



# **Western Balkans Stability Monitor**

**September 2020 Issue**

# Table of contents

<b>THE NEW ‘NORMAL’</b>	<b>4</b>
<b>Albania</b>	<b>6</b>
Government Stability	7
Opposition Activities	11
Regional Relations	11
Security	12
Looking Forward	13
<b>Bosnia-Herzegovina</b>	<b>14</b>
Government Stability	15
Opposition Activities	19
Regional Relations	20
Security	20
Looking Forward	21
<b>Kosovo</b>	<b>21</b>
Government Stability	23
Opposition Activities	26
Regional Relations	27
Security	28
Looking Forward	28
<b>North Macedonia</b>	<b>29</b>
Government Stability	30
Opposition Activities	32
Regional Relations	34
Security	34
Looking Forward	35
<b>Montenegro</b>	<b>36</b>
Government Stability	37
Opposition Activities	41
Regional Relations	42
Security	42
Looking Forward	43

<b>Serbia</b>	<b>44</b>
Government Stability	45
Opposition Activities	48
Regional Relations	50
Security	51
Looking Forward	51
<b>About Risk Dimensions</b>	<b>52</b>
War	52
Terrorism	52
Government Instability	52
Civil Unrest	52
Ethnic Unrest	52
<b>About</b>	<b>53</b>
Contact	53

# THE HISTORIC AND THE NOT-SO-HISTORIC

Two major events occurred at the end of August and beginning of September – one long-trumpeted but anti-climactic, the other unexpected but of potentially huge significance within the region.

The anti-climactic event occurred in Washington, at the White House. For more than a year, the Balkans – along with the global village of Balkan experts – had been gripped by rumour and speculation that the Trump Administration and its chosen envoy for the Kosovo-Serbia negotiations Richard Grenell were negotiating a land-swap deal to resolve the long-running dispute between Belgrade and Pristina. The logic was, broadly, that in return for an ethnically-based exchange of territories, both sides would recognise each other. Whatever the deal that Grenell had been busily negotiating, the crowning of these efforts was meant to happen at the end of June when Kosovo President Hashim Thaci and Serbian President Aleksandar Vucic had been due to meet in Washington. Yet the announcement by the Kosovo Specialist Prosecution in the Hague that it had filed a war crimes indictment against Thaci put a spanner in the wheels of this plan.

We may never find out how far along plans for a land swap between Kosovo and Serbia had come along, if at all. Many commentators believe that the indictment against Thaci has sunk them, at least for now, seeing the hand of the EU – and in particular Germany – in the timing of the Kosovo Specialist Prosecution's announcement, given that Brussels and Berlin had firmly ruled out any changes of borders.

Despite Thaci's exit from the official negotiations, most observers were still extremely curious what Grenell (and Trump) would pull out of their diplomatic hat at the rescheduled negotiations between Belgrade and Pristina at the beginning of September. Increasingly, there was an expectation that some kind of 'agreement' would be signed that was short on substance and long on hyperbole, but enough for Trump to present as a major foreign policy success.

In the end, what was billed by Trump and Grenell as a 'historic' agreement on economic normalization did not hold water for long enough to convince anyone that it was a foreign policy success. Indeed, having been worked on for so long, it was surprising just how little substance it had. The 'agreement' contained pledges to build modern, upgraded road and rail links between

Serbia and Kosovo. But most of the rest was extremely vague – the two sides committed themselves to energy diversification for example with not even a hint of how. Even more strangely, many of the other articles of the agreement did not have anything to do with Kosovo-Serbia relations, but did have a lot to do with the Middle-East and Trump's re-election strategy. On balance, while the deal may be empty, at least it has not done (much) lasting damage to the region.

By contrast, a few days before the Washington summit, something truly historic did happen in Montenegro – and even those involved seem to have been caught by surprise. After 30 years in power, the country's ruling Democratic Party of Socialists (DPS) was defeated by the opposition in the country's Parliamentary elections held on August 30th. So surprising was the outcome that it seems that neither the ruling party in Montenegro nor the opposition anticipated it, let alone followers of Montenegrin politics.

Admittedly, the opposition victory was fairly tight. The DPS came out of the elections as the biggest party with 30 seats, but the three opposition coalitions won a majority of 41 seats in the 80 seat Parliament. The DPS sent mixed signals after its defeat, suggesting that it would accept the will of the people, but also suggesting that it would try to build a coalition with its 'traditional partners'. So far, the opposition coalition has held firm in its decision to eject the DPS from power and form the next government. Yet the drama is far from over – all that the ruling party which has been in power for so long needs to do is co-opt one or two opposition MPs, whether through incentives or pressure, and it could yet cling on to power. The more likely scenario still seems that the DPS will be forced to hand over power to the opposition, but a tense period of political wrangling remains ahead as the two sides jockey for power.

The DPS – and many of its supporters inside and outside the country – have tried to cast doubt on whether the biggest component of the Montenegrin opposition - the Democratic Front-led For the Future of Montenegro coalition – can be trusted with coming to power, given that some of its members are pro-Russian and pro-Serb in their outlook. They also warn that the DF's coming to power could raise inter-ethnic tensions in Montenegro. Unknown perpetrators in the north of Montenegro have carried out several attacks against Bosniaks since the elections. While supporters of the ruling party have pointed the finger of blame at opposition supporters, the opposition has blamed the regime for staging the attacks.

