, around 4%; unemployment was low, around 5%; the average salary in the enterprise sector increased at a rate of 6.6% per year (at the end of 2019 it was already over PLN 5.085; EUR 1.200), and this all translated into stable outflows to the state budget and a general calming of the market. At the same time, however, the issue of future pensions is still a huge challenge for Polish employees. Their height remains unsatisfactory for the majority of society. The so-called Employee Capital Plans were to become the remedy for this problem. Their introduction in July 2019 met with interest of employees, though its introduction is extended in time and planned for the whole year - until mid-2020. The government hopes that in this way Polish employees will start saving for their pension independently, because the social insurance system will not be able to meet the financial needs of constantly growing group of seniors.

Retirement benefits in Poland

According to Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS) which is the basic organizational unit that performs social security tasks in Poland, there are today overall 7.7 million retirees and pensioners. Yet pension statistics are bad – at the moment over 430,000 people receive minimum pensions (1.100 PLN; 260 EUR), and as many as 50,000 receive less than PLN 760 (EUR 180). This is because the minimum pension is not automatically granted to all who have completed the retirement age - 60 years for women and 65 for men.

From March 2019, the minimum retirement benefit is as mentioned PLN 1.100 (EUR 260), and in 2020 it will increase to PLN 1.200 (EUR

280). The data from the first half of 2019 indicates, that an average pension is PLN 2.236 (EUR 256). However, current average pensions still include relatively high benefits, calculated according to the old pension system (effective until 1999), where the retirement of people born before 1949 depended only indirectly on the contributions paid, and the seniority was of key importance. This means that for those who were born later, the amount of pension paid out today depends primarily on the amount of contributions, not on the age. In practice, this means that if someone worked for years for a contract or worked illegally (a common practice in the 1990s and the beginning of the 21st century), then their pension will be much lower.

Employee Capital Plans as a remedy

Being aware of this difficult financial situation, which has been affecting Polish pensioners for years, in the past times new concepts were created how to encourage Poles to self-saving for the old age. However, the amount of salary, current fees and expenses often made it difficult to save money for the last years of life. On the other hand, since recently the economic situation is much better and the average income is twice as high as it was 15 years ago (app. PLN 2.200; EUR 520 in the year 2004), more and more Poles are thinking about saving themselves. Employee Capital Plans (Pracownicze Plany Kapitałowe, PPK) introduced on July 1, 2019 are to be a structural facilitation for saving, because their costs will be spread over three pillars - the employee, the employer and the state.

The system assumes that all employees aged 19 to 55 will be enrolled in the PPK mandatory, although the system can be unsubscribed. It is the state's response to the fact that usually people do not use their opportunities and benefits - so the system will automatically include every employee as a program beneficiary. In total, it is up to 11 million people - 9 million working in the private sector, 2 million in the public sector. All employees for whom pension insurance contributions are paid will be connected to PPK - irrespective of the form of employment. However, the so-called self-employed (single-person companies, currently over 3 million of them in

Poland), are excluded from the program, what is a big gap meaning that an answer will need to be found in the future for those micro-companies.

The new solutions are introduced in stages. The order in which PPK is implemented depends on the size or type of employer. The largest employers, i.e. companies employing over 250 employees, joined PPK the earliest, in July 2019. From January 2020, medium-sized enterprises join the program, and at the latest, in mid-2020, small businesses and public finance sector entities.

The basic contribution to PPK is a 2% remuneration - which is the foundation for calculating the contributions for retirement and disability pension from the program participant (employee); and a 1.5% remuneration - which is the basis for calculating the contributions for retirement and disability pension from the employer.

In addition, the employer will be able to declare an additional payment of up to 2.5% in the PPK management contract. This means that the employer can add from 1.5% to 4% payment to each employee. The PPK participant can also declare an additional payment of up to 2%, which gives a total of a maximum of 4% (meaning basic and additional payment). As a result, the employee's account in PPK will be able to receive a total payment of 3.5% to 8% remuneration. The PPK predicts moreover a motivating solution for the lowest earners. An employee whose monthly salary from various sources will be equal to or lower than 120% of a minimum salary in a given year, will be able to make a basic payment of less than 2%, but not less than 0.5%.

This means that if an employee earns 4,000 PLN gross (EUR 942), within 12 months he/she will save 1,200 PLN (EUR 282), of which over PLN 500 (EUR 118) will be a bonus from the employer. This is de facto an increase that the employer will pay to the employee. In the case of an unchanged salary, the amount of savings will therefore be PLN 12,000 (EUR 9,420) in 10 years. Though this amount will be even higher due to resulting interest and additional bonuses from the state budget, because the program also envisages the participation of state in the saving process - a subsidy from the state Labor Fund will amount to PLN 20 per month (EUR

4,7), which translates into PLN 240 per year (EUR 56,5). In addition, in the first year employees will also receive a welcome payment of PLN 250 (EUR 59).

Importantly, despite the fact that this program provides for long-term savings, it will be possible to withdraw the money every year (or at other appropriate intervals of years). Additionally, these funds are completely private, and therefore it will be impossible to nationalize them and take them in favor of the state budget. As mentioned, the employee can also unsubscribe from the program at any time, although the program will automatically enter every employee once every four years - and therefore one will be able to sign up at any time in the future, or resign at any time.

As it was underlined in the exposé of Prime Minister Mateusz Morawiecki, the idea of the government is to change the system in such a way as to “guarantee privacy and protect funds from PPK”, and in that way to “regain the trust of citizens and restore their faith in a dignified existence”.

First half-year results

The expert report of the Pensions Institute, which was published in November 2019, shows that an average of 40% of employees of the largest companies decided to save at PPK. So the level of employee participation in the PPK is lower than expected by the government - initially, it was assumed that at least 75% would not resign from the PPK. Economists indicate that is not a bad balance though - president of the Polish Development Fund, co-founder of PPK, Paweł Borys, assessed that the average result of employee participation in the first stage of the program should be at 40-50%. In turn, vice president of the Polish Development Fund, Bartosz Marczuk, assumed that he was rather expecting about 40% employees saving in PPK, not more.

According to data published at the end of December 2019, out of 2.9 million people who could save with PPK, around 1.1 million do so. This means that about 1.8 million people have submitted declarations of resignation from making payments to the program.

The reasons for this decision may vary. First of all the program is a great novelty, so it can be assumed that interest will increase in future years (as it happened e.g. in Great Britain). Secondly, outlooks lower than expected may also be the result of the percentage of temporary employees in the biggest companies. Among these employees, lower participation in PPK is most visible, and Poland is the third country in the EU with the largest number of temporary employees. Thirdly, Poles (excessively) believe in the financial stability that the state will give them because of the pension contributions, that each employee pays compulsorily. Considering that these contributions fall into a joint cash register instead of individual accounts, the majority of pensions paid is and will remain low or very low - Polish society is aging rapidly, so soon there will be more pensioners than people working and maintaining the pension system. Fourthly, there is still the “somehow it will be”-way-of-thinking - characteristic for a group of Poles. Some of them still believe that the state does not guarantee any stabilization, so it is better to save money at home (even not in a bank), or they hope that the matter will work out somehow in the future – through the help of children or other family members.

Nevertheless, a large part of citizens joined the program - most of them women (55%), for whom this form of saving is convenient and will provide them with a higher pension – one close to men’s payments (there are still disproportions between pensions for women and men).

It is very interesting whether and to what extent this percentage of interest will change after introduction of the program into SME and public sector in the coming months of 2020.

Conclusions

PPK is a voluntary and fully private long-term saving system, which is supposed to increase the financial security of Poles. According to Ministry of Finance, the Employee Capital Plans are the first savings program targeted at over 11 million citizens, which has a chance to become truly universal thanks to contributions from both the employer, employee and the state budget.

This program is therefore a kind of revolution that can introduce a change in the perception of the issue of responsibility for the amount of future retirement - it is an important step on the road of employees' taking liability for their future.

However, it should be taken into account that the money in Employee Capital Plans will be invested for all years by Investment Fund Societies. And the earnings depend on the rate of return on these investments. Keeping it stable for such a period of time will not be easy - worse and better periods may occur in the global economy. And this is certainly a risk.

Overview of Romanian Economic Developments in 2019

Oana-Cristina Popovici

Romanian confronts economic slowdown and a budgetary deficit which will surpass 3% of GDP this year. Under high volume of imports, trade deficit hit 6.5% of GDP in the first ten months of the year. The economic and fiscal slippages are difficult to be adjusted given the following rounds of elections in 2020, which could further lead to deepening of the deficits. In these circumstances, the international rating agency Standard&Poor's downgraded the outlook of Romania's rating from stable to negative. Notwithstanding the above, one of the best news in the economy this year, comparable to that of the accession to the EU, was the promotion of the Bucharest Stock Exchange from the status of frontier market to that of Secondary Emerging Market, which expands the pool of investment funds available to Romania.

Fears at the beginning of 2019 related to the slowdown of the economic growth and the difficulties of keeping the budgetary deficit under the limit of 3% of GDP were justified.

The economic growth slowed down to 4% in the first three quarters of the year, according to a recent release of the National Institute of Statistics, after a continuous quarterly decrease of the economic performance. The third quarter of 2019 saw a GDP increase of 3%, as compared to 4.6% in the first half of the year. The industry and the agriculture had a negative impact on GDP growth. Industry is contributing with 22.6% in GDP, but the reduction of the activity volume by 1% led to a negative contribution with 0.2 percentage points to the GDP growth. Agriculture's output reduced even higher, by 4.1%, but since its contribution in GDP is limited at 5%, the impact on GDP growth was a decline by 0.1 percentage points. Consumption and constructions were the

main sectors with a positive contribution of 0.9 percentage points and 0.6 percentage points respectively in GDP growth. The economic growth continues to be driven by consumption, which economists warn is not sustainable on the long term.

The problem of the trade deficit amplified. The last data on the first ten months of this year indicates that the trade deficit has already exceeded EUR 14 billion (6.5% of GDP), which is 18.4% higher than in the first ten months of 2018. The increase is almost double compared to the official forecasts of the trade deficit growth for 2019, initially established at 9.9%. The trend of higher increase in imports than in exports is perpetuating. Therefore, although the cumulated value of the exports reached EUR 58 billion in the first 10 months, meaning a 1.7% increase, the imports hit EUR 72 billion, after a 4.6% increase as compared to the previous year.

Such a situation is the consequence of the social budgetary expenditures. The increase of the wages and pensions stimulated the demand for goods and services. As the local companies could not provide the required goods, the adjustment was made by price and imports. In these circumstances, Romania remained the country with the highest annual rate of inflation in the European Union, which reached 3.2% in October as compared to last year, although on a decreasing trend. However, official data record an increase for November, and the National Bank of Romania expects a value of 3.8% at the end of the year.

Once with the accommodation of the new Government, a huge debate related to the budgetary deficit emerged. One of the most important predictions for this year – that of the impossibility of having a budgetary deficit lower than 3% of GDP, became true. The budgetary deficit is estimated at 4.3% of GDP this year and there are accusations that the previous government did not initiate the needed measures for preventing such a situation in time. Unfortunately, the budgetary situation could not be adjusted in 2020. The budget for the next year will be built on a budgetary deficit of 3.6%, as agreed following negotiations with the European Commissions. However, there are fears that such a target could not be achieved if pensions will further increase, as already established.

Under these circumstances, the economic perspectives at the end of the year are gloomy.

The international rating agency Standard&Poor's recently took the decision of downgrading the outlook of Romania's rating from stable to negative, following the risks emerging from increased budgetary deficit and the plans of implementing new raises of pensions in 2020. Estimates show that if the pension law adopted in July is applied starting with next year, the state's pension spending will increase by over 3% of GDP in 2020-2022.

S&P' opinion is that the large spending deviations of the previous government are going to be difficult to be adjusted by the actual government given the following rounds of elections in 2020 and therefore the budget deficit will be even higher, of 4% of GDP in 2020, and, in the absence of measures regarding pension increases, it will reach 6% of GDP in 2022. As a consequence, the share of public debt in GDP will increase, which will lead to an increase in interest expenditure. The situation would be worsened, as an economic growth of only 3% is forecasted for that period.

However, the country's long- and short-term foreign and local currency sovereign credit ratings were maintained at 'BBB-/A-3'. Over the next two years, the agency could lower its rating if no action is taken for adjusting the external and fiscal imbalances.

In the same vein, an Erste Group report points that investor confidence deteriorated at the end of 2019 following the raising awareness about the state of public finances.

The Emergency Ordinance (EO) 114 at the end of 2018, through which new taxes and radical changes in the energy and banking sector were imposed to the business environment for increasing the budgetary revenues, had to be adjusted several times for correcting some disruptions in certain sectors or for avoiding the triggering of the infringement procedure by the European Commission. In the end, the main aim for the EO 114 – to increase the budgetary revenues – was not fulfilled; instead it generated distortions in economy which had to be reconsidered. The budget for 2020

is under planning and several other measures for changing EO 114 could be taken into account. Some of them were already announced, such as the elimination of the tax bank or of the capital requirements for the managers of the second pillar pension funds. Several declarations of the officials also target the abrogation of the provisions in the energy sector, such as the ceiling of the price for the producer, with a transition period of between 6 and 9 months until the re-liberalization of prices.

The industry, driven by the manufacturing sector and especially by the automotive sector, also saw a reduction of the activity. Romania recorded in October 2019 the fifth consecutive month of a sharp decline in industrial production, establishing a negative record of -7.7% for the values adjusted by the number of working days and seasonality compared to the same month of the previous year. The industrial sector is the one determining the economic trend, and the cumulated general decline in the first 10 month of this year was of 2.8% on the series adjusted by working days and seasonality. In fact, as the auto industry accounts for 14% of GDP and has a contribution of 26% in exports, industry was highly influenced by the evolutions at global level during this year, shaped by the trade wars and the accentuated decline of the activity in the enterprises in Germany.

This strongly affected the demand for car components, which is a major industry sector in Romania, and thus severely altered the volume of exports. However, the difficulties at international level reoriented the demand towards cars with competitive prices, which are produced in Romania by the two factories, Dacia Renault and Ford. Therefore, the production of cars increased in the first part of this year, while Ford launched the fabrication of the new Ford Puma, the first hybrid vehicle manufactured in Romania, at the end of this year. In this regard, car production has good perspectives for the following period and foreign investments could further be attracted in this sector for increasing the production capacity of the plants of the two car producers.

One of the best news in the economy this year was the announcement in September on the promotion of the Bucharest Stock Exchange from the status of frontier market to that of Secondary Emerging Market. The

decision of the global evaluation agency FTSE Russell followed the fulfillment of the liquidity conditions and will become effective in September 2020. The performance was compared by the economists with the adhesion of Romania to the EU, due to the opportunities it can provide. Romania will have access to investment funds 30 times higher than those usually allocated until now, according to estimates, as large global investment funds, which were restricted through their prospectus to invest in frontier markets, could now target the country. This will lead to the increase of the demand for the shares of the companies listed in the Bucharest Stock Exchange and of their market value. The Bucharest Stock Exchange goal for the next 10 years is to double the capitalization level of Romanian listed companies, from 10% of GDP at present to 20% of GDP.

Summary of Serbian Economic Development in 2019

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***Abstract:** This year Republic of Serbia mostly achieved results that were targeted according to the last year's plan and according to the budget. From that point of view, the authorities could be satisfied. Macroeconomic indicators are stable, so we have the potential for further improvement of our business environment. On the other hand, everyday people and domestic companies could have a different story. The living standard of people is still below the average in Europe, while domestic companies still have less favorite position than foreign investors. The immigration of young professionals is a very serious problem, and it is the problem for which at the moment we don't have a solution. Plans for the next year are similar to the ones for this year, and the forecast is a little bit better.*

Introduction

Looking back at the forecast for this year, we can say that most of the predictions made by the Serbian Government, foreign financial institutions and domestic analysts were correct. Each year we have some improvements that are leading us in the right direction. Regarding the economy, many things have changed and are changing, but unfortunately in some field's things are progressing were slowly. Changes in public law procurement are especially slow, and along with corruption are hurting economic indicators in a very profound way. Some analysts state that if we change that, we could potentially have GDP higher by 1%, and at this moment it is especially important to change that, and have better economic results.

Analysis of Serbia's economic results in 2019

We will first analyze basic macroeconomic indicators. GDP growth rate this year will be according to the source between 3.3% (IMF) and 3.7% (The Statistical Office of the Republic of Serbia), and the forecast was 3.5%. This year the results in the Q1 and Q2 were very low, namely, it was because of poor performances in the industrial and agriculture sector. The industrial sector was hit with a crisis in countries that are our main export partners, such as Germany, Italy, Bosnia and Herzegovina, Montenegro, and North Macedonia. Agriculture had mixed results – some of the crops had a good season, but some of them were hit by weather conditions. Q3 and Q4 results were and are much better, so in the end, Serbia's GDP will be mainly according to the plan. It should be also mentioned that this growth rate is still low and if we want to catch up with the growth in other Central and East European countries that are part of the EU, we need to have growth rate between 5 and 7%. That is a very difficult to achieve, not only because of our internal results but because of the state of world economy.

According to official announcements and according to the IMF reports, Serbia had a budget surplus from January until August 2019. Never the less, the Serbian Government decided to spend part of that money by the end of the year (capital investments, salaries, pensions), so at the end of the year we will have a relatively modest budget deficit of 0.5% of GDP, and that was done according to the planned budget proposal.

The tendency of declining the public debt is continuing from year 2016 (respectively by years 67.8%; 57.9%; 53.7%) and in 2019 it is 52.0% of GDP. Having in mind that in 2015 the public debt was 70% of GDP, this is a huge improvement that was achieved thanks to strong fiscal policy.

Official announcement from the World Bank stated that: "Unemployment declined to an estimated 10.3 percent in the second quarter of 2019, and the unemployment rate for the population aged 15–64 stood at 10.8 percent." The unemployment rate is decreasing, and in some other times and circumstances that would be a great result. Unfortunately, this year that is not a reason to be satisfied. The *brain drain* is evident in Serbia

on an everyday basis. Unlike in some previous times, when mainly young people were leaving Serbia, in these days we have people of all ages and all sorts of different qualifications leaving Serbia. They are mainly going these days to western countries in the Europe because there is a large demand for working force and professionals from our country. So, even though we have a decline in unemployment, it didn't happen only because we have a great inflow of FDI, and more people are working, but it happened because people have better opportunities elsewhere. This is a serious problem, and the Serbian Government is very aware of that.

In order to prevent that, the Government measure was to rise salaries in public sector by around 9.5% at the end of this year, while it was suggested by IMF to rise them by 5-5.5%. This measure was done to motivate people who are working in public sector (especially in health department) to stay in Serbia. While it was a good news for many citizens, IMF warned in its yearly report, that this increase may burden our budget.

According to the reports of National Bank of Serbia (NBS): "After moving at an average level of 2.0% in 2018 and finishing the year at the same level, inflation continued to move at an average of 1.9% in January-October 2019, in line with NBS forecast. Inflation expectations are anchored within the target tolerance band ($3 \pm 1.5\%$).\" National currency is stable, and the average value for the year will be around 117.7 RSD for 1 euro, so this year dinar is stronger than in the previous years. Banking sector is strong and stable, due to the measures of NBS.

As it was previously stated strong fiscal policy measures were reflected in budget surplus from January until August (surplus of 0.9% of GDP). Those were achieved due to increase in level of revenue collection, which could be done because of the tax administration reform. Because of changes in the budget at the end of this year (increase of salaries), the Government will end this year with a budget deficit of 0.5%.

Serbia's trade balance in 2019 at the end of October was in deficit 588.5 million US\$, and it looks like that trade deficit will be at the end of the year similar to the one at the end of last year. Exports of goods and services retained their growth momentum in 2019 (10.9% y/y in January-

September), driven by exports of services, manufactured goods and agriculture. The main countries for Serbia's export are Germany, Italy, B&H, Montenegro, and North Macedonia. Serbia is mostly importing from Germany, Russia, and China. This year the biggest problem for export was unresolved conflict with Kosovo, which led to raising the tariffs 100% for Serbian export to Kosovo. According to the Serbian Minister of trade, Serbia lost due to this tariffs 395.7 million US\$ in just one year.

This year, along with the previous year, was a record-breaking year for Foreign Direct Investments (FDI) in Serbia. In the official report for this year, NBS stated: "Macroeconomic stabilization and improvements to the business environment contributed to high FDI inflows (EUR 2.9 billion in January-September 2019). FDI inflows are diversified by region of origin as well, with a greater share of countries from the Asia Pacific and Middle East regions, alongside Serbia's major investment partner - the European Union." What is even more important is that the structure of those investments is changing. Unlike in the previous decade where FDI was going to trade and services, nowadays we have more FDI in the field of industry and agriculture.

The biggest investments in Serbia in this year were: Vansi, French company that took Airport Nikola Tesla; Zijin Mining bought 63% in copper smelter RTB Bor; Shandong Linglong, Chinese company will produce tires in city Zrenjanin; German company ZF Fridrichshafen opened factory for producing automotive part in city Pančevo.

What we are lacking at the moment are capital investments coming from the state and more importantly investments coming from the domestic companies. There is a debate in Serbia why the state is not spending money on capital investments, and there is an academic urge for our authorities to change this. On the other hand, domestic companies are mainly investing their own money, and they are not using money from external resources. Most of the analysts think that this is due to their fear that they cannot return that money, and they cannot easily reach foreign markets in a way multinational companies can. So there is also pressure on the state, coming

from the researchers and businesspeople, to enable a better business environment for our domestic companies.

The banking sector, which is mostly composed of foreign banks, was stable in the last year and its performances were better than in previous years. Thanks to the measures of NBS, the share of nonperforming loans in total loans declined to 4.66% at end of September. That is the lowest level of NPLs since 2008, the year from which we started to use this indicator.

Also, it is very encouraging that Serbia's international financial ratings are improving. Fitch improved Serbia's credit ratings from BB to BB+ in September 2019. Besides that, Moody's upgraded the outlook for credit rating to 'positive' from 'stable' in September 2019. S&P in 2018 upgraded the outlook from stable to positive, and we are still waiting for their results for this year.

Besides that, Serbia improved its place on Doing Business List in 2019, and now it is placed in 44th place. That is four places up from the last year. Main improvements, according to the World Bank, were made regarding issuing construction permits, reducing administrative taxes and more reliable power supply.

Serbia has maintained its position on the List of Global Competitiveness. The Index of Global Competitiveness (World Economic Forum) positions Serbia's on 72nd place, but at the same time, Serbia improved 8 out of 12 fields. Unfortunately, the changes were relatively small, so we stayed at the same place. Also, according to this report, macroeconomic stability was maintained, and that is in line with previous analysis. The main improvement was made according to the IGC in the dynamics of business, and the worst score was made in the health field, goods market and implementation of information and communication technologies.

Conclusion

Serbian economy is recovering and the results are much better than immediately after the world economic crises, or in year 2014. That means that the reforms that were planned helped the recovery of economy, and

now we are the point in that recovery in which we need to look upon changes and see, what were the good and what were the bad things.

Among the positive things for this year we can name following: stabile macroeconomic indicators, good monetary policy for the most of the time (except the policy of strong dinar), good fiscal policy, decrease of public debt, stabile inflow of foreign direct investments, better credit ratings, tax reforms.

Things that need to change in upcoming years: domestic capital investments and domestic direct investments, better job opportunities and salaries at domestic market, living standard of people (e.g. to prevent further brain drain), FDI that will come in more technologically advanced areas, changes of law and justice system, and in the end corruption.

Slovakia's Economic Development In 2019

Martin Grešš

Overview^①

Slovak economy in 2019 performed quite well from the point of view of main economic indicators. Regarding the first quarter of 2019, the economy grew in line with the assumptions from 2018 with net exports being the main driver as documented by the developments in industrial production, sales and export statistics. At the beginning of 2019, the economy grew by 3.7% year-on-year (3.6% in the fourth quarter of 2018) and by 0.9% quarter-on-quarter. Non-financial sector, in particular industrial production and industrial sales, indicated a strong recovery in economic growth compared to 2018. However, this strong growth was, to a certain extent, dampened by the moderation of economic activity in other sectors (financial institutions and households).

However, the strong growth from the first quarter of 2019, did not last in further month. The economy slowed significantly to 1.9% year on year in the second quarter of 2019 (compared to 3.7 in first quarter). While industrial production, sales and exports only slowed their pace of growth in April and May, they fully plummeted in June. The decrease was also seen in the automotive industry, which was able to offset the slowdown in the rest of the economy in previous months. The gradual moderation of economic activity was caused mainly by shortening of working weeks and a consequent decrease in hours worked. The cooling of foreign demand affected mainly the metal production sector, where this trend has been seen for a long time at the European level. Another factor in the economic slowdown in the second quarter of 2019 was the planned technological outage in the petrochemical industry. The main factor in the slowdown in

^① Data in this report were extracted from NBS (2019).

GDP growth were, unlike in the first quarter, net exports, partly offset by better household consumption.

Regarding the third quarter, year-on-year growth levelled at 1.3% (down from 1.9% in the second quarter). Further slowdown resulted mainly from continuing weaker foreign demand. The unfavorable situation in the European industry and the weakening demand for cars affected the economic activity of industrial companies producing in Slovakia. Domestic demand developed positively as the service sector was pulled by the increased consumer demand.

Economic activity

In January 2019, the year-on-year growth of monthly economic indicators accelerated. The source was mainly the automotive industry, which had a shorter holiday period compared to the previous year. However, there was still a risk of slower economic growth in the coming month since the German industry, to which Slovak economy is tied, failed in January and its further development were uncertain. In February, there was a partial correction of the January improvement in economic indicators. As mentioned, January results were strong, mainly due to the automotive industry and also machine production and exports have also recovered since the beginning of the year.

In April 2019, economic indicators continued in growth moderation. Industrial production slowed down mainly due to failures in European demand for metals and probably machinery and equipment as supply to the automotive sector. These failures could not be compensated by increased production of electrical equipment. The slowdown in industry, together with weaker retail trade, was reflected in lower overall sales in the economy, which was not also not helped by the export of goods leading to the stagnation of exports on a year-on-year basis. Monthly indicators of the real economy continued to slow in May. The year-on-year growth in industrial production was dampened mainly by the production of petrochemical products, where extensive shutdowns were taking place, but also by the

production of metals which functioned on a shorter working week basis than usual.

The June decline in economic indicators moderated in July. Industrial production resumed its year-on-year growth, however, exports of goods and sales remained in negative numbers. The slowdown in economic activity was also visible in domestic internal trade, where the year-on-year decline in wholesale and retail sales continued. On the other hand, this decline was partially offset by higher increase in turnover in restaurants and accommodation facilities. In August 2019, economic indicators declined on a year-on-year basis. Several key sectors of the Slovak industry were weaker than a year ago. Production and sales in industrial sector reached the deepest drop in the last three years with industrial production falling by 8.1%. Within the industrial sector, the production of cars, as a key industrial sector in the Slovak economy, fell significantly. In addition, the decline in wholesale and retail sales deepened.

In the third quarter of 2019, domestic monthly indicators continued with negative developments from previous months. Although the September data for industrial production, sales and exports were slightly more favorable than during the previous holiday months, they did not bring a significant recovery in the economic activity. Especially in the automotive industry, which has been the main growth sector so far, after the positive effects of last year's launch of new production, the decline in foreign demand started to have a significant impact. The main factor of the slowdown in GDP growth were net exports (unlike in the beginning of the year 2019), which was partially offset by domestic demand. The development of monthly indicators in October 2019 remained weak. Key industries and trade failed with both weaker demand from abroad and also in domestic retail and wholesale sales. Industrial production and exports fell on a year-on-year basis in October. The slowdown in economic activity was also reflected in domestic demand. Retail sales recorded the highest decline of 2019 in October.

Labor market

Employment in the Slovak economy grew by 1.8% year-on-year in the first quarter and by 0.3% quarter-on-quarter. The employment growth rate was almost the same as at the end of 2018. Compared to the overall dynamics of the previous year (2%), however, we note that employment increased more slowly in 2019. Based on monthly indicators, construction and services were the main sectors of the Slovak economy significantly contributing to employment growth. Growing demand in the field of tourism also had a positive effect on services sector. On the other hand, job creation in industry slowed down more mainly as a result of the less favorable conditions affected by the evolution of the global economy. At the same time, companies were no longer able to fill the jobs as easily as in previous years. Another reason was the rising labor costs, making employers look for ways to streamline production and automation. Factors such as dynamic labor costs and staff shortages are responsible for weaker employment dynamics in business activities.

Employment in the second quarter slowed down significantly with continuing decline in next months. In the second quarter, employment in the economy slowed to 1.4% year-on-year (down from 1.8% in the first quarter) and by 0.3% quarter-on-quarter. This slowdown in employment dynamics was the most pronounced in the last 2 years. In particular, industrial and business activities were responsible for this downward trend in the second quarter. In industry, mainly the manufacturing of machinery and transport equipment. However, there were also negative developments in other industries, such as the textile and chemical industries. On the other hand, the dynamics of employment in construction and services (9% and 7% growth respectively) continued to develop quite favorably. In services, employment was developing positively thanks to strong growth in tourism, the IT sector and other market services.

In the third quarter, employment in the Slovak economy grew by 1.0% year-on-year, which is a slowdown compared to the previous quarter (1.4%). Quarter-on-quarter employment increased by 0.2%, supported mainly by the public sector. Employment stagnated in each of the months

of the third quarter. We note that there are two main factors for this situation. The first one is the weakening of foreign demand and the second is the pursuit of higher efficiency in order to dampen the impact of strong growth in labor costs.

Price developments

Inflation accelerated to 2.2% in January 2019 (compared to 1.9% in December 2018) mainly due to regulated energy and food prices. The rise in electricity and heat prices for households and the increase in processed food prices contributed to this acceleration. Food prices increased significantly in January compared to December with possible effect of the introduction of special levy on commercial chains reflected in food prices. Inflation slightly accelerated in next months to 2.3% (February) and 2.7% (March) due to food and energy developments. Food prices continued to rise, mainly the unprocessed food prices at 3.1% with processed food prices falling slightly by 0.4%. one of the factors in this development may be the introduction of changes in wages for night work and weekends as well as a growth in wages in the retail trade). However, the inflation slowed down in April (2.4%) mainly due to prices of services and alcoholic beverages and tobacco. Since May, inflation accelerated again due to the same sectors – services and food. Potato prices increased due to dry weather, low domestic production, lack of domestic storage capacity and more expensive imports of foreign production. Also expectations of rising meat prices as a result of the pork supply on the Asian market were also fulfilled. Inflation was 2.7% in June (the same as in May). Energy prices have slowed down, but the rise in prices of services accelerated. In further months the inflation accelerated again to maximum of 3.2% in November mainly due to changes in the food prices in all these months, but also the increase in the prices of services and administrative prices.

Conclusion

Slovak economy grew in the beginning of the year 2019 along the lines with previous expectations from 2018. However, the strong growth

from the first quarter of 2019 slowly deteriorated in upcoming quarters due to several factors such as the decreasing foreign demand, developments in the global economy and changes in the domestic consumption. Regarding the employment, the rate of growth also slowed down with the unemployment in the second half of 2019 reaching less than 6% with decreased will of employers to hire new people because of changes in the wages and the slowdown of the economy. Price changes in Slovakia during 2019 were higher than the average of the European Union mainly due to changes and increases in the food and energy prices throughout the year and the changes in the prices of services and administrative prices since the half of 2019.

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Overview of Slovenian Economy in 2019

Helena Motos

Summary

With still a decent economic growth of slightly below 3%, accompanied by significantly low unemployment rates and growing household income, the Slovenian economy went through a successful year. Despite all these, some issues remain: lowering consumer confidence, stagnation in destination economies for Slovenian exports, unclear strategies for the tax reform, and an enduring problem of managing state owned companies.

Overview

According to the report by IMAD (The Institute of Macroeconomic Analysis and Development of the Republic of Slovenia) for the first three quarters of 2019, the year showed a slightly slowed down growth, but some other factors proved still more favourable. The year-on-year growth of GDP in the first three quarters of 2019 was 2.7%, while the IMAD projection for 2019 was 2.8%. This is remarkably less than the 2018 growth rate which was 4.1%. The growth is especially slowing down in export, while it is rising in private consumption. Consumer confidence indicators, on the other hand, have decreased considerably since 2018. Despite a slight rise in the last month of 2019, the indicator of consumer confidence is still 10 percentage points lower compared to December 2018 and even 12 percentage points lower than the average value of 2018. The drop was mostly due to the indicators of the expectations about the unemployment rates (went down by 19 percentage points) and the expectations about the financial situation in the country (went down by 15 percentage points). The survey also showed a decrease in optimism about the financial situation in the household, which went down by 4 percentage points. According to the

analysts a lot of this insecurity might be due to the external factors that influence Slovenian economy. In the EU, a lot of uncertainty is related to the outcome of Brexit and its potential effect for the euro area. Additional sources of insecurity are the implementation of protectionist measures in big economies, geopolitical tensions, and a global slowing of economy. The export markets Slovenia is mostly oriented on, Germany and Italy, are experiencing a slowing down as well. This resulted in significantly weaker growth in exports of intermediate goods and vehicles. This additionally negatively affected the optimism about the economic situation within the country.

According to the IMAD analysis, in the first three months of 2019, service activities strengthened. After a good beginning, the construction activity declined, but further growth was seen in trade and most market services. High technology industries also strengthened their production. The medium technology industries, however, saw a halt in growth due to the situation in foreign demand. There was a decline in exports of intermediate goods. Partly due to weather conditions, the beginning of the year in construction was strong, but then slowly declined, while the values of the stock of contracts and new contracts are still on the rise. In households, the consumption is increasing, and the disposable income is also growing.

This is partly related to good conditions in the labour market, where the number of employed persons is growing, and the unemployed rates are significantly lower than in the previous years. Compared to 2018 (the third quarter) the employed rates grew by 1.1 %, while the unemployment rates decreased by 5.4 % compared to the same time in 2018 - while the unemployment actually went up by 5.8 % for men and down by 15 % for women. The rate of self-employed persons went down by 6.1 % which also indicates that employment strategies of companies changed. Subcontracting instead of employing was a semi-legal cost-reducing strategy of many companies during the financial crisis and its aftermath. Another significant trend can be observed in employment contracts, namely, a 2% increase (third quarter of 2019) in full time employment compared to

the same time a year before. Effectively, this means that only 8 % of people are employed part time, while out of these approximately half for reasons of illness, disability or partial retirement.

Growth of wages in the first three quarters of 2019 also surpassed the comparable rates of 2018 by approximately 4 %, partly a result of wages growth in the public sector (more than 5 % compared to below 4 % for private sector). This was accompanied by higher growth in social transfers. Household spending factors varied according to the type of purchased goods, displaying growth in non-durable goods and moderation in durable goods, doubtlessly related to the consumer confidence indicators, mentioned above. The moderation in spending along with the growing wages resulted in additional growth in household saving.

The government of Marjan Šarec recently proposed a partial strategy for a needed tax reform, a task that previous governments failed to fully complete (a so-called mini tax reform was adopted in 2016). Despite disagreements, in late October the government successfully passed changes of four acts in tax legislation through the parliament. The two main elements in this tax reform are the relief in the taxation of wages and a higher taxation of capital. Income tax scale was moved upwards, and rates were lowered especially in the middle-income range, with the explanation that it is this part of population which is the most crucial for the economic growth of the country. On the other hand, the income tax rate was increased for the revenue from capital. Both measures were criticized, the income tax scale modifications especially from the side of The Left, while the tax on the revenue from capital mostly from the political right and representatives of the companies.

Challenges for Slovenian economy – 2019 and further

Along with the growing employment rates and a stable economic growth, the problem of the lack of qualified workforce is growing as well. Especially in the border regions with Austria, many companies find it

difficult to get the workforce because of the very common strategies of finding better paid jobs on the other side of the national border. Many young people decide to leave to other EU countries as well. There is also lack of qualified workforce in high-tech industries, making it progressively difficult for some sectors to get and keep their employees. Specialized segments of the public sector (especially research and innovation sector) also struggle to keep the qualified employees because of the limitations of the public sector wage system. The same problem – but for other reasons, primarily related to work conditions and low wages – is present in the building, processing and service industry. Proposed measures, where different shareholders still struggle for consensus, are to allow controlled migration of highly qualified workforce, to shorten the education time and to prevent double status employment (especially in students) to promote early entrance into the job market.

The issue of limitations for consumer loans also remains an open debate. In November 2019, the Bank of Slovenia made its regulations for consumer loans stricter by applying two additional measures. They put caps on the maturity of consumer loans and for the consumer and housing loans they limited the ratio of the annual debt servicing costs to the net income. On one hand, this measure might prevent many poorer households from getting a housing loan and many warn against its long-term effects. On the other hand, however, the Bank of Slovenia position is that the intention of this measure is to limit the unfair practices by the banks, where individuals are approved loans which surpass their realistic repayment potential.

The most acute problem that continued to be exposed in 2019, however, is of a more systemic nature, namely, the strategy, methods and long-term vision of managing state-owned companies. These issues were especially brought forward by several cases of poor decision making and management in state owned companies or those that were previously state-owned. Two most telling examples were the collapse of the Slovenia-based airline company Adria Airways. In 2016 the decision was made to sell the national airline to the German fund 4K Invest. Under the new ownership the company which had problems previously went into an even worse

situation. A series of problematic business decisions brought Adria Airways to the loss of licence and finally declaration of bankruptcy in early October. The other example the background of which is still unclear is the recent change of the management board of Petrol, the leading energy company in Slovenia, of which a third is owned by the state. This late October decision, allegedly in agreement between the supervisory board and the management board was a great surprise, especially because the resigned management had exceptionally successful results. Criticisms that followed mostly pointed at a political pressure to replace the management board. The two examples among many similar ones provoked a debate about the strategic management of the state-owned companies, whether by keeping them successful in partial state ownership and preventing interference by the changing political factors, or by being smart in the strategies of selling the state owned companies, not only about the reached price, but also about the medium and long term consequences of this decision and the correct choice of the buyer.

Part III Social Perspective

Albanians in 2019: Doomed to Neglect, Turmoil and Misfortune

Marsela Musabelliu

Introduction

2019 has not been a smooth year for Albanians – to the social burdens of the past, new negative trends have reached some unprecedented peaks by influencing every aspect of people's lives in a nation that is still struggling to improve the most basic and vital needs. The entire society is going from confused to frustrated, and from frustration to surrender. People's voices and concerns are not taken into account by deepening so the already eroded trust in institutions. The major problematics faced by the entire society, at different extents, have been the continuous protests of the opposition, declining demographic trends by impact of emigration, healthcare, at-risk of poverty/low-income households, higher education and research and last but not least, the November earthquake and its consequences.

Six months of protests

As proclaimed in January 2019, the Albanian opposition fled the streets of the capital from February to June and in other cities until August. Political instability and social unrest went hand in hand until September, where in many occasions, these protests turned violent. The protesters, led by the calls of the opposition to withdraw the government, with circumstantial objects (stones, iron rods, wooden spears and firecrackers among others) and hate rhetoric, clashed with the State Police. Social disobedience to the Central Government was broadcasted internationally by making headlines for months. The message of the opposition was loud and clear: confrontation with government entities and the fiercest of their

followers took it literally. What the nation witnessed were hysterical crowds felt with bitterness and displeasure - in a society where the fewer are the louder (and most prone to violence), the rest of the country will have to pay the total price. At the end of all the turmoil, nothing changed and no request of theirs was fulfilled. This outcome is normal when the demands of a certain group of people are as absurd as the rhetoric of the leaders who incite and fund them. If the opposition claims would have resonated with the majority of the population, certainly the results would have been different, but they didn't. The call for protest did not appeal to Albanians because they are well aware that this was a call of greed for power not related to the true issues of the country. This was also a symptom of deeper social problem, antagonism of citizens embodied into their own political preferences.

The political crises had a social price - violent scenes of the protests just added more uncertainties to the daily life of the citizens in general. Beside the core problematic all Albanians are facing, more was added to the fragile situation all-around the country by fueling so pessimism and hopelessness. In fact, tourism numbers dropped especially in the begging of Summer, small businesses in Tirana had slow turnover, and the damaged image of Albania internationally added more fears to foreign investors.

Declining of demographic trends by impact of emigration

In many in Albania believe that leaving the country is the most painful of protests. The Deputy Prime Minister publicly admitted what has been feared for a long time: since 2013 more than 500,000 Albanians left the country in search for a better life. This is one of the highest numbers ever witnessed in post-communist era and in such a short time span. The ones who left are mainly newly created families, experienced professionals mostly belonging to the middle class and young and educated people in the age of 18 to 29. With regards to the last group, specialists agree that young people leaving Albania comes as the result of poor education and unemployment. According to INSTAT official data, the latest youth unemployment rate stood at 22.2% in the first three quarters of 2019.

Another study from FES foundation conducted in South-East Europe notes that the wave of youth emigration has begun to decline in many of these countries, but remains high in the Balkan region and especially in Albania where 285,000 Albanians plan to flee the country in the coming years and the majority of them belong to the younger generation. The desire of Albanians to leave the country has not stopped, but has revived again. According to data from the European Asylum Support Office (EASO) for January-July, asylum applications from Albania in one of the European Union countries totaled about 14,000, a significant increase of 24% compared to the same period last year. Albania is aging at a fast pace. From the country with the youngest population in Europe, Albania's average age has increased from 27 to 35.4 years old. The consequences are obvious: reducing births rated, reducing number of children per woman from 2.7 to less than 1.6, and expanding pensions and social protection requirements has created its own problems in health care or social care.

Young people strong desiring to leave the country, qualified workers seeking to work abroad, parents who remain lonely at an old age - emigration is hitting Albania's society hard. For many years, the young age of the population has been regarded by scholars as Albania's greatest hope for rapid economic development, but that hope is slowly fading!

Healthcare

The universal health care model in Albania is based on mandatory and voluntary contributions, supplemented by funding from state budget. The latest data available indicate the overall health expenditure at 6.7% of the GDP, in total amount it is estimated at 870 million Euros - of which, 41.3% is governmental expenditure. Only with this data it is visible that the majority of Albanians choose to be treated outside of the public healthcare system and the ones who do opt for the public service are again charged extra. According to the survey conducted by the Eurohealth consumer index, Albania was the European country in which unofficial payments to doctors were most commonly reported. There is double burden for citizen, they pay for mandatory health insurance fees to the government and when

they actually need the services they have to pay, again, a health issue becomes tragedy. For every Albanian that has the misfortune of needing healthcare there are there main difficulties: *Out-of-pocket payments (bribes)*: The country's limited public spending on the health care sector (as compared to other Balkan or Eastern European countries) has resulted in an increased reliance on out-of-pocket payments for both inpatient and outpatient care. Survey data report that for the lowest income quintile, the share of total out-of-pocket spending in inpatient services has gone up to 60% of the total monthly household expenditure. *Quality of medicaments*: since 2015 all national and international organizations dealing with healthcare have noted that there is a lower quality of drugs sold in the country. The most affected from this stream are the senior citizens (retirees), basically to them the majority of the second-hand drugs are given due to the fact that the social security covers them some basic medicaments free of charge. The overflow of drugs from any pharmaceutical house in the region created a massive stock in the main hospitals of the country by lowering their quality. *Medical brain-drain*: the need for improvement in the medical system is extremely visible in the doctors and nurses will to leave the country. According to a recent study, 78% of Albanian doctors are ready to leave, of whom 24% of whom are ready to leave immediately, while 54% would leave if given the opportunity. The outcome of this situation is made visible also from the latest data available which place Albania last in Europe with 1.2 doctors and 3.2 nurses per 1,000 inhabitants. The most affected from this phenomenon are the rural areas where there is no medical center and no doctor, for every health issue, they have to travel several kilometers to the nearest hospital. By October 2019, another alarming statistic was made public: in the past 9 months 550 nurses left the country for a job in the EU.

The abovementioned elements are just the core of the healthcare problems in Albania; their ramifications expand deeper by affecting every single citizen. Unfortunately, a vicious circle has been created and still persist - destructive policies implemented by incompetent lawmakers promote inefficiency; inefficiency is easily manipulated; manipulation is

the root of wrecked structures; a decaying institutional structure is easily corrupted, even when people's health is at risk.

At-risk of poverty/low-income households

According to a recent survey by INSTAT, which measures living conditions, relative poverty and material deprivation in the country's households - one out of four Albanians is living in poverty. The main indicator is the at-risk of poverty (relative poverty), which indicates the percentage of individuals with incomes below 60% of the median equivalized income, also defined as the relative poverty line. This relative poverty rate does not indicate the number of persons that are in poverty, but how many of them have incomes below the defined poverty line and are at risk of poverty.

At-risk of poverty rate in Albania is 23.4%, or 671.000 people. The analysis goes further by subdividing the core problematics in groups and it is here that a gloomy picture is unveiled for the less fortunate. The *at risk of poverty threshold for a one-member household* was set at 16.742 ALL (or 137 Euros/month), so already the basic measure is extremely low. *Severe material deprivation* is defined as the percentage of population with an enforced lack of at least 4 out of 9 material deprivation items is estimated at 38.3 % (mortgage or rent payments, utility bills, hire purchase instalments or other loan payments; holiday away from home; cannot afford a telephone, including mobile phone; unexpected but necessary expenses of around 250 Euros; cannot afford a color TV; cannot afford a washing machine; cannot afford a car; cannot afford air conditioning). *The work intensity* of a household refers to the number of months that all household members have been working during the income reference year as a proportion of the total number of months that could theoretically been working throughout the year (12 months). Households considered with very low work intensity are set at the 20 % threshold.

Even though the overall rate of at risk of poverty is 23,4%, a more comprehensive indicator, the *At-Risk of Poverty or Social Exclusion*, which refers to the individuals who are at risk of poverty or severe materially

deprived or living in a household with very low work intensity, is estimated 49%. This last figure demonstrates that half of Albanians' financial status is at risk, which is alarming on its own.

Higher education and research

The state of higher education system is lagging behind and this will be a burden even in the near future. The students' protest of one year prior unveiled many disguised issues and obliged the government to back up some of their demands while trying to make Albanian universities decent institutions for knowledge and research. One year later, nothing has changed for university students all around Albania. After a façade initiative to make new dorms and facilities, and the dismissal of the Minister of Education, substantially and practically, university students in the country are facing the same struggles as before.

In 2019, another public debate fueled headlines: the “reformation” Academy of Science of Albanian (ASA), an institution which is expected to absorb some substantial funding because it was argued that will not be an honorary organization any longer, but will have the right to set up research centers for specific fields. Fast forward half a year, it is unfortunate to notice that the development of research in the country is left to the academics' own devices, while the Academy of Science is represented in the majority by people deeply connected to politics and with no internationally recognized/indexed contribution. While scientific works from Albania appear to be very few, it is noted that Albanians researchers abroad have contributed abundantly in their specific areas of expertise, of course with a foreign affiliation. This demonstrates that there is plenty of potential, but it's not well explored. This phenomenon has become the norm for more than three decades.

The earthquake of November 26th

On November 26th, at exactly 03:54 in the morning, Albanians woke up under the horrific earthshaking of an intense 6.4 Richter scale earthquake. The earthquake lasted 30 seconds and was felt in Albania's

capital Tirana, and in places as far away as 370 km from of the epicenter. It was the second earthquake to strike the region in the space of three months. It was the strongest earthquake to hit Albania in more than 40 years, it's the deadliest earthquake in 99 years and is currently the world's deadliest earthquake for 2019.

The tragic loss of 52 lives claimed 25 in Durrës, 24 in Thumanë and 1 each in Kurbin, Lezhë and Tirana. Among the deceased were 7 children aged between 2-8. On 30 November Prime Minister Rama announced the end of the search and rescue operation, as no more bodies were expected to be under the rubble; more than 3,000 people are injured, 12,000 are homeless and throughout Albania 7,900 buildings are damaged.

The Albanian government established a monetary compensation scheme that would give the families of deceased scholarships to children, pensions for the elderly and around 8,000 Euros per family. The state budget was being reconfigured to manage the situation following the earthquake. Rama stated that the draft budget of 2020 would provide funds for the construction of homes and would cost around 60 million Euros. Private and state fundraising initiatives and appeals, collected money, food, clothing and shelter donations started immediately as millions of people from around the world expressed their solidarity for the victims and the displaced, as well as an extraordinary support from neighboring countries of the Balkans poured into Albania.

What did this tragic event unveil?

Unprecedented solidarity

In the early aftermath of this natural catastrophe, as never witnessed in decades, tangible aid and support started flowing into the affected areas from the earthquake; volunteers, organizations, search and rescue teams, food, clothing, creation of drop-points for any donation and all Albanian social media mobilized on helping the displaced. Besides the international community being extremely supportive to this tragedy via donations by governments, there were three determinant sources of relief that impressed the entire nation: the Albanian diaspora, Albanians from Kosovo, North

Macedonia and Montenegro, and neighboring nations like Italy, Greece, Serbia, Bulgaria and so on. Albanians living abroad have always been an incredible source of quasi survival for the country, and with this tragedy they demonstrated once again that they are ready to help any time their motherland needs them. The first teams of search and rescue arrived in Albania from Kosovo, in hundreds they cooperated with the locals with incredible humanity and strength, and thousands of Kosovo households opened their doors to the displaced. And with regards to Albanian neighbors, what impressed in the early aftermath were the images of Serbian and Kosovar firefighters working together in trying to find Albanian survivors – demonstrating that in times of real need, humanity and solidarity can still prevail in the Balkans.

Albanian homes are a reflection of the current economic stage of the country

As never before, the spotlight and all available cameras were targeting in the humble homes of Albanians hit by the earthquake. Sadly, what was displayed were precarious building structures, poorly furnished homes, absences of some elementary amenities of and extreme of lack of basic financial resources for a household; a bitter reality where most of Albanians live, was made visible also for the ones that perhaps do not see or realize the country's reality outside of Tirana.

Urban planning and corruption

Albanian experts are very well aware that the country is located in a fiery earthquake zone. Besides this risk, large proportion of the earthquake damage has been blamed on corruption, violations of the building code and substandard construction following the demise of communism during the early 1990s. Albanian prosecutors have begun proceedings to investigate violations of regulations and illegal building within the construction industry. In mid-December it was announced that nine people had been detained on charges of murder and abuse of power, including two owners of collapsed hotels. A further eight individuals are being sought who are also suspected of failing to follow safety regulations.

Cases of such natural disasters stress once more the importance of a diligent urban planning. Urban planning has its roots in the bigger national planning for constructions, meaning that the central government manages the demographic dispersion of the population according to expert's suggestions. Up to present days, experts have been rarely consulted on the issue, most of the urban planning has been managed by bureaucrats.

Conclusions

When Albanians will look back in history, 2019 will not be one to be remembered fondly. This year of massive losses and heartbreaking human stories has embittered everyone and has imposed some tragic lessons to the entire nation. As if hard living conditions and structural problems were not enough, nature inflicted other suffering to Albanians. While the thoughts and prayers of all went to the ones affected by the earthquake, the rest of the country is welcoming 2020 with the typical (Albanian) survival instinct, determination and longing for a better life.

BiH's Social Development in 2019

Ivica Bakota

Bosnian genocide and inter-ethnic reconciliation process

Every talk about social development in BiH should start with inter-ethnic reconciliation process (IER). It is disappointingly slow process, highly susceptible to political manipulation on all sides and frequently intercepted with attempts of international mediation either through work of International Criminal Tribunal for the former Yugoslavia (ICTY) or other “internationalized” events that revoke Bosnian war atrocities.

One of the first occasions to check current situation of IER in this year was rejection of the appeal to Radovan Karadzic, war time leader of Bosnian Serbs, against the earlier conviction by ICTY. On 20 March 2019, Karadzic's sentence was increased to life imprisonment, which instigated cheering sentiments across Bosniak parts of BiH together with questioning the implications his conviction could have on his ‘brainchild’ - the political existence of Republika Srpska. To backlash these questions, Serb MOP Dodik reiterated his denial of Srebrenica genocide and reignited strong media and public reaction on Bosnian genocide issue, an issue that is still strong impediment to IER.

Second to Karadzic re-indictment was a decision of the Nobel Committee of the Swedish Royal Academy to award Austrian writer Peter Handke the Nobel Prize for Literature in October this year. Among the comments posted on social media, mainly Facebook and Twitter, congratulatory notes from the Serb side were altered with critiques, disapprovals and disappointments on the Bosniak side. In much of the Western media the decision was criticized for Handke's support for the Milosevic regime in Serbia (former Federal Republic of Yugoslavia) and denial of genocide committed by the Serb army in Srebrenica and during the siege of Sarajevo. Moreover, Handke's public advocacy and political engagement on behalf of the Milosevic regime, as one of the rare Europeans

doing so after the fall of Milosevic, estranged him from a part of Serbian public, while his stance on the 1999 NATO bombing of Yugoslavia and Kosovo question particularly angered (Kosovo) Albanians.

Bosnian public was no less consternated with the Nobel Committee decision. Among the first to react were Bosniak politicians and NGO representatives protesting against Handke's denialism and pro-Serb(ian) political proclivities. Sefik Dzaferovic, Bosniak MOP considered the decision of the Nobel Committee scandalous and shameful. In his statement to BIH media he said that it is shameful to ignore the fact that Handke was defending Milosevic, but also his "executors" Radovan Karadzic and Ratko Mladic, both convicted for war crimes and genocide before the ICTY. Croat MOP Zeljko Komsic was also direct in his critique saying that Nobel Committee founders had in mind people who contribute to peace, "not characters like Handke who spread hatred and deny crimes and genocide".

Denialism of Srebrenica genocide is believed to be politically relevant for existence of Republika Srpska. The political controversy of the genocide denial, as argued by Bosniak civil organizations, lies in the fact that admission of genocide by Republika Srpska authorities would not only seriously undermine its "international" reputation and political existence, but could very likely doom legitimacy of the secessionist claims by the current Srpska leadership. Instead of referring to Dayton Agreement, signed only few months after the 1995 Srebrenica genocide (as an act that constituted Republika Srpska as a political entity of the current BIH) RS authorities to support their right to secession refer to the declaration of the Bosnian Serb Assembly on the Proclamation of the Republic of the Serb people of Bosnia and Herzegovina from January 1992 as an ultimate source of sovereignty of the Bosnian Serbs (which, as interpreted, Dayton Agreement only ex post facto endorsed). Therefore, Republika Srpska politicians oppose "genocide" designation and the most proponent denialist, Milorad Dodik, several times in his statements to media declared that he did not regard the killings at Srebrenica as genocide and maintained that "if a genocide happened then it was committed against Serb people of this region where women, children and the elderly were killed en masse".

He is also noted to employ historical revisionism regarding the actual number of victims, and in contrast to some other Serb(ian) politicians who dared to speak on Bosniak victims defensively, mostly downsizing an appeal for collective responsibility of one ethnicity, Dodik rather aggressively presupposes Serb victims to Bosniak and maintains that genocide against Serbs should be discussed in similar terms to that against Bosniaks.

On the other hand, main legitimacy for supporters of an opinion that the Srpska Army committed genocide against Bosniaks arrives from proceedings and judgements by the ICTY and the International Court of Justice (ICJ). These two courts, however, have ruled differently regarding the direct responsibility for the acts that could qualify as a genocide. Nevertheless, in several individual cases brought to ICTY the court concluded that the acts committed in Srebrenica are of specific intent “to destroy the group of the Muslims of Bosnia and Herzegovina” and can be classified as acts of genocide committed by the Army of Republika Srpska. Despite the lack of official declaration regarding the Bosnian genocide (due to veto Serb politicians could impose on any such decision), Bosniak (and Croat) politicians and officials overwhelmingly acknowledge genocide against Bosniak population, differing in the scope and extent of the atrocities, but not in the classification of act (as genocide).

Potkivanje affair and testing the strength of BIH judicial integrity

In May 2019 BIH public was faced with an alleged case of corruption within BIH high-level judiciary, called Potkivanje affair (bribing, lit. horseshoeing). What started as a wire-tapping affair worth week-long reactions and maybe one resignation, due to the High Judicial Prosecutorial Council (HJPC) President Milan Tegeltija’s stubborn refusal to step down dragged for more than a month in Bosnian and regional media. While the public expectedly raised eyebrows on a case of alleged corrupt activities on highest levels of BIH judiciary, the “thesis-switch” reaction of the Council and Disciplinary Commission which instead of conducting internal

scrutiny urged prosecutorial bodies to investigate media that published sensitive transcripts stirred public anger and in fact caused Potkivanje affair to be named “a crossed red line in feigned fight against corruption in BIH”.

There are several issues that raise public concerns in Potkivanje affair. First, there is prevalent perception that HJPC President crossed the line when he met with Alesevic and that he should bear moral responsibility and step down. Tegeltija’s line of moral argumentation is that he “had over 300, 400 personal meetings in relation to individual cases”. As alarming as it might be for non-interference in work of justice, it appeals to common sense and the fact that this is well too known behavior. The “catch” is whether there is a written report on these meetings and whether this sideway engagement is known to the Council, which, again, can only vouch on loosely defined moral responsibility of court officials. The second reason for public outcry was a declaration made by the Council on the support of the President given only a days after transcripts appeared in the public and without making any due process of determining possible accountability. “That declaration seemed like cheering to the leader rather than decision that followed serious scrutiny”. Finally, the Council treated video that appeared in public as an elephant in the room without making any reference to the content of the conversations between HJCP President with SIPA Inspector and Velika Kladusa businessman.

According to general opinion the public has displayed about the case so far, a point of no return was definitely reached when HJPC Disciplinary Commission in second degree decision ruled complaint as inadmissible just as in the first-degree decision and decided to close Potkivanje case without any legal consequences to HJPC President. In general picture, “losing” the High Judicial and Prosecutorial Council to corruption would mean losing one of the last judicial institutions that were perceived as untainted by cancerous tissue of BIH judiciary. For the EU and international community it also means losing one of the rare institutions that remained responsive to their oversight. For media and general public delivering justice in Potkivanje affair is the last step to avoid the country being with full right addressed as a captured state.

Sarajevo Pride and challenging traditionalist society

When LGBTIQ activists in Bosnia and Herzegovina announced in April that the first official Pride (LGBTIQ parade) will take place in Sarajevo on 8 September, it has since attracted mixed reactions on social media but very little official comments. The BIH Pride slogan “Ima izac”, roughly translated as Coming Out Now, corroborating popular cry when public bus misses to stop is conveniently used to start off Balkan’s last first Pride.

Main organizers have said on news conference convened (again with leering irony) on April 1, "it is high noon in this country when it comes to LGBTIQ people's rights". Sarajevo news portals also reported words of Lejla Huremovic, one of chief organizers who said that Pride parade is a “powerful political tool to achieve fast changes in the fight for freedom of all individuals and groups which face discrimination and violence and which are excluded from society in any way”.

As it was expected, reaction on social media following the announcement was highly divided. Just as in cases of the other regional capitals having the first pride parade preparations, social media and public commentaries primarily through Facebook and Instagram posts attracted hundreds of responses ranging from open calls to violence against parade participants to support and promises to join Pride’s march. The first support, expectedly, arrived from international representatives, embassies in BIH as well as LGBTIQ organizations in the region. However, the support from the local public figures, liberal politicians and celebrities that was as staple of other regional Pride preparations was reported to be largely missing. Politicians were also shy to make any comments expressing their personal opinion and most retreated to dull official statements acknowledging the constitutional right of assembly and freedom of choice for every citizen.

Expected was the media coverage being given to the most extreme posts on social media. Supporters and shareholders that have ranged from LGBTIQ individuals, minor “liberal avant-garde” from Banja Luka, Tuzla,

Zenica and other urban areas were largely quoted and shared on the main social media site, however those opposed to the parade attracted wider attention. The Facebook pages of some local info portals, right wing groups and football club supporters called for violence against Pride participants and urged to "drive this trash out of the city". On the same threads, open calls for lynch were intertwined with populist and conservative argumentations ignorant of homophobic discourse they advocate. Most of the comments were 'generous' enough to accept the right to live and right to choose sexual orientation, but opposed to "any" public display of sexual orientation or in typical twist claimed to be against "aggressively imposing" lifestyle that threatens to "normal and ordinary" people. By closely browsing into posts generated by anti-parade groups and sympathizers, one could detect that the gray area of BIH heteronormative majority is filled with mixture of feigned machismo and civic apathy so typical for other societies commonly denominated as belonging to Balkans.

Comparing to region's other first Pride parades, Bosnian first Pride ended without any incidents. Participants started off at Marshal Tito street and marched to BIH square (in front of the parliament building), as reported, around 500 people were in the parade, among which was significant number of LGBTIQ supporters from Serbia, Croatia and other countries in the region. However, local media have noted that politicians, including incumbent officials, for the most part failed to comment on the announcement or during the run-up to the Pride parade. Reasons for this, also linked to the fact that BIH is the latest to mark its first pride parade (18 years after Serbia and Slovenia in 2001) and are generally ascribed to social re-traditionalization ongoing since the end of the war, prevalent ethno-nationalism slowing down the pace of social change and a fear of extremist pockets within the society.

Most of the professional opinion emphasized the second reason, claiming that ethno-nationalist elite instead of embracing socially progressive attitude, following the war in the 1990s "cultivated a heteronormative, rigidly patriarchal, family-centered narrative" as means to support their nationalist agenda.

Bosnian first Pride parade was successful in maintaining peaceful atmosphere without any provocations or incidents with opposing citizens. However, was it successful in shaking ethno-traditionalism by which BIH society is intoxicated throughout the last 20 years? This is a question that was left muted along with unexpectedly peaceful march.

Overview of Bulgarian Demographic Situation in 2019

Evgeniy Kandilarov

The demographic crisis remains one of Bulgaria's major social problems in 2019. Currently published UN statistical calculations predict that if negative demographic trends persist by 2050, the number of people in Bulgaria will decrease by 23% and fall to 5,3 million people. This puts the country at the top of the list of countries where the population will decrease by 1% every year by 2050. The top three are also Lithuania and Latvia.

Year	Population	Growth rate
2015	7 175 548	-0.71 %
2016	7 124 817	-0.71 %
2017	7 074 445	-0.71 %
2018	7 024 429	-0.71 %
2019	6 974 766	-0.71 %

The current population of Bulgaria is 6,975,821 as of Thursday, December 19, 2019, based on Worldometers elaboration of the latest United Nations data. Accordingly, Bulgarian population is equivalent to 0.09% of the total world population. Bulgaria ranks number 107 in the list of countries (and dependencies) by population. The same data shows that the population density in Bulgaria is 64 per Km² (167 people per mi²). The total land area is 108,560 Km² (41,915 sq. miles). 75.2 % of the population is urban (5,265,832 people in 2019). The median age in Bulgaria is 43.6 years.

Population of Bulgaria (2019 and historical)

Year	Population	Yearly % Change	Yearly Change	Migrants (net)	Median Age	Fertility Rate	Density (P/Km²)	Urban Pop %	Urban Population	Country's Share of World Pop	World Population	Bulgaria Global Rank
2019	7,000,119	-0.73 %	-51,489	-4,800	43.6	1.52	64	75.2 %	5,265,832	0.09 %	7,713,468,100	107
2018	7,051,608	-0.72 %	-50,836	-4,800	43.6	1.52	65	74.9 %	5,278,205	0.09 %	7,631,091,040	106
2017	7,102,444	-0.69 %	-49,509	-4,800	43.6	1.52	65	74.5 %	5,289,957	0.09 %	7,547,858,925	105
2016	7,151,953	-0.66 %	-47,788	-4,800	43.6	1.52	66	74.1 %	5,300,792	0.10 %	7,464,022,049	105
2015	7,199,741	-0.61 %	-45,053	-4,894	43.4	1.52	66	73.8 %	5,310,568	0.10 %	7,379,797,139	103

Source: Worldometers (www.Worldometers.info)

Elaboration of data by United Nations, Department of Economic and Social Affairs, Population Division. World Population Prospects: The 2019 Revision. (Medium-fertility variant).

	Current population
3 346 443	Male population (48.3%)
3 580 615	Female population (51.7%)
63 701	Births for this year
102 165	Mortality this year
-9 245	Net migration for this year

-47 708	Population growth this year
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In 2019, the birth rate in Bulgaria is 8.9%. This means that so many children were born per 1,000 population a year on average. Despite the negative data on overall fertility, the good news is that infant mortality is declining - 5.8%. Deaths under age 5 are 6.5 (per 1,000 live births). The statistical data also shows that the life expectancy in the country is 75.49 years (life expectancy at birth, both sexes).

Sex Ratio (males vs females)

Males	Male %	Females	Female %	Total Population (2020)	Sex Ratio (males to females)
3,374,121	48.56%	3,574,324	51.44%	6,948,445	0.94

All the statistical data show that the population of Bulgaria continues to decrease and age. The total natality rate also dwindles. At the same time the number of marriages and divorces in the country has increased.

Low wages, poor education, and political insecurity are among the main causes of this negative demographic trend in Bulgaria. Some experts talk about demographic collapse or demographic catastrophe. This causes young people to prefer better paid and more satisfying work in the West. In addition, there are changes in population structures and, above all, changes in age structure of the population. According to most analysts, the reason of the low payment is among the main motives for Bulgarians to seek a living in Western Europe. Bulgaria's huge problem is the outflow of young people. The less economically active the population, the more difficult it will be for the industry to obtain labor.

Another big problem is that social systems are failing. The reasons are different. One of them is that since the beginning of the transition period and in the following years, people have worked massively without a labor

contract and insurance. Once these people start to retire, this will put a great pressure on the pension system.

The main reason for the decrease in the population in Bulgaria is the negative natural increase. The second reason is external migration. Our net balance has been negative for quite some time. The most problematic is that the demographic trends are inert, difficult to reverse.

Another issue is the demographic replacement rate which estimates the reproduction of the working-age population. It is the correlation of those who enter working age to those who leave. The data shows that in Bulgaria for every 100 people who come out of working age, 66 replace them which mean the working population is not being reproduced.

Population by Broad Age Groups

Age Group	Males	Male %	Females	Female %	Total Age Group Population	Age Group's share of total population
0-14	524,196	51.39%	495,799	48.61%	1,019,995	14.68%
15-24	317,713	51.68%	297,022	48.32%	614,735	8.85%
25-54	1,484,324	51.42%	1,402,252	48.58%	2,886,576	41.54%
55-64	450,013	48.11%	485,439	51.89%	935,452	13.46%
65+	597,875	40.08%	893,812	59.92%	1,491,687	21.47%

Next problem is related to the age dependency ratio which indicates the correlation of people in independent ages (15-64 years) to those of dependents (children and adults). The statistics shows that there are currently 55.5 dependents per 100 people of independent age. 21% of the Bulgarian population is over 65 years of age. This is shown by the latest Eurostat data.

It is expected that in 2050 almost every third person in Bulgaria will be over 65 years old. We have to admit that Bulgaria is in line with the general trends of population aging and increasing life expectancy.

The Eurostat survey shows that, together with Romania and Estonia, Bulgaria is among the champions with the highest share of costs for people over 60 years of age for bread, other food and non-alcoholic beverages

category - nearly 30% of their total consumption. For reference, the EU average for this category is only 17.4%. Very disturbing fact is that 32% of the population over the age of 65 in Bulgaria is at risk of poverty, with an average of 15% in the EU.

Another very hard social issue is related to the age structure in depopulated villages in Bulgaria which is extremely poor. The population there is at age over 60 years old. In the next 5-10 years, these places will basically remain without population. In fact, these are high mountainous and border areas where there is no infrastructure, schools and hospitals.

From all the statistics and data we are supposed to make some general conclusions regarding the demographic tendencies in Bulgaria during this year. The first one is that the major challenges and threats to the development of modern Bulgaria come from the serious demographic crisis, which actually has been going on for almost 30 years now. This demographic crisis most clearly reflects on the limiting of natural reproduction, as Bulgaria has, since 1991, invariably been in the trio of countries with the highest negative natural growth rate in the world. The second conclusion is that most demographic indicators in the country and coefficient values show strong negative trends, but the biggest problems are related to the very high mortality rate and constant emigration of people of working age. Today, our mortality rate exceeds 15 ‰, with us being ahead of other European countries by several points, and in our villages this figure even exceeds 20 ‰. On the third place on average Bulgaria's population is shrinking annually, from negative natural and mechanical growth, by between 50,000 and 60,000, which is a medium-sized city in the country. Last but not least there are two distinct demographic imbalances in Bulgaria, one is vertical, in the ratio of the young to old people, which determines the dramatic aging of our population, and a horizontal one, related to whereabouts of residence on the territory of the country.

In a recently made research by Assoc. Prof. Georgi Burdarov from Sofia University and Assoc. Prof. Dr. Nadezhda Ilieva from Bulgarian Academy of Science, dedicated to the current demographic tendencies in

Bulgaria, one of the main outlines were that although the demographic situation in Bulgaria has been a serious crisis for nearly 30 years, it has only been the subject of public debate in the last few years and it has been said that steps need to be taken to improve it. However, this debate is pursued in several erroneous directions; the focus and the measures taken are not related to the most significant problems and this leads to a lack of results. We constantly talk about our low birth rate, the decreasing number of babies born in absolute terms each year and the aging of the population. All these is a fact, but according the cited survey it is not these aspects that are the main problems, because in terms of the total fertility rate (the average number of children of a woman of childbearing age), Bulgaria with its rate of 1.4 fits normally in the values of European countries where this rate varies between 1.1 and 2. In the last few years, fewer infants have been born in absolute terms, but this is normal, since the generation that is now of childbearing age was born in the 1990s, when Bulgaria was already in a demographic crisis, i.e. the child-bearing contingent of the population is shrinking all the time, a fact to which, of course, the continuing emigration of people of active age also contributes. Bulgaria is certainly among the most aging nations, not only in Europe, but indeed in the world. And it is also the only state in all human history, in which the largest cohort of the population of one of the sexes (female) is already of retirement age (60-64). But here we are witnessing a demographic paradox, rather than a real problem of aging. This is because we have one of the lowest average life expectancies in the EU, and the most aging population. This fact is due to the drastic vertical demographic imbalance in the ratio of young (up to 29 years) compared to old (over 60) of the population. And this is where we come to the main demographic problem of Bulgaria, which is related to the continued constant emigration of educated and qualified people of an active age (18-50). Thus, when talking about demography in Bulgaria, we need to talk about one main thing, namely the retention of young people in the country. It would not be serious to expect a sharp rise in birth rates; even reaching a two-tier family model through financial incentives is not realistic and is not the way to solve our problems. But if we manage to keep

our young people in the country, regardless of how many children they have, this will lead to a halt to the demographic collapse and a gradual reduction of imbalances.

Overview of Croatian Social Development in 2019: The Decline of Protection of Human Rights

Nikica Kolar

Summary

In 2019, Croatia was marked by an increase in the incidence of hatred against women and national minorities in society, as well as explicit resistance to the further spread of this atmosphere of hatred. Misogyny and ethno-nationalism manifested itself in a highly aggressive manner in 2019. The most famous example of a form of violence against women in 2019 was the case of a repeatedly raped young girl in Zadar, which is why part of the public organized themselves into new associations and initiatives to protect women and children against domestic violence, and organized protests against violence towards women. Furthermore, nationalist chauvinism towards Serbs and Roma was also so explicit during the year that it could not be ignored by the mainstream media. The Serbian National Council (SNV) have repeatedly organized campaigns and actions to raise public awareness about discrimination against the Serb community in Croatia. Unfortunately, the course of the campaigns of the various candidates for the presidential election has suppressed the problem of protecting the human rights of Serbs and Roma in Croatia through the media, and, moreover, intensified the nationalist discourse of hatred of others and others. Protection of human rights have again been left behind in Croatia by the leading political actors.

Introduction

In terms of human rights protection, 2019 will be remembered as a mirror of the real situation in Croatia. In 2019, there were a number of cases of hate speech and explicit violence against the powerless and the marginalized, while the state's social and repressive institutions weren't fulfilling their role to protect and secure human rights of these social groups.

Moreover, institutions, primarily courts and social welfare centres, played their part in society more for in the interest of the violator of human rights, than on behalf of the victim. Political hate speeches were also manifested due to the omnipresent atmosphere of the historical revisionism in Croatian society and politics, which seeks to rehabilitate ideologies of hatred and inequality, Croatian Nazism in the first place. The Roma population was immensely hit by a xenophobic and racist protest in the Međimurje region, where the majority of Roma are settled. Furthermore, the attack on the water polo players of the Serbian club Red Star Serbian club' in Split, Serb workers in Brač, and drawing graffiti with anti-Serb fascist symbols on the Serbian political party's election posters were just episodes of hatred that could not be ignored by the mainstream media and is a tiny fragment what is happening on day-to-day basis to the Serb community across Croatia. The government and the president are silent on this topic or they are rather repeating the phrase that institutions must be let alone to do their job, because it is too risky for them to deal with the chauvinism of a conservative, nationalist society in the year of presidential election.

Hatred for women: 2019 domestic violence cases that terrified the public

The Pag case will remain forever etched in the memory of Croatian society as the moment when social state institutions have absolutely failed. At the end of February, Josip Rođak (54) threw his four young children out of his balcony. The Rođak family had been under the supervision of a local social welfare centre for a long time, however, the social service had failed to intervene on time. Children have survived the fall and will have lasting effects on their psychophysical condition. A system that, among other things, serves to prevent conflicts in dysfunctional families has completely failed in this case. The public has become so upset about the Pag case that certain citizens have organized themselves in the newly formed *Save Me* initiative, to put pressure on the state institutions and directly on the government to reform the system to prevent similar accident happening again. Citizens have with protests successfully pressured the government

to start reforming the welfare system, but the government is reforming the social care system only partially.

At the beginning of October, a new case of men's violence appeared which terrified the public. In Zadar, five young men between 17 and 19 years old age have collectively raped a 14-year old girl for a year and a half, filming her during the rape and blackmailing her with the publishing the record to the public if she does not allow them to sexually abuse her again. Authorized for the case, Zadar's Criminal Court Judge Ivan Marković responded to all this atrocities by deciding to release the suspects from custody and letting them defend themselves on bail. The system again have failed in defending women from the abusers, which had made public extremely enraged that the state repressive apparatus had to immediately react and take again suspected young men into custody, as it was widely announced on social networks that institutions were not realizing justice, that the people would take justice into their own hands and take revenge on the young men for committing crimes of rape against a girl. Mass civil protests took place across Croatia shortly after the judge's decision to take suspects into custody, with numerous messages during the protests signalling that patriarchal relations and misogyny were no longer welcomed in Croatian society.

Hatred against ethnic minorities: Serbs and Roma at the impact of Croatian nationalism

For 30 years, Serbs have been the main scapegoat for the Croatian nationalists for all the bad things happening in Croatia. Decades have passed since the last war with Serbia, but the hatred that is emerging against the Serb community in Croatia creates an atmosphere as if the war has never ended. When the Serbian water polo players visited Split in early 2019, that hatred was manifested. The hooligans attacked the water polo players of the Serbian club Red Star (Crvena Zvezda), forcing them with iron bars to escape by jumping into the sea. This is not an mere incident but a recurring rule. A few months later, there was an attack on seasonal Serb

workers on the island of Brač. Twenty hooligans attacked a company of men and women, asking who was a Serb. Two months after the events in Brač, in the small village of Uzdolj near Knin, a hooligan cafe was attacked by hooligans because the café watched Serbian football on a regular basis. The hooligans beat up everyone in the cafe, including citizens of Western Europe. Because this time it was also an attack on foreign nationals of the European Union, the authorities had to react. The attackers were arrested, but anti-Serb rhetoric among the leading political actors remained. Paradoxically, some leading nationalist politicians have blamed the political party of the Serb national minority SDSS for the attack on Serbs and other tourists in Uzdol.

Xenophobia was also manifested for Roma. Given the trend of rehabilitation of hate ideologies, such as Croatian Nazism from World War II, space to protest in public against members of another race and ethnicity has emerged. Within this framework, the Roma were the ideal target of racist ideology in Croatia. In Čakovec, in the Međimurje region whose citizens often choose liberal politicians for local government, a mass protest against Roma has been organized. The protest was organised with explicitly racist and implicitly fascist messages. Roma are traditionally the most marginalized group in Croatian society, and protesters have demanded that the Roma population be further marginalized, separated from the supposedly normal Croatian society. In the protest the Roma were presented as pure, genuine criminals and Croats into normal and honourable people. The seeds of hatred for future racist actions against others, minorities and solely different people were sown and the authorities did not respond at any time.

Conclusion

Regardless of GDP growth, of fiscal consolidation of the state budget and public debt repayment, in 2019 Croatian society as a whole is falling apart. In the economy, this is most clearly manifested at the level of demographics, primarily the high rate of emigration of the local population,

and the unstable pension system; and in society, this is manifested at the level of increasing hatred towards less powerful social groups. Even though women are increasingly being engaged in the public sphere, with the realization of economic freedoms, they are pressured by the conservative ideological reflex of retraditionalisation of society to return to the traditional gender roles of full-time domestic work. When these gender roles are not fulfilled, male violence gets aggressive in the worst possible way. Croatian society has changed irreversibly and now feels the consequences of this cultural crisis that splits society into two parts: those who want to go back to the mythical golden age when woman's place in society has been traditionally defined and those who want to preserve and extend the emancipation of women as free and equal human beings to men. Croatian society is at a crossroads on this issue. In the area of equality of ethnical and national identity among people, Croatian society is even farther from the future based on equality of all people than in the case of women's emancipation. Traditional xenophobia nourished Croatian nationalism, Croatian nationalism fed modern xenophobia. It is not possible to get out of this vicious circle, as long as the present Croatian political constellation has the authority, because it is in the interest of the present ruling political actors, as they are, undoubtedly, rational actors, to create an atmosphere in which they will be profiled as genuine representations of the ordinary, majority people by ethnic and national basis, because they have no other identity in common with the common people, therefore, their constant spreading of ideological hatred against similar people and nations in Croatian society is their guarantee that they will remain in power.