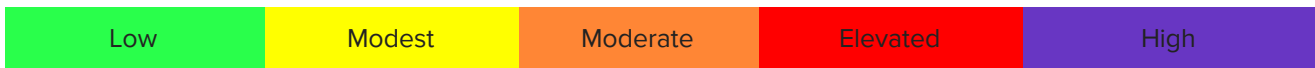
Clearly, the ruling DPS is looking for ways to retain power and discredit the opposition. This is not to say that some of their criticisms of the opposition are not without merit. It is precisely because of the DF's pro-Russian leanings that the newly signed coalition agreement goes to great pains to spell out that, in terms of foreign policy at least, an opposition government will be one of continuity.

If it does succeed in coming to power, the opposition's biggest challenge will be maintaining unity amidst its own heterogeneity. That, and steering Montenegro in a truly more democratic direction.

# Albania

Political life in Albania continued to resemble a rollercoaster ride in July. After long, foreign-mediated negotiations between the ruling Socialists and opposition on electoral reforms a deal was finally struck in June and ratified in July by the country's Parliament. Then, in a unilateral move, Albanian Prime Minister Edi Rama seems to have decided to torpedo the painstakingly constructed consensus on electoral reforms by proposing and passing constitutional amendments with a huge impact on the electoral system at the end of July. All of this in the face of criticism by the opposition and EU and other foreign diplomats. After a cooling-off period in August, the political temperature is again set to rise ahead of Parliamentary elections scheduled for April 2021.

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimension	War	Low	Low	Low
	Terrorism	Modest	Modest	Modest
	Government Instability	Modest	Moderate	Moderate
	Civil Unrest	Moderate	Moderate	Modest
	Ethnic Unrest	Low	Low	Low



## GOVERNMENT STABILITY

Despite the deep political polarization of Albanian society, the Socialist-led Government of Prime Minister Edi Rama remains stable, with Rama in firm control of the country and his own party. Rama is certainly helped by the fact that most opposition MPs resigned from Parliament over a year ago. Their places have been filled by candidates who were next in line on the opposition lists in the last elections, subsequently disowned by their own parties and now amounting to little more than a ‘puppet’ opposition in the Albanian Parliament.

However, Albania seems set to enter a more turbulent political period. At the beginning of September, President Illir Meta scheduled Parliamentary elections for April 25th 2021. The long and drawn-out battle between the ruling Socialists and opposition will now kick off and grow in intensity.

As part of the preparations for those elections, ruling and opposition parties have, for months, been engaged in negotiations on electoral reforms mediated by the EU and US. An ad-hoc Political Council on Electoral Reforms made up of the ruling and opposition parties finally announced that a deal had been struck on June 5th. No changes to the wider electoral system were agreed. However, the sides agreed over some important issues, such as the use of biometric identification documents, to the extent technologically possible, across the country in future elections. The Rama Government backed down on plans to dismantle the existing electoral administration, while the opposition appears to have abandoned demands for a caretaker government ahead of elections. Other reforms related to the oversight of the electoral process were also agreed.

Many political observers and legal experts were left underwhelmed by the announced agreements, but, on balance, most seemed satisfied that some kind of deal had been struck between the bitter political rivals, which would – hopefully – allow Parliamentary elections to be held in a calmer atmosphere. The next step – adopting what was agreed in the ad-hoc Political Council in the country’s Parliament – was successfully navigated on July 23rd.

Yet in parallel to the adoption of the mutually agreed electoral reforms, Prime Minister Edi Rama also announced on July 16th plans to change parts of the country's constitution relating to the elections. Among the proposals, made by Parliamentary MPs who formally (albeit not in reality) belong to the opposition, were plans to raise the electoral threshold from 3% to 5% of votes, ban certain forms of pre-election coalitions and introduce partly open party lists which would allow voters to express their preference for specific MPs over others.

The proposals were sharply criticised by the opposition, which accurately assessed that they favoured Rama's ruling Socialists. They were also criticised by the international community, in particular the European Commission. However, Rama persevered. Following the adoption of the electoral reforms agreed with the opposition, Parliament also voted the – much more substantive – changes to the constitution through on July 30th.

The unilateral changes to the constitution were criticised by the European Commission, who expressed 'regret' that they had been rushed through without consulting the opposition and called for that consultation to take place when the constitutional changes are transposed into the Electoral Code. True to form, Rama responded to EU and other Western criticisms by asserting defiantly that "Albania is a sovereign country and I am the Prime Minister of a sovereign country". Despite such fighting talk, the space is clearly still there for further talks with the opposition over how to transpose these changes into law in a mutually agreeable way. Rama could, of course, adopt them even without consulting the opposition, but this could jeopardise the holding of an intergovernmental conference with the EU to open accession negotiations.

Meanwhile, a long-running attempt by the ruling Socialists to impeach President Ilir Meta was brought to a close. As part of the efforts to impeach Meta, a Parliamentary Committee has begun investigating his actions in relation to an attempt to cancel the June 30th 2019 local elections. The Socialist-dominated Parliament finally voted in favour of the Committee's report which found that the President had violated the constitution, but decided not to impeach him.

The closure of this case should help to relax long-standing tensions between President and Government to some extent.

On July 1st, the European Commission announced that it had submitted a draft of the negotiating framework for negotiations with Albania to the Foreign Affairs Council. Albania now awaits the final adoption of the negotiating framework by the EU. There are hopes in Tirana that the negotiations could kick off early next year, yet the long list of conditions that need to be met before then could delay the actual beginning of negotiations further. At the same time, come within the EU seem keen to initiate the negotiations, in the hope of increasing their leverage over Albania's political elites.

Given the relative calm in the country, we have decided to keep the risk outlooks unchanged. Yet the approach of elections in April puts downside pressures on the government instability and civil unrest risk dimensions.

## **OPPOSITION ACTIVITIES**

Predictably, the opposition reacted angrily to the unilateral constitutional changes pushed through by Rama. President Ilir Meta claimed that adopting the constitutional changes months ahead of elections amounted to a 'coup'. Amidst much hyperbole, Meta claimed that he would defend the constitution. Rama challenged Meta to try not to implement the constitutional changes and compared him to French King Louis XIV.