Estonia: A Great Small Society in 2019

E-MAP Foundation MTÜ

For a human being, any big event or anniversary is a good reason to reflect on who she/he really is and how far she/he has come along the road. However, when those humans represent a society, the magnitude of the aforementioned reflection is much greater, and the whole process can become an integral element of society-building. In 2019, the multi-faceted society of the Republic of Estonia had plenty of chances to become a more cohesive socio-cultural unit, and, most probably, it effectively utilised the vast majority of those chances. Some of the local politicians were not of help, but it is a completely different story. In fact, it could be evidently argued that Estonian politics is lagging far behind the country's society.

When Danish Queen Margrethe II arrived to Estonia in June, the high-profile visitation had plenty to do with external relations, but not only. The societal dimension was also very distinct, and the narrative on Estonians who should be treated as **a Nordic nation** was dramatically reinforced. What an occasion it actually was! An 800-year-old legendary tale (rather a beautiful myth, of course) about a red banner with a white cross, which fell from the heavens during a fierce medieval battle, became almost real. On 15 June 1219, a particular slope of Toompea, the elevated part of the Old Town, allegedly saw a miracle when some of Estonian ancient tribes were fighting against squadrons of the Kingdom of Denmark and their Germanic allies – the fallen-from-the-sky-flag, known as the *Dannebrog* or the national flag of the Kingdom of Denmark, helped a Danish King to successfully wrap up the battle in a locality that is now called Tallinn (from the Estonian words '*Taani linn*' or 'Danish town'). Such a beautiful legend about the world's oldest flag as well as the Danish Queen's visitation generated enormous interest in Estonia – the small country's society received yet another reminder of their Nordic heritage,

and, since the *Dannebrog*'s great anniversary made hundreds of international headlines, an Estonia-associated theme was getting placed in the European continent-wide grand context. The Gala Concert at the Estonia Concert Hall culminated the special occasion, assisting the Estonian and Danish societies in the process of converting a significant historic moment with a mythical flavour into a magnificent tale of true friendship existing between modern Estonian and Danish societies.

At the same time, history and mythology are not the only effective framework-providers for society-building exercises. Participating in **a movie's mass scenes** could be another good option, and Christopher Nolan, an internationally-acclaimed director of about ten major products that won 10 Oscar in a number of nominations, made history and a difference for the Estonian society in that respect. In June-July, thousands of people who travelled to Tallinn not only from a variety of Estonian places but also from Latvia, Finland, and some other countries, were filmed amass for *Tenet*, a Warner Bros.-produced blockbuster, which is going to be released in the summer of 2020. Arguably, it was the first movie of such a calibre ever shot in the Baltics, and what had always been a daily *routine* for major movie-producing cities was experienced by Tallinn as well. With memories of Robert Pattinson, enjoying a stroll in the Old Town of Tallinn, the whole Estonia cannot wait to watch *Tenet*, which placed the country on the geographically diverse map of Hollywood-bound production sites.

There is, however, an imaginary 'map', on which Estonia has been 'residing' for quite some time already – it is a 'map' of singing nations. For the Republic of Estonia's nationhood, the meaning of 'singing' is literally equal to 'surviving'. The Estonian tradition of arranging national song festivals is half-a-century older than the very country's statehood and has been kept for 150 years since June 1869. In July 2019, both **XXVII Song and XX Dance Festivals** were held in Tallinn, and the true significance of the events was underscored in every single statistical record. For example, about 60,000 tickets were comfortable sold way in advance to the second

and final concert of the XXVII Song Festival (*Laulupidu*), and 35,000 people were performing – this is to keep in mind that the Song Festival Grounds (*Lauluväljak*) can host up to 100,000 people or about 8% of the country’s population. In addition to thousands of local participants, 25 folk dance troupes from 14 countries were representing the Estonian global diaspora (*väliseesti*) at the event, performing ‘The Uniting Country is Estonia’ composition. In many respects, the Estonian society represents a ‘product’ of many unifying factors, and the tradition of singing and dancing festivals is, probably, the main factor of that kind. As for the future-focused aspect of the process, it was well noted by Kersti Kaljulaid, the country’s President, during her Address to the nation on the New Year’s Eve: “The youth of Estonia know how to be global citizens and yet remain assuredly Estonian: at the same time international and also home at the Song Festival”^①.

Most probably, the cultural angle of the Estonian society was kept in mind by different European authorities when they were choosing a locality to be a **European Capital of Culture in 2024**. In August 2019, it was reported that Tartu, the second biggest city in Estonia, won the bid to become one of three Capitals of Culture in Europe (together with Bodø and Bad Ischl), in four years. It will be for the second time for an Estonian city to get such a high recognition, with Tallinn having held the title in 2011. A flagship initiative of the EU, the idea of European Capitals of Culture allowed for testing many applications from six angles, namely ‘contribution to a long-term strategy’, ‘the European dimension’, ‘cultural and artistic content’, ‘capacity to deliver’, ‘outreach’, and ‘management’^②. Tartu is the home for the Republic of Estonia’s national university, and the

^① Kersti Kaljulaid, ‘Address of the President of the Republic on Freedom Square in Tallinn on 31 December 2019’ in *Office of the President*. Available from [<https://www.president.ee/en/official-duties/speeches/15638-address-of-the-president-of-the-republic-on-freedom-square-in-tallinn-on-31-december-2019/index.html>].

^② ‘European Capital of Culture 2024 will be from Estonia, again’ in the *Ministry of Culture of the Republic of Estonia*. Available from [<https://www.kul.ee/en/european-capital-culture-2024-will-be-estonia-again>].

city occupies a more than significant segment in the nation's historic memory.

Finally, for a year to be as memorable as 2019 was for the Estonian society, there was a tremendously important socio-political anniversary remembered by Estonia in autumn – in fact, there were two events interlinked by time, and they will be ‘walking’ together throughout history for as long as this world exists. On 23 August 2019, Estonia commemorated the 80th anniversary of the Molotov–Ribbentrop Pact’s signing and the 30th anniversary of **the Baltic Way**. For each and every citizen of Estonia – the absolute majority of those are enjoying their being in the modern sovereign Republic, and the absolute minority are still dreaming about returning to the Soviet past – the Molotov–Ribbentrop Pact represents a historic document of immense significance for the country. After all, undeniably, it led to annexation of Estonia, Latvia and Lithuania by the USSR in 1940. Therefore, when on 23 August 1989, an unbroken 675-km human chain of about 2 million people managed to connect Tallinn, Riga and Vilnius and demanded from the Kremlin to acknowledge and denounce the Soviet-Nazi Pact, it was something that shook the objectively untruthful basics of Soviet propaganda and, together with a number of other events, eventually pushed the USSR into a collapsing mode. For Estonia, the independence was to be re-gained in two years since the Baltic Way, but, these days, many scholars and commentators credit the Estonian-Latvian-Lithuanian ‘human chain’ for being a pre-condition of what started happening in Germany three months later – the fall of the Berlin Wall. In any case, when Germany had announced about the country’s unification, the Soviet Union had about a year to live.

For the absolute finale of the year, Estonia had learned with plenty of enjoyment that the society’s youngest members scored big time in the latest OECD-bound **PISA ranking**. A BBC-issued report even described Estonia

as “Europe’s newest education powerhouse”^①. The news immediately ‘adjusted’ the content of the Presidential Address to the nation:

2019 has been a year in which, among other things, the old have been taught a thing or two by the young – here in Estonia as well. In the past it has been deemed effrontery for youth to consider themselves wiser than their elders, but some internationally respected indicators going by the name of a famous leaning tower only recently proved that our younger generation are smart, and growing smarter all the time. In fact, they are among the cleverest in the world, and not in a figurative sense.^②

A society has a future. This is about the Estonian society in 2019 and, hopefully, in many years to come.

^① Branwen Jeffreys, ‘Pisa rankings: Why Estonian pupils shine in global tests’ in *BBC*, 2 December 2019. Available from [<https://www.bbc.com/news/education-50590581>].

^② Kaljulaid.

Greek Society in 2019

George N. Tzogopoulos

Fatigue for the SYRIZA-Independent Greek administration became evident in 2019. The majority of Greek citizens preferred a governmental change and voted for New Democracy in the national election of July. The disappointment with SYRIZA's policies did not entail enthusiasm for New Democracy but the acceptance of a grace period during which critique on the governmental work was lenient. Most Greek citizens appeared thus satisfied with the performance of new ministers as well as with some initiatives such as the enforcement of the anti-smoking ban. They were also concerned about a crisis in Greek-Turkish relations, although they approved the handling of the situation by the government.

The year of 2019 saw a governmental change in Greece. New Democracy won the July national election and came to power after 4.5 years of the SYRIZA-Independent Greeks administration. The result of the national election did not necessarily reflect a conservative turn of the Greek society. Despite the victory of New Democracy that garnered 39.85 percent of the vote, SYRIZA's performance was remarkably high (31.53 percent) and much higher in comparison to that of the May European election (23.75 percent). Also, SYRIZA's natural political damage does not mean Greek citizens refrained from voting other parties of the center-left or left spectrum. The Movement for Change garnered 8.10 percent and Diem25 former by former Finance Minister Yanis Varoufakis 3.44 percent. Also, the percentage of other center-left or left parties not passing the 3 percent threshold to enter parliament, should be calculated. The Union of Centrists (1.24 percent) and the Course of Freedom (1.46 percent) are indicative examples.

In an election year that included three different polls – the national, the European and the local one – people had the opportunity to have their voice heard. 2019 was thus a year of small scale public reactions such as demonstrations and strikes. What requires more attention is to look at the level of satisfaction of the performance of the new government following the national election of 5 July. Notwithstanding the grace period that is given to all new governments for the immediate period after they come to power, some interesting data can be found in recent surveys. A Pulse poll conducted in November, for instance, exhibits 63 percent of respondents believed the ‘direction of things’ in Greece was correct whereas 31 percent said it was wrong. This marks a significant difference in comparison to April 2019 when the same company presented results showing 30 percent believed the ‘direction of things’ was correct while 61 percent disagreed. But the Pulse poll outlined a very small increase in the percentage of citizens considering their personal economic status comfortable. This percentage was 13 percent in March and 14 percent in November. Further to this, 47 percent of respondents regarded their personal economic status as ‘average’ in March and almost the same percentage (48 percent) shared this view in November.

As far as political preferences in Greece were concerned, Opinion Poll conducted research in December that outlined the clear lead of New Democracy. In particular, 40.50 percent of respondents would vote for New Democracy and 23 percent for SYRIZA in a national election. Smaller parties followed: The Movement for Change (5.3 percent), the Communist party (5.1 percent), the Greek Solution (4.5 percent) and DIEM25 (3 percent). The leader of New Democracy and Prime Minister Kyriakos Mitsotakis (49.9 percent) was considered ‘more appropriate for the position in comparison to the leader of the main opposition SYRIZA party Alexis Tsipras (16.8 percent). But 29.8 percent of respondents believed no one was appropriate. With reference to ministers, most citizens were satisfied with their work in December. Minister of Foreign Affairs Nikos Dendias (57 percent) and Minister of Citizens’ Protection Michalis Chrysochoidis (56.5 percent) received the highest scores. State Minister George

Gerapetriris (40 percent) and Health Minister Vassilis Kikilias (45 percent) has the lowest grades. The Opinion Poll survey also demonstrates 70.5 of respondents were not happy with the opposition tactics of SYRIZA.

An important political decision Premier Mitsotakis had to make after his election was whether to re-nominate Prokopis Pavlopoulos for the position of the President of the Hellenic Republic or propose another figure. A December MRS survey showed 44.8 percent of respondents preferred Pavlopoulos to start a second five-year term whereas 41.1 percent hoped a new president would be voted for in parliament. With speculation on a potential new name to be nominated by Mitsotakis flourishing, the most popular was Costas Karamanlis (26 percent), followed by Antonis Samaras (11.2 percent), Dora Bakoyanni (8 percent), Evangelos Venizelos (5.9 percent) and Maria Damanaki (4 percent). 30.4 percent of respondent preferred a person not necessarily discussed in the media discourse. Mitsotakis nominated finally President of the Council of State Aikaterini Sakellaropoulou to succeed Prokopis Pavlopoulos.

For many years foreign policy was an issue of minor importance for Greek public opinion. In 2018 – and especially in 2019 – the Prespes Agreement brought the theme back to the agenda. The New Democracy escaped politically from the pain of waging difficult negotiations with North Macedonia, which had been conducted by the previous government but became encountered with serious tensions in Greek-Turkish relations. The MRB survey exhibits that 59.2 percent of respondents regarded a small-scale conflict between Greece and Turkey likely in the next twelve months. The percentage of more optimistic respondents was 35.1 percent. In parallel with the MRB poll another one conducted by Pulse in December demonstrated 61 percent was concerned about recent provocations from the side of Turkey. 54 percent of the respondents agreed with the handling of the situation by the Greek government while 34 percent disagreed. Polarization was clear. Supporters of New Democracy agreed (81 percent) and voters of SYRIZA disagreed (54 percent).

The Prespes Agreement and more importantly the deterioration of Greek-Turkish relations have influenced the media discourse. While the

economy had been at the epicenter of journalists for years, this tendency was reversed in the last months of 2019. Media reports and front-pages of newspapers were full with items focusing on tensions in the Aegean and the Eastern Mediterranean. Against this backdrop, a dilemma started to dominate the media coverage: whether a recourse to the International Court of Justice could be beneficial for Greece to prevent the potential scenario of a small-scale war with Turkey. Commentators were divided between the ones advocating for dialogue in line with the governmental policy and the ones criticizing this approach and employing patriotic – often populist – arguments. There are also a few analysts who avoid the trap of this dilemma and are seriously looking for a third way. Obviously, the Greek society is susceptible to populist messages.

From another perspective, the Greek society generally agreed with the will of the governing New Democracy party to allow police into university campuses. This was the result of the abolishment of the so-called asylum law that had banned policies from entering universities in order to theoretically respect the freedom of ideas. According to the November Pulse survey 66 percent agreed or rather agreed with the abolition of the asylum law whereas 23 percent disagreed or rather disagreed. Polarization was, again, clear. 93 percent of New Democracy voters approved the law while the percentage for SYRIZA supporters was 40 percent. In the aftermath of the voting of the new law police raid did occur, for instance on the premises of the Athens University of Economics and Business in September. Moreover, light clashes between the police and students took place on 17 November.

Another interesting element was the approval of most Greeks of the decision of the government to reinforce anti-smoking efforts. Specifically, the government decided to inspect whether the law banning smoking in enclosed public places was enacted. It therefore made no exemptions – including casinos, night-clubs and betting shops, and established a hotline (a four-digit phone line, 1142) to report violations of the law. Several fines were subsequently imposed. The afore-mentioned Pulse poll shows that 75 percent of respondents agreed or rather agreed with the anti-smoking policy.

87 percent of New Democracy supporters and 66 percent of SYRIZA supporters expressed this opinion. Also, both smokers (64 percent) and non-smokers (86 percent) agreed with strict measures. According to a study conducted by the Hellenic Cancer Society approximately 15,000 people die every year in the country due to smoking related reasons. Prime Minister Kyriakos Mitsotakis heralded his initiative by saying: ‘The enemy is tobacco smoke, not smokers’.

Conclusion

The performance of SYRIZA in the national election of July 2019 did not mirror the decline of the center-left in Greece. The turn towards a conservative government was a natural reaction of citizens following 4.5 years of the SYRIZA-Independent Greeks administration. In the second semester of the year New Democracy benefited by the so-called grace-period that is given to all government winning an election in Greece. Against this backdrop, the level of satisfaction for governmental policies was high. Society polarization on important affairs – such as the handling of Greek-Turkish relations – was evident though. To sum up, 2019 was a calm year for public opinion reactions because three different polls took place and citizens had the opportunity to have their voice heard and finally decide for a governmental change.

Hungary's Labor Market Trends in 2019

Csaba Moldicz

The Hungarian labor market has undergone significant improvement in the recent years. The main labor market indicators, both the unemployment and employment rates hit historic records over the course of the last months. As we pointed out in several briefings earlier, whether the economic policy is successful or not can be easily proved based on labor market conditions. Before 2010, the Achilles heel of the Hungarian economy was obviously the low labor market activity, since it meant that the income of active persons was distributed among more persons, to put in other words, the dependency ratio was higher and the pressure on productive population was stronger. After becoming a member of the EU, Hungary used to have the last or the last but one EU member in the EU ranking of employment rates. Now, the Hungarian employment rate (2018: 74.4 percent) is above the EU average (2018: 73.2 percent) and it is above the EU target (2020: 75.0 percent) in the age group 20-64, since according to the latest data published by the KSH, the rate was 75.4 percent in the 3rd quarter of 2019. This briefing investigates the main indicators of the labor market (unemployment rate, employment rate) and data regarding salaries and wages.

1. Unemployment and employment in the Hungarian economy

At the lowest point, the unemployment rate was 3.4 percent in the second quarter of 2019 since then it slightly increased by 0.1 percent. Even this number is the 5th lowest unemployment rate in the European Union. The increase can be explained by seasonal effects, however, the positive impact of seasonal job opportunities in the agriculture, tourism only partly

clarifies the change. Since months we can see the slow decrease of vacant jobs in the Hungarian economy. In the 3rd quarter, there were 53.500 vacant jobs reported in private sector, which figure is lower by 9.700 than in the corresponding period of the last year. The number of vacant jobs in the public sector has not changed significantly in the recent month, the number of jobs that could not be filled is around 20.000.

The easing of the grinding labor scarcity is a positive sign for future growth, the following explanations offer us solutions to the reason of the problem:

- Hungarian enterprises expect weaker market demand, or they already experience it and therefore they are more cautious about hiring new people and investing.
- The significant increase in wages and salaries attracts Hungarians working abroad, and it creates new labor force supplies,
- Hungarian firms, especially Hungary-based multinational firms focus on robotization and the utilization of new labor-force saving machines and other technologies.

In our assessment, the first explanation is the most plausible one, since the main markets of the Hungarian firms are still the EU members and especially the eurozone countries, where demand has been sluggish since the 2nd half of 2018. (Compared with the same quarter of the previous year, the Eurozone grew 1.2 percent in the 3rd quarter.)

Table 1. Unemployment rates in age groups		
	Unemployment rate	Change compared to 3 rd Q 2018
Age group 15-24	13.0	2.5
Age group 25-54	3.0	-0.3
Age group 54-74	1.8	-0.7
Aggregate data	3.5	-0.2
Source: Hungarian Central Statistical Bureau		

The employment rate was 70.3 percent in the 3rd quarter of 2019, which is the highest number after the political and economic transition of

the country in the early 90s. In this period, the number of employees was 4 million 520 thousand people, which is by 0.4 percent higher than in the corresponding period of the last year. The number of employees grew by 30 thousand in the domestic labor market and 11 thousand in other labor markets.

Table 2. Employment rates in age groups		
	Employment rate	Change compared to 3 rd Q 2018
Age group 15-24	28.7	-1.2
Age group 25-54	84.5	0.2
Age group 54-74	57.2	1.6
Aggregate data	70.3	0.5
Source: Hungarian Central Statistical Bureau		

It must be added that the Hungarian government labor market measures effectively helped to increase the number of employed persons. A crucial element was the implementation of the labor market programme which started more than a year ago, and it assisted more than 50 thousand people to find jobs in the private labor market. The programme prepares the job seekers for a more efficient job search. At this moment, the programme includes the Hungarian regions where it is more difficult to find employment than the national average, but the labor market programme will include all Hungarian counties from the first months of 2020.

2. Wages and salaries

Between January and September average gross wages and salaries substantially grew again in the Hungarian economy, thus wages and salaries have been on a steady rise in the last 81 months. In September 2019, the average gross earning was 360.700 HUF increasing by 11.8 percent, and the net average salary or wage was 247.300 HUF growing by 11.9 percent according to the Hungarian Central Statistical Bureau.

As we could see in the economic briefing last week, the substantial increase in incomes has been one of the most important factors, if not the most important factor of the economic growth in the Hungarian economy. Since inflation has been moderate, average net wages and salaries could expand by 7.3 percent compared to the corresponding period of the last year. Despite the recent improvements, the Hungarian wages and salaries lag behind the earnings in Western European countries. We can also add that room for improvement is ample when comparing to other Central European countries. (See table 3!)

Table 3. Annual net earnings (euro, single person without children)	
EU average	14 176.68
Slovenia	7 445.76
Estonia	7 392.97
Czechia	6 130.78
Croatia	5 281.28
Slovakia	5 045.95
Lithuania	4 867.53
Latvia	4 805.31
Poland	4 803.60
Hungary	4 293.47
Romania	3 458.56
Bulgaria	2 723.55
Source: Eurostat database	

Besides real economy trends, policy measures also supported the developments. Along with the above-mentioned program to support job seekers, other programmes (inconsistent spelling) were established to reform and modernize the vocational training systems. The programmes include facilitation of start-up training and grants programme. Pensioners were also targeted by the government policy measures using since the government offered special incentives to the employment of pensioners, young mothers with small children. The overarching goal of the reform steps has been the to increase the labor market activity. The reform of the vocational programme is one of the key pillars of the economy modernization programme of the Hungarian government. It is linked to other policy areas, such as digitalization and robotization, respectively implementation of new technologies in the economy. These areas combined can be regarded as the core elements of the social rejuvenation of the Hungarian economy.

3. Summary

In our understanding the main dilemma of the Hungarian labor market, labor scarcity will not be solved by the sluggish demand in the main market of the Hungarian economy, however, it can offer a respite until other policy reforms in the education sector (especially in the vocational training) bring results and alleviate the labor market

Table 4. Minimum wages (euro, July 2019)	
Slovenia	886.63
Lithuania	555.00
Estonia	540.00
Poland	523.09
Slovakia	520.00
Czechia	518.97
Croatia	505.90
Hungary	464.20
Romania	446.02
Latvia	430.00
Bulgaria	286.33

tensions by providing labor forces whose skills are more adapted to the changing economy structures. At the same time, it must be pointed out increases in minimum wages in recent years not only increased the living standards, but these raises serve as an anchor for private firms and boosted the salaries and wages of not minimum wages. Since the Hungarian minimum wages did start from a very low level – in 2019 they were barely above 250 euro – the expansion room is still big and this policy step has proved itself to be very effective until now, thus the government is about to use it next year, however, the rate of the raise is not clear yet. According to the original wage agreement (implemented by the government, Confederation of Hungarian Employers and Industrialists and trade unions) the projected rate was 8 percent for the next year, however the rapid growth could justify more, at least 10 percent as trade unions argue. Confederation of Hungarian Employers and Industrialists signaled that they will need the economic projections of the Ministry of Finances to agree to this proposal or reject it.

Based on the data presented in this briefing, it is obvious that the labor market has been one of the most successful policy areas in recent years, where positive improvements significantly contributed to higher standards of living in the Hungarian society during this year, at the same time, policy reforms in this sector must continue since as pointed out above

there is plenty of room for improvement, especially regarding wages and salaries, but employment rate could be improved too. The Central European comparison too reveals that the labor market trends could further better. In our understanding, the labor scarcity which is often depicted as an adverse labor market indicator is the sign that could speed up the development.

Lithuania: Creating Welfare State and Assessing Income Inequality and Shadow Economy

Linās Eriksonas

The year 2019 has seen the Lithuanian society embroiled in the open debates about the thorny issues such as the level of income inequality and the extent of the shadow economy as the stumbling blocks on the way to creating a more just society with a more redistributive economy. The overall tone for these debates was set by President Gitanas Nausėda, who was sworn in office on 12 July after winning the presidential elections under the banner of creating the welfare state in Lithuania. Thus, the first half of the year saw the formation of the public consensus around this issue (primarily driven by the electoral campaign rhetoric), while the rest of the year (with the new President at the helm) saw the first steps towards conceptualizing the whole idea.

Two issues, as mentioned above, came out of these debates as the critical challenges for Lithuania's society. First, the level of income inequality; the GINI index (which measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution) for Lithuania was 34.2 %. This figure is the highest in the EU. Second, the extent of shadow economy; the latest research quoted by the National Audit Office of Lithuania estimates that the shadow economy in the country can amount to 23,9% of GDP, which is the worst performance in the EU.

Below is an overview of the main discussion points, summarizing the existing knowledge about the addressed issues. It explains the different aspects related to assessing the level of income inequality and the extent of the shadow economy in Lithuania at the level of the individual household unit, as reported in public analysis.

There is a growing realization that the welfare state stands and falls on the economic performance of individual households and that by looking at the households' finances and consumption, one can detect the sources for the welfare state at a more aggregate level. To that end, since 2013 the European Central Bank has been running on a bi-annual basis the Household Finance and Consumption

Surveys (HFCS) gathering empirical data on real assets and their financing, other liabilities and credit constraints, private businesses, financial assets, intergenerational transfers and gifts, and consumption and savings in the sampled households of the individual EU Member States. Though Lithuania joined the HFCS network only in 2017, and the survey results have not been made available, yet additional studies have been made publicly accessible.

Thus, a study done by the researchers from the Bank of Lithuania and Vilnius University used several statistical tests that aimed to examine the claim that household income inequality in Lithuania is one of the highest across the EU. The researchers ran three statistical tests, the results of which confirmed that income inequality in Lithuania is, in all cases, one of the highest in the EU. Specifically, they tested for accuracy of estimates by estimating their standard errors, the inequality measure used as well as different equivalence scales. In all cases, the analysis confirmed that income inequality in Lithuania is one of the highest in the EU.

Further, the researchers analysed why income inequality in Lithuania is higher compared to the rest of the EU by using univariate decomposition techniques. The analysis identified significant inequalities between and within many groups of households in the country. As reported, in all cases, the within-group inequality has contributed more to income inequality in Lithuania; it was established that inequality has been higher within households of similar observable characteristics rather than between households of different characteristics. Inequalities within the unemployed and those working in the agricultural sector are especially prominent.

The researchers have noted two caveats which can have a significant impact on the income inequality statistics. First, the existence of a relatively large shadow economy, and, second, the income of wealthy individuals, which usually are undersampled, can change the overall picture of income inequality. Thus, it is argued that the Household Finance and Consumption Survey results could partly correct for both of these shortcomings, as it can provide data on consumption, which can, in turn, be used to estimate the shadow economy and oversample the wealthy households. Nevertheless, the European Central Bank emphasized that the results of HFCS cannot be extrapolated into larger populations and, as such, cannot be used in assessing income inequality, since HFCS is based on a limited cohort of households surveyed.

The analysis of the HFCS results in Slovakia from the 2017 survey (released in 2019 by the central bank of the Slovak Republic) made some unique observations that could be applicable also for other Central and Eastern European countries (CEEC). When comparing to the results from the 2014 survey, the central bank in Slovakia noticed a 40 percent increase in the households' real assets (which represent the difference between total real assets and credits). The real assets in the HFCS survey cover primary household residence, other real estate property, vehicles, valuables (jewelry, antiques or art), and self-employment businesses. The increase in the real assets happened, as argued, due to the increased real estate prices, which form the largest share of the real assets of the surveyed households. Similar developments have taken place in Lithuania, where the rising real estate prices increased the assets for property-owning households.

The asset value increase has created the source for value extraction from those assets under the conditions of asset scarcity. The British political economist and economic geographer Brett Christophers has described this form of the economy as the advancement to a position of structural dominance of economic activities organized around the control of scarce assets, including but not limited to financial assets. According to Christophers, the economic actors (those could be either companies or individuals, or households) who are engaging in such activities are rentiers, and the incomes they receive are rents. The rent is defined as income derived from the ownership, possession, or control of scarce assets and under conditions of limited or no competition (as can happen under the rising property prices or within other asset classes that are in scarcity).

Hence, one can argue that the inequality in obtaining rents from the same class of assets rather than income inequality might provide a more accurate picture of the inequality in society. The possibility to monetize the real assets, including the primary household residence, could be judged from the participation of individual households in shared economy businesses to extract rents and gain additional incomes outside salaried work.

For example, the use of Airbnb, an online marketplace for arranging or offering lodging, primarily homestays, or tourism experiences, can provide indirect evidence about asset monetization by households. According to the Airbnb host survey data from 2016 and 2018, there are 5200 places for accommodation offered on Airbnb in Lithuania, of which almost half in the capital city, Vilnius. 42% of Airbnb hosts use the service to rent their primary household

residences in order to afford to stay in their homes, thus subsidizing their living with the income from renting their homes on the Airbnb platform. The average age of the Airbnb rentier in Lithuania is 40 years (on average, hosts have spent in their hometowns 27 years), and 59% of them are female. According to nomadlist.com, Vilnius is the 22nd place out of 577 surveyed cities where “the Airbnb hosts make the most money” (as the website claims) – on average, 2125 EUR per month. It is more than twice the average wage in Lithuania, which stood at 818 EUR (1289 EUR before tax) in the second quarter of the year.

Further, ways of extracting rent from the real assets (such as vehicles) are available to individuals and households through the car-ride sharing services. The local market is crowded with Uber-type companies backed by the online platforms, each offering a person a possibility to earn from driving his/her car or a car shared by those companies. According to publicly available information, a car-ride sharing driver can earn up to 2,5 to 3 thousand Euros per month (before taxes). Other ways of monetizing the households’ assets are available through participation in the reselling of used items in the secondary markets. It is done, for example, through the international sharing economy platforms such as eBay or Vinted; the latter being an international marketplace founded by the Lithuanian entrepreneurs, which in the latest round of investment passed a valuation of 1 billion US dollars.

The strength of the peer-to-peer market economy can be gleaned from the traffic on the ad websites. According to the latest available statistics (October 2019) on the timeshare spent by the internet users on top 25 websites in Lithuania, 18% all the time was spent on four classified ad websites (such as autoplius.lt, skelbiu.lt, aruodas.lt, alio.lt) which offer individuals and households to sell different assets: from real estate to vehicles and jewelry. It, indeed, more than the time spent on the main news portals 15min.lt (14,66%) and lrytas.lt (13,54%) and is only surpassed by the most popular news portal delfi.lt (28,23%).

What the above indicates is that in Lithuania, there is a plethora of ways and possibilities by which individuals and households can extract value from rents of their assets, which makes it possible to compensate the income inequality to a certain extent. The extent to which such a self-compensatory mechanism could be in place could be estimated by looking at the food consumption patterns. The National Bank of Slovakia, based on the latest HFCS data, found the correlation between income inequality and the so-called Lorenz curve (a graphical representation of the distribution of income or wealth) and the share of income

spent on food consumption. According to the latest Eurostat data, the household expenditure on food and non-alcoholic beverages in Lithuania is the second-highest in the EU (in 2018, it stood at 20,9%) and above the EU average by 8,8%. For example, in Slovakia, this figure was 17,4%, in Slovenia – 14% (the lowest figure among the CEEC), while in Romania – 27,8% (the highest figure among the CEEC). Food being the basic need of society is a good indicator of the welfare state in action. The more affordable food, the more wealth is trickling down.

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Macedonian Society in 2019

Anastas vangeli

Introduction

In 2019, the Republic of North Macedonia (hereinafter Macedonia) faced a number of political, economic and diplomatic challenges which shaped the social dynamics and the public debates in the country. However, society itself had only limited impact on the shaping of politics, economy or foreign relations. Compared to the earlier years of the political crisis, Macedonia's society seems to have lost some of its vibrancy (e.g. people are less active, less outspoken, less optimistic, less engaged with each other and with the big social themes), but retained the principles of division and polarization (primarily along ethnic and political partisanship lines, with some seeds of class consciousness being planted as well). With that framework in mind, below we discuss the key – rather dark – themes in the Macedonian society and public debates in 2019, and the major offsetting forces and sources of optimism and pride.

Key Themes

The change of the name of the country reinforced a lot of ethnic nationalist sentiments and resentment, which was additionally fueled by the adoption of the new law on official languages which established Albanian as a second official language on the territory of the country. A number of ethnic Macedonians felt victimized by the ongoing developments, unrepresented by the political establishment, and deceived by the domestic and international political, intellectual and media elites. A number of minor actors – in the form of grassroots organizations, online initiatives and semi-formal associations attempted to capture the momentum and offer a narrative under which ethnic Macedonians can rally. They had limited success. Yet, even though unchallenged, ethnic Macedonian nationalism hovers around the country, waiting for its moment to mobilize and organize.

Ethnic nationalism remained to be an important social force that mobilized ethnic Albanians as well. The pluralization of the ethnic Albanian political block contributed to this process, as in the competition for votes, various ethnic Albanian political parties now vie for the title of being the purest and most

efficient representative of Albanian ethno-national interests, which in turn ignites the fires of ethnic nationalism among the masses. With the dominance of the two major ethnicities in the country, in 2019 other ethnic groups remained further on the sidelines. The challenges for ethnic communities vulnerable to racial discrimination, in particular the Roma, which face the gravest socio-economic issues, were far from the mainstream debates in 2019.

In 2019, Macedonia was plagued by the further deteriorating public healthcare system, and the declining social awareness about public health issues. Macedonia saw a large-scale measles outbreak that lasted for several months. The capacity of the system was particularly affected by the continued brain drain and the outflow of medical workers, which the government hoped to offset by increasing the salaries of doctors and nurses (the effects of these measures on brain drain remain to be seen). Private healthcare businesses have successfully capitalized on the decline of the public healthcare system and have established themselves as superior form of healthcare – while at the same time coming at a great cost, and making decent healthcare a privilege of the wealthier ones. The political connections of private healthcare magnates helped in even diverting public funding from the public to the private healthcare system (e.g. through public-private partnerships). In parallel to the decline of the healthcare system, the public discourse in the country saw the further rise of anti-scientific conspiracy theories, including the emergence of a vocal antivax movement (which has directly correlated with the measles outbreak).

Air pollution and environmental concerns continued to be major issues in Macedonia in 2019. Skopje and other cities in the country climbed the ladder of most polluted cities in the world (at times topping it) both in the beginning and the end of the year, coinciding with the heating season (suggesting that the lack of an adequate central heating system is a major contributor to the pollution), although pollution levels were relatively high throughout the whole year (suggesting that other factors matter too – including waste trade, and the landfills and waste management businesses – which are of questionable legal and ethical character). Citizens have consistently expressed dissatisfaction with the situation and tried to mobilize; there have been several fallouts between environmental activists and the policymakers as the former blamed the latter as not doing enough to mitigate the effects of and tackle the causes for the pollution in the country. Air pollution remains to be one of the most salient problems for all Macedonian citizens – irrespective of the various cleavages – and is likely to become an issue

around which greater social and political mobilization may occur in the future. In 2019, Macedonia saw a new wave of environmental activism, including a surge in youth activism under the banner of the global Fridays for Future initiative. Moreover, aside from air pollution, land and water pollution were also raised as issues, and have remained greatly unsolved heading into the new year. Furthermore, in 2019, as everywhere in the world, the number and the destructive impact of wildfires in Macedonia was on the rise, contributing to the increase of pollution, deforestation and loss of wildlife. The wildfires attracted a lot of public attention, but did not lead to substantial policy response or reform.

Macedonia in 2019 still saw relatively high level of socio-economic inequality and numerous manifestations of social injustice, although the government undertook some significant steps towards improving the situation, such as the increase in social aid and the increase in the minimum wage. Yet, despite these social policies, attempts at expression of dissatisfaction persisted, as the labor movement was active in demanding worker's rights (in particular in the textile industry, as well as among cultural workers). Civil society activism was visible in the year that passed as well. Significantly, in 2019 Macedonia held its first Pride Parade for advancing the rights of the lesbian, gay, bisexual, transexual, queer and other non-heterosexual people although sexuality-based discrimination and harassment persisted (including a notable inflammatory statement made by former Prime Minister Zaev). Macedonia saw continued feminist activism as well, including more local spinoffs of the global movement against sexual harassment. Citizens protested against the system of expropriation. There were many more online petitions, initiatives and interventions. The impunity of high-level officials implicated in grand corruption cases was one of the main triggers of dissatisfaction. However, the vibrancy of the civil society is still far from the peak of the protest movements in the period 2015-2016.

The media field in the country remained turbulent and tense. A major shock was caused by the “Racket” affair and the revelations that a number of high-profile figures including the Chief Special Prosecutor as well as Bojan Jovanovski (a.k.a Boki 13) were involved in an extortion scheme. The revelations were originally made by Branko Geroski, a veteran journalist, who published a series of spectacular op-eds using pseudonyms, which unleashed a war between various media and political factions. Jovanovski had headed the newly founded 1TV, which quickly got established as a leading television in the country, recruiting some of the best known and most experienced Macedonian journalists. Jovanovski

has often displayed his close contacts with the top brass of SDSM and the government, which quickly made 1TV the most influential medium in the country. With his downfall, 1TV stopped operations (the outlet had complicated ownership relations and found itself in the middle of the “Racket” affair).

While the “Racket” affair was the pinnacle of the media wars, even outside it throughout 2019 media operated in a generally polarized landscape, very much divided along political partisanship lines. The end result was the creation of different information bubbles and disparate (and sometimes even conflicting interpretations of reality). Furthermore, blames about disinformation, misinformation and spreading of “fake news” intensified during 2019 – a discourse which transcended the local context and often referred to foreign malign influence (often associated with Russia or China, following the frames proliferated in the American and European political and media context).

Ever more toxic tendencies were visible on Macedonian social media, which have turned into a terrain for political warfare and have been dominated by militant political partisan discourse, libeling, and cyber bullying.

Offsetting Forces: International Promotion and National Pride

One major offsetting force in times of gradual social fragmentation and decay is cultural production; sometimes music, books, or motion pictures can exert a major positive influence on society. In 2019, one such cultural product was *Honeyland*, a full feature documentary that tells the story of the last wild bee keeper in the world – Atidze Muratova from Bekirlija, an abandoned village not far from Skopje. The movie shows how while living in absolute destitution, Atidze manages to maintain a harmonious relationship with nature – only to be spoiled by the arrival of intruders who along with themselves bring the ills of the capitalist society – economic insecurity and the desperate need for profit. The movie has become a global hit, winning a number of prestigious awards around the world, and receiving positive reviews from influential critics. Telling a beautiful and sad story that addresses some of the most burning questions of today – including ones about the human attitude towards environment, sustainability, social justice, gender and ethnicity – *Honeyland* captivated both the Macedonian and the global public. The international success of the movie sparked a lot of joy and optimism in the country, and made Macedonian citizens proud of their country.

Another significant offsetting force was the success of the handball team Vardar from Skopje, which amid financial adversity managed to win its second

European championship in three years. However, the success of Vardar – which sparked a lot of joy among Macedonian citizens – was overshadowed by the nationalist overtones of the celebrations in the country.

Montenegro's Main Social Issues in 2019

Vojin Golubovic

The year behind us was dynamic when it comes to the social issues. Various topics were in focus, but issues that mostly characterized 2019 in Montenegrin case could be divided to those related to environment, overall quality of life (including services to citizens) and other general issues, i.e. those related to the systemic problems such as corruption or emigration of youth.

Environmental issues

Environmental issues seem to have attracted the most public attention in 2019. It seems that there were no month in 2019 without an environmental problem occurring, which has been widely publicized. Public mass protests, television shows dedicated to environmental issues, increasing voice of NGOs on this issue, are just some of the continual events that have characterized Montenegro over the past 12 months.

The entire year was characterized by events related to the protection of rivers, water pollution, logging of forests in national parks, etc. However, it seems that the most alarming event was in July when the real environmental incident happened in the northern municipality - Pljevlja. Namely, total fish stock in the Ćehotina River, which flows through the northern part of Montenegro, has died. This was also popularized because the municipality of Pljevlja is at the top when it comes to environmental pollution issues^①. The problem is huge because the pollution was caused by the national company and the main air polluter in this municipality -

^① According to World Health Organization research, Pljevlja is among the ten most polluted cities in Europe. This municipality is characterized by the emigration of young people that causes the negative birth rate in this municipality, increase in mortality (which is a consequence of the high pollution and water quality in this municipality), increase in the number of people suffering from malignant diseases, etc.

Pljevlja Thermoelectric Power Plant, which operates under the main Electric Power Company in Montenegro. This showed that awareness of the ecological state^① is not even present at the national level, from which a campaign on such awareness should originate. Some environmental measures appear to be merely decorative, and material interest is often outweighed compared to some higher goals, such as health and a clean environment. Only enormous pressure from the public, media, NGOs and citizens seems to have resulted in fines in this case, while some more serious sanctions and penalties were avoided. The national energy company seems to be much more active when it comes to exclusions of consumers who irregularly pay their electricity bills. Also, the company is very efficient when it comes to paying subsidies to private producers of electricity from renewable sources^②. This is mainly related to energy from mini hydro plants that are destroying the environment and damaging the plant and animal fund. On the other side, national energetic company is not efficient when it comes to environmental protection.

Corporate social responsibility when it comes to the environment is at a minimum, and that responsibility, when it exists, is more the result of pressure and condemnation from the public. This was shown by this example, but also through other events that occurred during the year. Thus, the state-owned National Parks Company has allowed deforestation in the heart of the national park Durmitor. This was done in order to satisfy personal interests of some investors who wanted pure benefit through the construction of bungalows and restaurants. What is worrying is that there was an attempt to cover up the entire case by the story that there were sick trees that had to be cut down. It is tragic that no one was responsible for the damage done, or for irresponsible and negligent work. Also, it is questionable why the competent institutions, such as the Public Prosecutor, did not take these issues more seriously, since there is a suspicion of corrupt practices in this case? Everything was tried to cover up, and the state

^① Montenegro is defined as ecological state by the Montenegrin Constitution.

^② Several tens of millions of euros are paid by citizens for those subsidies. Also, another question is are those subsidies in line with constitution and protection of individual?

institutions were portrayed as someone who was responsible and who was making concessions to the citizens who had rebelled, so the further destruction of the protected nature was abandoned. The Director of National Parks has not resigned, although such a move would be expected in any country that cares about the public interest and the interest of its citizens.

Therefore, the highest level of awareness must be at the highest level - at the level of policy makers. However, it does not seem that policy makers and implementers understand that the long-term effects of previously explained behaviour are negative for the whole of society. Government and national companies should take responsibility without excuses and be leaders in the environmental protection process.

Issues related to the quality of life

Issues related to quality of life and quality of public service delivery were among the most actual in 2019 as well. The standard of living of citizens has remained at almost the same level if we take into account the real growth of wages^①. The laws expected in 2019 have not yet been adopted, notably the Labor Law and the Pension and Disability Insurance Act. However, what is perhaps even more significant than citizens' solvency was the level of quality of public services. First of all, this refers to the problems facing the public health and education system. While some reform measures (especially at the vocational education and training level) are being attempted in the education system, as well as wage increase is envisaged for employees in education, the health system suffers from numerous weaknesses. Of these, the most significant is the outflow of staff, especially doctoral specialists, who mainly go to the more developed European countries. This outflow directly affects the quality of services and treatment provided, no matter how modern medical equipment may be.

^① In the previous ten-year period, real annual growth of average earnings in Montenegro amounted to 0.75%

The Union of Medical Doctors has announced that in 2019, 101 healthcare workers from Montenegro went to Germany. According to the Federal Employment Agency of Germany, 993 medical workers from Montenegro currently work in that country. In the union's view, this is only the beginning of a major problem that Montenegro's health care system will face, as it is the expected reaction and response to the Government's policy towards doctors and medical professionals. It is strange that when creating the state budget (which is at a record high) there was no room for a significant increase in the wages of workers in the healthcare system. It seems that higher wages are the only reason for the medical staff to leave, but increasing wages might solve another social problem - high levels of corruption in the health care system.

The union's view is that the public health system is not on this government's list of priorities, although improving public health is one of the key interests of Montenegrin citizens. A nine percent increase (from 50 to 80 euros) is not enough. Unions are in favour of a minimum wage of 850 euros, instead of the current 550 in health sector, while specialists and subspecialists should not have a basic salary lower than 1,100 and 1,200 euros, respectively. However, the question is how realistic these requirements are, given the indebtedness of public finances.

However, the Ministry of Health appears to be doing what it can to mitigate the problem of staff outflows and the diminished quality of service that this outflow would cause. Thus, in the middle of the year, a significant number of new specialists were promoted in the Clinical Center of Montenegro, who have completed specialization or narrow specialization in the last few months. This increased the total number of doctors, specialists. Also, hundreds of doctors of medicine are on specialist or subspecialist courses. However, it should be understood that these doctors can also leave the health care system of Montenegro, which can only deepen the problem.

Other general issues

Some of the problems that are present in the continuity and affect the whole society are the already mentioned personnel migration. However, this is not only characteristic of the health system, but of all areas to a greater or lesser extent. Also, this is especially true for the younger population. This problem should not include temporary migrations that Montenegro may benefit from, which in the previous year have been unprofessionally tried to be politicized and portrayed as part of the overall problem. However, the fact is that young people are increasingly aware of the opportunities that globalization offers to them. Therefore, during the previous year, mainly at the general level and without some concrete conclusions, there was a debate about what policy to take towards the youth.

In addition, research has shown that what might motivate young self-aware people to emigrate is precisely the problem of mistrust of politicians (all of them) and the opinion of young people that the problem of corruption, nepotism, etc. is what drives them to think about leaving. In a small country with a huge bureaucratic apparatus, such a situation is inevitable. Therefore, limiting the power of the state and bureaucrats seems like the only permanent (but painful) solution.

Poland's Social Development in 2019

Joanna Ciesielska-Klikowska

In 2019, Poland abounded in various social events - most of them were though standing in the shadows of the upcoming elections to the European Parliament and the elections to the Polish Sejm and Senate, to which the campaign merged into a one whole. Individual political parties competed in election promises, plans and programs for changes in the rules of social welfare, profits and bonuses for youths and seniors, employees and retirees. However, none of the parties was able to provide a solution for the most compiled and at the same time burning social problem - which is the situation in the Polish education system. The result of the lack of extensive discussion was the strike of teachers lasting many months, yet whose main phase was in April 2019. The situation was not resolved and teachers are still struggling to implement their demands. This causes that the social situation is still tense, and schoolchildren and their parents are somehow the pawn in the game between teachers and the government.

Situation in the education system

Situation in the Polish education system has been nervous for several years, especially since 1999 and the establishment of changes in the structure of education from two-level to three-level system - an 8-class primary schools operating before were abolished, and a 6-grade primary schools as well as a 3-year junior high schools were implemented to replace it. As a consequence vocational and technical schools were eliminated one after the other, leaving only general secondary schools as high schools. In 2007 university entrance exams were removed, and at the same time a ceiling for passing the high school final exam (entitling to recruitment to studies) was reduced to the level of 30% (instead of the previous 50%). Finally, there was compulsory schooling for 6-year-olds since September

2015, although parents could have already sent their 6-year-old children to school with the consent of the psychologist in the three previous years.

However, from 2015 and taking power by Law and Justice Party (Prawo i Sprawiedliwość, PiS) further changes were introduced, marking *de facto* a return to the old solutions – today again 7-year-olds start school education, and junior high schools are liquidated in favor of an 8-grade elementary schools.

Consequences of new changes

These new reforms, implemented since 2017 under the name “Good school” (*Dobra szkoła*), even looked quite good as a project. However, in reality they have brought a dramatic worsening of the situation in schools. Especially the year 2019 brought a huge accumulation of the schoolchildren - the place in new high schools (after the reform and liquidation of junior high schools) was applied by both students who started education as a 6-year-olds (after the 6-class system primary schools plus 3-year school junior high schools), and as 7-year-olds (after 8-year primary schools). This change, causing enormous chaos and stress among students, teachers and parents, induced a huge discussion about the costs - mainly social - for such a reform. At the same time, these reforms were implemented very quickly, without an in-depth analysis of the education market, the labour market and the needs of students and their future employers.

Although in theory changes looked even reasonable, in practice there was even no additional expenditure assumed for the changes in the state budget (schools in the Polish system are maintained from the money of local governments), and therefore local governments were charged with the need to finance reforms imposed by the central government.

When adding to all the above mentioned also relatively low wages in the education sector in Poland - it turned out that the social disaster and strike in this issue were only a matter of time.

In fact, for many years there has been a stagnation in the salaries of teachers who earn around 3,500 PLN (EUR 823) on average – today a beginner teacher earns 3,000 PLN (EUR 705), while a qualified teacher (with many years of experience, after completed studies and completed additional courses, with wider responsibilities) about 5,600 PLN (EUR 1,317). This means that, on average, teachers in state schools earn much less than employees of the enterprise sector (PLN 5,085; EUR 1,200). Therefore, the work of a teacher is becoming less and less attractive for students, and more often - apart from declared enthusiasts - people who have no idea for their own future, and that are interested only in the profits of work at this position (35 days of vocation leave, min. 18-lesson hours week etc.) are coming to the profession.

All this means that the education system in Poland - although theoretically good as shown by recent international PISA research, a worldwide study by the Organisation for Economic Co-operation and Development - barely holds up, led by the stubbornness of thousands of teachers, their students and parents, who largely pay extra classes to their children.

Teacher strikes

In this situation, teachers' trade unions decided to launch a strike already in 2018 - initially as a warning strike. Because it had no effect, numerous hunger strikes, pickets, marches and rallies were organized in various educational establishments. In January 2019, the first strike actions were organized during which some teachers did not conduct classes. Yet, in the absence of agreement with the government, trade unions decided to organize a nationwide teacher strike.

The strike action in public units of the education system began on April 8, 2019 and lasted until April 27, 2019. It was primarily a form of protest against changes in education introduced after 2015 and coordinated by the Minister of National Education Anna Zalewska, but aimed at encouraging the government of Mateusz Morawiecki to introduce salary increases for teachers as well. The strike was organized as a consequence of the decision of thousands of teachers gathered in the Polish Teachers' Union (approx. 200,000 members).

In reality this action was the biggest strike in the history of Polish education since 1989 - 14,000 schools and kindergartens, and overall 600,000 people employed there took part in it. At that time there was no childcare in kindergartens and over schoolchildren, although teachers were in workplaces, since such is the duty of strikers (teachers did not receive remuneration for the period of strike).

The protesters formulated following strike demands:

- increase of PLN 1,000 for teaching staff (EUR 235),
- greater expenditure on education from the state budget,
- change of teachers' work assessment,
- change of teachers' promotion path,
- resignation of the Minister of Education, Anna Zalewska.

During the strike, teachers also pointed to the absurdities that occurred in schools after the implementation of the 2017 school reform:

- overpopulated classes (up to 45 students in one class),
- classes that take place until late evening hours ("night lessons"),
- crowded schools, corridors, sanitary facilities,
- classes in corridors and cloakrooms,
- schools working in two and three shifts,
- problem with the lack of teaching staff.

Practically, in the end, improvement in any of these points was achieved by teachers. The government went along with them, arguing that no money was available for increases (at least not to the extent that the teachers fought) and that education reform restoring the two-level education system was well prepared. In the face of a fiasco of talks with government representatives, the strike organizers decided to suspend the strike on April 27, 2019 – after almost three weeks.

Conclusions

Although the strike failed because it did not achieve its economic and political goals, it brought some positive effects. Firstly it has built a new, friendly social environment and space for a gentle discussion about school among society. Secondly it raised the group awareness of teachers. And thirdly it started a discussion among them how the school should look like.

Yet it showed also that the teachers cannot count on the support of the government - Prime Minister Mateusz Morawiecki proved to be unwavering at the demands of strikers. Just like the opposition parties which, although declaratively supported the protesters, but in practice did not propose own clever solutions to the problem.

After all it is thanks to the strike that there are currently intense debates about what the Polish school should look like in the future - that it should prepare children for the challenges of the 21st century, and not keep them in 19th checks, as it has often been so far; that it should develop creative passions in them; that it should build trust in teachers and superiors and not fear and sneer (because they earn little); that it should open minds and show unusual solutions; that the school should also teach tolerance, openness, equality and kindness to others, and that it should teach reliable sex education and separate religion from education in general.

The strike showed a great solidarity of teachers, but also a strong bond between students and the teaching body. Naturally, there were

institutions where teachers had to face a strong hate wave or grievances from parents and students, but most of young people openly admitted their support, indicating that they want to learn from passionate teachers who will infect them with knowledge and positive energy. It means that this strike did not concern only what is here and now, but, first and foremost, related to the future appearance of education in Poland.

The spirit of change in education is already circulating. Young people are involved in climate issues, do well in international studies (recent PISA studies have confirmed this – Polish students were at the forefront), and are involved in scientific development. Their teachers can be proud of them, although their own goals have not been achieved – therefore the strike will certainly continue in the future (as the “Italian strike” it was introduced in selected schools on October 15, 2019). The question is to what extent the current government, including Prime Minister Mateusz Morawiecki and Minister of Education Dariusz Piontowski, will want to talk to them.

Overview of Romanian Social Development in 2019

Oana-Cristina Popovici

At the end of 2019, Romania scores the performance of the lowest registered unemployment rate in the last decades, a general increase of the average earnings as compared with last year, double child allowances and plans for further increases in salaries and pensions next year. However, the quality of life and the social welfare of citizens continue to be among the lowest in the EU, the healthcare system urgently needs improvement and poverty gaps persists among different regions in the country. The measures taken this year were welcomed, but there is a lot to be done in order to reach the targets assumed for sustainable development.

The registered unemployment rate dropped at the lowest level in the past decades, under 3% (2.98%) in October, according to the latest official data of the National Agency for Employment. The number of unemployed is below 260,000 persons, over two thirds originating in rural areas. More than a quarter (26.4%) have between 40 and 49 years old, while 19% are aged over 55 years. It is easier for younger people to have a job, as persons aged between 20-29 years represented only 5% of the unemployed in October. A low level of education raises difficulties in finding a job, as people without education or only with primary education level have a significant share in the total registered unemployed (27.8%), while those with tertiary studies were almost 5.7% of all the unemployed.

Overall, salaries also grew in the last period. The net average earning was RON 3,116 (almost EUR 653) in October, 1.1% higher than in the previous month and increasing by 14.6% on a year on year basis. The gross

earning had a 1% growth as compared to 2018 and the previous month. The highest earnings were registered in information technology (including IT services), where the average level of the salary is more than two times higher than the national average. People working in the garment manufacturing received the lowest amount of earnings, almost 58% of the net national earning average. The purchasing power also increased, as the real income was 10.8% higher than in October 2018 and in a slight increase as compared to the previous month. The consumption tendency, supporting the GDP growth in the last years, was tested by the Black Friday event this year, which registered a volume of the sales that exceeded expectations.

Further increases of salaries and pensions are discussed to come into force in 2020. As the impact on the budgetary deficit is high, they could be compensated by other measures or by supplementary taxation, but no direction is established so far. The Government published a bill including a 7.2% increase of the minimum wage as of January 2020, based on the increase of the inflation rate and productivity, for public consultations. Pensions should increase by 40% in September next year, while the members of the Parliament just decided to double the child allowances.

However, despite good performances of the economic growth, low unemployment and high incomes, Romania is ranked on the last place among the EU countries in terms of Social Progress Index developed by the Social Progress Imperative NGO and Deloitte for measuring the quality of life and the social welfare of citizens. Although Romania saw a slight increase of the score as compared to last year, the improvement was not enough for keeping the position in the ranking, other countries registering a better performance. Therefore, Romania dropped a place as compared to the last year and is now on the 45th position among the 149 countries, the lowest since 2014. Among the dimensions considered for quantifying the quality of life, Romania obtained the lowest scores in water and sanitation services (83rd place), health and wellness (74) and access to basic education (73). The highest performance is obtained in personal safety (36th place),

environmental quality (40), basic food and medical care (47), personal rights (48).

A similar report of the European Commission indicates that almost one third of Romania's population is at risk of poverty or social exclusion, the second largest percentage in the EU. The measures taken until now were effective, but the process for bridging the gap is too slow and the disparities continue to be very high. Warnings that targets adopted for 2030 in eradicating poverty and promoting sustainable development could not be accomplished if a similar rhythm of implementing measures is carried out were already signalled in a debated organized by the World Vision Foundation in Romania and the National Anti-Poverty and Social Inclusion Network during this year.

In fact, Romania carried out several activities for tackling the problems signalled by domestic and international analyses in the areas with the highest vulnerabilities: healthcare; water, sanitation and environmental issues; access to education.

Healthcare was considered a priority in 2019, following the increase by 45% of the budget for the Ministry of Health. It allowed the progression of different national programmes, allocation of funds for investments or supporting the family doctors. However, the recent report of the European Commission (EC) regarding the State of Health in the EU member states reveals that Romania has the highest mortality rate due to treatable causes, the lowest life expectancy and the most underfunded health system in the EU.

The EC document asserts many deaths in Romania could be hindered by better prevention and treatment. Disease prevention is rather neglected, as only 1.7% of total health expenditure is allocated for prevention, while the EU average is 3.1%. Basically, yearly investments for prevention rise at only EUR 18 per person. In addition, behavioural factors, such as tobacco use, alcohol consumption, inadequate diet and low physical activity are the cause of almost half of the deaths. One in five Romanian

adults smoke daily while the rate of episodic excessive alcohol consumption is higher than the EU average. As a consequence, life expectancy is one of the lowest in EU, of 75.3 years, while the EU average rises to 80.9 years. Several supplementary restrictions for tackling the use of tobacco and non-traditional tobacco products among children and teenagers are discussed to be implemented in the following period.

The healthcare budget in Romania is the smallest among the EU members states, less than half of the EU average, irrespective the measurement method – per capita or as percentage of GDP, which leads to a significantly underfunded health system. The deficit of doctors and nurses continues to be important, despite increases in salaries in the last period. Romania had an average of only 2.9 doctors per thousand inhabitants, as compared to an EU average of 3.6 medical professionals. The migration of medical staff in recent years, in search of better wages and working conditions, has negative consequences on the accessibility of the Romanian population to medical care. According to the Minister of Health, more than 25,000 doctors left Romanian in the last ten years. The measure of increasing wages did not generate the expected results; instead, emphasize should be on better working conditions for making doctors to return to Romania. In this respect, the Minister announced that there already exists a short and medium term plan with concrete measures that will have immediate effects on the health system, which is focused on working conditions in hospitals and that will be adopted following consultations with the EU representatives.

Although the public health system is generally free, private health services increased their expansion in the last years because of private medical insurances provided to the employees in multinational companies. A survey developed by Reveal Marketing Research in November this year points that there is an increased tendency among the young people to access more often private medical services. The main strengths of such services include cleanliness (as indicated by 81% of respondents), respect received

by the patient (75%), short time for investigations (74.7%), more professional doctors (57.5%) and overall trust (51%).

Regarding the environmental issues, Romania hosted during this year the informal meeting of the EU ministers of the environment, which addressed the topics of climate change, biodiversity and water resource management. The intentions of the authorities are to provide adequate conditions for supporting the transition to a low-carbon society. At this moment, Romania confronts a poor air quality and is the fifth most polluted country in the EU, after Bulgaria, Poland, Croatia and the Czech Republic. In addition to this, it has to improve the recycling rate and the efficient use of resources in order to enhance waste management, to implement the Urban Waste Water Treatment Directive and to take action for the improvement of the quantity and quality of drinking water. For Romania, increasing awareness related to environmental issues is one of the most important needs at present.

The education system is also under-funded, in need of increasing the capacities for its modernization, according to the European Commission (EC) Romania's 2019 Country Report. Romania remains one of the few countries that have not yet reached any of the main targets for 2020 related to early leavers from education and training and tertiary educational attainment. The attempts from modernizing the system were announced from both the part of the Government and the Presidential Administration and targeted the expansion of the compulsory education, support for dual education with the involvement of the private companies, state-aid schemes for institutions with intensive sports activity, a public consultation on the results of the "Educated Romania" project which includes measures for the reform of the education system. Although a new education law was announced to be developed this year, no steps were taken in this direction following changes of the education ministers throughout the year. The end

of 2019 revealed the results of the PISA 2018 tests result, with bad news for students in Romania, whose scores were lower than in previous years. Such situation raises new challenge for identifying and correcting the faults of the system.

In the social field, it becomes clear that progress should be supported not only by raises of revenues, but by investments in the core systems, such as healthcare, education, environment, in order to increase the quality of life and to generate further progress.

Serbian Society in 2019

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Abstract: *Serbian Society in 2019 had been marked by many issues. First, there were political protests which started in January in Belgrade and had expended through the whole Serbia. At the same time, President Aleksandar Vučić started talks with people in all administrative districts of the Republic of Serbia. Second issue were problems in rural demography and economic potential of the Serbian countryside. Among issues also was the emigration of medical personnel from Serbia while the obligatory military service is a hot social topic from 2010 until now as the employment rate as well.*

Serbian society was marked with political protest at the beginning of the 2019. Civil protests that originated in the capital city and spread to entire country in weekly iterations. What started as a demand to find the truth about the motive for the assassination of Oliver Ivanović grew into a wide array of demands - changes in the election system, greater media freedoms, the release of ruling party's grip on all social institutions, etc. At the beginning, it seemed that protests were organized by groups of citizens dissatisfied with some political issues. Later it became clear that, partly, behind the protests were political parties which boycotting political institutions and calling for civil disobedience.

Some representatives of protesters said that the trigger for current protests was a political assassination. Namely, last year, Kosovo Serbs politician, Oliver Ivanović, was murdered by a still unknown perpetrator in front of his office in Kosovska Mitrovica, a city in Kosovo and Metohija Province. But, in its nature, the demands are general. They relate to media and civil freedoms, democracy, free and fair elections, measures to prevent the exodus of young population that migrates in search of work to western countries, etc. Initially, President Vučić said that there is no reason to talk

with protesters about their demands, indicating that protesters are only a small part of Serbian population. He stood over position that there are plenty of people in Serbia who believe that his government can continue to lead a country towards better future. President Vučić started a campaign, in which he travels around all parts of the Republic and talks with citizens about their problems and needs. A campaign of President Vučić has many more supporters, as some surveys have shown.

There is impression that during last weeks of 2019 shown support of opposition protest declines. At the same time, protesters directed its activities towards the Radio Television of Serbia, repeatedly asking for changes of current editorial politics and for the opportunity to present their ideas.

As the time for sowing comes, some questions about the situation in the rural areas have been opened. One of most important questions (issues) is rural demography and economic potential of the Serbian countryside. The data used for the analysis was published in the March, 2019, by the governmental agency - Statistical Office of the Republic of Serbia. It is argued that negative tendencies in depopulation and economic decline of Serbian rural landscape are a consequence of underdeveloped agricultural production, bad infrastructural, health, educational and cultural services in villages, strong migration to cities and general poverty of Serbian farmers. In Serbia, last year 102,000 people died, while only 65,000 were born. This difference in numbers is a trend of recent years and it equals the population of an average town in Serbia. The problem with low birth rate is that villages, as the main base for childbirth in population history, are quickly losing the reproductive potential. Last year the number of newly born in villages was the lowest in last hundred years. The best conclusion for this situation is that the state has to invest additional funds in the development of rural areas and especially in the reconstruction of "cooperatives" of agricultural and economic.

Emigration of medical personnel from Serbia gained momentum and visibility in Serbian society. According to unofficial data, more and more

doctors and especially medical technicians are leaving the country for better paid jobs in the EU countries, especially Germany. The government of Serbia recognized this problem and has started several projects to try to combat its negative implications. Ministry of Health of the Republic of Serbia currently is working on the large project which includes professional associations of medical workers, Institute for Public Health “Batut”, medical faculties, National Health Insurance Fund. The purpose of the project is to plan a national program for medical professional’s education and training for the period of ten years. The aim is to predict how many doctors will retire during this period, what would be the needs of citizens concerning numbers of doctors available, and consequently to create an education and employment plan. At the same time, new investments in the infrastructure and raise in salaries are expected. It remains to be seen how the plan will develop in the years to come.

Apart from problems rooted in poor economic situation, Serbian society has to cope also with those rooted in gender inequality. This problem was multiplied and increased in 2019. In Serbian society violence against women has increasing rate. Violence against women is both a cause and a consequence of gender inequality that is perpetuated by existing norms and attitudes. Serbia is still a patriarchal society where men are dominant at home, at work and in the public sphere.

Obligatory military service is a hot social topic that has never really disappeared from public discussions in Serbia since its suspension in 2010. Recently, ruling politicians have again made some motions in the direction of its reactivation. Main issues raised are whether Serbian society can bear the costs of the obligatory service system, whether external security threats justify its reintroduction, what are comparative experiences of countries that Serbia wants to imitate in its European integration policy, and finally what is the opinion of an ordinary citizen on the matter and how is this related to current army professionals. The particular challenge that reactivation of obligatory military service can cause is to increase the migration, especially of the young population, which would be involved by

this obligation. Obligatory military service is a measure which deeply affects one society in which is introduced and has to be planned carefully according to one society's capacity to financially support it, its security and defence needs, the will of its citizens, and the relation of this measured by professional army and based on experiences of countries that share similar social values. Political and social arguments pro et contra are desirable, but appears more like instrument of political marketing which plays upon the concerns and fears of ordinary citizens. Some people perceive obligatory military service as an important boost to national security, although this perception is not supported by facts and arguments of security experts.

For the last 20 years the employment rate is very important issue. After fiscal consolidation, from 2014 until 2019, according to official data, the employment rate showed some progress. Main reason is the increase of investment, domestic and foreign, especially greenfield investments. In the second quarter of 2019 number of employed people in the Republic of Serbia was 2 916 500, and the number of unemployed 334 000. Rate of employment for the same period was 49.2%, while the unemployment rate rested at 10.3%. These figures represent an improvement in comparison with the first quarter, the number of employees has risen for 106 000. The rate of employment was higher for 1.8 percentage points (pp), while unemployment and inactivity rates were lessened for 1.8 pp and 1.0 pp respectively in comparison with the first quarter. At the end of 2019 official unemployment rate is fewer than 10%, precisely at 9.5%, for the first time until Yugoslavia was subject of international sanctions during the 1990s.

Serbia and its citizens spent the first half of October engaging in a nearly two-week protest by Belgrade taxi drivers against an "unfair competition" as they interpreted CarGo's work and the fact that, according to them, the laws are not applied. For months there was an ongoing "war" between taxi drivers and CarGo representatives. Taxi drivers were dissatisfied with alleged failure to enforce Road Transportation Law and were demanding that illegal taxi services, as they perceive CarGo, should be banned. The CarGo representatives (who on their side also failed to

demonstrate civilized vocabulary in their statements) persistently claim that they are not transporting citizens like taxis but that they are using the application to help citizens to schedule a ride to a desired destination. The taxi driver's protest, after twelve days of blocking the center of Belgrade, was "stifled" by Serbian President Aleksandar Vučić, talked for two hours of with taxi drivers. The Serbian president promised them state subsidies for the purchase of new vehicles in order to improve the taxi service. State subsidies will be in the amount of several thousand euros each, and taxi drivers will have to secure participation in their side. The state can help to bring the order to taxis, which have been unregulated for decades, through such measures. Illegal taxi drivers, dubious taximeters and high bills, fighting for passengers at the airport and bus station have for years tarnished the reputation of that important service.

Overwhelmingly dark grey shades of Serbian society made brighter several large-scale cultural events that took place in the autumn of 2019.

During October, with a number of manifestations held throughout the country, the Serbian Orthodox Church marked a great jubilee - 800 years of its autonomous status (autocephaly) from the Ecumenical Patriarchate. Apart from this remarkably important anniversary, other significant cultural events during October included some of the most visited gatherings in Belgrade, such as the 64th International Book Fair. Especial attention draw the settlement through which the missing fragment of the medieval, UNESCO-protected manuscript „Miroslav Gospel” was retrieved from Russia. Other cultural events also included the 35th Belgrade Jazz Festival and the first major retrospective of the world-renowned performance artist Marina Abramović in her hometown, titled „The Cleaner“ and hosted by the Museum of Contemporary Arts.

Conclusion

Serbian society in 2019 has been facing with a lot of challenges. For some solutions started to be found, while the others are expected to be

resolved in the coming year. One might assume that the outcome will be conditioned by the results of the expected regular parliamentary and local elections that will be held during the first quarter of 2020.

Slovakia's Social Issues in 2019

Kristína Baculáková

Year 2019 brought different serious topics Slovakia had to deal with. Overall, 2019 was in the spirit of society activism, especially in the struggle for freedom and democracy that began already 30 years ago. And it seems that this struggle continues even today. Corruption, rule of law as well as the upcoming parliamentary elections in 2020 are the most serious issues that polarize society.

30th Anniversary of the Velvet Revolution

In November, the celebration of the 30th anniversary of the Velvet Revolution resonated in the whole country. The memorial events had a bitterly sweet flavour because many of the things that citizens had dreamed for 30 years are still far from the required level. The Velvet Revolution (November 17 - December 29, 1989) is the name for the bloodless events that resulted in the removal of the Communist regime in Czechoslovakia. The initiators were students, first joined by actors and gradually by other groups of the population. In Slovakia, the democratic political movement Public Against Violence was founded. There were several reasons for the collapse of the Communist regimes in Europe - notably the economic and military lagging of the East and the West, the increase in public manifestations of dissatisfaction with the regime, the inability of the Communist governments to reform the regime or maintain the existing regime without massive repressive actions.

The events of November 17, 1989, when student demonstrations began with the Velvet Revolution, were preceded by illegal student meetings in Prague and Bratislava. In November 1989, Public Security officers at the National Class in Prague beat students demonstrating their fundamental human rights. This incident seems to have accelerated the onset of subsequent events. Although we remember the event in Slovakia

on November 17, we did not gain freedom in one day. Since November 20, demonstrations began to take place every day in town squares throughout Czechoslovakia. They were the largest on Wenceslas Square in Prague and the SNP Square in Bratislava. The result of the general strike was the fall of the regime, with the former dissident Havel becoming the new president. Clinking the keys became the symbol of the peaceful Velvet Revolution.

Pavol Jozef Šafárik University in Košice conducted a research this spring on how people perceive the last 30 years in Slovakia and how they perceive the changes that November '89 has brought. The university worked with the results of so-called focus groups - qualitative research, where they spoke with people living in several locations in Slovakia. According to the research, most respondents consider the events related to the gentle revolution to be positive, but less positive compared to events such as the Slovak National Uprising. In the long term, the most positively perceived aspects are the possibility to study, work and travel abroad, religious freedom or the possibility of expressing the opinion. However, changing the regime also has aspects that people still perceive negatively. Of course, it is mainly elderly people who have lived a part of their lives in the former regime. They nostalgically recall greater social security, housing for young people or health care. Many people also lost their jobs in the transformation process or their social status deteriorated over time. However, these negatives later translated into an improvement in living standards. The negative attitudes also reflect, to some extent, the failure to fully involve citizens in government or the failures of governments that came after the regime change.

Academic ethics, minority rights and elections

In 2019, we also witnessed several protests, in connection with the murder of an investigative journalist. The investigation process has just ended in recent days. The defendant is likely to have been convicted with new technologies - namely a mobile phone that can now record multiple metadata. Although areal collection of mobile phone metadata is prohibited by the European Court of Justice, operators still collect the data, especially

for police investigations. Today, the public is gradually getting to know individual passages from the application for chatting, which are to testify to the detriment of the accused. The application reveals the influential links of the accused entrepreneur at several public institutions. These are mainly linking to judges and politicians. The accused is involved in several cases - linked in particular to the financial transactions at issue. The society is becoming tired of these cases and it was their dissatisfaction that was shown at the protests.

Another important issue discussed in society in 2019 was the issue of publishing ethics. The political scandal of the plagiarized thesis opened up the discussion about the need for adoption of a new bill, which would penalize an unauthorised acquisition of the academic titles. However, it pointed to a more serious academic problem. The question of academic ethics is not just a matter of adapting to new social and economic conditions and trends, but it is first about changing of attitude of society. Higher education has become synonymous of better employment, better earnings, better life. Therefore, the interest in higher university education is growing. Writing of the final thesis became a compulsory part of the university studies which only needs to be done. However, the current debate opens the 13th chamber and can mean a lasting shift in thinking and understanding the meaning of academic work in the society.

The debate on LGBTI resonated in addition to the elections and to the scandal that has recently harmed Slovakia also on a European scale. It was Slovakia who aspired to become the seat of the European Medicines Agency. However, several staff members of the agency wrote a letter in which they publicly expressed concern that the agency should be based in a country that does not recognize the rights of LGBTI. The debate on minority rights is particularly lively in the run-up to the elections. Political parties, whether coalition or opposition, are outpacing opinions on how minority rights should be addressed. This topic is therefore very often politically abused. As every year, two marches took place on the same day this summer. PRIDE highlighted LGTI minority rights, the second one

organized by Alliance for Family highlighted family as the core cell of every society. A number of sympathizers took part in both marches.

In 2020, parliamentary elections will take place in Slovakia. While the presidential election debate dominated in the first half of 2019, over the last half of the year, the forthcoming parliamentary elections have become a matter of social interest. The presidential election brought Slovakia the first woman – president. After Zuzana Čaputová's victory, the social liberal president was compared by the foreign media, for example, to French President Macron. Čaputová's victory was attributed to taking advantage of the wave of public dissatisfaction with widespread corruption but refusing to engage in personal attacks on its opponents, promised to return decency to the Slovak, often toxic political climate.

The campaign ahead of the upcoming parliamentary elections, which is currently underway, has brought many old-new actors to the political scene. A few new liberal political parties, according to surveys, are reaching very decent figures, which can mean a promise of change. However, the opposition parties failed to unite and although there is some cooperation, many of these parties enter the elections separately and offer their own voters their own program. A new change in elections will be brought by a law passed by the government in October. Under the new law, the moratorium on public opinion polls will be extended from 14 to 50 days. Although the law was vetoed by the president, the coalition broke it. The opposition criticizes the approval of the amendment, claiming that the coalition has denied citizens' right to information.

The year 2019 brought many memories, nostalgia but also hope and enthusiasm for the Slovak society. It has named many things that it is dissatisfied with, and this dissatisfaction may be reflected in election results in 2020. In addition to political affairs, however, people were also connected by Slovak traditions and important cultural and social events - from summer festivals of European importance to fair traditions silent remembrance of the deceased loved ones in November. Cultural events are increasingly moving from year to year to open spaces and interest in them has a continuously growing trend. This is also a sign of the maturity of

society. The desire to meet, accept different cultures or customs as well and share together different opinions is a good signal for a good future.

Overview of Slovenian Society in 2019

Helena Motoh

Summary

In the first year of the new government and against a background of slowing economic growth and unpredictable stability of European Union after Brexit and other World developments, the society issues mostly centred around the health system, educational and environmental aspects. In many of these, the role of the state to provide for and to regulate these systems was brought into the debate. Health care reform was brought closer by adopted General agreement and the government attempted the implementation of the 2014 constitutional court decision on the public financing of private primary schools. A train accident endangering water safety and several food safety related scandals brought forward the need for more sustainability in water and food supply, while the waste management crisis pointed at a need for a sustainable national strategy for dealing with waste.

Health Care Issues

The long-needed reform of health care system became an issue again in the beginning of the year. The previous government failed to adopt the needed health care reform and there was a high expectation and a promise on the side of the new government, to address these issues with priority. Among the main issues is the widely criticized insurance system, which now consists of two pillars, one being the obligatory insurance, only covering the basic health care needs and emergencies, and the supplementary pillar, which covers a wider plan of service. The latter is being ran through three monopoly insurance companies, which were also accused of making cartel agreements on the height of the supplementary insurance plan charges. This issue was addressed again in the second part

of the year, when an attempt by The Left political party to pass a law on the abolishment of the supplementary health insurance was effectively blocked with coalition amendments. Although this type of change is part of the 2018 coalition agreement of Marjan Šarec government, it appears that this government might also succumb under the pressure and keep the status quo in this regard. The second main issue is the lack of medical practitioners on the general practice level, where the existing number of employed practitioners can not cope with the number of patients they receive, while the quotas of patients per general practitioner are raised unreasonably high. This caused a crisis by the February 2019, when several health care institutions decided to start rejecting new patients, after their employed practitioners reached maximum quotas. They justified their action by the liabilities the overload might cause (in patient safety, workers' rights violations and organisational issues) and soon got the support of related organisations. Syndicates in the health sector especially provided their suggestions on how to address the problem, focusing especially on changed quotas, more flexible payment system and better human resources planning in health sector. One of the strategies which was then gradually implemented through the year, was to facilitate the process of employing medical practitioners from the neighbouring countries, especially the countries of the former Yugoslavia (Croatia, Bosnia and Herzegovina and Serbia), for which the similarities in language make work with Slovenian speaking patients almost immediately possible.

With the General Health Care Agreement for 2019 finally adopted in February and seen as a precursor of the promised coming health care system reform another long-term pressing issue was promised to be solved, namely, the long waiting lists for specialist treatments. Along with the issue of how to negotiate the relation between the public health system, the system of concessions and private practice – sometimes simultaneously performed by the same individuals – was another important issue the reform was supposed to address. Lots of serious criticism was addressed at the Minister of Health Samo Fakin, who resigned in March, officially for private reasons, and was replaced by Aleš Šabeder, previously the manager

of the largest Slovenian hospital (University Medical Centre Ljubljana), now faced with the task of implementing a more thorough health care system reform.

Financing of private primary schools

The relation between the state and the privately-owned institutions was debated again in March, when the new government of Prime Minister Marjan Šarec was faced with the task of applying the Constitutional court decision of 2014 on the financing of private primary schools. The Constitutional Court decision was related to the Organisation and Financing of Education Act, which implies a distinction between public and private schools, giving the private schools which organize education according to compulsory programme for primary education right to 85% of public financing, while giving clear priority to sustaining public education system in public institutions. The Organisation and Financing of Education Act has been brought in front of the Constitutional Court two times for differing issues, and the decisions in 2011 and 2014 were partly opposing each other. The 2014 decision, however, claimed that the Act violates the constitutional principle, according to which primary education is compulsory and is financed from public funding. Although the decision demanded the legislator to correct the Act in one year, Miro Cerar government was unable to reach an agreement on the issue, despite two attempts to do so in 2017.

Following the elections, the new Minister of Education in the new Šarec government, Social Democrat Jernej Pikalo, attempted to solve the issue by putting forward a new proposal, going back to one of the solutions proposed in 2017. This proposed amendment of the Organisation and Financing of Education Act gave private primary schools the right to 100% financing of the compulsory programme and thereby ensured the constitutional compliance of the Act. On the other hand, it provided no state financing for the expanded programme. In early July, the amended Act was passed through the parliament, but was immediately vetoed by the National

Council. The second, repeated vote was not successful, which gave Minister Pikalo again the task to find an alternative solution.