The main opposition parties – the Democratic Party (PD) and Socialist Movement for Integration (LSI) – also criticised the constitutional changes bitterly, vowing that they would not respect them. Lulzim Basha even made references to Rama being taken to prison after the elections for his actions.

Beyond this rhetoric, many political analysts mused that the opposition reaction was not as harsh as could have been expected. To many, barring the sharp words, it even seemed mild overall. One line of thinking suggests that the opposition believes that it has more support than Rama and his Socialists and that holding the elections, under whatever circumstances, and removing Rama should be the main goal. Another line of thinking, less optimistic from the opposition point of view, suggests that, even if it does not beat Rama, the opposition would be content to be back inside Parliament after the elections, following the miscalculated resignation of its MPs.

Aside from the wrangling over the electoral reforms and constitutional changes, opposition activities remained in a low gear over the summer. However, with the approach of elections, we expect the opposition parties to step up their activities, as well as their criticisms of the Rama Government.

## **REGIONAL RELATIONS**

Albania's relations with neighbours were mostly calm and stable over the previous period.

Prime Minister Edi Rama openly supported Montenegrin President Milo Djukanovic and his DPS in the August 30th Parliamentary elections in neighbouring Montenegro, calling on ethnic Albanians in the country to support the ruling party. However, Djukanovic and the DPS lost the elections narrowly. Assuming the Montenegrin opposition manages to take power, relations with the Rama government will thus likely start under a cloud.

Relations between Albania and Greece were stained in early September after Athens announced plans to extend its maritime border with Albania to the 12 km line. The sea border of Albania with Greece is the subject of a decade old dispute and generates heightened emotions in both countries. The Greek announcement came after building tensions between Greece and Turkey in the Eastern Mediterranean. Albania and Greece reached an agreement on their continental shelf demarcation but the agreement was invalidated by the Albania Constitutional Court in 2010. US Diplomatic Cables published in 2011 indicated that Athens pressured Tirana to accept an unfavourable deal by threatening to block Albania's road toward EU integration. The exposure of this quid pro quo at that time added to the sense of animosity of many Albanians toward Greece.

## **SECURITY**

The security situation in Albania remained calm and uneventful over the last two months.

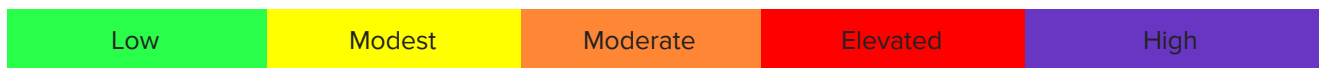
## LOOKING FORWARD

- **Electoral reforms:** Following the adoption of the constitutional amendments which relate to the electoral process, the ruling and opposition parties will need to negotiate how the changes will be transposed into the Electoral Code. Given the unilateral way in which the constitutional amendments were adopted, the process of changing the Electoral Code will likely be turbulent. Yet much about the atmosphere in which the elections will be conducted will be determined by how, if at all, the process of changing the Electoral Code is handled.
- **Election campaign:** In parallel to the changes to the Election Code, the long election campaign to the April Parliamentary elections will begin to grow in intensity. All of this will likely lead to an ever worsening battle of words between the ruling Socialists and the opposition. Protests and rallies by both sides have the potential to turn violent. Yet the election campaign will also be conducted under the cloud of the COVID-19 pandemic, complicating both campaigning and the voting process potentially.
- **EU integration:** Rama's Socialists will hope for progress in the actual launch of accession negotiations with the EU. However, Albania still needs to fulfil a long list of EU conditions for this to happen. Any progress in meeting the conditions and launching practical negotiations would give Rama a modest boost ahead of the elections and is worth looking out for.

# Bosnia-Herzegovina

Bosnian politics has been unusually quiet over the summer months, as even the country’s politicians take a break from their usual brinkmanship. However, this is likely to prove only a short interlude as the political temperature in the country once again rises to new highs ahead of the local elections due across the country on November 15. While the main parties and their challengers battle it out on the political playing-field, there will be an ever more obvious battle to shape the outcome of the elections through control over the bureaucracy which administers the electoral process. In parallel to this, the economic downturn is likely to be felt in more earnest come the autumn. Growing economic and public health problems will thus vie for the attention of political leaders preoccupied with the elections.

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimension	War	Modest	Modest	Modest
	Terrorism	Modest	Modest	Modest
	Government Instability	Moderate	Moderate	Moderate
	Civil Unrest	Moderate	Moderate	Moderate
	Ethnic Unrest	Moderate	Modest	Modest



## GOVERNMENT STABILITY

A major political crisis was finally averted in Bosnia at the end of July, when the country's State Parliament finally adopted the budget for 2020. The failure to adopt the state budget on time had already resulted in the Central Election Commission (CIK) deciding at the end of March to defer local elections from early October (the usual period for holding elections) to November 15. This move had already created political acrimony, with the main Bosnian Serb party, the Alliance of Independent Social Democrats (SNSD), challenging the right of the CIK to defer elections. Despite this, the CIK had communicated to political actors that unless the state budget – which gives it part of the necessary funds to organize the elections – was adopted by the end of June, it would be forced to defer the local elections yet again.

In the end, the adoption of the state budget dragged on for most of July. For much of this time, it seemed that the main Bosnian Croat party, the Croatian Democratic Union (HDZ), was actually trying to force CIK to delay the holding of elections once again, so that they could be held at the same time as the local elections in Mostar on December 20th. However, with it becoming increasingly clear that the budget would be adopted in July, CIK let its self-imposed deadline slip. With the adoption of the budget on July 29th, the conditions are now finally in place for CIK to proceed with organizing the local elections.

Not all obstacles to holding the elections smoothly have been removed of course. The most obvious problem come November could be a spike in the number of COVID-19 infections in the country. These could either force a delay in the holding of the elections, or seriously affect their conduct. Meanwhile, a very different problem is the composition of the CIK. A bitter feud is ongoing between the main Bosniak party, the Party of Democratic Action (SDA), on the one hand and the HDZ and SNSD on the other. During the first half of the year, the SDA succeeded in engineering the election of the Bosnian Serb and Croat members of the CIK without the support of its main partners – the SNSD and HDZ – and with the support of opposition MPs in the State Parliament. Naturally, this angered the SNSD and HDZ, who threatened to block the adoption of the state budget until the issue of the CIK's composition is resolved.

From a legal point of view, the newly elected CIK members seem to be on fairly stable ground – legal procedures seem to have been respected. However, in a political sense, the SDA made a serious breach of political faith with its main partners in government at the State level, the SDA and HDZ. For the time being, the crisis has been defused. The CIK appointments are being challenged in the courts. The SNSD and HDZ continue to fume, but want elections to go ahead, hence have not used the opportunity to block their holding. However, both parties will continue to challenge and dispute the CIK's decisions when they do not suit them. All of this could prove very damaging to the stability and legitimacy of Bosnia's electoral institutions.

Following the adoption of the State budget, Bosnian politics entered a relatively quiet phase. The country's politicians seem to have used the month of August to charge up their batteries ahead of a long autumn pre-election campaign. Campaigning is due to begin in earnest from the beginning of September, which is likely to manifest itself not just in local political struggles, but also grandstanding and brinkmanship at the national level, as the leaders of the main parties flex their national(ist) muscles.

From a stability point of view, the good news is that in most parts of Bosnia, the local elections are in fact being contested within (rather than between) the different ethno-national blocks. Thus, in RS, the main battles will be over control of cities such as Banja Luka, Dobojo or Bijeljina between the SNSD and what remains of the opposition. In Sarajevo, it is largely Bosniak and 'Bosnian' parties which will battle it out among themselves. Meanwhile, the HDZ faces challenges within its own traditional bastions such as Tomislavgrad from its own internal rebels. There are relatively few municipalities where the electoral contest will be a contest between parties representing different ethnic groups. Notable exceptions are a number of ethnically mixed municipalities in central Bosnia and Srebrenica.

However, one area where the local electoral contest is taking on an increasingly 'ethnic' character is the divided city of Mostar. Here, local elections will be held on December 20th. The city is unique in more than one way, being ethnically divided between Bosniaks and Bosnian Croats, but with a not-insignificant Bosnian Serb presence as well. Reflecting the inter- rather than intra- ethnic nature of the electoral contest there, the main parties seem to be grouping along ethnic lines. Thus, most of the main Bosnian Croat parties seem set to run as one

coalition. Almost uniquely, the two bitter Bosnian Serb rivals – the dominant SNSD and the opposition SDS – are also set to run on one ticket under a deal signed by party leaders Milorad Dodik and Mirko Sarovic on August 30th. The SDA leadership has also called for a single ‘pro-Bosnian’ list to be formed, though this perhaps seems least likely.

While preparations for local elections are proceeding full steam ahead, it is noteworthy that two years after the national elections held in 2018, the Federation entity has still not elected a new government. Nor, by all accounts, do there seem to be any efforts to elect a new government any time soon. The entire process appears to be being held hostage to the issue of how Bosnian Croat representatives are elected in Bosnia. Perhaps most strangely, even the main parties in the Federation, such as the SDA and HDZ, seem unfazed by the absence of a new government in the Federation two years after the elections.

## OPPOSITION ACTIVITIES

Opposition party activities in Bosnia have been even more low profile than those of the ruling parties over the summer months. In the RS, the main opposition parties – the Serbian Democratic Party (SDS) and Party of Democratic Progress (PDP) – have been presenting their candidates in the local elections. In some areas – such as Banja Luka and East Sarajevo – the two parties will be fielding joint candidates for local mayors. In Banja Luka, the PDP, SDS and a range of NGOs are mobilising behind Drasko Stanivukovic, the PDP's young, fiery MP in the RS Parliament. However, polls still suggest that incumbent Igor Radojicic of the SNSD stands a better chance. Another interesting contest will take place in Bijeljina, until recently a bastion of the opposition SDS, whose mayor there, Mica Micic, is now being supported by the SNSD.

In the Federation entity, opposition party dynamics are typically more fluid. In the capital, Sarajevo, several more civic parties such as Nasa Stranka have made a coalition with the People and Justice movement of Elmedin Konakovic. At the end of August a number of Bosniak and 'pro-Bosnian' parties – including the SDA, SBB and DF – announced a joint list. However, in much of the rest of the Federation, these parties will be squaring off against each other.

## REGIONAL RELATIONS

Relations with Bosnia-Herzegovina's neighbours have been calm and quiet over the summer months, for the best part. However, the recent opposition victory in the Parliamentary elections in Montenegro has caused upheaval in relations between Montenegro and Bosnia. In particular, Bosniaks and their political representatives have voiced loud concern about the fate, and indeed safety, of the Bosniak community in Montenegro. Many fear that the potential coming of the opposition – which includes some ethnic Serb nationalist parties - in Montenegro to power could lead to violence and intimidation of Bosniaks in the country's north, similar to that seen in the early 1990s. Warnings by many in the Montenegrin opposition that incidents aimed against Bosniaks in the north – particularly in the town of Pljevlja – are being orchestrated by the ruling DPS in an effort to discredit the opposition have not assuaged these fears. In the short- and medium- term, any potential violence against Bosniaks in Montenegro's north has serious potential to cause instability not just in Bosnia, but also in the Serbian areas of the Sandzak. Indeed, developments in Montenegro could create serious ripple effects in Bosnia, creating 'proxy-tensions' between Bosnian Serbs supporting the pro-Serb opposition in Montenegro and Bosniaks concerned about the coming of such groups to power.