In September, he proposed a way to find consensus between the different positions on this issue. The strategy was to establish a working group of different shareholders in this issue to strive for a potential compromise.

Environmental and food safety issues

Several issues related to environment and food safety were brought forward this year. A long-term issue of waste management was debated again after another fire happened in April in a waste recovery plant in the north-east Slovenia. Several similar incidents, some with catastrophic consequences, occurred in the past few years and a need was repeatedly expressed to better regulate and monitor the operation of these companies. For the non-hazardous waste recovery, the lack of waste incineration plants became a serious issue in 2019. According to the waste management regulations, before the recoverably waste reaches incineration plant, the waste must be pre-processed in the centres for the management of urban waste and the light fraction is then stored for the incineration. The lack of waste incineration plants in Slovenia causes many of these centres to look for providers of this service abroad, but these providers can then afford to raise prices to unsustainable levels. The result of this problem are great quantities of half-processed waste material which are accumulating with time, since the local incineration plants can not cope, making it a health safety risk.

The problem of lacking national sustainability was addressed again in the water safety crisis, caused by a railway accident which happened in late June in a railway tunnel near Hrastovlje in south-west Slovenia. Despite quick action after the wagons from the derailed train composition started leaking kerosene, some of it still ran into the ground, endangering the main water supply in this part of the country. The repeated screening and preventive measures were finally successful, and no health-endangering event occurred, but the accident nevertheless made a better

sustainability strategy seem even more necessary. The issue of food sustainability was similarly addressed in several meat-related scandals which occurred in 2019. The meat from the Polish slaughterhouse where ill animals were illegally slaughtered was discovered to have been sold throughout Europe and also reached Slovenia. In October, similarly, meat from an Austrian slaughterhouse, which was not intended for consumption, was illegally sold and could have potentially reached Slovenian consumers as well. All these brought the issue of food sustainability to the fore and made the need to raise the sustainability rates for food to higher levels, ensuring better trackability and food safety.

Conclusions

In society developments this year, the issues of the health system, education financing and environmental and health security were especially prominent. In relation to the needed health care reform as well as in the case of public financing of private education, the need for reform was obfuscated by strong political disagreements and none of the two issues have been sufficiently solved yet, this remaining a pressing task for the government in the next year. Additionally, the environmental issues – of waste management, water and food sustainability and food safety in particular – are pointing at a need for a better overall strategy guaranteeing a higher and smarter sustainability, especially at the background of insecure future of climate change.

Part IV Perspective of External Relations

Albania: All Quiet on the Western Front

Marsela Musabelliu

Introduction

The complexity of the Albanian political scene can never be entirely understood without a comprehensive analysis of the foreign nations' presence and influence. Indeed, foreign diplomats, representatives, missions and embassies in the country, not only have a substantial say in internal affairs, but in a multitude of important cases, they dictate the paths to follow and the very ongoing/outcome of crucial events that impact the entire nation. These influences have never been an issue for Albanian politicians and/or ruling class, on the contrary the support of strong international actors in many stances, has cemented the very political will and actions of one or another political fraction. International support has been flaunted as a sign of legitimacy even in the cases where the local opinion was overwhelmingly contrary.

2019 has not derailed much from above mentioned – every political internal move has been consulted with Albania's strategic partners and the most influential foreign nations in the country. Major debates during this year with concerns to external relations has been characterized by six dominant streams: international support for Rama during the protests of the opposition, failed opening of accession talks with the EU in June, another rejection from the EU in October, the Justice Reform and its American blueprint, the debates on the so-called Balkans “mini-Schengen” and a more present China in the public discourse.

Undivided support for Edi Rama during the protests

The first six months of 2019 characterized by internal political crises with weekly protests and display of violence, did not tarnish the image of Rama and his government on the international stage – on the contrary,

Rama's arguments were heard, noted, confirmed and supported almost unanimously. The actual declarations were highlighting the support for "the rule of law and in total solidity of Albanian institutions", yet, these announcements were perceived locally as a clear sign of foreign governments approving of Rama's actions and narrative on resolving the internal political divide. Initially from Western European countries and soon after by the United States, the condemnation of the protests and the abandonment of the Parliament by the opposition were the substance of every speech concerning Albania. The blame was specifically targeted and did not leave room for misunderstandings – the Albanian opposition was hit hard by this pouring of support for Rama and started diminishing their protest until all the turmoil faded in oblivion.

Rama interpreted this international support to the rule of law as a direct support for the government, thus narrating to Albanians the validity and rightfulness of the same. If the international community was backing Rama on his claims it meant that his approach to the internal political crisis was appropriate. As usual in times of crisis the situation is not entirely black and white. It is true that the international community backed Rama and his claims, but it could be argued that for them anyone who would have been in power would receive the same support, at the end internal stability is what they aim for – a troubled Albania would give too much "headache" to foreign representatives. Rama's public relations skills fit this support to his own political aims, and yet, when this support was needed the most to benefit Albania (meaning the opening of accession talks with the EU) endorsement was nowhere to be found.

A double rejection from Brussels

June's setback

In June 2019, internal political events absorbed the spotlight from every other occurrence; the protests, uncertainties, elections and campaigns overshadowed a very crucial occasion: the missing deadline for opening accession talks with the European Union. Such an important milestone for Albania was again postponed by the EU mechanisms with a series of

explanations on causes and motifs of this decision. The perception in Albania about this news, as for every other issue on the country, was two-folded. For the opposition, this was a clear signal the EU was giving Rama's government - they did not manage their country well enough to deserve the opening of the accession talks. The PD blamed the establishment for not fighting organized crime, internal corruption and a European perspective for all Albanians was impossible with Rama as the leader in charge. This rhetoric is repetitive and somehow outdated, for them the Prime Minister is to blame for all what's wrong in the country.

On the other side, Acting Minister of Foreign Affairs (MFA) declared that Albania deserved the opening of negotiations this year and this was not encouraging news. However - he continued – Albania is not to blame and cannot decide on the agenda of the Council of Europe, so there will be a waiting time until October on a final decision. The narrative of the government does not reflect the reality on the ground. Prime Minister Edi Rama seemed to be reluctant to accept another defeat. He states: *“Very positive news from Europe on our path to opening negotiations! Albania is resisting!”* But, was Albania really resisting?

Albania is actually struggling and since the solution to its problems is not coming from Tirana, the only hope remains being part of the EU; with yet another deadline postponed, this hope was vanishing by the day. The possibility of “decoupling” (for Albania and the Republic of North Macedonia) was another thorn for Albanians, perhaps this is what the Albanian MFA is mainly worried about; knowing that if this separation will take place in the bureaucratic machine of Brussels, Albania will lag behind.

On the broader scenario, this postponement comes with considerable risks. Without a clear European perspective for the countries that have fulfilled all the requirements, the EU could lose its leverage and appeal in all Balkan countries. In the eyes of Albanians, by implementing the Vetting Process for the Judiciary System (the most highlighted requirement from EU) it is expected from Brussels to deliver what has been promised beforehand. There was no delivery of such promise, as consequence, how will the internal actors be motivated to move forward “no matter what”?

October's rejection

In Albania it was expected another refusal from the EU but not at the extent in which it unfolded. Not only rejection, but also blame and drastic opposition for the country's European aspirations specifically. On October 18th the European Council withdrew the opening membership negotiations for Albania and Northern Macedonia. Macron was the loudest voice and the veto that halted the process (strongly supported by representatives of Holland and Denmark). France has long been in a conservative and refractory position (especially towards Albania) in relation to the lagging countries of the Western Balkans, which are now at the height of their aspiration to be an EU member. The implications of the European Council's decision on Albania and Northern Macedonia will have a regional impact. They are a blow to the aspirations of the countries of the region's for progress, integration and European support for politicians in pro-Western liberal political currents.

Various experts in Tirana see Western Balkans depopulation as worst consequence of failure to open negotiations. It is a consequence of a protest reaction to this isolation, to this "unworthy" treatment they are now receiving from the EU, where they have held high hopes and are extinguished by the EU itself.

Whose fault is it?

The non-opening/failing of negotiation talks for Albania might be an immense question mark that could jeopardize the entirety of Albania's integration path. Was this rejection a result of Albania's performance or was it majorly related internal affairs and indecisions of the EU? The Albanian government argues the usual stance: "*not Albania's fault, the more we do the more its required*". Which is not entirely true as a simple example could demonstrate: the German Bundestag went from 5 conditions to 9, the most "benevolent" country towards Albania's accession raised the bar again, thus there is a lack of performance and deterioration. On the other

hand, Macron justified his “no” with the raise of the number of asylum-seeker of Albanian nationality, which Eurostat figures do not support.

Be this an expression of the EU’s internal chaos or an incompetence of Albanian institutions, the Albanian people will have to face the consequences of this ongoing isolation.

The Justice Reform and its American blueprint

After three years of intense debates and political clashes, the Justice Reform is starting to take some kind of shape, at least in in paper: the creation in mid-December 2019, of the Special Anti-Corruption and Organized Crime Structure (SPAK). This independent institution is subdivided in two main branches: The Special Prosecution Office and the National Bureau of Investigations. Usually referred to as the future “Albanian FBI”, this is a new constitutional institution in the country which will be in charge of investigating and prosecuting corruption, organized crime and wrongdoings of high-level officials. What up to now are considered as the “untouchables” of Albania, the powerful and the well-connected, will be the target of this structure. Past and present politicians, their wealth and properties, bank accounts and financial assets, will be under scrutiny – or so it is hoped!

It is not a hidden agenda that the United States are intensively involved in the creation of the new institutions of this Justice Reform. The majority of Albanians in fact embrace this fact, mostly due to the low confidence in local institutions and sometimes it is perceived as a filter of legitimacy for the new justice of the country.

SPAK is considered to be the crown jewel of this Justice Reform because it took a constitutional change to make it a reality and for Albanians it is the only hope for some accountability on decades of unpunishment on drastic and visible corruption. US Chargé d’Affaires, a.i. Moses-Ones stated at the end of 2019: *“The United States has been standing with Albania, and we have encouraged these great changes. We stood with Albania when the reforms were unanimously approved three years ago. We stood with Albania during the creation of the judicial and*

prosecutorial councils. We are standing with Albania as the SPAK is being established. Rest assured, we will continue to stand with Albania as Justice Reform reshapes your future.”

The internal debate in the country now on this American influence is on which will be the role of the US in the future of the Albanian justice: lead or support? At whatever extent the American footprint on this process will be one conviction is certain: Albanians have more trust in foreign scrutiny rather than local authorities, to no fault of their own anyway - this is what 30 years of corrupt politics does to a country's perception.

Massive corruption and lack of accountability is such a severe concern that it was needed the conception of fresh line of work and specific institutions - a *sui generis* path to justice which specifically tailored for Albanian needs.

“mini-Schengen”

The idea of a common market with the neighboring countries has circulated in Albania and other Western Balkan nations for decades, but due to obvious preexisting conflicts it never materialized in an actual cooperation framework. Will this be the right try? In the 2017th Western Balkans Summit in Trieste, included a Connectivity Agenda, a regional economic integration plan, private sector development, and expanding people-to-people contacts and most importantly the *foundations for a common Balkan market*. Fast forward two years, on the bases of the abovementioned there are three leaders of the Western Balkans vividly proactive in creating this “common Balkan market”: Edi Rama, Alexander Vucic and Zoran Zaev. Indeed, on the first meeting, on October 10th in Novi Sad, Albania, Serbia and North Macedonia signed the declaration on regional cooperation; the following meeting was held in Ohrid on November 10th and the third one was held in Tirana, 20th December.

By trying to emulate the EU's Schengen Agreement the WB are starting to increase cooperation amongst them – but is this project really feasible for the tumultuous Balkan region and who is the major beneficiary of it? To better analyze what it really stands for, it is our argument that there

are three major grounds on which this initiative can be evaluated as of end 2019: economic, perceptive and (geo)political.

In economic terms, free movement of goods and capital is always a good sign of cooperation amongst countries. In fact, in every declaration of endorsement of this project it is highlighted “the creation of a market of 20 million people” and intense economic benefits of all participants. However, projections in this regard can be made while observing the real figures of economic exchange between the WB states and it is basic economics logic that removing cross-border barriers always favors the country that exports the most and has the most advanced production base. By all considerations, the country that exports and has the most developed industrial base within the potential “mini-Schengen” is Serbia. Albanian economists foresee immense losses especially for Albanian agriculture, a branch that is already in a detrimental stage as it is. In late December, hundreds of Albanian farmers had to cast their product due to slow sales and foreign competition. They argue that no government subsidy will bankrupt them soon and other regional producers will take over the Albanian market, especially Serbia where in 2019 the biggest subsidies were given out to the Serbian Ministry of Agriculture, Forestry and Water Management (around RSD 36.2 billion).

In the perception sphere, the situation is more delicate and sensitive, at least in Albania - it is all perceived on nationalist lines mainly due to Rama’s attitude towards Kosovo and especially Ramush Haradinaj. While Kosovo was invited to participate, in Tirana (not in Novi Sad), Pristina did not accept to be part of it. In a senseless move during an interview, the Prime Minister of Albania sided with Vucic by calming that Kosovo was self-excluded in this process and Haradinaj was deceptive in his statements. This was enough to start a mediatic storm of anti-Rama declarations by claiming that not only Rama abandoned Kosovo, but he is working against their interests. In a melodramatic parade of patriots *versus* traitors the discourse strokes the cord of deeper historic issues. And perhaps this is what Rama wanted – shifting the focus from internal issues into yet another mediatic show.

In the geopolitical aspect, the situation is way more complicated and the timing is critical. The creation of this “mini-Schengen” comes at a time when rumors that the EU is blocking or stopping the progress of these countries' integration process are louder than ever. Undermining EU's influence in the WB via a Balkans coalition appears a desperate tentative for attention rather than a true intention of cooperation. What exactly is the content the essence and of this initiative, is still to be determined. Besides, in an overall view, no matter how deep this initiative goes, it will remain limited, at least in scope. The real challenges of the WB are more complicated and need a more comprehensive and multilateral approach. And last but not least, it is noted at this stage via commentaries, analysis and media declaration, and so on, that this so called “mini-Schengen” of the Balkans does not have popular support in Albania.

China in the public discourse

In a country where relatively little is known about PRC, Chinese high-level officials visiting Europe and holding talks with their counterparts in Dubrovnik and Brussels have had their fair share of coverage in Albania during 2019. Mostly, Prime Minister's Rama meeting with Premier Li Keqiang in the Dubrovnik Summit of “17+1’ Cooperation mechanism and 4th Capital Mayors Forum, placed PRC in the map of public attention. These events represented perhaps in important milestone in the prospect of rekindling the overall Sino-Albanian relations.

A bizarre coupling! China and Russia in Albania.

The lack of proper analysis on modern China in Albania is reflected via multiple declarations of politicians and public figures on the Chinese and Russian influences in the Balkans. In every case, not only these two nations are at the same sentence but they are both depicted as being complicit of “meddling” with the Balkans, one way or the other. The coupling is astray in all perspectives, be this historic, political, social or economic. In most of the cases what was broadcasted in Albania is a mere duplicate of some Western media outlets/bureaucrats' declarations on the

Russian and Chinese “threat” for the Balkans, without any reasonable connection or at least some shred of evidence to support it.

However, Russian ties to the Balkans and Chinese presence in the area, are two extremely different matters. While Russian influence in Albania is always perceived (and many times proved) to have the bases of political implications, as of 2019 China’s approach is pragmatically economic and has never proved to be more than that. Perhaps, in order to better clarify PRC’s intentions towards Albania, H.E. Ambassador Zhou Ding, in October stated clearly: *“China is not interested in playing geopolitical games in Balkans area, or anywhere in the world, because we think that it won’t last long. We work with countries like Albania purely based on our traditional friendship and the principle of win-win cooperation. Expansionism is indeed not a label that should be put onto China.”* It only hoped that in the near future proper study and portrayal of PRC will be present in Albania. As no nation is immune to not be impacted by the tides of history, the leading role of China in international affairs should be addressed properly by any diligent political establishment, Albania included.

Conclusions

It has been a hectic year in foreign affairs, unfortunately, mostly in declarations rather than in deeds. Albania was at a crossroad and still is, in wanting and longing to be part of the EU. For Albanians the EU goes beyond having a seat at the table, it’s an opportunity for the much-needed economic growth, security and meaningful reforms at home. For as long as the “European Project” is strong and willing to endure on the inside, there are still chances for Albania to be a member. The country is determined to pursue the European path at all cost; it is up to Brussels to demonstrate if there is less or more appetite for enlargement.

BIH's Foreign Relations in 2019

Ivica Bakota

Euro-Atlantic integrations

The EU

BIH, according to widely shared professional opinion, has virtually frozen its EU integration processes at least from May 2019 when the outgoing European Commission sent Opinion on BIH. This means that BIH politicians and government officials did almost nothing on the implementation of proposed recommendations given by the European Commission report in May. This report specifically stated that Bosnia and Herzegovina does not yet sufficiently fulfil the so called Copenhagen criteria regarding the rule of law, human and minority rights and stability of institutions protecting democracy and hold opinion that “negotiations for accession to the European Union should be opened with Bosnia and Herzegovina once the country has achieved the necessary degree of compliance with the membership criteria and in particular Copenhagen political criteria”. Among the issues that require “fundamental improvement” of institutional and legislative framework are 14 key priorities in the field of Democracy/ Functionality, Rule of Law, Fundamental Rights and Public Administration Reform. These key priorities are set as prerequisite for obtaining candidacy status and include some of the following: (1) implementing OSCE-ODIHR and Venice Commission recommendations regarding electoral law, party financing and local (entity, cantonal) election, with special emphasis on holding municipal elections in Mostar. (2) Adopting and developing a national program for adoption of EU acquis and (3) ‘unblock’ the work of the Parliamentary Committee for Stabilization and Association. BIH should also fundamentally improve institutional and constitutional framework (4).

Here, the most important issue was ensuring equality and non-discrimination of citizens or addressing Sejdic-Finci law and “recognizing” BIH citizens qua citizens, not as belonging to any of three constitutional ethnicities. (5) Continuing ethnic reconciliation efforts is long-standing recommendation, which judging from wording (only mentioning “taking concrete steps”) is not much followed through this time. In Rule of law field, (6) adopting new legislation on the High Judicial and Prosecutorial Council and adjusting judiciary to European standards is challenging as the international interference (EU Delegation, OHR, EU member-state embassies) in the work of judiciary is increasingly being contested internally on the same level as it is political interference. Fight against corruption and organized crime (7) and ensuring effective border& immigration management (8) are recognized problems by all political actors, but so far not much more than declarative support was given in tackling these issues. Abolishing the reference to death penalty in the RS Constitution (10), legislation on non-discrimination in FBiH HOP (9), ensuring environment for civil society (11) and guaranteeing media freedom and protection of journalists (12), protection of vulnerable groups (migrants, asylum seekers, Roma, LGBT, etc.) (13), lastly, (14) making substantial steps in public administration reform, improving its functionality and multi-level coordination as well as ensuring employment in civil service to be based on merit rather than political affiliation is emphasized as an important priority in the next stage of BIH reforms.

Since May this year, BIH leaders rarely have made any statement to show the EC Opinion is given due consideration. The fourteen points were to be analyzed and implemented by the newly elected government, but since BIH rounded a full year of the government crisis without any progress towards the candidacy status, these issues will continue to be the main issues in BIH-EU negotiations.

NATO integrations

The accession of BIH to NATO has been under negotiations since 2008. Meanwhile, BIH only managed to apply for Membership Action Plan

(MAP) and has yet to meet conditions for its launch. According to BIH foreign policy strategy document released in 2018, BIH officially recognized the priority of “the activation and implementation of the MAP”, but the controversy on NATO accession that started to snowball by the beginning of this year made the further steps on NATO accession path highly dependent on political consensus between the Serb and Bosniak politicians. Among many issues that stood as hurdles in year-long negotiations is also realization of Annual National Program (ANP), which anti-NATO opposition in RS rejects as a step towards NATO accession. Two sides reached a compromise in November by making official agreement to send a defense reform program to NATO Headquarters in Brussels. However, to pre-empt any suspicions on whether this means a ‘green light’ for NATO integration, Serb MOP Milorad Dodik, explained that “no document prejudicing NATO membership has been adopted”. Confusion as to what means “reform program” and how does it differ from adoption of ANP still exists and is raised by opposition both in Srpska and the Federation. Opposition in FBiH was convinced that the compromise was reached with great concessions to Dodik, while, on the other hand, Serb opposition accuses Dodik (Serb MOP and Chairman of ruling SNSD) for betraying pan-Serb anti-NATO consensus. NATO headquarters in Brussels hailed the decision claiming that it will unblock the much needed reforms supported by NATO, but they are also not unequivocal on the question as to whether this program differs from ANP, which is required by NATO for the continuation of MAP and what would be next steps for Bosnia and Herzegovina to strengthen its cooperation with NATO.

Regional cooperation frameworks

Berlin process and “Mini Schengen”

Among regional cooperation initiatives and forums, BIH is partaking several that aim to strengthen and accelerate European integration. However, numerous cooperation summits BIH attended this year, as much

useful on the one hand are becoming routine on the other. One outstanding exception might be the Berlin process, but this ambitiously announced initiative from BIH perspective is yet to achieve the objectives it pledged to bring. Due to government crisis and generally uncoherent BIH foreign policy, participation in EU-sponsored regional frameworks are followed but rarely actively participated by BIH diplomats. At the same time, regional-inspired cooperation initiatives receive different reactions in Sarajevo, Mostar and Banja Luka.

Example to this is the “Mini Schengen”, the first “authentic” regional initiative launched by Serbian, Albanian and N. Macedonian leaders by the end of 2019. Comments in BIH media to this initiative were reserved or, at best, emphasized importance of the initiative vis-à-vis European failure to honor the enlargement promise towards the Western Balkans on the last EU Summit. On more critical side, the initiative was accused for not being convergent with domestic EU aspirations and representing a new Yugoslavia in making.

BIH official response to the initiative was also not as forward-looking. BIH COM Chairman Denis Zvizdic responded with certain indecisiveness saying that BIH government would have to think the initiative over. In his response to Bosnian media he said that “BIH do not have a consensus on this initiative or have a firm stance and will need Bosnia and Herzegovina institutions, such as the Council of Ministers or the Presidency, to be formally introduced with the content of the initiative and the expected benefits from it.” Some of the objections to ‘Mini Schengen’ raised in BIH public include political as well as economic concerns, claiming that this “new Yugoslavia” will delay EU path of BIH and confront BIH with dominant Serb and Albanian nationalisms.

Bilateral relations

Croatia

In 2019 four main controversial issues were re-activated in BIH-Croatian relations: first is reengagement of Zagreb for redefinition of the political status of Bosnian Croats within the Federation (FBiH); second is the status of soldiers on Croat or Bosniak side accused or indicted for war crimes (and other war-related issues where Sarajevo sees Zagreb's protective policy towards Croats in BIH as rescinding the open nationalist paternalism from the war period); third is the border demarcation problem marred with dozen unsolved territorial issues, including the one that stirred controversy over the construction of Peljesac bridge; fourth is tackling the migration crisis. In general, it can be said that Croatian government over the course of 2019 assumed a new norm-giving role in the EU enlargement policy towards the Western Balkans, especially towards Bosnia and Herzegovina. Official support for the right of the Bosnian Croats to change electoral law and increasingly paternalist role Croatia displays towards BIH's Euro-Atlantic integrations created tensions with official Sarajevo, but perceived interference and "attacks on security and stability" of BIH regarding the migrant crisis and threat of Islamic extremism in some parts of BIH furtherly estranged Sarajevo from increasingly nationalistic actors in Zagreb. It is however fair to say that these tensions are also a result of the conflict between different actors within Croatian foreign policy decision making bodies (among which great deal of confusion exists in differentiating the government from traditionalist right wing of ruling HDZ), which also reflect on some ongoing controversies in current BIH-Croatian bilateral relations.

Serbia

Despite or because of the "special relationship" between Belgrade and Banja Luka, Serbian-BIH bilateral relations in 2019 would not be remembered for not much controversial events or statements. Main reason for this is that BIH "outsourced" to RS all means to balance diplomatic support it gives to Serbia (Kosovo issue, NATO policy). Second to this is also conflict-averse behavior of the Serbia leadership and tendency of the Serbian President Aleksandar Vucic to speak of BIH only in terms of

(economic) cooperation. Both countries attended regional, multilateral and trilateral conferences on highest level discussing joint infrastructure projects (Belgrade-Sarajevo highway for example), tried to relaunch bilateral negotiations on border demarcation and managed to increase bilateral trade. Some Sarajevo-based politicians would still claim it is done at the expense of sensitive and war-related issues that are still kept under the carpet, for which neither side didn't show signs to deal with.

Relations with non-Western actors

Russia

Notwithstanding the relations between RS and Russia (for which, especially BIH-RS-Russia triangle, separate paper would be required), BIH and Russian bilateral relations had relatively positive year of addressing economic and financial issues, such as debt reparation (as a part of ex-Yugoslavia succession issue to Bosnia and Herzegovina), stabilizing the operations of the Brod Oil Refinery (owned by Russian state company) as well as new investments in thermal power plants in BIH. Russia is present in BIH primarily with certain investments in the Republika Srpska, especially in the energy sector and banking sector (Sberbank) but develops more intensive cooperation with Sarajevo (especially I banking and agricultural sector).

China

BIH was given Chinese assurances for financial support in implementing the Tuzla Thermal Plant (Unit 7) construction project, the most significant Sino-BIH cooperation project included under 16+1 cooperation format and the biggest investment in BIH energy sector so far (worth EUR 613 million). The cooperation over the agricultural products exchange (especially export of BIH meat and fruit products), expected 'boom' of Chinese tourists after BIH introduced visa-free regime to Chinese citizens during the summer months seizing thus the opportunity

neighboring non-EU Serbia and Montenegro had previously made in attracting prospective Chinese tourists, reconfirming the support for some of the long-standing projects in transportation sector (several highway projects in RS), potentials for building up cooperation in forestry and metal-processing sector are all mentioned in bilateral talks Bosnian delegation on PM, ministerial and business levels held with Chinese counterparts. BIH has given the opportunity to host this year the 4th 16+1 Transportation summit, a ministerial-level meeting of 18 countries participating in the framework. Also, Sarajevo, the capital of BIH will organize the 5th CEEC-China capital mayor's forum, hosting 18+ mayors from Europe and China and 16+1 University Winter Sports Festival.

Turkey

This year will be remembered for a visit Turkish President Erdogan paid to Sarajevo in summer and trilateral meeting between Turkey, Serbia and BIH in Belgrade later in the year. Erdogan's visit was within Bosniak circles hailed as a proof that Turkey cares for a country allegedly given to him in amanet (heirloom), but the analysts also emphasize overall positive infrastructure and trade outcomes for BIH given Turkey's economic strength and its importance to the region. Whether Erdogan has other priorities for BIH besides economic issues, is a discussion matter within non-Bosniak circles in BIH. However, the tendency of Bosniak side to politically exploit the relations with Erdogan in order to increase their internal and inter-ethnic political standing is noticeable in the same way as it is the same tendency of Dodik and RS leadership with Russian leadership. It should be noted that both sides so far had limited economic windfalls in pursuing these polyvocal foreign policies.

Main Trends and Characteristics of Bulgarian Foreign Policy in 2019

Evgeniy Kandilarov

Bulgarian foreign policy in 2019 retained its main characteristics and priorities. They consist in promoting the country's relations primarily with the European Union and the United States. On the second place we can distinguish Bulgarian policy toward its neighbors on the Balkans which basically is also a function of the first mentioned priority in the Bulgarian foreign policy. On the third place, we can highlight the Bulgarian relations with Russia or the countries of the region of East Asia.

Traditionally, the main priority of Bulgarian foreign policy is relations with the European Union, with the most influential countries in it, such as Germany and France, and especially the relations of the country with the European institutions in Brussels. From this point of view, in 2019, it was extremely important for the Bulgarian government that the ruling party GERB won the European Parliament elections. Another extremely crucial issue for the government in terms of the country's relations with Brussels was the improvement of the Bulgarian Maria Gabriel's nomination for commissioner in the new European Commission under the leadership of Ursula von der Leyen. At 1st of October the Culture and Education and Industry and Research and Energy committees of the European Parliament have approved the nomination of Bulgaria's Mariya Gabriel to the Innovation and Youth portfolio in the forthcoming European Commission. Later in the year the tasks of Mariya Gabriel has been expanded, and her portfolio was renamed to Innovation, Research, Culture, Education and Youth. So Gabriel's responsibilities now include cultural and sport issues. It was great International success for the Bulgarian ruling party also that Maria Gabriel was elected as First Vice-President of the European People's Party (EPP) on November 21.

The most notable event in the relations of Bulgaria with the EU was the EC recommendation to remove the country's internal affairs and justice monitoring. 12 years after its accession to the Union in 2007, Bulgaria received recognition at the end of October 2019 that it had fulfilled the requirements of the rule of law and the fight against corruption. There has been no formal decision on the matter by the EU Council and the European Parliament, but there is no fear that it would be negative. In principle, several countries were expected to object to the abolition of monitoring of Bulgaria, but they would remain a minority persuaded to swallow the EC decision. However, after the first meeting of diplomats from the Member States, in which they took note of the report on the Cooperation and Verification Mechanism, France and Germany were also dissatisfied. In December the chairman of the European Parliament's Committee on Civil Liberties, Justice and Home Affairs, Juan López, has sent a letter to the President of the European Commission, Ursula von der Layen, about the EC's intention to suspend monitoring of Bulgaria through the Cooperation and Verification Mechanism. He said that after the discussion, the parliamentary committee supported the abolition of the mechanism for Bulgaria. So far, there is no formal opinion from the EU Council on the EC's intention to end the mechanism for Bulgaria. The opinions of ministers and MEPs are advisory, not binding, when the European Commission adopts the final decision to suspend monitoring.

Again in October, a signal came from the European Banking Restructuring Council that Bulgaria could join the ERM II during the first half of 2020. If it does, according to Fitch, the country may adopt the Euro in early 2023. The year is not so optimistic about the cause of joining the Schengen area. Despite continued assurances of support from different countries, by the end of 2019 the prospect of full access to the free movement of persons and capital remains too vague.

One thing is clear and it is that Bulgaria's dependence on the institutions and member states of the European Union make this vector of Bulgarian foreign policy the most important and priority, which will remain so in the future.

With regard to the relations between Bulgaria and the US, we have to say that the most important for them is the membership of the country in NATO and the military-political commitments that result from this fact.

After the government paid about 1.1 billion euros for eight new F-16 fighter jets, Bulgaria ranked second in NATO after the United States in terms of defense spending. Defense spending in Bulgaria exceeded 3%, ranking it ahead of countries such as Greece, England, Estonia, Romania, Poland, Latvia. It has been announced these days that Bulgaria has offered to set up a NATO Naval Coordination Center for the Black Sea area in Varna. Thus, towards the end of 2019, it was evident that Bulgaria had a special place in the Alliance's plans to strengthen its presence in the Black Sea region.

By late November, Prime Minister Boyko Borisov and President Donald Trump had signed in Washington a Framework Document on strategic cooperation between Bulgaria and the United States. According to the document recognizing the need to enhance the collective security, Bulgaria intends to continue investing in modernizing its armed forces, improving interoperability and meeting the declared capability targets within NATO. In line with the defense spending assurances made by all allies at the 2014 NATO summit in Wales, Bulgaria intends to continue to implement its plan to reach the planned defense spending by 2024. Again in the same document both sides announced their intention to build on the successful 2006 defense cooperation agreement by jointly developing a roadmap to support bilateral defense cooperation to counteract maritime, cyber and hybrid threats in the Black Sea region over the next decade. The talks at the highest level were the subject of the Belene NPP project, gas corridors through Bulgaria, military modernization and security in the Black Sea. The American companies Lockheed Martin, Northrop Grumman, Oshkosh Defense, Textron and IBM have expressed interest in joint production of weapons and military equipment with Bulgarian factories and in tendering for new equipment for the Bulgarian Army.

The extent to which Bulgaria's relations with the United States are a priority and extremely important speaks to the inability of the Bulgarian

government to pursue a balanced foreign policy towards one of the main US geopolitical opponents in the region, such as Russia. In 2019, relations between Bulgaria and Russia not only remained cool, but were also shaken by several serious diplomatic scandals involving allegations of espionage.

Bulgaria expelled a Russian diplomat suspected of espionage after refusing to take such a measure in 2018 over the Skripal case despite external pressure. In response, Russia announced as *persona non-grata* the first secretary of the Bulgarian Embassy in Moscow. President Vladimir Putin has accused Bulgaria of deliberately delaying the implementation of the “Turkish Stream” gas pipeline project on its territory. Prime Minister Boyko Borisov, however, firmly replicated that this is not the case, and if the progress of the project is not so rapid, it is because unlike countries such as Serbia, Turkey or Russia, Bulgaria complies with EU mandatory requirements and procedures. Officially, Borisov and the Russian Ambassador to Sofia Anatoly Makarov have stated that there are no prerequisites to impede the development of bilateral relations in a pragmatic and well-meaning spirit. It is obvious that the relations are clearly far from their former good form and highly influenced by Bulgaria's relations with its European and Euro-Atlantic partners. Synthesizing the situation, Prime Minister Borisov stressed that relations with Russia are not deteriorated, but pragmatic and accurate, and in the dialogue with Moscow Sofia will be guided by national interests with adherence to common European and Euro-Atlantic policies.

In terms of its Balkan policy, one of the most important issues for the Bulgarian government was the one related to the relations between Bulgaria and Northern Macedonia in the context of the further implementation of the Treaty of Friendship, Neighborhood and Cooperation signed by Prime Ministers of the two countries Boyko Borisov and Zoran Zaev on August 1, 2017. At the heart of these relations is the possibility for achieving an agreement on a number of contentious issues concerning the two countries' shared historical past as a condition for Bulgaria's support for the opening of negotiations for Northern Macedonia's accession to the European Union. To this end, a joint

commission was set up between the two countries to discuss at scientific level all the issues at stake and find ways to overcome them.

Finally Bulgaria decided to support Macedonia's membership but on a condition. In a declaration by the Bulgarian National Assembly on EU enlargement and the Stabilization and Association Process of Northern Macedonia and Albania has been announced that Bulgaria fully supports the integration of Northern Macedonia into the European Union but it insists on accepting the historical truth about our common history, which these two countries and peoples share. The condition is for fully implementation of the agreements reached within the Joint Multidisciplinary Expert Committee on Historical and Educational Affairs, reflecting them in curricula and materials as soon as possible. The Declaration of the National Assembly also urges the abolition of all forms of "hate speech" against Bulgaria and the citizens of Northern Macedonia with Bulgarian consciousness, including in the media, inscriptions on monuments, plaques and more.

With regard to Albania, Sofia wants to guarantee, to the maximum extent, the right of the Bulgarian national minority to study literary Bulgarian as a mother tongue in the regions in which it lives - Golo Bardo, Gora, Prespa, Korca, Elbasan, Kukas. The declaration also calls for a census in accordance with European standards in order to objectively reflect its ethnicity.

How the process of rapprochement and improvement of relations between Bulgaria and Northern Macedonia will continue to be seen, but the situation undoubtedly allows for resolving perennial insurmountable differences between the two countries and finding a way to building new relations of good political, economic and cultural cooperation.

With regard to relations between Bulgaria and the countries of East Asia, although this trend is not of paramount importance in Bulgarian foreign policy, in 2019 Bulgaria has made symbolic progress in its relations with China, Japan and the Republic of Korea.

Bulgaria and China marked the 70th anniversary of the establishment of diplomatic relations between the two countries with the

official visit of Bulgarian President Rumen Radev to China and the signing of a document announcing the raising of relations between the two countries at the level of "strategic partnership". In addition, the Bulgarian Government has repeatedly emphasized Bulgaria's strategic importance in the context of the Chinese project "One Belt, One Road" and was trying to play a more active role within the 16 + 1 format (already 17 + 1).

Bulgaria and Japan marked the year of the Triple anniversary, namely 110 years since the establishment of official contacts, 80 years since the establishment of diplomatic relations and 60 years since their restoration after the WWII. This was the occasion for Japanese Foreign Minister Taro Kono's official visit to Bulgaria. Both countries announced their expectations that trade relations between Japan and Bulgaria will expand due to the entry into force of the Japan-EU Economic Partnership Agreement (EPA) in February 2019.

The year was marked also by the first visit of the Bulgarian Prime Minister to the Republic of Korea. President Moon Jae-in on Sept. 27 hosted a summit with Bulgarian Prime Minister Boyko Borissov on strengthening bilateral relations and expanding cooperation. With next year to mark the 30th anniversary of diplomatic ties between the two countries, Borissov is the first Bulgarian head of government to make an official visit to Korea. Both leaders discussed boosting beneficial and forward-looking ties in fields such as trade, investment, energy, infrastructure, national defense, the defense industry, culture and education. They also commended the rise in trade and investment between both nations amid the global trend of trade protectionism, and agreed to continue support to this end. President Moon lauded the Bulgarian policy of granting "strategic investor status" to Korean companies, saying he expects them to promote more investment in the Balkan country.

The motivation and interests of the Bulgarian government for each of these Asian countries are different. However, one thing is clearly visible regarding all three countries and it is that the main Bulgarian interest is mainly related to the possibilities of attracting more and profitable foreign direct investments. The other unifying thing has already been emphasized

and it is related to the fact that all countries outside the Euro-Atlantic area, irrespective of the region in which they are located, are not of paramount importance for Bulgarian foreign policy.

In conclusion, we could say that in 2019 there were no sharp deviations or changes in the main trends followed by the Bulgarian foreign policy in recent years. From this point of view, we could predict with great certainty that this trend will remain unchanged in the next 2020 year, unless there are some fundamental International shifts that could possibly change the foreign policy context of international relations and eventually can put Bulgaria and Bulgaria's foreign policy in some kind of new challenge.

An Overview of Key Foreign Affairs Topics That Shaped Political Environment of Croatia in 2019

Benjamin Petrović

Summary

In the year of 2019, Croatia took part in a significant number of initiatives on an international scale, and its years-long activity in the same sphere resulted in its officials being awarded with positions of high responsibility in the international organizations. At the same time, it can be noted that some of the involvements in the international sphere are not well reflected on Croatian society, economics, and other pressing concerns. Hence, a questions of national interests are being raised, and whether engagement in many foreign affairs events and initiatives is anything more for Croatia than a declaration of a growing reputation in international community.

Diplomatic achievement; a Croatian Secretary General of the Council of Europe

The Council of Europe, situated in Strasbourg, France, is an international organization quite unfamiliar to Croatian general public. Because of such lack of recognition, improved by the chronic disinterest and apathy of Croatian citizens towards international institutions, there was far less excitement than expected when, on 26th of June 2019, Croatian Minister of Foreign and European Affairs, Marija Pejčinović Burić was elected as the next Secretary General of the Council of Europe. Therefore, it is vital to note that the Council of Europe is a leading international organization in promotion of human rights, democratic values and the rule of law. Often confused with the institutions of the European Union, the Council of Europe was founded in 1949, and is much more open in regards

of membership, comprising of 47 member states, including non-EU members like Russia, Ukraine, Turkey, Armenia and Switzerland. Also, it has much lesser degree of impact than the institutions of the European Union with the most significant leverage of power in the European Court of Human Rights.