## SECURITY

The security situation within the country has remained calm and uneventful during the previous two months.

From the security point of view, the main challenge currently facing Bosnia is how to handle the influx of migrants and refugees passing through the country in an effort to reach the EU.

Reliable data on the number of migrants in the country is scant, but the total number is certainly not very high. The International Organization for Migration (IOM) estimates that there are currently around 7,400 registered migrants in reception centres across the country. However, authorities in the Una-Sana Canton, where the bulk of migrants are located or heading towards, estimated that there are almost that many migrants and refugees in that Canton alone. In reality, the problem in Bosnia is not so much the number of refugees and migrants in the country as the desire of different government levels to pass on responsibility for handling migrants to each other.

At the end of August, police at the Lipa migrant centre near Bihac were forced to fire in the air after struggling to control a migrant protest in the camp. With the Una-Sana Canton struggling to handle the numbers of migrants on its territory, Cantonal authorities have decided to close the canton to new arrivals. Thus, entry is reportedly being refused to migrants at the entity line dividing the Una-Sana Canton, part of the Federation, from the RS entity. Migrants within the canton not registered in existing camps are being 'deported' to the same entity line. Meanwhile, the RS police are refusing to let them enter RS territory. Consequently, a number of migrants now find themselves stuck in a 'no-man's land' within Bosnia itself.

## LOOKING FORWARD

- **Local elections:** The conduct of Bosnia's local elections will be a test for the country in many respects. With politics in the country becoming ever more unpredictable and trust between political elites breaking down, even these local elections pose a significant stability risk. They will be further complicated by a possibly growing number of COVID-19 infection in the autumn and an economic downturn.
- **SDA-HDZ-SNSD relations:** although the summer has imposed a sort of political 'time out', relations between the three main parties seem worse than ever. Their leaders appear engaged in a game of bitter brinkmanship, while previous channels for resolving disputes behind the scenes seem to be breaking down increasingly. As local elections approach, it will be important to keep an eye on these relations.
- **COVID-19:** the number of COVID-19 infections seems to be rising in many corners of the country, in part fuelled by returning diasporas and summer weddings. As the autumn approaches, there is further risk of uncontrolled spreading of the virus, as political parties engage in campaign events and large gatherings.

# Kosovo

Almost one hundred days into its term, the newly-elected Hoti Government appears to have survived the biggest and most obvious hurdle on its path – the long-expected signing of an agreement mediated by the Trump Administration in Washington. Given that the economic normalization agreement is a very generalized document, it has – so far – not solved any problems facing Kosovo, but it has also not forced any politically difficult compromises on the new Hoti Government either. Meanwhile, Kosovo waits to see whether the indictment filed against President Hashim Thaci by the Kosovo Specialist Prosecution will be confirmed. If it is, as many expect, then aside from everything else it will open up the question of electing a new President of Kosovo in Parliament. Despite the fact that Thaci is still in office, jockeying to replace him has begun and is putting the first real signs of strain on the ruling coalition. Despite this, our overall assessment is that the Hoti Government will cling on, as at present the only winner from its collapse and a new election would likely be the opposition Vetevendosje movement.

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimension	War	Moderate	Moderate	Moderate
	Terrorism	Modest	Modest	Modest
	Government Instability	Moderate	Moderate	Moderate
	Civil Unrest	Moderate	Moderate	Modest
	Ethnic Unrest	Moderate	Moderate	Moderate



## GOVERNMENT STABILITY

As the Hoti Government settled into its role, the biggest item on the agenda facing it was the long-awaited round of negotiations between Belgrade and Pristina in Washington at the beginning of September. Originally, the negotiations were to take place at the end of June, between President Thaci and Serbian President Aleksandar Vucic. However, the revelation by the Kosovo Specialist Prosecution on June 24th, just days before the negotiations were to take place, that it had filed a war crimes indictment against Thaci, forced the cancelling of the negotiating round. Expectations from these negotiations were running high after months and months of speculation that, thanks to US mediation, the two presidents were discussing a possible land swap deal to normalize their mutual relations.

Amid persistent rumours that a deal was ready on the table and waiting to be signed, negotiations (and any deal signing) were rescheduled for the beginning of September. Yet the question now became who would be able to ensure implementation of any politically difficult deal on the Kosovo side with Thaci removed from the negotiations. The previous government of Albin Kurti had been ousted largely because of its unwillingness to sign up to any deal on the table in Washington. In this context, the Hoti Government had essentially been installed to play a supporting role to Thaci in the negotiations, rather than to implement any deal itself.

With Thaci out of the negotiating picture, Prime Minister Avdulah Hoti and his government were, to all extents and purposes, left holding someone else's 'baby'. Given the weakness of his government, the outlines of the deal on economic liberalization signed by the two sides in Washington on September 4th must have been a relief to Hoti. To begin with, no actual deal was signed between the two sides, but rather by Hoti and Vucic individually. More importantly, there was no mention of any land swap, or other politically explosive issues. Indeed, the 'agreement' signed was very vague on details and hence at least not politically damaging. Perhaps the most concrete parts of it were those relating to the construction of road and rail links between Nis and Pristina, all of which had been proclaimed before. Other points – such as that the two sides would diversify their energy supplies – were incredibly vague.

Prime Minister Hoti and his government thus survived the negotiations in Washington primarily because they were not forced to make any major political concessions. Indeed, Hoti came back from Washington with Israel's recognition of Kosovo in hand. However, in return for this Hoti was forced to commit to establishing Kosovo's future embassy in Jerusalem, contrary to the international consensus and relevant UN Security Council resolutions. The move has the potential to damage Kosovo's relations with other Muslim or Arab countries.

This segment was about as concrete as the economic normalization agreement got. Indeed, so vague and off-topic were many of the points of the agreement that numerous foreign policy experts referred to it as 'reality diplomacy'. For Hoti – and indeed Vucic – there was probably clear consolation that the 'deal' did not do any lasting damage to their negotiating positions or governments.

Despite the emptiness of the 'agreement' signed in Washington, it was met with bitter opposition by one of Hoti's coalition partners – Ramush Haradinaj, the Alliance for the Future of Kosovo (AAK) leader. Prior to the September 4th agreement signing, Haradinaj had complained about being excluded from both the EU and US mediated talks with Serbia. Once the deal was signed, Haradinaj took issue with the fact that one of the clauses of the deal envisaged that the US Department of Energy would lead negotiations between Kosovo and Serbia over the joint use of the resources of Lake Gazivode/Ujmani in north Kosovo. Specifically, Haradinaj declared that he was opposed to Serbia being a party in discussions on the use of what he described as Kosovo's resources. In a wider sense, Haradinaj is also opposed to the technical nature of the EU-mediated negotiations, demanding a comprehensive, political agreement with Serbia instead.

Behind the scenes, many political observers in Pristina saw Haradinaj's opposition to the deal both as a protest over being largely excluded from the negotiations, but also as part of a proxy battle between Haradinaj and Hoti's LDK in which Haradinaj wanted to secure the post of Kosovo's President for himself after Thaci's expected resignation. By pressuring Hoti and the LDK over the deal with Serbia, Haradinaj hopes to extract their support for becoming President of Kosovo in return for continuing to support the Hoti Government.

Given the turbulent relations between Hoti/the LDK and Haradinaj/the AAK, there is speculation that the LDK leadership is in discussions with the Democratic Party of Kosovo (PDK), Thaci's former party, regarding the possibility of it joining the ruling coalition. This would give the ruling coalition a more comfortable majority and reduce the blackmailing ability of Haradinaj and the AAK.

In the event that the PDK joins the ruling coalition, which now seems plausible, it is likely that the AAK will remain part of the ruling coalition as well. After all, the AAK has few incentives not to take part in the division of the spoils of being in government. On balance, this development would increase the Hoti Government's stability as well, increasing its majority. Yet if Thaci is indicted formally and resigns as president, the ruling coalition will ultimately face a major challenging in agreeing a mutually acceptable candidate to fill the post.

## OPPOSITION ACTIVITIES

Amidst the high political and diplomatic drama engulfing Kosovo, the opposition Vetevendosje has been conspicuously quiet. The movement is opposed to the US-mediated negotiations, as well as the format of the talks being pursued in Brussels, also arguing in favour of a broad and comprehensive deal with Serbia that would lead to the recognition of Kosovo. Moreover, Albin Kurti challenges the legitimacy of the Hoti Government engaging in the negotiations without the without the biggest party in Kosovo, his own Vetevendosje.

So far, Vetevendosje has refrained from its trademark political tool – mass street protests. The party argues that these are not plausible during the coronavirus pandemic. However, at the beginning of August it did announce its intention to submit a motion of no confidence in the Hoti Government, citing the ‘humanitarian catastrophe’ caused by its alleged inability to handle and control the pandemic.

To table the motion of no confidence in Parliament, Vetevendosje needs the signatures of 40 MPs. Currently, it is thought to have no more than 30. Nevertheless, Kurti seems to be hoping that Haradinaj and the AAK will eventually join the ranks of the opposition, paving the way for gathering the 40 signatures needed. Even then though, they would still be well short of the votes needed to overthrow the Hoti Government.

Meanwhile, the prospect of the PDK potentially joining the Government could leave Vetevendosje as the sole opposition party in the Kosovo parliament.

## **REGIONAL RELATIONS**

From a regional point of view, the biggest news relates to the ‘agreement’ signed with Serbia, which has already been discussed. Parallel negotiations on more political issues between Belgrade and Pristina are under way in Brussels.

When it comes to other countries in the region, there are concerns in Pristina over the implications of the outcome of the Montenegrin elections. No one in Pristina congratulated the Montenegrin opposition on its victory. On the contrary, most of the Kosovo Albanian political establishment seems to hope that Djukanovic will be able to cling on to power, fearing that the coming of the pro-Serb opposition to power in Montenegro would not only cool relations with Kosovo, but possibly lead to ‘derecognition’ by Montenegro.

Relations with other countries remain uneventful. Hoti has cordial relations with Albanian Prime Minister Edi Rama, an improvement over the difficult relations Rama had with Kurti and Haradinaj when they headed the Kosovo government.

## **SECURITY**

The security situation in Kosovo remained calm and uneventful. At present, the biggest security threat within Kosovo comes from potential violent protests that could occur in the event that the indictment against President Hashim Thaci and PDK leader Kadri Veseli is confirmed. Equally, additional indictments against other ex-KLA commanders could also spark violence. Likely targets could include the EULEX mission, European embassies and the Kosovo Serb community. A separate issue is also the safety of any potential witnesses before the Kosovo Specialist Chambers and their families.