Still, the Council of Europe is held in high regard from the perspective of progressive, modern Europe-oriented politicians, who deem it as yet another vehicle towards further integration, institutional interlinkage, and pan-European companionship. Being a clear representative of such a politician, Croatian Prime Minister Andrej Plenković took a great deal of pride when, Pejčinović Burić, a Minister in his cabinet and a Deputy Prime Minister, was elected to lead the discussed organization. Indeed, Marija Pejčinović Burić, a moderate polyglot, with a measured presentation, and multilaterally oriented, eurocratic tendencies, is an evident material to lead an organization of any stature. Her new position is a definite success in terms of recognition and branding of Croatian potential in politics and management. Moreover, her declared dedication towards preserving the importance of the Council of Europe as an effective institution, able to cope with all current and potential issues, is encouraging for various interests of European leaders who tend to rely on institutions such as that, in order to achieve a broader reach of influence.

It is to be seen how the presiding over an international organization will affect Croatia, regardless of mere promotional boon. As a leader of an organization of human rights character, Pejčinović Burić has an opportunity to stress many issues that bother Croatian citizens stemming from information rights, violence against women, domestic rights, education rights, media freedom, just to name a few. Additionally, with the support of Council of Europe Human Rights Commissioner, Dunja Mijatović, dealing with the matter of abuse of Croatian people in Bosnia and Herzegovina would be possible. Taking all into account, the election of a Croatian official on a significant position in the network of international organizations can be described as a diplomatic victory only if

it implies more than a bragging merit serving as another highlight in biographies of Croatian diplomats.

Croatia's ascend in the European Union hierarchy?

After the election for the European Parliament concluded in May of 2019, a true tall order was in front of European officials, as the *Spitzenkandidat* concept, which implied that every political option should nominate their candidate for the presidency over European Commission, proved to be a failure. The European leaders, faced with clashing national interests, which unfortunately shape the outcomes of decision-making processes on the EU level, were unable to come to a swift and consensual agreement. In line with that, to avoid further disarray, the decision was made behind the closed doors. In this clear presentation of democratic deficit that is burdening the institutions of the European Union, the European People's Party elected one of its most zealous and notable representatives among the European leaders to be its' leading negotiator, Croatian Prime Minister Andrej Plenković. Himself, often a target of media rumors that a heading seat of one of the EU institutions is waiting for him, Plenković is an experienced diplomat, a former Member of the European Parliament, and one of the most trusted political allies of the German Chancellor Angela Merkel. On the one hand, Plenković is criticized by certain media, members of the Croatian opposition, and perhaps mostly, Croatian public, of putting the European interests in front of the ones of his own country. But on the other hand, those who find it to be a positive merit, find Plenković to be a perfect portrait of an educated eurocrat, leading a developing country towards political recognition.

Everything mentioned above is important because of the fact that regardless of different opinions, the Prime Minister of Croatia did have one of key roles in electing the new president of the European Commission. The decision fell on Ursula von der Leyen, a former Minister of Defense of Germany, which is a valuable fact because of Plenković's mentioned closeness with the German Chancellor. Such special relationship was

confirmed when von der Leyen choose Croatia to be her third destination for an official visit after being elected.

Another, more visible diplomatic success is von der Leyen's election of Dubravka Šuica for a vice president of the Commission and commissioner in charge of Democracy and Demography sector. Leading a new sector, Šuica will have to deal with the issues of democracy and demography which can be recognized in every member state, manifested by a low interest of the citizens of the EU countries towards its' institutions, especially noticed at the election for the European Parliament. Additional significant responsibility delegated to Šuica is the organization and running of a Conference on the Future of Europe. An event viewed as a tool to attract European citizens, aims at creating dialogue between citizens, civil society organizations, and the EU institutions, with an emphasis on the democratic process and development of confidence and trust between one another.

Looking at everything mentioned, it can be declared that Croatia found a valuable ally in the new president of the European Commission, but the challenge lies within preserving a role of relevance and directing it towards the decision-making processes on a European level with a purpose of solving a vast array of issues that Croatia is facing.

Questioning the participation in international peacekeeping missions

In the period of late July 2019, Croatian public sentiment was shaken by a tragedy which occurred in Afghanistan, a global hot spot engulfed in a war lasting almost two decades. A young Croatian soldier, member of a contingent of Croatian military personnel deployed in NATO peacekeeping mission Resolute Support, died as a victim of a terrorist attack by a suicide bomber near Kabul. In an attack on a military convoy, another two members of Croatian Armed Forces were badly injured, but in time, managed to recover from their physical wounds.

A loss of life, tragedy in itself, served as an impetus for additional questioning of the purpose, necessity, and future of Croatian involvement

in international peacekeeping missions, stressing NATO's Resolute Support as the one with the highest degree of risk. Not undermining the tragic death, an array of questions came out of the event, questions that require a detailed analysis on levels of foreign affairs, military and security. Croatia, a member of NATO since 2009, is actively involved in the implementation of its decisions and missions and a true representative of a responsible and, in line with its capabilities, competent member.

However, when the line is crossed by a tragic event, a matter of discounting solidarity towards allies against protecting national interest must be addressed. Yet, another source of concern stems from defining national interests. After taking a look at all the priorities a developing country, such as Croatia, must have, from national economy and trade to development and security, there is no apparent national interest that is accomplished by Croatia's involvement in Afghanistan. The only argument of value is preserving the relations which enable continuous strengthening of integration processes with the organizations of the West. Nevertheless, being an active ally, and fulfilling the responsibilities set forth, must not be a goal in itself. Aiming at materializing tangible benefits, reaching every end of international cooperation spectrum, is what should define national interests, not a mere declaration of being loyal ally.

After the media incentives, President Kolinda Grabar Kitarović, Prime Minister Andrej Plenković, and Minister of Defense Damir Krstičević, all gave laconic comments, emphasizing the tragedy. But the issue of participation in peacekeeping missions, which is based on insufficiently defined reasoning, still remains. Such problem might be clarified by giving the Croatian public an explicit definition of motivation, reasons and benefits of the participation of Croatian Armed Forces personnel in international peacekeeping missions. At the same time, such definition must be a product of deliberation, strategic analysis and input from experts.

Unfortunately, the official documents of Ministry of Defense, which are presented to Croatian Parliament's Committee for Defense, are often short, generic in substance, and unavailable for public and expert

discussion. After hopeful realization that such documents, which shape Croatian national goals, are inextricably linked to the destinies of the people those goals and interests represent, perhaps a more determined attitude towards the preservation of nation and its people will develop.

European People's Party Congress in Zagreb, Croatia

On the 20th and the 21st of November 2019, the positive image of Croatia from the point of view of European community has reached this year's pinnacle. The European People's Party, currently the strongest political option in the European Parliament held a two-day congress on which many important decisions have been made, with the one electing the party's new president, as the most distinguished. It is of value to note that the Croatian Democratic Union, a leading party in Croatia, is a member of the EPP, and for that reason many members of the opposition, media and the public, did not recognize the congress as a diplomatic achievement of Croatia as a nation, but a mere promotional stunt by the Prime Minister Andrej Plenković in order to improve the reputation and perception of himself and the party he leads.

Regardless of criticism, it is important to stress several entries that brought value to the congress. Firstly, the congress served as an opportunity to ceremonially elect the new president of the European People's Party. Without much surprise, Donald Tusk, a former president of the European Council and former Prime Minister of Poland was elected, replacing Joseph Daul on the position. Tusk is presented as a true European and a Christian Democrat, ready to keep the EPP's position in the European Parliament as crucial as it is at the moment. Secondly, the reason of value for Croatia resides in the showmanship of readiness to take up larger chunks of responsibility as the youngest EU member state. Therefore the EPP congress is an appropriate introduction into Croatian next year's six month presiding over the Council of the European Union. For that reason, in his opening speech Prime Minister Andrej Plenković highlighted the some of the priorities that will shape the approach towards its task for the next year. Most notable matters that Croatia will attempt to tackle are economic

growth, digitalization, post-Brexit preparations and enlargement and accession processes for Albania and Northern Macedonia. Interestingly, not diminishing the importance of the afore-mentioned issues, other concerns that Croatia is facing such as balancing the humanitarian and security aspects in dealing with migrant crisis, the protracted accession in the Schengen Area, and general social slump caused by many internal issues which generate disinterest and apathy towards anything political, even more on a European level, were not addressed.

Final point which was of interest of many, was the suspension of Hungarian Prime Ministers Viktor Orbán's right wing populist party Fidesz from the EPP. For the violation of democratic standards, rule of law, and values the EU and the EPP promote, in March 2019, Fidesz was excluded from the party, thus Prime Minister Orbán, did not receive the invitation to the congress. In line with that, discussion about the fight against the growing right-wing populism and illiberal democracies, and preserving human rights and the rule of law, was another subject to note. In the end, the spectacle with a purpose of showing the strength of the conservative center-right political options of the European Union, ended without controversy and an optimistic stance on all the issues mentioned, including enlargement, climate policy and dealing with political extremism.

Conclusion

As previously noted, in the year 2019 Croatia was involved in many dealings on the foreign affairs map, and the above discussed are just an account of the ones which received the highest level of recognition from the media and public. It can be concluded that Croatia is a genuinely active member of the international community, which is confirmed in the nominations and elections of its political officials on positions of significance. In line with its capabilities, Croatia has received a higher than expected level of recognition from its international allies, but it has to wary that such recognition is more than declaratory. Being a flag bearer of solidarity and cooperation must bring a positive impact on the troubled

society as a whole and serve its national interests which undeniably exceed reputation and securing of seats.

Estonia Trying to Hold the Line in Multiplicities of Confusions

E-MAP Foundation MTÜ

What a life it was before 2008! Some parts of both Georgia and Ukraine were not yet annexed by Russia, proxy wars in both Syria and Yemen were not yet started, a major NATO power was not even thinking of calling the organisation “brain dead”, and a severe economic crisis was only about to be noticed by those ‘experts’ who were supposed to predict it a decade before. Certainly, such a ‘nirvana’ is a huge sarcastic or even sad exaggeration of a ‘more stable’ past, but not many serious commentators would argue that the current situation in the field of international relations is ‘less stable’ than it was then. For the Republic of Estonia, a nation that is always in favour of a rules-based international order, the current *status quo* is increasingly worrying, to say the least. Especially, when it comes to a relative disarray noticed in relations among the EU’s Member States as well as NATO-bound allies. It could be argued that, during the latest historic period, Estonia, while being an exceptionally loyal and contributing member of the two aforementioned international frameworks, had plenty of chances to reconfirm an old geo-strategic *axiom* – if extra-care is taken, it is always beneficial for a country to clearly understand how to stand for its own interests on its own, rather than be relying on a common vision of a supposedly solid organisation. Therefore, in 2019, the country’s foreign policy-related actions started featuring some noticeable signs that a grown-up nation was in the process of solidifying its own vision on the actuality, sometimes even testing the dangerous international ‘waters’ almost at its own discretion.

These days, unless there is a global geo-strategic interest at stake (when it comes to the USA or China) or an objectively obvious need to halt yet another Russian aggression (in the special case of Ukraine, for example),

not many top-level politicians are willing to schedule a **meeting with the current Russian President**. Thus, the announcement on Kersti Kaljulaid to visit Moscow in April 2019 and take her part in the renovated Estonian Embassy's opening ceremony naturally became **the** topic in the region of the Baltics and, to a certain extent, within the whole EU as well. In diplomatic terms, 'vising Moscow' for a foreign leader would usually also mean 'having a meeting with a Russian tsar/emperor/President', depending on a historic time of the planned visitation – quite often, the latter represents the main reason for the former. Considering the context of the deteriorated EU-Russia relationships since the time when the Russian Federation had illegally annexed Crimea and invaded a sizeable part of the Ukrainian east, the main question, however, was on whether the Estonian President's 'sudden' trip to the Russian capital city had been carefully prepared or represented an extravagant *ad hoc* exercise.

At the same time, there are about 90,000 of Russian passport-holders, living in Estonia, and the population of the country's third largest city Narva has a huge societal segment of Russian citizens, around 36% of the total. Another side of the Russo-Estonian interrelations is featured by the fact that the newest border treaty between the two neighbours is signed but not yet ratified by the parliaments. Most probably, these themes were kept in the Estonian President's mind when, on 18 April, she was visiting the Kremlin to meet with her Russian counterpart. Was the meeting a success? In a way, it was a perfect addition to multiplicities of other different confusions, and, therefore, it did not cause any harm at all. However, there was a negative-to-neutral reaction on the fact of the meeting coming from Lithuania and Latvia. As reported by *The Guardian*, Linas Linkevičius, the Lithuanian Foreign Minister, hinted that the Estonian President's trip to Russia was not coordinated with partners, while noting that "[i]t [i]s always more effective when we coordinate things and act in a more united way. [...] There will always be attempts to divide us and test the unity of

European countries or the Baltic countries”^①. From the Latvian side, Vaira Vīķe-Freiberga, the country’s former President and a highly influential European decision-shaper, gave a more straight-forward statement:

Dialogue has been tried. God knows, Chancellor [Angela] Merkel alone, I don’t know how many times [the German leader] made efforts to speak with Putin. [...] He can be quite charming and you can have a nice dialogue with him if he’s in the mood, but it doesn’t lead to anything.^②

Strongly defending her position, President Kaljulaid was quoted saying that “Estonia’s job is to join those EU [M]ember [S]tates whose leaders have visited Moscow, as well as not leave[ing] discussions on difficult topics up to other countries”^③. Later on, in October, it was reported that the Estonian President invited her counterparts from Finland, Hungary and Russia to attend the World Congress of Finno-Ugric Peoples, which is going to be hosted by Tartu, in June 2020^④. This time, she had to experience some severe *critique* from within her own country – for example, Henn Põlluaas (*EKRE*), the Speaker of the *Riigikogu*, openly stated that President Kersti Kaljulaid made a mistake when she invited President Vladimir Putin to visit Tartu in the summer of 2020^⑤. At the end of the day, when it comes to analysing a liberal democracy, it is all about what a sovereign country

^① Linas Linkevičius in Shaun Walker, ‘Estonia’s president plays down criticism over Putin meeting’, *The Guardian*, 14 May 2019. Available from [<https://www.theguardian.com/world/2019/may/14/estonia-president-plays-down-criticism-putin-meeting>].

^② Vaira Vīķe-Freiberga in Walker.

^③ Kersti Kaljulaid in ‘ERR News looks back at 2019 in Estonia’, *ERR*, 30 December 2019. Available from [<https://news.err.ee/1018258/err-news-looks-back-at-2019-in-estonia>].

^④ Silver Tambur, ‘The Estonian president invites Vladimir Putin to Estonia’ in *Estonian World*, 16 October 2019. Available from [<https://estonianworld.com/security/the-estonian-president-invites-vladimir-putin-to-estonia/>].

^⑤ Henn Põlluaas in Karoliina Vasli, ‘Henn Põlluaas: loodan, et Putin Tartusse ei tule. Kaljulaid tegi teda kutsudes vea’, *Delfi.ee*, 6 January 2020. Available from [<https://www.delfi.ee/news/paevauudised/eesti/henn-polluaas-loodan-et-putin-tartusse-ei-tule-kaljulaid-tegi-teda-kutsudes-vea?id=88574473>].

can do and how a leader of a sovereign country is entitled to act – so far, the so-called *rapprochement* between Russia and Estonia is a part of a much larger picture. However, being an integral as well as strategically important part of the grand-puzzle of global security, Estonia has all the rights to try to make a positive difference in the process of completing the puzzle.

Most definitely, a particular development will be of unmatched assistance for Estonia in regards of discovering a range of options the country has (will have got) in hand to influence the happenings in the field of international relations – from 1 January 2020 and for the following two years, the Republic of Estonia will be holding the status of a **non-permanent member of the UN Security Council**, for the first time in the country's history. From July 2017, Estonia managed to launch an unprecedented campaign to introduce the country internationally to the broadest possible 'audience' – closer to the finale, it became speculatively obvious that Romania (the other main contender for the 2020-2021 UN Security Council's spot) had only slim chances to be chosen over Estonia. As it was previously reported, President Kaljulaid was championing the process in the most dazzling diplomatic way – only in the fourth quarter of 2018 and literally in one hit, she visited 12 different countries, from Georgia to Senegal, from China to New Zealand, from the Republic of Korea to the USA.

As a result, in the final voting round at the UN General Assembly, Estonia received 132 votes, comfortably winning the contest (it needs to be kept in mind that the required majority was 127). Forecasting the country's inaugural participation in the work of the UN's executive body, Gert Auväärt, Head of the Estonian Permanent Representation to the UN, stated that **cybersecurity** is to become the main theme in a range of topics, which

Estonia is planning to bring up for global actions^①. As a general sentiment expressed in a classic Nordic way, Auväärt noted:

We have no experience from [previous work at] that body. So far, we have only sat behind the horseshoe table for open debates. Serving as a voting member and having a position on all matters is a new, interesting, intensive and difficult task.^②

However, it is objectively feasible for Estonia as a good performer to use the upcoming unique experience of becoming directly involved in the UN Security Council's business for extending its international influence far beyond its non-permanent membership's time-frame. In 2020, apart from Estonia, the UN Security Council will be featured by the presence of three other Member States of the EU, namely France (permanent), Belgium (non-permanent), and Germany (non-permanent). A decent European 'company' it will be around for Estonia to get quickly accustomed to its new role and start contributing to global stability from the highest possible international level. In addition to cybersecurity, Estonia is likely to have a good say on the Russo-Ukrainian war, energy security, e-governance, and the digital state. No doubts, the agenda-setting process has already been completed at the Estonian Ministry of Foreign Affairs.

^① Gert Auväärt in Margus Parts, 'Estonia has know-how to share with the world', *Postimees*, 6 January 2020. Available from [<https://news.postimees.ee/6865342/estonia-has-know-how-to-share-with-the-world>].

^② Auväärt.

Greek Foreign Policy in 2019

George N. Tzogopoulos

For Greek foreign policy 2019 was a year of significant developments. The chronological highlights were the implementation of the Prespes Agreement, the sixth trilateral summit with Israel and Cyprus, the visit of Prime Minister Kyriakos Mitsotakis to Berlin and Paris, the visit of US Secretary of State Mike Pompeo to Greece, the visit of Chinese President Xi Jinping to Greece and the visit of Greek Foreign Minister Nikos Dendias to Russia. As far as challenges are concerned, Greece has been encountered with a muscular foreign policy approach employed by Turkey. The agreement between Ankara and Libya on the demarcation of their perceived exclusive economic zones creates a new landscape in the Mediterranean and outlines the determination of the Turkish government to act – even defying customary international law – in order to prevent its exclusion from relevant energy deals.

To start with, 2019 can be divided in two parts, before and after the national election of 5 July. In the first half of the year the SYRIZA government – following the decision of its coalition partner, the right wing Independent Greeks party, to withdraw its support – worked on the implementation of the Prespes Accord. In the view of the then Deputy Minister of Foreign Affairs, George Katrougalos, this agreement did not only pertain to Greece and Macedonia but it also sent a strong message to the rest of the countries of South-eastern Europe on the possibility of peaceful resolution in a turbulent region. The Prespes Accord paved the way for North Macedonia to join NATO and the EU, although a few months later President of France Emmanuel Macron decided to delay the EU enlargement process of Western Balkans countries. Following the deal

Greece also applied to join the '16+1' Initiative. It finally became a member during the Croatia summit of April.

In the end of March Greece further boosted its cooperation with Israel and Cyprus by participating in the relevant trilateral summit. It took place in Jerusalem only three months after the one in Beersheba (December 2018). The main difference in comparison to previous meetings is that it was also attended by US Secretary of State Mike Pompeo. The US had already favored the forging of this trilateral partnership in Eastern Mediterranean and the presence of Pompeo institutionalized the support. Washington's interest is explained by the ongoing natural gas discoveries in the Levantine Basin. These discoveries can provide it with not only business opportunities but also energy security. The US demands that its partners maintain a diversification policy. The more Western countries import from what America sees as safe sources, such as the basin, the more they will reduce their dependency on Russia.

The three countries – Greece and Israel in particular – can benefit from the good momentum and discuss the implementation of the Belt and Road Initiative in the Eastern Mediterranean and the progress of Chinese investments. Both Greece and Israel are of high interest to Chinese companies. The Shanghai International Port Group (SIPG), which signed an agreement with Israeli authorities to operate the Haifa Port from 2020 onward, is teaming up with China Ocean Shipping Company to promote container shipping traffic. In a period when China is largely seen as an adversary in the West, COSCO's successful investment in the Piraeus Port challenges this view.

The first half of 2019 ended with a significant meeting. In June, George Katrougalos, after having being promoted to the Foreign Minister position, met with his Russian counterpart Sergey Lavrov in St. Petersburg. The meeting took place on the sidelines of the 23rd International Economic Forum. It was a period during which Greece and Russia were attempting to practically normalize their bilateral relationship approximately one year after the former had decided to expel four Russian diplomats. In December 2018 Prime Minister Alexis Tsipras had visited Moscow in order to discuss

this normalization with President Vladimir Putin. So, the first months of 2019 were critical to explore the smooth process. Despite the serious diplomatic crisis, Greece and Russian continue to have several issues in common and to enjoy a friendship for historical and religious regions. Moreover, in 2017 Greece and the Eurasian Economic Commission had signed a joint declaration on cooperation. Giving a media response on this subject Katrougalos referred to fruitful results of multidimensional foreign policy.

The conservative Greek government that came to power in July 2019 sought to contribute to a 'return' of Greece to the core of Europe. Against this backdrop the new Prime Minister Kyriakos Mitsotakis travelled to Paris and Berlin in August, only a few weeks after his electoral victory. Mitsotakis sought to show to Greece's most powerful European partners that the country had recovered from the economic crisis and could improve its international image under his premiership. While in Paris, where he met with French President Emmanuel Macron, the agenda included investments, climate change, unemployment, the Cyprus issue, and common EU challenges. In addition, the two leaders discussed the issue of cultural exchange with a focus on the Louvre-based Parthenon sculptures. Macron agreed to offer then on loan to the Acropolis Museum on occasion of the bicentennial celebrations commemorating the 1821 Greek War of Independence set for 2021

During his Berlin visit the Greek Premier met German Chancellor Angela Merkel and, inter alia, asked for her support in dealing with Turkish's illegal actions in the Exclusive Economic Zone of Cyprus. He also pledged to accelerate returns of migrants to Turkey while improving living conditions for refugees in Greece. Both Athens and Berlin agreed on the necessity of the harmonious functioning of the 2016 EU-Turkey agreement. In the press conference Mitsotakis was also asked about demands for WWII reparations from Germany. He preferred to give a diplomatic answer but indicated that Greece would continue to pursue the issue on the basis of a recent decision of the Greek Parliament.

October was marked by the visit of Secretary of State Pompeo to Greece. On the occasion of this visit, Greece and the US signed a new defense cooperation agreement. Key themes are the use of the port at Souda Bay, the use of a section of the port of Alexandroupolis, the establishment of a helicopter training base in central Greece and the use of American unmanned aerial vehicles (UAVs) by the Hellenic Armed Forces. Subsequently, the US military presence in Greece is being continuously expanded. In his public remarks Pompeo endeavored to warn Greece against the ‘risk’ of closely cooperating with China. In a talk he gave at the Stavros Niarchos Foundation, he said: ‘I am confident that the Greek people and the Greek Government will make good decisions about when and how, or if to take Chinese investments’. It was the first time Washington publicly criticized Greece for its harmonious collaboration with China.

The month of November was historic for Sino-Greek relations though. In a period of only a few days Mitsotakis and President Xi Jinping met two times, in Shanghai and Athens. The Greek Prime Minister values the importance of China for Greece and is determined to further cultivate ties. Xi also conveyed a message of bringing the bilateral partnership to new levels during his state visit in Greece, the first of a Chinese leader after eleven years. Greece and China are on the same Belt and Road. This does not mean Greece is prepared to challenge its traditional foreign policy orientation. The advancement of Sino-Greek ties is happening in a period during which bilateral relations between Athens and Washington are taking off to new strategic heights. It is not wise to confuse economic interests with geopolitical choices.

Last but not least, in November the new Greek Foreign Minister, Nikos Dendias, travelled to Moscow for his first meeting with Lavrov. He hoped this could mark the start of a new chapter of Greece’s bilateral relations with Russia. The two ministers signed the 2020-2022 Programme of Greek-Russian Consultations, which provides for regular meetings on the official and political levels. In an interview with Ria-Novosti news agency Dendias focused on the Greek position that ‘Russia [is] an intrinsic

part of the European security architecture'. This said Athens supports initiatives aimed at improving EU-Russian relations. But Athens also carefully monitors the improvement of ties between Ankara and Moscow and their repercussions for stability in the Eastern Mediterranean.

Conclusion

In parallel with the afore mentioned meetings and summits, throughout 2019 Greece was highly concerned about the tendency of Turkish vessels to violate the Exclusive Economic Zone of Cyprus. Turkish assertive foreign policy in Syria further alarmed the Greek government. Mitsotakis and President Tayyip Erdogan met two times, on the sidelines of the UN General Assembly meeting in New York in September, and on the sidelines of the NATO Summit in London in December. The second meeting, in particular, was difficult because it followed the signing of the Ankara-Tripoli memorandum of understanding for the demarcation of the Turkish-Libyan Exclusive Economic Zone in the Mediterranean. In November and December Turkish fighter jets continuously violated Greek airspace generating fears for an escalation of the Greek-Turkish crisis in the Aegean and the Eastern Mediterranean (in general). 2019 ended with Greece making diplomatic efforts to exhibit the illegal nature of this memorandum of understanding.

Hungarian Foreign Policy in 2019

Csaba Moldicz

The Hungarian foreign policy has been centered on pragmatism over the course of 2019. As we pointed out in our earlier analyses, the leading principle of the Hungarian foreign policy is pragmatism, which means that the approach in the foreign policy is not linked to adherence to any ideological beliefs, or considerations, but it basically pursues the main economic and political interests of Hungary. The mainstream of European foreign policies underlines the significance of Western values (such as democracy, human rights, etc.). When it comes to the practice of the so-called value-based foreign policies, we can often see the wide gap between theory and practice, which seems to be inevitable since economic and political interests override ideological concerns at the end of the day. In contrast to that, the pragmatic approach of the Hungarian foreign policy not only allows for an efficient enforcement of the national interests, but that policy is much more predictable and calculable for the partners, which makes Hungary a reliable and stable partner. This briefing focuses on the analyses of the main foreign policy relations of Hungary: China, the European Union, Russia, the United States.

1. China relations

The Hungarian foreign policy has concentrated on mutual economic benefits, the main results were born in the last months of the year, mainly related to the Chinese Import-Export Expo in November, and the visits of the Minister of Foreign Affairs and Trade and the Minister of Technology and Innovation, see the list of concrete results:

— A cooperation agreement about innovation and technology transfer with Tsinghua University in Beijing,

- An office and dual training center of the Chinese Ctrip at Corvinus University.
- Cooperation between Záhony Logistics and Industrial Zone Consortium and the Central European Trade and Logistics Zone
- Contract about financing the Budapest-Belgrade railway
- Shanghai Fudan University in Budapest
- China Eastern Airlines 2 new lines from China (Xian, Chengdu) to Budapest,

Based on this list and the achievements of the former years, we can easily distinguish main areas of the cooperation which the Hungarian government seems to have been interested in. Enhancing connectivity has been one of the main achievements between the two countries; two years ago there were no direct lines between Hungary and China, now China Eastern Airlines operates a flight between Budapest and Shanghai, and as we could see above two lines will be added. Without direct lines it would be difficult to increase tourism, especially Hungary would benefit from transforming Budapest into a European entry point for Chinese tourists. The other key area seems to be investments, agreements facilitating more trade between the two countries. And at the end, educational cooperation could be one of the areas that could significantly contribute to a better understanding of the two cultures.

By and large, the development of the bilateral relations has been positive and the financial agreement in the case of the Budapest and Belgrade railway seems to be very close, however, the share of Chinese FDI is still low, major breakthroughs could not be achieved. In our understanding this element of bilateral ties ought to be strengthened since the development in other areas (political connections) has been positive and rapid.

2. US relations

The peak of the development in the bilateral relations was the US State Secretary's visit in Hungary. The main topics of the negotiations were:

— the renewal of the defense agreement, which was adapted by the Hungarian Parliament since then;

— the question of Ukraine's NATO membership, which is blocked by Hungary, unless Ukraine amends its recent educational law restricting the use of Hungarian and other minority languages in education. The Hungarian negotiating partner made it clear that the country is not willing to scarify its national interests for Ukraine's European integration.

— The third topic was the regional energy supply. Hungarian interests include the diversification of energy supplies, however, since then there seems to be no new achievements in this area. Besides the LNG terminal in Croatia, the Hungarian proposal is to unite the two countries' gas market to increase the maneuvering room when negotiating about prices with third partners. According to the Hungarian approach, this would solve or at least mitigate the problem of high LNG prices.

Over the course of the year, slight improvements took place in the bilateral relations, and this improvement could be based on similar approach in the migration debate or in the efforts to strengthen self-defense capabilities of the NATO countries, and along with that increase military spending. At the same time, we should add that the American President's approach to foreign policy questions and their management is unconventional, which makes the US an unpredictable partner,

3. Russian relations

Hungarian and Russian relations are relatively good, moreover, we should add one of the best ones, you could achieve in the current geopolitical environment given the EU and US sanctions against Russia and the remaining tensions around East Ukraine and Crimea. New areas of cooperation were opened at the end of the year; besides the cooperation in the Paks nuclear plant and the establishment of a new subsidiary of the International Bank for Economic Co-operation, the partners agreed on starting Hungarian and Russian space research projects and opening a subsidiary of the Hungarian Export Promotion Agency in Moscow. As for

the joint space research projects, the Hungarian partner added, that the cost of sending an astronaut into the space by 2024-2025 will be offset by the Hungarian added value in the research projects.

As we could see, several projects are in the pipeline and Hungary put all efforts to maintain and deepen its political and economic relations with Russia. The further improvement of trade relations would be of great relevance, since the trade volume was 6.4 billion USD in 2018 while it was around 10 billion USD before imposing sanctions on Russia in 2015. Despite the 17 percent increase in 2018 the trade volume is still low, that is probably the main reason why the Russian representation of Hungarian Export Promotion Agency in Moscow was significant,

4. The EU policy of Hungary

Besides the European Parliamentary Elections, where the ruling Hungarian party increased its representation compared to the period between 2015 and 2019, the main debate evolved around the adaptation of the Sargentini report and the ensuing launch of the Article 7 procedure against Hungary. The first hearing in the General Affairs Council took place on 16 September 2019, and the second hearing on 10 December. Until now no significant results were born, however the procedure will continue the next year too, Croatia and later Germany are going to be the countries setting the agenda of the Council, therefore the speed of the procedure will very much depend on their intentions. At this point it is easy to see that the German point of view on the Hungarian case is in order to make recommendations to Hungary, a four fifth majority would be required in the Council. Even after a decision condemning Hungary, which is in our understanding unlikely, the procedure goes through many steps towards applying sanctions. Similarly, the question of membership of Fidesz in the European People's Party is not solved and the party is still suspended from the block, however, it seems to be very likely that the Hungarian party will be expelled from the block, given the latest comments and interview given by the new the new president of the party, Donald Tusk.

The main achievement of the years has been the appointment of the new Hungarian commissioner to the policy area of Neighborhood and Enlargement. Though the Commissioner based on existing EU rules cannot represent the interests of the sending, it is obvious that speeding up the enlargement in the Balkans is one of the key interests of the Hungarian foreign and trade policy. Besides the obvious economic benefits Hungary could reap from the membership of West Balkan countries, the countries could ease the migration pressure on Hungary, and they could be allies in the debate about the future of the EU. Since it became clear that the United Kingdom will sooner or later leave the EU, it was clear that Hungary needs allies in this debate. Germany and especially France intend to make steps in the integration process which would lead to cut back sovereignty of the member states in new areas while the Hungarian vision about the future of the European Union is based on the cooperation of nation states, than the concept of an 'every closer European Union.

4. Summary

As we could see in the briefing, Hungary's foreign policy can be featured as a balancing strategy among the major political and economic powers and finding a position where the economic and political benefits are plenty to reap. This balancing strategy is one of the 'oldest' ones in human history and it can easily be chosen and used when times are peaceful and major forces don't force the balancing, usually smaller countries to choose camp and side with one of powers; the remaining question for the years to come how long this strategy will be available for Hungary.

Achievements of Latvian Foreign Policy in 2019

Nina Linde

Short overview

The 30th anniversary of the fall of the Berlin Wall and the Baltic Way solidarity demonstration allowed Latvia to look back on what has been achieved and reminded us of a dynamic and changing international environment. A new European Parliament and Commission with new objectives and tasks have been elected in the European Union. The rhetoric and behavior of the administration of the US President Donald Trump have a profound impact on the international system and regional dynamics also in Latvia. At the same time, the US has consistently held on to its commitment to strengthen security on the alliance's eastern flank, and it has motivated the allies to do their homework. The NATO Summit in London has re-affirmed solidarity within the alliance, while reminding of the need to continuously strengthen both the fundamental principles of the transatlantic alliance and cooperation between its member states.

2019 also stands out for two more anniversaries – it has been 15 years since Latvia became a proud member of the EU and NATO. Active participation in these key organizations is a testament to both the sustainable development of our country and the endurance of its Euro-Atlantic ties.

For international relations, 2019 was not an easy time. The institutionalized international political order of the last century continued to undergo significant changes. International institutions, international law and free trade, and international political values are no longer self-evident, but under increasing pressure and in need of our support. On the Latvian foreign policy front [1] in 2019 we should look at a trio of power centers – U.S.A, Russia and Europe.

Latvia and U.S.A

Changes within top echelons of the US administration, political turmoil within the country and uncertainties in US foreign policy have continued to unsettle international relations in 2019. US policy towards Russia remains embroiled by issues raised during investigation into Russian interference in the 2016 presidential election. Meanwhile, Trump had another meeting with Putin at the Osaka G20 Summit in June, and after the G7 meeting, announced that next year's meeting in the USA would see a return to the G8, with the presence of Russia again at the table. Russia's role in Syria appeared strengthened after the sudden and seemingly uncoordinated decision by Trump to withdraw troops. This uncertainty and unpredictability of actions of Trump's administration towards Russian Federation caused tension in Latvia's policy-maker circles.

Latvia is interested in strong ally fully committed to democratic values and human rights, therefore domestic policy of U.S. is also of Latvia's concern. Staunch support for the EU and NATO is not only a necessity that has been dictated by the life and experience: it has become a part of Latvia's foreign policy identity, and it would require something extreme to happen for things to change in this regard. Significant changes in Latvian foreign policy can happen because of shifts in the international order.

Good news for Latvia, America's commitment to defending Europe remained undiminished during 2019, with an armored brigade combat team being deployed on a nine-month rotating basis. This is supported by the prepositioning of equipment for a second team that could deploy if a need were to arise. US engagement in the Eastern Flank remains solid, with plans to deploy a further 1,000 troops to Poland. Washington has doubled its financial support for its European deterrence initiative to 6.5 billion euros.

In their turn, Latvia and neighboring NATO countries contribute 2% of GDP towards defense. The 2019 Consolidated Budget Law passed by the parliament of the Republic of Latvia, Saeima, on 3 April, set the defense spending at 2% of the GDP, or EUR 636.65 million having reached the increase of EUR 60.3 million if compared to the plan of 2018. [2] Latvia is

fully committed to keeping the national defense expenditure at this level for the foreseeable future.

Latvia and Russia

Along with USA, the external relations policy of Latvia has to deal with Russia as the close neighbour of Latvia and global power which can influence international affairs. Dialogue between Russia's president and his Western counterparts can yield positive results, as long as a unity of approach prevails and attempts to "divide and conquer" are rejected. Dialogue should also take place on the basis that NATO's defense and deterrence policy remains robust in parallel with any agreements.

In 2019, on a more regional level, Latvia has contributed to practical relations with the neighbor. Latvia's presidency of the Council of the Baltic Sea States, which includes Russia, provided a focus on practical projects relating, for example, to climate change, spatial development, cultural heritage and societal security. The closing meeting in Jūrmala gave Russian Deputy Foreign Minister Alexander Pankin the opportunity to hold a productive bilateral meeting with Latvian Foreign Minister Rinkēvičs.

Latvia and European Union

In 2019, life in Europe involved the anticipation of change – everybody was waiting for the new composition of the European Parliament and of the Commission, Latvia was waiting for the final words on the exit of the United Kingdom from the European Union, for future decisions on the multi-annual budget, for enlargement. Brexit elicited an unprecedented political and constitutional chaos in the United Kingdom in 2019. The government kept Latvians in the UK well-informed and advised on how to deal with various scenarios.

The results of the European Parliament elections confirmed that Europeans are calling for change. Sixty percent of the newly elected MPs are new, and the majority of political groups are no longer made up of only two parties. The new balance of power prevented the possibility of old ways of agreement. At the end of the year, the European Parliament

approved the new European Commission with a new president Ursula von der Leyen, who has already come out with an ambitious and comparatively *more social* agenda than the previous one.

In those new conditions Latvia gained some influence in Europe. An important role is planned for Latvia's European Commissioner Valdis Dombrovskis in the achievement of priorities for reducing inequality; he has been nominated for a position as an EU executive vice president with the "Economy That Works for People" portfolio, with the goal of combining the social dimension and the market dimension of the economy. Dombrovskis was given not only an important portfolio, but also the role of one of three "executive vice presidents" along with Danish and Dutch political heavyweights Margrethe Vestager and Frans Timmermans. For Latvian MP it is very ambitious position to achieve.

Also European experience of Latvia's Prime Minister Krišjānis Kariņš has ensured that Latvia has a high-profile and dynamic role in Europe that has not been previously seen, with the foundations having been laid by veteran Foreign Minister Rinkēvičs. Additionally, Latvian diplomats were allocated high positions: Ilze Juhansone as interim EU General Secretary and Pēteris Ustubs as chief diplomatic adviser on the team of new Commission President Ursula von der Leyen [3].

Previously another opportunity for Latvia to play a decisive role in EU political dynamics came at the informal summit of Heads of State and Governments in Sibiu, Romania on 9 May 2019. Through some determined actions, Prime Minister Kariņš approached President Macron to let him know that Latvia wanted to join the French initiative within the EU on climate change – Latvia then joined a group of eight European member states that support the setting of more ambitious goals for Europe: achieving climate neutrality in the region by 2050. This required Latvia to reconsider its national position in order to achieve the goal. Remarkable, that this decision of Latvia to join the climate change initiative came as a positive surprise to the French. Moreover, Latvia's decision, according to conversations with French officials thereafter, changed the dynamics

surrounding this initiative. It is one of the greatest achievements of Latvia in the external relations.