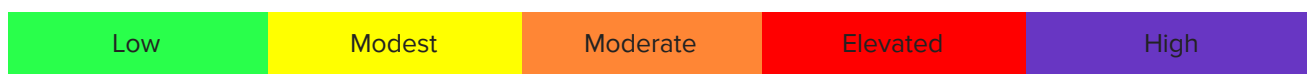
## LOOKING FORWARD

- **Negotiations with Serbia:** while the ‘agreement’ between Kosovo and Serbia on economic normalization signed in Washington is vague and short of specifics, it will be important to look out for any developments in implementing the pledges contained in it. In parallel to this, it will be important to keep an eye on whether negotiations in Brussels make any progress.
- **War crimes indictments:** the most important political and security challenge on Kosovo’s horizon will be the fate of the indictment lodged by the Specialist Prosecution in the Hague against Thaci, Veseli and other ex-KLA figures for war crimes. The announcement that such an indictment had been lodged caused anger in Kosovo, particularly among ex-guerrillas. If it is confirmed, there will be further political upheaval and possible violence.
- **Government (in)stability:** directly tied to the issue of the war crimes indictments is the question of the government’s stability. If Thaci is indicted, he will be forced to vacate the president’s office. This, in turn, will open up the very difficult – and destabilising – question of which political figure will succeed him. Part of the package of electing a new president could involve bringing the PDK into government.

# North Macedonia

North Macedonia's Parliamentary elections delivered the narrowest of victories for the ruling Social Democratic Union of Macedonia (SDSM), in line with pre-election polling data. Overall, turnout was significantly lower compared to the historic 2016 Parliamentary elections. In part, this was down to the continuing COVID-19 pandemic in the country. However, it is also a reflection of disillusionment among many ethnic Macedonian voters with both the ruling SDSM and opposition VMRO-DPMNE, both of which lost a large number of votes. The main beneficiaries of this seem to have been the ethnic Albanian parties, indirectly, which increased both their vote share and seat tally. The post-election Parliamentary arithmetic did not leave many options other than a recreation of the SDSM-DUI led government, again with a very narrow majority. Yet despite the narrow majority, we expect the government to be stable, much like its predecessor.

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimmension	War	Low	Low	Low
	Terrorism	Low	Low	Low
	Government Instability	Modest	Modest	Modest
	Civil Unrest	Modest	Modest	Modest
	Ethnic Unrest	Modest	Modest	Modest



## GOVERNMENT STABILITY

The Parliamentary elections held on July 15th passed calmly and did not produce any major surprises. The ruling SDSM won a narrow victory, securing 35.9% of the votes to the opposition VMRO-DPMNE's 34.6%. The SDSM will now have 46 seats in the new Parliament compared to the VMRO-DPMNE's 44 seats.

However, in some respects, the SDSM's victory is slightly pyrrhic. Its 'We Can' pre-election coalition with the small ethnic Albanian Besa and other minor parties won 3 seats less than the SDSM secured in the 2016 elections and 8 seats less than the combined total that the SDSM and Besa secured back then. In terms of votes, then SDSM-led coalition won around 110,000 votes less than the party had won in 2016. It did, however, win almost exactly the same number of votes that its presidential candidate, Stevo Pendarovski, won in the first round of the Presidential elections in 2019. While still far below what Pendarovski won in the second round of the same election, it does suggest that the ruling party has, at the very least, stopped haemorrhaging support.

While the ruling SDSM lost support, perhaps contrary to its hopes its coalition partner – DUI – increased its support. The main ethnic Albanian party re-asserted its dominance on the ethnic Albanian political scene in North Macedonia, increasing its votes from 86,796 (7.5%) in 2016 to 104,699 (11.5%) in 2020. Despite expectations among some analysts that the party was on a downward trajectory, its number of seats has risen from 10 at the last election to 15 in the new Parliament. Most observers seem to agree that DUI benefitted from its push to have an ethnic Albanian as the country's Prime Minister, should it be in a position to take part in the next government.

Going into the elections, the SDSM had hoped to be able to ditch DUI in the next government in favour of the rival ethnic Albanian block, the Alliance for Albanians-Alternativa coalition. However, the Parliamentary arithmetic left almost no viable alternative to the re-creation of the previous SDSM-DUI coalition. Even their combined seat share was no more than 61 MPs, enough for a bare minimum majority in the 120 seat Parliament. By bringing the small

Democratic Party of Albanians (DPA) with its one MP onboard, the ruling coalition has increased its majority to (a still uncomfortable) 62 MPs.

With little option other than an SDSM-DUI government being formed, coalition negotiations proceeded relatively quickly and the new government led by Prime Minister Zoran Zaev was voted in on August 30th. Predictably, DUI gave up on its demands for an ethnic Albanian Prime Minister, but the party did secure the post of First Deputy Prime Minister for Artan Grubi. The designation 'first' in his title is largely symbolic and has little real practical meaning, but is a consolation prize to DUI for giving up on the claim to the Prime Minister's job. In this regard, the other 'consolation' prize which DUI secured was a pledge by the SDSM that Zaev would serve as Prime Minister until 100 days before the next election, at which point a DUI candidate would be elected to the post (subject to agreement between the two parties).

There have also been some modest tweaks to the allocation of ministries. The current government is a trimmed down version of its predecessor. Nikola Dimitrov has moved from the post of Foreign Minister to the position of Deputy Prime Minister in charge of European Integration. Meanwhile, Bujar Osmani, the former Deputy PM for European Integration takes the Foreign Minister's job. Another notable addition to the Government is Ljupco Nikolovski, who will become the Deputy PM for fighting corruption, sustainable development and human resources. Nikolovski's appointment is interesting in that it signals awareness on the part of the SDSM that the issue of rule of law and fighting corruption has been its weak point during its first term in power. However, Nikolovski's appointment is more a matter of show than substance – fighting corruption is more a matter of building the right institutions rather than ad-hoc, individual ministerial efforts. The SDSM has said that some kind of vetting procedure will be implemented within the judiciary as part of its efforts to strengthen the rule of law, but details are scarce.