Conclusion

Latvia has done very well in external relations in 2019. In any event, Latvia's foreign policy was neither dead nor buried, but rather it was very much alive and invigorated. Consistency and strategic patience are required from Latvia in handling both Russia and America. The rhetoric and behavior of the administration of the US President Donald Trump have a profound impact on the international system and regional dynamics. At the same time, the US has consistently held on to its commitment to strengthen security on the alliance's eastern flank, and it has motivated the Latvia to grow their defense expenditures.

Kariņš role as negotiator for the EPP and appointment of Valdis Dombrovskis to an executive vice-president role in the Commission were both successful foreign policy achievements for Latvia in the complex environment of EU power negotiations. At the beginning of 2019, very few people could have anticipated that Latvian politicians would make such good use of the opportunities presented by changes in EU institutions during the course of the year. Kariņš's long tenure in the European Parliament and Dombrovskis's sound reputation were clearly important contributing factors in this.

It is worth to say, that Latvia's minimal resources were used to maximum effect in Europe in 2019.

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Lithuania's Foreign Policy and Strategic Priorities Defined by Geopolitics

Linus Eriksonas

Despite the changing international environment, the year 2019 in Lithuania's foreign policy has continued without significant changes. Though many speculated that some changes might be underway following the change of guards in the President's office, yet the departure of President Dalia Grybauskaitė (who served two-terms at the helm of the country) and the election of President Gitanas Nausėda as her successor have not occasioned a change. Though the new President right from the start of his time in office has declared himself as the successor of President Valdas Adamkus (who served as President from 1998 to 2003 and from 2004 to 2009) rather than of President Grybauskaitė, yet it did not signal a change in foreign policy – just announced the new style of leadership. Below is a brief outline covering the President's positions on the key foreign policy issues of the last year, trying to explain the drivers which keep the foreign policies of the country entrenched along the well-trodden strategic paths based on the geopolitical considerations at large.

Already the first steps of President Nausėda in office (his presidency started as of 12 July) bore remarkable similarities to those of President Grybauskaitė, especially concerning the neighbouring countries which are at the focus of Lithuania's foreign policy brief, namely Belarus and Russia. In her initial years in office (the period of 2009-2010), President Grybauskaitė considered a possibility of a more open policy towards those countries, regardless of a problematic track-record of Lithuania's bilateral relations with both countries.

President Nausėda has taken a similar approach during the first half-a-year of his presidency. In September 2019, the President was put on record saying that "I believe relations with Belarus can be maintained and we will take steps to develop those relations even taking into account the

fact that, nevertheless, everything remains the same on the Astravyets nuclear power plant.” The Astravyets power plant (which has been constructed by Russia’s Atomstroyexport and is due to become operational in January 2020) has become a thorny issue in Lithuania’s relations with Belarus. Lithuania decided to boycott the purchase of electricity generated by this power plant as all other avenues in stopping the construction of the plan were exhausted.

Though at the same time Lithuania has been keeping the doors open to continue the dialogue with Belarus. On 25 September, the Minister of Foreign Affairs Linas Linkevičius met with his Belarusian counterpart, Minister Vladimir Makey, on the occasion of the UN General Assembly in New York. He proposed Belarus to import oil through Lithuania to reduce its dependence on Russian energy resources. "We are interested in Belarus retaining its sovereignty, as far as possible," Linkevičius said on occasion. "I believe that a dialogue between Belarus and the European Union should also help mitigate the situation that is now emerging." Though Lithuania's Minister of Foreign Affairs reiterated Vilnius' demand that Belarus should comply with international safety requirements and allow the representatives of the European Commission to monitor the operations of the nuclear power plant, the domestic opposition (the Conservatives) found Linkevičius’ expressed position as too soft, inadequate to the circumstances and contradictory to the national interests.

According to Tomas Jakeliūnas, the author of his recently published book on the foreign policy of President Grybauskaitė, before her presidency “for more than a decade the strategic position of Lithuanian foreign policy was more than straightforward: to integrate more deeply into NATO and the EU, to seek the security guarantees from the United States and to contain the threats from Russia.” This narrowly defined remit of foreign policy suited the country during the transitory period of democracy-building. However, the ambitious President Dalia Grybauskaitė often, as the book on her presidency explained, took the initiative which ventured beyond the default rails of the foreign policy of the country. The more personal style of engagement in international relations at the highest level

helped to achieve visibility and find new partners in the international arena. A somewhat similar approach has been pursued by President Nausėda, who, during the first half-a-year of being in office, has attempted to create and present a more personal style of leadership.

The strategic positions of the President on foreign policy became public on 12 December when he delivered a speech on foreign policy at the annual Lithuanian Foreign Policy Conference. In his speech, President Nausėda lent the support for the existing strategic approach, as mentioned above, by reiterating his strong belief in keeping the US further involved in the defense architecture of Europe (amidst the growing calls for strengthening the EU defense separately from the US) and increasing the military spending to reach 2,5% of GDP by 2030, as is foreseen. As regarding Russia, the President said that “Russia continues to be an immediate, long-term threat to the security of not only Lithuania but also the entire Euro-Atlantic space” and has confirmed his support to continuing the containment policy, including keeping the sanctions in place.

“We obviously cannot make the decision for others to return to the rules-based world order. Neither can we make Russia do it. What we can and must, however, is to respect our own decisions: not to legitimize Russia’s illegal actions, to hold it accountable for the things it does and to safeguard the cornerstone of our existence as independent nation. Stabilization and normalization of relations cannot go against common values. Sanctions must stay in place until there is a fundamental change in Russia’s behaviour”, - said President Nausėda.

As concerning the relations with Belarus, the President has indicated a different stance, in contrast to that toward Russia. „From a broader Eastern Partnership perspective, we need to acknowledge that Belarus poses a distinctive challenge to us. I hold the position that Lithuania’s up-to-now foreign policy to isolate Belarus has not worked”, mentioned the President. At the same time, he acknowledged that “it does not mean that we are ready for an artificial warming-up of the relationship.” The President urged to stay “on the alert to see that the red lines we have set down are not crossed.”

More importantly, a new dimension to Lithuania's foreign policy was included by the President's mentioning of China. In his talk, the President mentioned the ongoing changes in the international space that ask to address China's growing power in the world. President Nausėda said that "China seeks to change the existing international order and tailor it for its own needs. Therefore, together with our Euro-Atlantic partners, we need to work on a common response." At the same time, he emphasized that "still, Lithuania does not see any obstacles for developing a constructive dialogue and bilateral economic ties with China, if they are not used to increase political tension." The President added that "the relationship with China must be built on mutual respect for human rights and the rules-based international order. It cannot work against our national security and the common interests of the European Union".

The President mentioned in his speech "the Lithuanian-China dilemma" but does not explicitly state what exactly constituted this dilemma. Instead, he said that "the Lithuania-China dilemma very clearly illustrates the challenges that the Lithuanian foreign policy faces today. We must promote respect for democracy and human rights at the moral level and assess the shifting balance of international powers in realistic terms. We must remain ourselves, and we must also work actively on the international stage to reach favorable decisions for Lithuania. We cannot afford the luxury of standing on the sidelines as passive onlookers".

Thus, to round up the President's annual address on foreign policy, three countries have been singled out as the countries on a watch list for Lithuania's foreign policymakers: Russia, Belarus, and China. The President's speech lends support to the view that Russia is a direct threat and Belarus - a potential source of threat (due to the nuclear power station and more closer integration with Russia). The President's position towards China differs from a well-defined confrontational position towards Russia and the less confrontational one towards Belarus. The position toward China is ambiguous. China is presented here as an agent of change in international politics; the President expresses himself with caution and moderation when considering China.

The perception of the foreign policy field (as defined through the perceived and projected Lithuania's relations to those three countries, as mentioned above) can be explained through the concept of the power of proximity. According to the recent research of Jonathan N. Markowitz and Christopher Farris, the states choose to develop power projection capabilities when they face a competitive geopolitical environment. The level of geopolitical competition a state faces is determined by three components: the relative economic power of other states, their geographic proximity, and the degree to which they possess compatible interests.

The level of geopolitical competition is partially a function of the relative economic power of other states in the system. Therefore, the more economically powerful other states in the global state-system are, the greater their ability to invest in military forces that are capable of threatening. Russia, in this case, provides the highest threat to Lithuania (whose small military footprint is compensated by NATO and, more visibly, strengthened through the NATO Enhanced Forward Presence force in Lithuania), as stated by the President.

The geographic proximity of other states and the degree to which they possess compatible or incompatible interests both influence the level of geopolitical competition. Thus, the level of geopolitical competition with Belarus is lower than with Russia due to the compatible interests shared with Lithuania, such as cross-border cooperation and the further engagement with the EU (as part of the EU Eastern Partnership policy). In May, Lithuania blocked the EU-Belarus agreements on partnership priorities leverage influence regarding the Astravyets nuclear power plant. Lithuania demanded Belarus to take into consideration the EU stress test recommendations when finalizing the construction of the Astravyets plant and preparing safety procedures.

Distance influences the degree to which states must consider the interests and capabilities of other states in the international system. Research on military competition and conflict has shown that there is a relationship between geographic proximity and conflict. According to the seminal work "Conflict and Defense: a General Theory" by K.E. Boulding,

as distance increases, relative power decreases, because of the loss of strength gradient. Bruce Russett and John R. Oneal when addressing the interplay between democracy, economic interdependence and international mediation, argued that distance is the most important constraint on power projection. Thus, the countries which are distant from each other are not in geopolitical competition. Thus, a more ambiguous stance taken in relation to China which is separated from Lithuania by ca. 5000 km.

The geopolitical considerations which have been driven by Lithuania's foreign policy led towards the creation of an extensive network of diplomatic representations of Lithuania around the world. The network of diplomatic service coupled with other means of public diplomacy (including the active partition in multilateral relations and international organizations) has helped the country to increase its significance in global politics. It is also reflected in the 2019 Global Diplomacy Index, where Lithuania is ranked as 31st of 36 OECD countries and 47th globally, surpassing many Central and Eastern European countries with exception of Poland (ranked as 19th), Hungary (22nd), and the Czech Republic (29th) which have larger diplomatic services and interests.

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Macedonian External Affairs in 2019

Anastas Vangeli

Introduction

In 2019, the Republic of North Macedonia (hereinafter Macedonia) had a vibrant and eventful year when it comes to its external affairs – even if not all of the outcomes were positive in nature. In the spirit of its previous record, the SDSM-led government further engaged into a pro-active foreign policy, with a clear focus on bringing the country closer to the achieving the strategic goal of double integration of the country in the EU and NATO. The key milestone on the way to realizing this goal was the successful conclusion of the Prespa Agreement, which in practice meant implementing the uneasy task of renaming the country into North Macedonia.

Nevertheless, after Macedonia had indeed successfully underwent the process of renaming, and almost locked in its accession to NATO, it became apparent that there will be additional challenges on its way to the EU. These challenges stem from the broader and quite complex intra-European political divisions (i.e. the attitudes of various EU member states' governments on the issue of EU enlargement). This has complicated Macedonia's external affairs agenda, and forced the government to find solutions for the newly emerging problems, one of them being pursuing closer regional cooperation with Serbia and Albania. At the same time, in 2019 Macedonia had difficulties in maintaining good-neighborhood relations with Bulgaria (i.e. the implementation of the Macedonian-Bulgarian agreement on good neighborly relations from 2017, especially the aspects of it that touch upon symbolic issues and the interpretation of history).

As a consequence, Macedonia also had a very limited focus in its foreign relations in 2019, devoting all of its resources on the neighborhood

and the Euro-Atlantic integration; everything else was completely subordinated to these primary strategic goals. While 2019 was a year of increasing tensions between the big powers and growing uncertainty on the global stage, there was little debate and adjustment of the positions of the government in Skopje – rather, the government was led by the understanding that Macedonia is too small and overburdened with its own problems to care about the big questions. Needless to say, the Macedonian government also did not debate nor produced any global vision, nor policy on issues of global/ transnational relevance, such as climate change or the fourth industrial revolution, nor it tried to adjust to the new trends in international relations, such as the hollowing out of multilateralism and the rise of economic nationalism and protectionism. For the government in Skopje, the world in 2019 remained unchanged – and the government remained fully committed in finding its own place in it, or rather attempting to claim the place Macedonian elites consider to rightly belong to them as part of the West.

Concluding the Name Issue

After a tumultuous political process which included a failed referendum (despite a huge domestic campaign and immense international support) and after the controversies surrounding the poaching of several MPs from the opposition VMRO-DPMNE to support the Constitutional amendments to rename the country (in exchange for more lenient treatment in grand corruption cases), the SDSM-led government managed to pull what had previously seemed impossible – that is to solve the name issue with Greece, while also remaining in power, and having its candidate win the Presidential elections, thereby fortifying its position as a ruling party and consolidating its foreign policy capacities. This outcome seemed even more extra-ordinary if one takes in account the asymmetrical nature of the solution of the name issue – while Macedonia was the party committing to undertaking substantial changes, the final approval of the Agreement depended on the outcome of the voting in the Greek parliament.

To a certain extent, the intentions behind the name change was to restore and improve Macedonia's international standing and the reputation in the eyes of the West. In 2019, this goal was achieved. The renaming of the country was received as a positive news among the international community. The SDSM-led government and in particular former Prime Minister Zoran Zaev and the Minister of Foreign Affairs Nikola Dimitrov won the sympathies of the international commentariat and were praised on a number of occasions for their role in solving the name issue. Zaev was even considered to be nominated alongside his Greek counter-part Alexis Tsipras for the Nobel Peace Prize.

There were more than just symbolic gains for the government in Skopje – the most tangible win came in the form of the ratification of Macedonia's NATO accession protocol by almost all NATO members in the course of the year. However, not all countries managed to ratify the protocol before the December 2019 NATO Summit – so the official accession was moved for 2020. The EU accession process however was more rocky. Although Macedonia won the praise and support by both the European Commission and most of the EU member countries, this did not translate to opening of the accession talks in 2019 (as it will be elaborated below).

While the long-term goal of making the move was to secure the Euro-Atlantic future of the country, the immediate effect of the change of the name was normalization of the relations with Greece. In April 2019, Prime Minister Alexis Tsipras made a landmark visit to Skopje – the first visit by a Greek head of government to the nation's capital. He was accompanied by a large business delegation. The visit was supposed to make a breakthrough not just in terms of overcoming the symbolic conflict between the two sides, but also in unleashing cross-border economic cooperation. Greece committed to support Macedonia's accessions to EU and NATO, and to forge close security cooperation. Soon after the solution of the name issue, Greece also joined the China-led 17+1 platform and announced willingness to cooperate with Macedonia within the Belt and Road framework.

However, Tsipras and his Syriza coalition lost the elections in Greece later in the year, and was succeeded by Konstantinos Mitsotakis of Nea Demokratia. ND had profiled itself as a critic of the Prespa Agreement and initially the Macedonian government feared that this may complicate the cross-border relations. However, while maintaining a critical tone, the ND government in Greece did not renege on the promises made by Tsipras and Syriza – although it was notable that after the government change, there was a significant drop in the Greek enthusiasm for advancing the relationship with Macedonia. Yet, for the government in Skopje, even half-hearted support from Athens in the post-election period was more than sufficient. What Skopje did not foresee, however, was the (re)opening of other questions that complicated its external affairs agenda.

Hurdles on the Way Forward, and Consolation

Once the government solved the name issue, the assumption was that the accession talks with the EU would start as soon as possible. After all, this was also the promise given by a number of high-profile European policymakers on the eve of the referendum on the name change in 2018. However, by Summer 2019 it became clear that there would be further delays down the road. Some voices in the EU were particularly concerned about the question of the rule of law in Macedonia. Moreover, as the enlargement discussion focused on both Macedonia and Albania as a package – while some EU countries found the opening of accession talks with Albania particularly problematic – Macedonia suffered the consequences as a collateral. By Fall 2019, the opposition to the start of the talks with Macedonia was mostly alleviated, and Macedonia was “decoupled” from Albania in the EU enlargement discourse – nevertheless, the French government in particular remained opposed to the idea of opening the accession talks due to dissatisfaction with the methodology of accession talks and the system of oversight. As a result, not even in Fall 2019 Macedonia did not manage to start the accession talks with the Union.

This was a huge blow for the government, which led to the calling of early elections scheduled for April 2020.

Moreover, in 2019, while Macedonia smoothed over the relations with Greece, new cracks emerged in the relations with Bulgaria. After having signed a treaty on good neighborly relations in 2017, Macedonia and Bulgaria embarked on a process of building mutual trust, and solving some of the most contentious symbolic issues, such as the reconciliation of contested historical narratives. However, in 2019 it became obvious that misunderstanding and mistrust persist. After the impasse between the members of a joint commission on the issue of re-interpretation of the national histories of the two sides, there was renewed friction between the two governments. In particular, the Bulgarian Prime Minister Boyko Borisov and some ministers in his cabinet had warned that unless Macedonia embraces a more constructive approach, they are ready to object and problematize Macedonia's EU accession. Fortunately for the government in Skopje, however, the tensions with Bulgaria remained only vaguely hovering over the country's foreign relations, and for now have not led to any tangible consequences.

Not all in 2019 was bad news for Macedonia's external relations. An important development was the launch of the so called Mini Schengen initiative, an effort aimed to facilitate regional integration and cooperation, and in particular to facilitate the free movement of people and goods between Serbia, Albania and Macedonia, with potential expansion of the format to include Bosnia and Herzegovina and Montenegro. The initiative was established in Fall 2019, once it became clear that the EU accession bids of Macedonia and Albania are stalling. Former Prime Minister Zaev had several meetings with his counterpart from Albania, Edi Rama, as well as with the Serbian President Aleksandar Vucic, under the banner of the new regional cooperation platform. It remains to be seen how the Mini Schengen will work out in practice.

Montenegro's External Relations in 2019

Milika Mirkovic

External relations of Montenegro in 2019 was marked by different activities aimed at strengthening Montenegro's relations with other countries and positioning Montenegro in international relations. First of all, the focus of 2019 were activities of strengthening cooperation with neighboring countries and activities in the field of EU integration and achievement of the European path. Montenegro has also worked to strengthen relations with non-European countries, notably China, United States, but also other countries such as Turkey, Azerbaijan, Israel and others.

Montenegro and EU integration

In 2019 Montenegro continued implementation of EU integration policy, implementing reforms and activities that are aimed at fulfilling obligations from negotiating chapters. As it is known, Montenegro is leading EU integration policy. It has been started negotiations seven years ago and European path is priority of Montenegrin strategic policy. Its commitment to EU integration is stressed numerous of times by officials. During the 2BS (To Be Secure) Forum which was organised in May 2019, President of Montenegro, Mr. Djukanovic was emphasized the importance of the EU enlargement for Montenegro and EU see as a stability factor in the Western Balkan. President of Montenegro sent similar messages from the South-East European Cooperation Process (SEECP) Annual Meeting which was held in Sarajevo, assessing that European perspective is the only guarantee that the SEE region can truly be transformed into a zone of peace, safety, security and development which is a fundamental objective of the cooperation process.

However, this year was marked by a slowdown in the EU integration process, not only in Montenegro but also in other countries of Western Balkan region. In this regard, on some events and forums Montenegrin President has stressed the concern of slowing down the enlargement process. During 2019, it was expected that Montenegro would open the last unopened chapter (Chapter 8: Competition), but that did not happen.

An important issue for EU integration were the election results for the EU Parliament. In fact, that elections were one of the most important events this year in relation to the further direction of the EU's development and its strategic path. Very important message from this Western Balkan Summit 2019 which was held in Poznan in Poland in July 2019, was that enlargement policy will remain one of the priorities of the next European Commission and many European officials have supported EU enlargement policy.

However, the debate of European leaders and the passing of views on the integration of the Western Balkan countries into the EU marked the previous period. The most vocal in opposing and slowing down the integration process was French President Emmanuel Macron. Due to disagreements within the EU, enlargement remained unresolved and unclear, although in principle further enlargement of the EU to the Balkan countries stands. Formal support for EU enlargement policy was also indicated at a meeting of the Council of Ministers of General and European Affairs in November 2019. This debate on enlargement policy, i.e. discussions on reform and improving the EU accession process, is expected to continue next year.

In addition to EU integration policy, another important determinant of Montenegro's "external relation policy" was to maintain good neighborly relations. Actually, as in the previous period, so in 2019, Montenegro has had very good bilateral relations with all neighboring countries. It is of great importance for the preservation and long-term peace and stability of the region. In relation to that, Montenegrin officials had different bilateral meetings with officials from other regional countries. Positive thing is presence of countries' readiness to further strengthen cooperation and

willingness to share experiences with each other in order to achieve progress of whole region. In relation to EU integration and security in region, Montenegro as other Western Balkan countries had participated to different events and summits organized during 2019.

One of the issues that have been risen in 2019 was initiative “Mini Schengen”. Namely, in relation to strengthening regional cooperation and connection, the initiative for the creation of "Mini Schengen" was launched by Serbia, Albania and North Macedonia. However, Montenegro rejected the possibility of joining the Mini Schengen initiative in November 2019, taking into account that Montenegro has already opened its borders since that it signed various declarations and agreements which prescribes free movement of people, capital and goods in terms of conditions defined by this initiative. Also, Montenegro does not have open issues with any of the countries in the region, especially not with the countries that initiated “Mini Schengen”.

Excellent relations between Montenegro and China

During 2019, Montenegro continued to strengthen relations with China in different fields. Relations between these two countries are continuously improving. Such as statement shares both sides, Montenegrin President and Prime Minister and Ambassador P.R. China to Montenegro. Namely, H.E. Ambassador P.R. China Mr. Liu Jin at celebration of “the 70th Anniversary of the People’s Republic of China” which was organized in Podgorica at the end of September 2019, pointed out improvement of relations between Montenegro and China that are currently at their highest level ever. Also, H.E. Ambassador P.R. China stressed that since the establishment of diplomatic relations, both countries cultivate the principle of mutual respect, promote equality in their relations and political trust. In addition to diplomatic relations, confirmation of friendship and good relations could be seen through cooperation and involvement of Chinese companies in implementation of important infrastructural projects in Montenegro such as construction of highway Bar - Boljare and wind farms at Mozura. On this occasion, President of Montenegro, Mr. Djukanovic

indicated the readiness of Montenegro to continue further deepening the interstate cooperation and trust and friendship between Montenegro and China and expressed his agreement with the President of P.R. China, Mr. Xi Jinping, who had earlier indicated the strengthening of trust between two countries and the advancement of cooperation between them. In addition to the above, gathering a large number of state officials and representatives of Montenegrin society from different spheres, and presence of the Prime Minister of Montenegro and congratulations of the Montenegrin President to the anniversary celebration ceremony present additional confirmation that China has a significant place in Montenegro's development policy and that China is appreciated by Montenegro.

Participation of Montenegrin representatives to the events which have been organized during 2019 with aim of strengthening cooperation between European region and China is also of the great importance for the relationship between Montenegro and China. One of the events that Montenegro took part in was “16+1 Summit” which was held in Dubrovnik in April 2019. Since the establishment of Mechanism 16 + 1, Montenegro is actively participating to the initiative. Involvement in it is of the great importance Montenegro, given that areas of cooperation under this initiative are in line with Montenegro's strategic goals and policy, such as improvement of infrastructure, tourism, agriculture, direct foreign investments and energy development. Participation of Montenegrin delegation to this year event, headed by Prime Minister of Montenegro Mr. Markovic primarily contributed to the continued good bilateral relations between Montenegro and China, but also presented good opportunity to strengthen the relationships between Montenegro and other participants to the initiative.

Other events organized during 2019 are also important for Montenegro, such as “The 21st EU-China Summit” and “The second Belt and Road Forum for International Cooperation“, although Montenegro did not participate directly to them. Since that Montenegro conduct European integration policy and focused policy on joining the EU, it is important to follow the strategic cooperation between the EU and China. So, it is

important to be informed and actively involved in defining the trade cooperation platform and, accordingly, to adapt and define future directions and development policies. Also, the following developments within the Belt and Road Initiative are also considered to be of great importance and provide excellent opportunities for Montenegro, given its geographical position, exit to the Adriatic Sea and therefore the potential of the Montenegrin port, as well as potential of highway which is currently constructing.

Strengthening relations between Montenegro and United States

One of the important events regard external relations of Montenegro were visits of US officials. Namely, in October 2019, Secretary of State of the United States of America Mr. Mike Pompeo visited Montenegro. US Secretary of State's had meetings with President and Prime Minister of Montenegro, and both sides saw that visit as a confirmation of the long-standing relations between Montenegro and US. This, but also visit of Vice President of the United States, Mr. Mike Pence two years ago, indicates the importance of Montenegro as a partner in this part of Europe.

Strengthening US diplomatic relations with the Western Balkan countries and appointing a Special Envoy from the State Department for the Western Balkans to deal only with issues in the Balkans is a signal that the US plans to be more present and active in this region, compared to the previous period. In this regard, US could support and contribute to the EU integration of all countries in the region, so their presence seems to be of the great importance. Prime Minister of Montenegro saw the strategic importance of the presence of both the US and the EU in the Western Balkans.

Poland's Foreign Policy in 2019

Joanna Ciesielska-Klikowska

In recent years the Polish-American relations have been developing faster than usual. In the opinion of Polish authorities, Donald Trump's assumption of the office of president in 2017 created favourable conditions for the development of bilateral cooperation. Relations between the two countries have always been extremely important for Warsaw, but for none of the previous ruling teams - both the government and the president - these relations did constitute such a strong foundation for creating a comprehensive foreign policy as for the PiS government under Prime Minister Mateusz Morawiecki, and the President Andrzej Duda. The year 2019 brought confirmation of this assumption, because it abounded in significant decisions, summit meetings and declarations that will result in the intensification of Polish-American cooperation on many levels. What is significant, these relations are also very well evaluated by Polish citizens, who in their majority (53%) perceive Washington as Warsaw's most important partner.

Looking back over the past twelve months, it must be admitted that the year 2019 was very successful in terms of Polish-American affairs. The relationship with the United States was raised in public debate first of all by the Middle East conference, organized in Warsaw on February 13-14, in which high-ranking American administration representatives - Vice President Mike Pence and Secretary of State Mike Pompeo - took part. The topic of two-day discussions among the representatives of over 60 countries was the general security in the Middle East, although the most important issues were Iran and the war in Yemen and Syria. After the summit, its value was emphasized in terms of building a new political climate for

security talks in the Middle East. At the same time, however, the absence of many essential politicians as well as the deepening divisions were pointed out, due to the sharp and explicit foreign policy of the USA towards the EU and its selected member states as well as Muslim countries and Israel.

2019 was also a special year for historical reasons - Poland and the USA celebrated the 100th anniversary of establishing diplomatic relations. Moreover, the celebration of the 80th anniversary of the outbreak of World War II, and the first partial-free parliamentary elections in 1989 were recognized as key diplomatic events. They constituted the framework for conducted conferences, seminars and meetings, of which the most important were summits of leaders of both countries, that resulted in many important and future-oriented decisions.

Duda - Trump meeting in June 2019

Indeed, Presidents Andrzej Duda and Donald Trump met twice in 2019 - first in Washington, DC, in June, then in September in New York. As a result of the visit to the White House in spring (June 12-18), President Andrzej Duda and President Donald Trump signed a “Joint declaration on defence cooperation in the presence of the United States of America armed forces on Polish territory”. According to this document, the US plans to increase its current military presence in Poland. In the near future, this permanent attendance is expected to increase by about 1,000 soldiers (around 4,500 US soldiers are currently stationing in Poland). Declaration states moreover, that Poland plans to provide and maintain jointly agreed infrastructure for the initial package of additional Polish-American projects, without costs for the United States and taking into account the planned level of its use by the US Armed Forces.

As President Duda emphasized, “this declaration about further cooperation in the field of defence and the US military presence in Poland was a breakthrough one”. In addition, the Polish head of state declared Poland’s readiness to purchase 32 multi-purpose F-35 combat aircraft.

During the state visit to the USA, apart from his wife Agata Kornhauser-Duda, the president was accompanied by a large delegation of

ministers and high-level officials, who also signed contracts, including of an economic nature and home affairs. Talks were held i.e. on the situation in Ukraine and energy cooperation. The result of the dialogue in this matter was the signing, negotiated in the preceding weeks, of an agreement between the Polish PGNiG group (Polskie Górnictwo Naftowe i Gazownictwo - Polish Oil and Gas Mining, the largest Polish company dealing with exploration and extraction of natural gas and crude oil) and the American company Venture Global. It provides for the delivery of further batches of LNG to Poland. According to the contract, PGNiG will import 3.5 million tons of gas annually from Louisiana terminals (for USD 8 billion). A memorandum of cooperation in the field of civilian use of nuclear energy and an agreement on strengthening cooperation in the field of preventing and combating serious crime were also signed.

An extremely important declaration for Poles was also made during this state visit - the American president expressed hope that Poland would join the visa-free travel program very quickly, which the country has been unsuccessfully seeking for decades. As Trump stated, “perhaps this will happen in the next 90 days; we want Poland to belong to this elite group.” President Duda complimented on the other hand, that “this is the first American administration to approach the issue of visa waiver for Poles in such a serious and such a comprehensive manner.”

For the Polish President, the exceptionally long, 6-day visit to the USA, was an “absolutely strategic visit” in which both the political and economic components discovered a key role. In fact, it was indeed a visit of great importance, also in the context of the security of the entire region of Central and Eastern Europe, which was emphasized in the following days by the leaders of the Visegrad Group countries and the Baltic states.

Duda - Trump meeting in September 2019

For the second time this year, both presidents met in New York (September 23), during the 74. UN General Assembly session. Both heads of state signed then a “Joint declaration deepening the Polish-American military cooperation”.

Based on the “Joint declaration” signed on June 12, 2019, Duda and Trump decided to continue work on a plan to strengthen military ties between Poland and the United States, as well as US defence capabilities and deterrence in Poland. In the new memorandum Poland and the United States have agreed locations for the planned increased US military presence:

- the city of Poznań was designated as the headquarters of the Advanced Division and a support group at the theater of the United States Land Forces;
- Drawsko Pomorskie was selected as the headquarters of the Combat Training Center for joint use by the Armed Forces of Poland and the United States;
- Wrocław-Strachowice has been designated as the headquarters of the United States Air Force loading and unloading base;
- Łask was chosen as the headquarters of the squadron of remotely controlled aircraft of the United States Air Force;
- Powidz was nominated as the headquarters of the air combat brigade, the battalion of combat logistics support and the special forces facility;
- and Lubliniec was designated as the lodging of another special forces facility.

In addition, Poland and the United States decided to conduct an extensive dialogue on the most suitable location in Poland for the armoured brigade combat group. These discussions are still ongoing, reflecting close operational and strategic cooperation between Poland and the United States.

Both presidents reaffirmed moreover their shared will to pursue international agreements and arrangements necessary for the implementation of increased cooperation in the field of infrastructure and defence cooperation, including the improvement of the functioning of the United States Armed Forces in Poland, which should further strengthen bilateral partnership and the security of the North Atlantic Treaty area.

Referring to the important issue of visa waiver for Poles, Trump admitted during a press conference with President Duda, that “it will be

possible in a very short time, as all data will be confirmed.” He added that the visa issue should be completed within a few months. “You can tell your compatriots in Poland and the United States that President Trump has succeeded, and no one else has succeeded in that issue before” underlined the American President.

Visa waiver for the US

Indeed, in less than two months since the New York meeting of both leaders, on November 6, 2019, the Ambassador of the United States in Poland, Georgette Mosbacher announced that the US abolishes the visa requirement for Poles.

On that day, the US President signed the document authorizing Poland to join the American Visa Waiver program - today this program covers 38 countries in the world, mainly European. Their citizens do not need to obtain an entry visa to the USA, but must register with the special Electronic System for Travel Authorization (ESTA) prior to departure to the United States. Poland has applied for admission to this program for almost 30 years, but the percentage of visa refusal rate was for many years too high (over 3%), which made Poles not eligible for the program. Starting from November 11, 2019 – exactly on Polish Independence Day and the 101st anniversary of regaining sovereignty by the Polish state - Poles have achieved the right to go to the United States for tourist or business purposes for 90 days without the need to obtain a visa first.

This decision, in diplomatic and social terms, was of great importance. It underlined the weight of the Polish-American partnership, so favored by the current ruling team. Secondly, it indicated that Poles are no longer “second-class” citizens and can enjoy the same rights as citizens of Western countries. The decision was also of great significance to the American Polonia (the 10 million Poles currently living in the USA), who appreciate President Trump’s gesture and the efforts of the Polish administration. This decision also emphasized the alliance that connects both countries on many levels.

In a practical sense, however, joining the Visa Waiver Program does not mean, that every Pole will definitely enter the US. The decision will be

made by a US immigration officer at the airport or port during passport control.

Conclusions

To sum up the bilateral relations, it should be stated that in fact 2019 brought them a great revival - the meetings of both presidents were a clear example of this. Undoubtedly, visa waiver for Poles who want to go to the USA for 3 months has also become key moment in a symbolic sense.

At the same time, despite all the declarative sphere, America remained very difficult partner for Poland. In general, the successes of President Duda himself and the PiS government in terms of security policy, are rather moderate. Of course, in the current geopolitical situation - the reviving Russian imperialism and the internal crisis of the European Union - it is difficult to overestimate the importance of the presence of NATO troops on Polish territory. It is also difficult to overestimate the importance of the alliance with the US for Polish national security. That's why, the planned visit of Donald Trump to Poland on the 80th anniversary of the outbreak of World War II (September 1) was to confirm the effectiveness of PiS diplomacy and the idea of the ruling party for international politics. It has been speculated that decisions about the building of the so called "Fort Trump" in Poland will be made. Nothing happened, however, because the visit to Poland has not been realised, and both leaders met only three weeks later in New York.

In the same period it also turned out that American investments in Poland would be frozen – it's about investment projects worth over USD 130 million that were to be created as part of the European Deterrence Initiative (i.e. the ammunition depot, barracks and the aviation fuel depot at the Powidz airport). The freezing of these investments results from Trump's decision to use USD 3.6 billion for the construction of the wall at the Mexican border from the Pentagon budget originally allocated to other projects. Despite the declared strategic alliance between Washington and Warsaw, Poland (after Germany, Japan and Great Britain) is the fourth country in terms of the value and the number of frozen American investments.

In fact, by isolating from Western European allies (which was repeatedly pointed out to Warsaw in Berlin, Paris or Brussels), the government of Mateusz Morawiecki and President Duda himself put everything on the alliance with the US and de facto found themselves at the mercy of President Trump. Clapping the ego of the American president managed to get i.e. promises regarding the increased presence of American troops in Poland.

Yet, when it comes to negotiating the conditions under which Trump's promises are to be fulfilled, the current Polish authorities are not doing so well, what means that these talks can cost Poland a lot - both financially and politically. Time will tell if the commitments, projects and plans made in 2019 can be realized for the benefit of both countries - not only for the United States.

Romania's External Relations in 2019

Oana-Cristina Popovici

In the external field, major developments in Romania this year were focused on the relationships with the three major partners: EU, USA and China. In the first semester, Romania was at the helm of the EU Council and managed to carry out the Presidency despite unfavourable circumstances, both internally and externally. In relationship with NATO, it managed to obtain promises for the improvement of security in the Black Sea region, while the strategic partnership with US was strengthened by the adoption of a Common declaration. The collaboration opportunities with China were enhanced following participation in international fairs, economic missions and the commitments of the high officials in the two countries to develop cooperation projects, enhance bilateral trade and investments.

2019 was a challenging year for the external policy of Romania in the view of the Presidency of the EU Council which was assumed in the first six months, under the motto “Cohesion as a common European value”. The mandate was successfully accomplished despite the unfavourable circumstances, both internally and externally. The internal turbulences were drawn especially by the problems in the justice field that attracted serious warnings at the head of the EU for Romania, disagreements between the President and the Government usually on the same topic of justice, the tense relationship between the ruling parties in Romania and their European political family. Externally, the activity was carried out in an extremely intense period which ended earlier than usual, given the electoral campaign and the elections for the EU Parliament, in mid-April. The first Romanian Presidency of the Council of the EU managed to adopt 90 legislative files during the first 100 days, following the end of mandate

of both the Commission and the Parliament. Therefore, the effectiveness in reaching the consensus among the Member States and in managing to carry out a very good mandate on the technical, bureaucratic side was highly appreciated, although critical voices asserted that there was no topic of European politics to be explicitly assumed, as in the case of Estonia's digitisation or Bulgaria's support for EU extension.

The Europe's Day on the 9th of May was celebrated this year at Sibiu, Romania hosting the first EU summit on Europe Day. The summit was meant to point toward the re-launch of the European Project, putting an end to the previous discussions on multi-speed Europe, or a Europe divided into "core" and "periphery" countries. "The Sibiu spirit" drew the EU leaders promise to defend Europe as a whole, to stay united and to show solidarity in difficult times. It was followed by the adoption of the EU Strategic Agenda 2019-2024 on the 21st of June, ensuring the protection of the European way of life in a world undergoing rapid changes, and fully reflecting the ten commitments made by the EU leaders in Sibiu.

The results of the European Parliament elections in Romania restated the pro-European attitude of the citizens, as the elections were won by the National Liberal Party (NLP), the main opposition party which had an electoral campaign orientated towards supporting the EU project. The ruling parties showed a more pronounced attitude against the EU, pushing on nationalist messages and Euroscepticism. Their attitude was influenced by the criticism of the EU institutions in the Country Report or the Cooperation and Verification Mechanism report, which insisted that the ruling coalition was in contradiction with the EU core values. The message of the population was clear, as the turnout rate reached 49.02%, a record as compared to previous similar events. In addition to this, the results of the referendum in the justice field, which were organized at the request of the President Iohannis in the same day, rejected the ruling coalition's changes to justice laws and confirmed the consistency with the EU requests for respecting the rule of law.

However, Romania failed to access the Schengen area, although the presidency was successful. The EU representatives declared several time

the intention to integrate Romania into the Schengen Area until the replacement of the Juncker Commission, but the aim was not achieved yet. In the meantime, the EU Commission approved Croatia's accession to the Schengen in October and the endorsement of all the Member States is expected. Romania has been waiting for eight years to enter the Free Movement Area. Even if the technical criteria are met, Romania still has work to do on gaining the trust of the other Member States, as France and the Netherlands have opposed the abolition of controls on Romania's borders with other Schengen member states, mainly due to corruption and violation of the rule of law. Romania is still monitored for the evolution of corruption and judicial reform under the Cooperation and Verification Mechanism and there are no recent signs that this oversight will be withdrawn.

After the EU elections, Laura Codruța Kovesi, the former chief of Romania's National Anticorruption Directorate, was appointed the first European Chief Prosecutor, following a strong support of the EU representatives. Since the beginning of the year, Romania had witnessed her unexpected raise for this position, given the objections of the Government in Romania and her dismissal by the Minister of Justice in 2018. Moreover, her candidacy has been on the verge of being blocked. As the European Chief Prosecutor, her main duties are to organize the European Public Prosecutor's Office (EPPO) activity and to represent it in relation with EU institutions, Member States and third countries. The EPPO's Central Office is expected to be operational in 2020.

The cooperation with NATO made important steps since the beginning of the year, once with the participation in the Summit of the Bucharest 9 Format in Slovakia. At the celebration of the 70th anniversary since the creation of the North Atlantic Alliance and 15 years since Romania's accession, the discussions were focused on topics related to the security situation in the Black Sea region, tackling hybrid threats and strengthening resilience, enhancement of the allied presence, the support for the Eastern partners and for the Western Balkans. A matter of interest

for Romania – the package of measures for Black Sea, in the view of strengthening the presence of the Alliance on the East Side – was adopted in April. During the EU Presidency, Romania's efforts were channelled towards enhancing the collaboration between the EU and NATO in the security field. At the recent Summit in London, at the beginning of December, President Iohannis supported the reconfirmation of NATO unity and cohesion, hoping in an enhancement of the security in the region. The speech he delivered at the 74th session of the United Nations (UN) General Assembly in New York emphasized again the concerns in three hot areas in Romania: the climate change, the conflicts around the Black Sea region and the fight against terrorism. Important news for Romania was the appointment of Mircea Geona, former President of the Romanian Senate, Foreign Minister, and Romania's Ambassador to the United States, as the Deputy Secretary General of NATO.

The meeting with the US President, Donald Trump, in August, was a mean for strengthening the Strategic Partnership with US. The two Presidents signed a Common declaration which sets the agenda for bilateral relations in the future. Among the main provisions, the two countries assumed to work together to respond to security challenges and expand the partnership in the economic and energy field. US reiterated its commitment for the defence of the Black Sea region and supports Romania in the fight against corruption. However, Romanians are among the few Europeans who needed visas to enter the US. Although the Common declaration highlights the US support for Romania's efforts to become eligible for entry into the Visa Waiver Program in accordance with the requirements of US law, no clear terms for visa-free travels were indicated.

At the 70th anniversary of People's Republic of China, the two countries also celebrated 70 years of diplomatic relations between the two states, as Romania was the third country that recognized the proclamation of the People's Republic of China, on October 5, 1949. Romania affirms its willingness for cooperation and enhancement of projects in areas of common interest, strengthening the bilateral economic relations in

investment and foreign trade fields, and capitalizing on the opportunities provided under the “17 + 1” format of cooperation.

During this year, such collaboration opportunities were enhanced.

Romania participated in the second China International Import Expo event and organized a larger economic mission on the margin of the international fair which took place in November, promoting the organic food and beverages in the Asian area. The trade with agricultural products could be further enhanced, as the two countries assumed increased cooperation in the field of agricultural technology and industry through the inauguration of the Scientific and Technological Park for Agriculture China-Romania in May this year.

The economic missions for establishing direct contacts between businessmen in China and Romania were assessed as good solutions for enhancing bilateral trade. In fact, several business meetings were organized by regional Chambers of Commerce during the whole year in different provinces in China or Chinese specialists were invited to deliver speeches in the view of preparing Romanian companies for the requirements of the market.

On the political dimension, Romania participated at the China-EU summit in April, and at the 16+1 summit in Dubrovnik, Croatia. Each time, high officials representing the two countries have expressed their commitment to pursue the political dialogue and the cooperation projects. Among the main concerns there is the need to improve the situation of the high commercial deficit between the two countries, as this issue was several times addressed between the official of the two countries.

Following positive developments between China and Romania, China strengthened its presence in the banking sector by opening a branch of Bank of China in Bucharest, in December this year. The Agricultural Bank of China has also notified the National Bank of Romania that it intends to provide direct service in Romania and made the fiscal registration during this autumn.

Retrospective of Serbia's Foreign Policy Developments in 2019

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Abstract

Assessing the possibility of being left in the EU waiting room for prolonged period of time, Serbian government has once set forth four pillars of foreign policy orientation, encompassing EU, USA, Russia and China. In this regard, the year 2019 has been remarkable. Bilateral and multilateral relations and cooperation agreements have been pursued, both in the West, as well on the East. Furthermore, Serbia has been devoted to its politics of military neutrality since 2006. Although the country joined NATO's Partnership for Peace program in 2015, it has no intention of becoming NATO member state reflecting resentment among Serbian general public over the Western military alliance's bombing campaign in 1999. Can this realistic, even pragmatic, foreign policy approach be sustained in the era of major global uncertainties?

The year 2019 has begun in a rather proactive manner in Serbian foreign policy domain. Russian President Vladimir Putin visited Serbia on January 17th. Last year has witnessed 180 years since the establishment of diplomatic relations between Serbia and Russia. Valuable jubilee was celebrated by various academic and cultural events, with the main event being the Russia President visit to Belgrade. Mr Putin has stated that "Russia, like Serbia, wants the situation in the Balkans to remain stable and safe". His statement was interpreted as directed towards the biggest political challenge Serbia has been facing since 2008 - the self-declared independence of its southern province of Kosovo and Metohija. Among Serbian public Russia is generally seen as traditional ally, since strong

religious, historic and cultural ties are shared between two peoples. Also, during Mr Putin's visit important cooperation agreements were signed in the field of energy policy, economy, technological development, innovation, military cooperation, education, science, etc.

Every March Serbia honours painful anniversary. Two decades have passed since NATO bombing campaign on Serbian soil in which more than 2, 500 lives were lost. On March 23rd international conference was organized in Belgrad in which distinguished scholars from fourteen countries took part and expressed their views on the issues discussed. There is more understanding and support for Serbia's ongoing diplomatic battle to restore main principles of international legal system, breeched by NATO aggression. Arguably, the global shift towards multipolarism followed by the realisation that dangerous precedent has been made, resulted in number of countries withdrawing the recognition of Kosovo as an independent state, the trend that is likely to continue in the future.

Following month, in the aftermath of China-EU Summit in Brussels on April 9th, a 16+1 Summit (the 8th Summit of Heads of Government of Central and Eastern European countries and leaders from China) was held in Dubrovnik, Croatia. For the occasion, Serbia was represented by Prime Minister, Ana Brnabić. Speaking at the opening of the forum, she emphasized the fact that Serbia remains at the top of the list of countries with the largest number of jointly implemented and contracted infrastructure projects with China. To name just a few: purchase of the Smederevo Steel Factory, Milos Great Highway, high-speed railways to Budapest, Belgrade- Borca Bridge, etc. Although, according to the European Commission statistics, the EU is still the biggest trading partner and a leader in terms of overall direct investments in the region of Western Balkan. China has been on a level with EU in terms of infrastructure-related spending. According to H.E. Ms Chen Bo, Ambassador of People's Republic of China to the Republic of Serbia, current Chinese investments in Serbia are over 10 billion dollars. Both countries are interested in pursuing even closer bilateral relations based on mutual interests.

When it comes to European policy towards the Western Balkan region, the end of April was marked by the intention of French and German duo to position themselves as genuine representatives of common European initiatives. The meeting held in Berlin under the coordination of German Prime Minister Angela Merkel, and French president Emmanuel Macron, was perceived as an attempt to push forward the political dialog about the status of Kosovo from the current standstill. It has not been possible to restore the dialogue since authorities in Priština imposed the 100 percent taxes on products originating from Serbia and Bosnia and Herzegovina. Due to apparent lack of progress on the pending issues, the summit in Paris scheduled for July 1st was cancelled. French President visited Serbia on July 15 and 16. With Serbian counterpart, Mr Aleksandar Vučić possibilities for deepening political and economic cooperation, facilitation of Kosovo dialogue, and perspective of Serbia, as well as the whole region of Western Balkans joining the EU were discussed. Concerning EU enlargement prospects, Macron has once again confirmed his hard line attitude regarding possibility of further enlargement happening only after EU has reformed itself, framing it as “sincere position”. Arguably, one of the indicators that his stand about postponing acceptance of new members for the time being has prevailed is the fact that the start of the membership process, i.e. opening of negotiations for Albania and North Macedonia, was recently blocked in the European Council.

This fall was in many ways important for Serbian-Russian relations. On October 19th Russian Prime Minister Dmitri Medvedev visited Belgrade. He attended celebration of the 75th anniversary of joint Soviet-Yugoslav liberation of the Serbia’s capital city from Nazi occupiers. Russia’s support for peaceful solution for Kosovo, in accordance with UNSC Resolution 1244 has once again been restated. Two important political breakthroughs came following Medvedev’s visit. By the end of the month, a free trade agreement with Eurasian Economic Union (EAEU) has been signed. The former agreements between Serbia, Russia, Belarus and Kazakhstan had to be replaced by a new, more comprehensive agreements, now signed by Serbia with the entire EAEU that now also includes Armenia and

Kyrgyzstan. By closely cooperating with Russia led economic block, Serbia aspires to facilitate stronger economic ties worldwide and increase its market presence, which would eventually result in stronger economic output. In reaction to Serbia's deepening economic ties with the post-Soviet region, EU officials indicated that while Serbia can enter into different free trade agreements like the one abovementioned with the EAEU, they all must be cancelled once the country becomes an EU member. Furthermore, a joint Russian-Serbian Tactical Exercise under the name of "Slavic shield 2019" was carried out in Serbia on October 24-29. Two Russian anti-aircraft systems have been deployed to Serbia, one of them being advanced S-400 missile defence system, and the second one being a Pantsir anti-aircraft gun and missile system.

As the end of the year was approaching, Serbia's foreign policy activity was in great part directed towards regional cooperation opportunities. Ambitious and potentially far-reaching initiative labelled "mini-Schengen" after the EU's borderless zone, that could eventually establish the freedom of movement of goods, services, people and capital among the Western Balkan partners, draw more attention. Serbian President Aleksandar Vučić, along with Prime Ministers Edi Rama of Albania and Zoran Zaev of North Macedonia, met a few times to consider the creation of regional free transit area which, if put in place, is expected to generate economic growth and more foreign investments. Aspiration is that remaining partners from the Western Balkans, at their will, would join "mini-Schengen" initiative. Nevertheless, it should be stated that Schengen Agreement came into force, only after Common European Market was established. Encompassing its four freedoms it is still considered as an avant-garde of intergovernmental relations. It remains to be seen whether abovementioned ambitious goals that could have profound consequences on the development of regional affairs burdened with problems of the past, would be translated into political reality. Depending on an ever evolving regional and European affairs, advancing regional fora can be perceived, either as a sort of EU membership preparation, or as a way of improving each country's position in terms of economic development.

Conclusion

In the year 2019, Serbia has maintained credible accession negotiations commitment, the proof of which has been the opening of new negotiation chapters. Partly due to EU's own detour towards internal consolidation, and partly due to the lack of progress in implementing the rule of law reforms and safeguarding media freedoms, the country's European path has definitely been moving at a slower pace. Notwithstanding, valuable agreements have been reached and existing partnerships have been straightened with important international actors. In sum, having in mind broader political and economic perspective in which European integration has been unfolding during the last few years, Serbia needs to take care of its own best interests. Above all it means forging different cooperation models with friendly countries like China and Russia, which are supportive of Serbia's national interests.

Review of External Relations of Slovakia in 2019

Juraj Ondriaš

The foreign policy of the Slovak Republic in 2019 was conducted under the shadow of increasing polarization of the domestic political scene. While the main political cleavages are domestic, this division also influences specific foreign policy issues. As a consequence of the increased polarization in Slovak politics, two broad political camps seem to have formed with specific views on foreign policy. On one side is the staunchly pro-Western camp, formed by centrist and center-right parties, and comprising progressives, liberals, Christian democrats and moderate conservatives. This camp is more ideological than the second in its largely favorable attitude toward the EU and NATO, and is hostile to other global centers of power such as Russia and China, or to opinions suggesting alternative forms of European security architecture. The other camp is composed of conservatives, populists and nationalists, and is generally right wing. The stance of the members of this camp is more pragmatic (as they would put it) or populist (as their rivals would call them). While their formal attitudes towards the EU and NATO range from lukewarm to hostile, their commonality which brings them together is seen in practical politics. Parties of this camp present themselves as the defenders of Slovak sovereignty and traditional values, against what they see as interference by the liberal Western elites trying to change the continent under a progressive and homogenizing agenda, thus erasing national specificities and values. They are also more open to developing good relations to the alternate global centers of power, due to a pragmatic desire to develop economic cooperation. This camp is somewhat surprisingly even supported by elements of the radical left, as they see a shared enemy in Western liberalism. Yet while the right wing is focused more on the perceived threat of liberalism on traditional social values, the radical left is more critical of economic liberalism – although elements of the radical left are adopting

conservative views on social issues as a negative reaction to what they see as Western influence. It is also the expression of a trend whereby the radical right is adopting pro-welfare left-wing economic position, thus bringing both ends of the political spectrum closer together.

This is of course a simplified analysis of the situation; it would be more accurately seen as a continuum – even the pro-Western parties criticize the EU on certain issues such as mandatory migrant quotas or suggestions for a larger role of the EU in European Security to the detriment of NATO. However, such a development is in line with the growing theory among political scientists that the main political cleavage in the future developed world be not be the traditional one between left and right, but rather one between internationalists and nationalists, based on issues such as globalization, migration and regional integration. Whether or not such an evolution will actually take place, the Slovak experience seems to be trending in that direction. In the Slovak case, such a division actually goes back to the 1990s, the first decade of democratic politics in Slovakia after the end of the Cold War. This was the era of Prime Minister Vladimír Mečiar, who headed a coalition government of nationalists and populists of the right and left. Opposed to him was a coalition of pro-Western and liberal parties of the center-right and center-left. This political divide thus transcended the traditional left vs. right divide seen in the Western world, and it had a great impact on the political consciousness of Slovaks. It does however to a certain extent copy the cleavage between the winners (the internationalists) and losers (the nationalists) of the economic transformation from a socialist command economy to a capitalist market economy. Anyway, the polarization along this nationalist vs. internationalist cleavage has gotten worse in recent years, which was also true of 2019. This polarization, as well as politicizing of foreign policy, was exacerbated by the fact that 2019 was a pre-election year, with parliamentary elections set for February 29th, 2020. It was also the year of presidential elections in March and elections to the European Parliament in May, as developed below.

Poised between these two camps is the country's largest party, the center-left Smer-SD (Smer – sociálna demokracia / Direction-social democracy), which is the dominant party in Slovakia, having been in government (always as the leading party) for 12 of the last 14 years, excluding a two-year stint in opposition in 2010-2012. Although identifying itself as a standard social democratic party in the European mold, it is rather conservative on many social issues, and could be better described as a party of left-wing nationalism. Smer-SD does declare itself to be squarely in the pro-Western camp, but in practice it also relies on the populist rhetoric of the protection of national sovereignty and traditional values, as well as pragmatically developing relations with non-Western powers. Such an attitude by a center-left ostensibly "social democratic" party can seem odd, since elsewhere in Europe such parties tend to be progressive and among the most pro-EU parties. The difference in Slovakia can be explained by the fact that Western-style progressivism or left-wing liberalism has never been a strong political current in Slovakia, which has led Smer-SD to adopt more socially conservative or populist positions in the area of cultural policy to gain the support of the rural working class, which tends to be more socially conservative. Yet the pragmatism of Smer-SD is shown in the fact that when it comes to practical decisions as opposed the rhetoric, it tends to act in line with the EU and NATO consensus. Therefore, while Smer-SD is often more in line with the nationalist camp when it comes to domestic political issues, in the execution of foreign policy it is more aligned with the pro-Western camp. Therein lies its image of a moderate and pragmatic (its rivals would say populist) party, which enabled it to build a broad coalition of voter support. Significantly, Smer-SD has also been in charge of the Ministry of Foreign and European Affairs during its entire time in government. In general, the foreign policy establishment is unequivocally pro-Western, and the grip of Smer-SD on this portfolio shows that it is comfortable working with this establishment.

This polarization and politization of foreign policy was shown to an extent in the run-up to the presidential elections, which took place in March of this year. Out of several early candidates, the pro-Western camp

coalesced around the progressive politician Zuzana Čaputová from the PS/SPOLU (Progresívne Slovensko & SPOLU / Progressive Slovakia & Together) coalition. Meanwhile, Smer-SD chose the Slovak European Commissioner, Maroš Šefčovič. These two became the main contenders who eventually faced each other in the second round of the election. Šefčovič is a professional diplomat and a firm supporter of Slovakia's pro-Western orientation, showing the similarity between Smer-SD and the liberal internationalist camp when it comes to foreign policy. This meant that the election was fought almost exclusively on domestic issues. However, while Čaputová followed the pro-Western ideological line faithfully, Šefčovič and his parent Smer-SD party tried to gain the votes of the nationalist and traditionalist camp by criticizing the EU over the migrant quotas, and its liberal LGBT and gender policies, as well as criticizing Čaputová over her adherence to these policies. This demonstrates the populist strategy of Smer-SD of trying to win votes from both camps. Yet it was a controversial attempt on the part of Šefčovič and Smer-SD, not least because as European Commissioner Šefčovič had advocated the liberal EU consensus (which he had to, as the Commission must present a united front). It led to accusations of opportunist flip-flopping and was not very successful at gaining the right-wing vote. The fact that both frontrunners were more-or-less in the pro-Western camp left the field open for a candidate from the opposite camp, and this space was taken up by the eventual third and fourth -place finishers, the populist conservative Štefan Harabin of the Vlast' (Homeland) party and the extreme nationalist Marián Kotleba of ĽSNS (Ľudová strana Naše Slovensko / People's Party Our Slovakia). If the results of these two were taken together, the resulting total would have been enough to push the right-wing candidate of this camp into the second round against Čaputová, displacing Šefčovič. This is another example of the growing divide between nationalists and internationalists in the approach toward foreign policy.

Once in office, President Čaputová fulfilled expectations by conducting presidential foreign policy in a manner consistent with her pro-

Western beliefs. For example, her first relevant foreign visit, following a courtesy visit to the Czech Republic, was to Brussels, to meet with the secretary general of NATO Jens Stoltenberg and European Commission President Jean-Claude Juncker. She affirmed Slovakia's commitments to the goals of these two organizations and criticized Russia's actions in Ukraine and with regard to hybrid threats or the proliferation of fake news. She followed up this visit with trips to Hungary and Poland, thus showing her commitment to the Visegrád Four (V4) platform. However, she obliquely criticized the Hungarian and Polish governments for using the V4 as a rival platform to the dominant EU consensus on issues such as human rights, migration and the rule of law. On the contrary, she envisages the V4 as a platform united in the protection of democracy, human right and the rule of law, as a part of the EU consensus. She has thus placed herself firmly against the current of "illiberal democracy" which is entrenching itself in the two neighboring countries and gaining popularity elsewhere in Europe. She is expected to continue in a similar fashion going forward; of course, since the position of president is a purely ceremonial one what with Slovakia being a parliamentary republic, her real influence on the country's foreign policy activities is limited.

When it comes to the specific issues that dominated foreign policy, 2019 was an eventful one for Slovak diplomacy. On January 1st, Slovakia took over the chairmanship of the Organization for Security and Cooperation in Europe (OSCE) for the duration of the year, with the Minister of Foreign and European Affairs of the Slovak Republic, Miroslav Lajčák, serving as the OSCE Chairperson-in-Office. This function was added to Slovakia's presidency of the Visegrád Four (V4) group of states, which it had held from July of the previous year, and which it continued to hold in until the end of June 2019, also for one year. The chairmanship of OSCE in particular was a challenge for Slovak diplomacy, as it was unaccustomed to taking on such an important role on the international stage, and had to grapple with organizational issues such as a lack of staffing. The three formal priorities of the Slovak chairmanship were conflict prevention, ensuring a secure future, and effective multilateralism,

with a focus on the plight of ordinary people. In practice, Slovakia's priority was mitigating the effects of the conflict in Eastern Ukraine and managing the peace process between the two sides of the conflict. While no major breakthrough was achieved in Ukraine, or other frozen conflicts, no one really had such high expectations of the Slovak chairmanship. The most important achievements of the chairmanship as presented by the Foreign Ministry were administrative ones, namely a proposal for the future model of financing of the organization and personal appointments to top OSCE positions, such as appointing Heidi Grau as Special Representative of the OSCE Chairperson-in-Office in Ukraine and in the Trilateral Contact Group. In any case, the chairmanship of the OSCE did not gain much attention in Slovakia, due to its smaller powers and consequently its lower profile than other, more influential organization like the EU or NATO.

In comparison to its OSCE chairmanship, Slovakia's presidency of the V4 was more routine, having been the 5th time Slovakia took up this role since the V4 was created in 1991. The three priorities of the Slovak V4 presidency were "a strong Europe, a secure environment and smart solutions". The third priority was mainly focused on domestic issues, but the other two were mostly related to foreign policy. As concerns the first priority, the Slovak V4 presidency had to contend with the decrease in the reputation that the V4 is going through in recent years in the EU. This decline is because of the V4 being perceived by Western European countries and EU elites as drifting away from the Western liberal consensus on high standards for democracy and the rule of law (mainly in the case of Hungary and Poland). It is also due to acting in an uncooperative way and with a lack of solidarity during the EU migrant crisis (where V4 members refused to take in refugees based on EU-allocated quotas) and on other issues where the EU wanted to act supranationally. Indeed, one of the goals of the V4 during the Slovak presidency was to advocate for the primacy of intergovernmental integration – meaning the preference for a stronger role of the European Council, where heads of state and government make decisions by consensus – as opposed to supranational integration whereby

the European Commission would play the stronger role. The V4 did manage to achieve some of its goals, such as the emphasis on stronger EU border controls on land and sea or on tackling the migrant problem in the countries of origin, in the place of mandatory migrant quotas. It is however questionable to what extent this change in the EU policy was due to the V4 specifically, or merely a broader EU decision that the V4 profited from. The poor reputation of the V4 has been suggested as one reason why Slovakia was not able to achieve more of its presidency priorities, such as push through a common candidate for a top EU position after the elections to the European Parliament (EP), as expounded upon below. In any case, while the V4 is still seen as a useful tool by its members, including Slovakia, not only to coordinate themselves on regional issues of importance to them, but also to maximize their influence and achieve some synergy at the EU decision-making level, the platform is now in disfavor among the EU elites and certain influential Western European leaders.

The Slovak V4 presidency had slightly more success in its second priority, “a secure environment”, which focused on regional security. The most tangible result of the presidency in this area was the acceptance of Croatian forces into the Visegrád battlegroup as part of the EU rapid reaction forces, which was finalized at a summit of V4 and Croatian defense ministers in November. V4 policy was easy to coordinate within this priority area, as it was less of a priority and more of an affirmation of a mutually shared consensus on regional foreign and security policy within the EU, such as support for the Eastern dimension of the European Neighbourhood Policy, for speedy accession of the countries of the Western Balkans, for the Permanent Structured Cooperation in defense, but also against decreasing the role of NATO in favor of proposals for common EU security. The Slovak elites still see NATO as the most important and most reliable guarantor of Slovakia’s security (implicitly aimed at Russia? With the European powers seem much weaker and too close to Russia. On the other hand, the V4 suffered a setback when French President Emmanuel Macron vetoed the start of accession talks with Albania and North Macedonia,

Apart from chairing these two organizations, the most important challenge for Slovak diplomacy was presented by the results of the election to the European parliament (EP) in May (May 25th in Slovakia), which led to several months of intensive negotiations on the division of major and minor positions in the EU institutions. The elections themselves, shook up the political scene, with Smer-SD, the favorite to win, finishing a close second (with three MEPs) to the PS/SPOLU coalition (with four MEPs), which got an electoral boost thanks to the election of Zuzana Čaputová as president. But more significant than that was the election of ĽSNS in third place, with two MEPs. The ĽSNS profited from discontent with current elites as well as from general indignation connected to migrant quotas for Slovakia. Three more parties representing the pro-European camp gained MEPs. The fact that one of these parties will not be given one of its seats until Brexit (when MEPs from the UK will vacate a number of EP seats to be filled by other members, such as Slovakia), caused a mini scandal in the country. At the same time, the two parties representing the Hungarian minority lost their EP seats. Apart from the fact that the extreme right gained EP representation from Slovakia, another source of embarrassment for the government was that Slovakia continues to be the country with the lowest voter turnout among EU members. Electoral turnout in Slovakia stood at 22.74% of all eligible voters, compared to 50.62% for the entire EU. This is actually a better percentage than the previous EP elections in 2014, but still not enough to escape last place, even though there was a massive media campaign to boost turnout. The reason for this is that Slovak voters do not see the EP elections, nor the EP itself, as important or relevant to their lives and their problems. The EU is often perceived as a distant bureaucratic colossus, not really democratic and usually irrelevant for their daily lives – unless there is a EU-wide controversy that impacts domestic politics, such as the migrant crisis or the eurozone debt crisis, which, however, have died down to a significant extent compared to previous years. When such EU issues are not significant, the election contest tends to become an extension of domestic politics and internal issues. This was the case this year as well. In any case, Slovakia's influence in the EP was

expected to diminish, since all but two MEPs were new, with the most influential and long-serving MEPs failing to be reelected.

The EP elections influenced the allocation of top positions in the EU, namely the President of the European Council, European Commission (EC) President, President of the EP, and High Representative (HR) of the EU for Foreign Affairs and Security Policy, with the President of the European Central Bank also sometimes included. Already at the summit in Sibiu in Romania on May 28th, just after the elections, the V4 countries had negotiated about not fielding candidates against each other, or even backing a common candidate to increase the chances of gaining a top position. All four countries agreed that their interests had not been taken into account or represented adequately by the previous office holders. Slovakia originally hoped to obtain one of these positions, especially that of EC President, for its Commissioner Maroš Šefčovič. Slovak diplomacy tried to enlist the support of its three partners as part of its V4 presidency, but was met with a cool response by the other three states, which did not want to commit themselves. Slovakia next tried to get the position of High Representative for Šefčovič, but failed to garner enough support for that move as well. In the event, no V4 candidate obtained a top job. Even if a common V4 candidate had materialized, it is unlikely that he or she would have had a chance to gain enough support to obtain a top EU position, because of the poor reputation of the V4 in the EU as was described above. This was a something of a failure on the part of Slovak diplomacy, though it was seen as an overly ambitious plan from the start. Conversely, it may be counted as a victory for Slovakia that in the end, Šefčovič kept his position as Vice-President of the EC, as well as getting the potentially influential portfolio of Interinstitutional Relations and Foresight, because of the need to focus on the future of the EU after Brexit. He was easily confirmed in these two positions by the EP in his “grilling” hearing before the EP on September 30th, but this triumph of sorts did not resonate in Slovakia, confirming the detached attitude of Slovaks toward the EU.

Possibly the main issue that Slovakia was focused on with respect to the EU and the looming Brexit was the future of the EU’s cohesion policy.

The British withdrawal meant that the EU was losing a wealthy member which contributed more to the common EU budget than it received, and these funds would be missed in future budgets. Some leaders among the wealthier EU member states have called for a corresponding reduction in funding for cohesion policy, i.e. the funds meant for poorer countries and regions or disadvantaged groups in the EU to catch up to the wealthier states and regions of the EU. Slovakia, as a member state which relies a great deal on these European funds for investment in infrastructure and other projects, was and remains strongly against such suggestions. It especially rejects connecting EU funds to other policies such as accepting prescribed quotas of migrants. This stance was seen in Slovakia's activities as part of its V4 presidency as well as part of its membership in the Friends of Cohesion grouping. This platform is composed of the relatively poorer EU member states which have an interest in preserving a strong and well-funded European Cohesion Policy. Slovakia hosted the summit of this grouping on November 29th, which resulted in the adoption of a declaration on the Multiannual Financial Framework of the EU, as a step towards assuring this goal.

Since Slovakia is a small country whose foreign policy interests and capabilities are generally limited to the regional and European level, relations with countries further afield only occasionally come to the fore. The start of the year presented one such occasion, when a political crisis erupted about the negotiations for the signing of a Defense Cooperation Agreement (DCA) with the USA. The conclusion of a DCA was a precondition to a specific project of military cooperation which the USA is interested in, namely the reconstruction of the military airbases at Kuchyňa in Western Slovakia and Sliač in Central Slovakia. The DCA was to be a building block in the development of the European Deterrence Initiative within the framework of NATO, specifically strengthening its Eastern flank against a perceived threat from Russia.

The crisis over the DCA clearly demonstrated the cleavage between the pro-Western and nationalist camps. It was initiated by the SNS (Slovenská národná strana / Slovak National Party), a junior party in the

governing coalition. The SNS is perceived as the most important or relevant, though also the most moderate, party of the nationalist camp. Much like Smer-SD, it officially supports Slovak membership in both the EU and NATO, though it builds much of its political support on criticizing these organizations. Furthermore, the SNS has adopted the most positive attitude toward Russia of all the relevant parties in Slovakia. Its chairman Andrej Danko, who is also the speaker of the National Council of the Slovak Republic (the parliament of Slovakia), has gone on several visits to the Russian Duma (parliament) and met with high-ranking Russian politicians. As these visits and meetings were not undertaken with the support of the entire Slovak government, the Ministry of Slovak and European Affairs has criticized Danko and has had to repeatedly distance itself from them as not representing the official foreign policy line of the country. However, the support of SNS has declined to the point that polls predict that it will not be able to keep its status as a parliamentary party. While part of its voter support has gone over to more radical parties, a good deal of its decline can be attributed to the political and personal scandals of its members. Concurrently with the decline of SNS, the extreme right-wing ĽSNS, which is strongly against the pro-Western alignment of Slovakia, has grown. This trend has led SNS to try even harder to capture the right-wing vote, which along with the rise of ĽSNS, has contributed to the polarization of politics in Slovakia.

As for relations with China, these did not resonate very deeply in Slovak media and society, since China is considered to be too far away to be a political issue, and mutual trade and investment is not at the level where closely following the developments in and relationship with China is seen as necessary. For example the 70th anniversary of mutual relations between Slovakia and the PRC in October went without notice in the Slovak media, with only a brief statement on the website of the Slovak Ministry of Foreign Affairs as the only acknowledgement of this fact. Even Slovakia's presence at the second China International Import Expo in Shanghai in November was limited to just two companies. Slovakia did achieve one success in one area of its economic relations with China – on

April 12th during the summit of the 17+1 platform in Croatia's Dubrovnik, Slovakia and China signed a certification deal that enabled the export of Slovak dairy products to China. This accomplishment was relatively well publicized in the media. But it is dubious whether the practical results will live up to the hype, considering that Slovak producers do not have the necessary economies of scale that the Chinese market demands. Slovakia was also present at the second Belt and Road Forum in Beijing, although only represented by Foreign Minister Lajčák rather than the president or prime minister. Lajčák lobbied for Slovakia to become a railway hub for China in Europe through various projects. These projects have also been suggested in past years, however, and not acted upon. This is leading towards a cooling of enthusiasm towards the Belt and Road Initiative and 17+1 platform in Slovakia. Apart from this, Slovak media also focused on negative issues such as Chinese unfair trade practices or the debt trap that some countries which had done business with Chinese companies within the BRI framework had fallen into. Prezident Zuzana Čaputová shares this skeptical view of China – when she met with Minister of Foreign Affairs of the People's Republic of China Wang Yi, she opened the topic of human rights in China. For this she was immediately criticized by Slovak Minister of Agriculture Gabriela Matečná from SNS, who worried that such comments would endanger the dairy certification deal.

To sum up, the main issues for the foreign policy of Slovakia in 2019 had to do with regional or European issues, due to Slovakia's size and consequent limited interests. Of these issues, gaining more influence in the EU and preserving the current volume of cohesion policy funds were the priorities. Slovak diplomacy also had its hands full with chairing the OSCE and presiding over the V4, each for a year. These events made it an important year for Slovak foreign policy. It was also an important year for multilateralism in the foreign policy of Slovakia, as seen by the roles played by the OSCE, V4 and EU. Slovakia's foreign policy is also influenced by growing political polarization in the country. These dynamics are expected to continue the following year as well.

Overview of Slovenian External Relations in 2019

Helena Motoh

Summary

With a change in the Ministry of Foreign Affairs in 2018 Slovenian foreign policy was expected to shift the balance in the relationship with major world powers, especially in comparative closeness of Slovenian foreign policy with United States and Russian Federation. In 2019, however, this change was felt less due to other major changes, especially the final stages of the border dispute with Croatia, relations with other neighbouring countries, and the changes in EU due to Brexit and the 2019 European Parliament elections.

Dispute with Croatia on the implementation of the arbitration court decision

After a long process, starting with the agreement on arbitration in November 2009, the arbitration court decision on the demarcation of disputed Slovenian-Croatian border territories was made in June 2017. Disagreements started during the arbitration process already, when in 2015 an unauthorized leak of classified information was discovered to have occurred between Slovenian representatives, an arbitration court judge and Slovenian agent. Croatia announced its withdrawal and subsequently refused to recognize the 2017 arbitration decision as valid. Slovenia started to implement the decisions of the arbitration court before the end of December 2017. The Croatian side, however, refused to do the same, which led to a series of practical and political conflicts in the Bay of Piran between border guards and fishermen. Although Slovenia appealed to Croatia to implement the court decision, it was finally forced to bring the matter to European Commission, referring to the Article 259 of the Lisbon Treaty. Hearings followed in May and despite those, European Commission then

failed to provide a reasoned opinion within the allowed three months' time. Slovenia then filed a legal action against Croatia for the infringement of obligation at the European Court of Justice in July 2018, claiming that by refusing to implement arbitration decision, Croatia is violating the Articles 2 and 4 of the Treaty of European Union.

The first hearing at the Court of Justice of the European Union took place on July 8th before the Grand Chamber of 15 judges. The European Union Advocate General in the case was Priit Pikamäe, while Slovenian delegation (led by Maja Menard) and Croatian delegation (led by Gordana Vidović Mesarek) were assisted by counsels Jean-Marc Thouvenin and Jemima Stratford respectively. Croatia held the position that the Court of Justice of the European Union does not have jurisdiction in this case, since border issues are a matter of international and not of European Union law, and stressed that the Croatian side does not recognize the validity of the arbitration court decision. Slovenian side stressed that the legal action does not concern the border demarcation, since this has already been determined with the final, binding and self-executing arbitration court decision – and that the failure of Croatia to implement it violates the law of European Union. On December 11, Advocate General Priit Pikamäe issued a non-binding opinion on the case, stating that the the legal action is not in the jurisdiction of the European Court of Justice. After this, the Judge-Rapporteur, Cristopher Vajda, will issue his opinion, followed by the decision of the Grand Chamber, led by Koen Lenaerts.

Relations with other neighbouring countries

In March, a series of events including Slovenian and Hungarian politicians brought forward the political and economic relations between the two countries. In economic exchange with Slovenia, Hungary currently ranks last among the neighbouring countries. This situation was addressed at the Slovenian-Hungarian Business Forum and B2B meetings in Moravske Toplice in Slovenia on March 27th. Organized jointly by regional and national institutions from both sides of the border, the event especially targeted the economy in the underdeveloped bordering regions

between Slovenia and Hungary, with a goal to better connect the two sides and provide new business opportunities between them. At the same time, the relations between the two countries' political parties cause some doubt whether economic initiative like the mentioned one do not harbour additional political agendas. The closest connection between two political parties in Slovenia and Hungary became especially evident in 2019 with the strong support that members of a right-wing party from Slovenia, the Slovenian Democratic Party, were giving to Viktor Orbán and his, when they were facing the criticism from their common European political group, the European People's Party, from which Fidesz was suspended. Critical of this support by the Slovenian Democratic Party (SDS) to Fidesz, a caricature of was published in the Slovenian left-wing critical journal *Mladina*, where Orbán is portrayed with three main politicians of the SDS. Upon the publication, the Hungarian embassy in Slovenia intervened at the Ministry of Foreign Affairs of Slovenia, a move that was seen in media and political circles as an intervention into the freedom of press and internal matters of the country.

With Italy, the situation became more complex due to the border control issues, related to the illegal border crossing of migrants. Although the number of migrants crossing the land border from Slovenia to Italy is still very small compared to the numbers that come to Italy via the sea route or other stretches of the Balkan migrant route, this situation was used to apply pressure from the right-wing politicians, primarily the Minister of Interior, Matteo Salvini, and the President of Friuli Venezia Giulia, Massimiliano Fedriga. Although the two countries jointly agreed on the formation of mixed Slovenian-Italian border patrols, operating in the border region and facilitating the control without the practical issues related to the national border regulations, the right-wing politicians saw this as only the beginning of an inevitable process of closing the border. Although even the joint border patrols were criticized by many as a violation of Schengen regulations, Salvini and Fedriga became more vocal in demanding "technical barriers" to be put in place on the national border, a

suggestion that was widely criticized by the Slovenian and Italian politicians on the national and regional level alike.

In relations with Austria, several open issues also remain to be worked on. Among, these, especially pressing are finding viable operative solutions for the cross-border businesses and cross-border workers, which now face many difficulties and are subject to different tax deductions, different collective labour agreements and sometimes even dual taxation. The status of the Slovenian minority in Austria still remains a challenge, mostly related to the full implementation of bilingual standards and the gradual reduction of the funding from the Austrian national budget for the functioning of Slovenian minority organisations. The right-wing Austrian political representatives tend to condition the implementation of these with the recognition of German minority in Slovenia, claiming this right for the approximately 2,000 descendants of the German speaking inhabitants of Slovenia (mostly the remains of medieval feudal colonisation from Bavaria). As with Italy, the issue of border control still remains open here as well, since Austria temporarily avoided the open-border regulation of the Schengen area by re-installing the border controls in 2015, but has been prolonging this policy ever since, causing a concern on the Slovenian side. Many of these issues are promised to be addressed in 2019/2020, when the two countries will intensify the political and cultural communication in the framework of the Year of Neighbour Dialogue, which officially started in October 2019.

Challenges of a Changing EU

With Great Britain deciding to go forward with the Brexit plan, especially after the Conservative Party got the parliament majority in December 2019 elections, the changes that can be expected in European Union are a cause for concern in Slovenia as well. With the status of Slovenian citizens in UK and British citizens in Slovenia being the most immediate concern, the two other feared scenarios are related to economic and financial consequences of the British decision. Although the direct economic exchange with the UK is fairly small, Slovenia as an export-

oriented economy is feared to feel the indirect consequences the Brexit will have on the big EU economies, especially Germany, which is the most important destination for Slovenian export. For the companies the unclear effect of Brexit on the tariffs and customs regulations as well as its effect on the transport system, also remains an added liability. On the other hand, UK leaving European Union will have an immediate effect on the composition of the European financial structure. With the absence of UK as the third biggest contributor to the EU budget the effects on EU funded national structures might be severe, e.g. in the reduction of EU cohesion funds. In addition to this, it is still unclear how the Brexit will impact the structure of net contributors and net recipients in EU.

The insecurity about the future of the EU was reflected to a certain degree in the European parliament elections, which took place in late May 2019. Although the results in Slovenia showed the typical even split between the left and the right side of the political spectrum, they also reaffirmed the general trend in these elections, namely, that the euro-sceptical and extreme political parties got a comparatively low result. None of the right-wing sovereignist and euro-sceptical European political groups was successful, and so was not the left-most party, The Left. In the neighbouring countries, however, especially in Italy and Hungary - a turn towards the sovereignist right-wing and nationalist parties was more prominent, which was seen by many as a worrying sign for the future relations between the countries in the region.