Aside from some (limited) efforts to fight corruption and improve the rule of law, the new Zaev Government will have to handle the economic downturn facing North Macedonia as a result of the global coronavirus pandemic. In this respect, the Government's room for manoeuvre is limited – North Macedonia is a small landlocked economy, which has based growth on FDI and export manufacturing over the last decade. As such, its Government can hope to do little more

than weather the economic storm as best it can until growth – and demand – pick up in North Macedonia’s export markets. Finally, Zaev has also pledged that 80% of North Macedonia’s EU negotiating chapters will be opened during his second tenure.

On balance, the new Zaev Government will be one of continuity. Despite the bad blood spilled between the SDSM and DUI ahead of the parliamentary elections, the promise of sharing the spoils of power has helped them to bury their differences. Although the Government has a narrow majority, it should remain broadly stable, as with the previous Zaev Cabinet which enjoyed more or less the same majority. Given the relaxation of political and societal tensions following these elections and their relatively conclusive outcome, we have decided to upgrade the government instability trajectory to modest in the one-, six- and twelve- month outlooks, as well as the one- and six- month civil unrest outlooks.

## OPPOSITION ACTIVITIES

The VMRO-DPMNE was hot on the SDSM's heels in the July Parliamentary elections, both in terms of seats and votes. Yet it has even less to be pleased with than the SDSM, with its performance also a pyrrhic success. Overall, the party won almost 140,000 votes less than in the 2016 Parliamentary elections. Its result was also almost identical to that which its candidate secured in the first round of the 2019 Presidential elections, but well short of the second round score.

The fact that the party has performed so poorly is, for the most part, a legacy of its tarnished image from its time in power prior to 2016, as well as its failure to reinvent itself since then. Indeed, the party has stuck to its hard-line, nationalist rhetoric with little creative thinking as to how to appeal to the broader electorate. Ahead of the Parliamentary elections, party leader Hristijan Mickoski made a vague gesture of apologising for the abuses committed by others in the name of the VMRO-DPMNE in the past, but the move impressed few.

Following the elections, the VMRO-DPMNE has made some moves which have been billed as an attempt to 'democratize' the party. Thus, on July 21st the party's central committee decided to scrap the post of honorary party president, thus depriving the former party leader, Nikola Gruevski, of the post. Other moves which aim to democratize the party include a three-term limit on any party leader (billed as the first such move in the Balkans). Changes aimed at increasing the say of local party members in choosing their municipal officials and candidates have also been introduced, probably with an eye to the 2021 local elections.

Yet in parallel to this, the party has also seen some upheaval. Various factions and individuals within the party have called for the election of a new leadership following the electoral defeat. Despite this, these voices seem fragmented and it seems unlikely that Mickoski could be unseated any time soon.

Unlike the VMRO-DPMNE, the main ethnic Albanian opposition block – the Alliance for Albanians-Alternative coalition – can also be pleased with its election performance. Their

coalition won 81,620 votes (8.9%) and secured 12 MPs. This compares extremely favourably to the 35,121 votes won by the Alliance for Albanians in 2016, which then won 3 seats.

While in opposition, it is possible the Alliance for Albanians-Alternativa coalition could lend its support to the ruling coalition on some key issues, such as judicial reform or EU-accession related issues.

It is an interesting feature of the 2020 Parliamentary elections that the ethnic Albanian parties and coalitions won around 10,000 votes less than in 2016 in total, but increased their number of MPs from 20 to 28. This largely seems to be a reflection of the fact that their overall number of votes declined far less than the overall number of votes gained by the parties representing ethnic Macedonians.

## **REGIONAL RELATIONS**

Relations between North Macedonia and its neighbours remained calm over the previous two months. Most of the country's neighbours were preoccupied with their own internal problems. While the Bulgarian government battled with protesters demanding its resignation, Greece was caught up with trying to manage COVID-19 amidst the tourist season.

## SECURITY

The security situation remained calm and uneventful in North Macedonia during the previous period, with the exception of one, terrorism related incident. Namely, on September 1st, the Interior Ministry announced that three Macedonian nationals had been arrested in the town of Kumanovo in the country's north-east as part of an anti-terrorism operation. The three individuals appear to have participated in the armed conflicts in the Middle East, for which they have served prison sentences in North Macedonia. Following their release from prison, authorities believe that they plotted armed attacks against state institutions in the country. No further details were given as to how advanced the plots were or what institutions they planned to attack. In this context, it is noteworthy that Macedonian authorities have so far identified more than 150 people who participated in fighting in Iraq and Syria, of whom 35 are believed to have died and many have returned to North Macedonia.

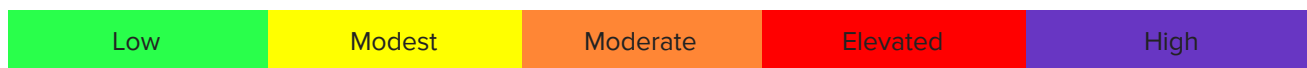
## LOOKING FORWARD

- **Supplementary budget:** With elections and government formation completed, one of the first tasks that the new government will face will be drawing up a supplementary budget. Current spending plans were adopted well before the coronavirus pandemic struck and – not surprisingly – revenues are underperforming, causing the budget deficit to escalate sharply. The new government will thus need to find savings and ways to finance additional health expenditures, all with an eye to drawing up the 2020 budget.
- **Government stability:** although we expect the new Zaev Government to remain stable, given its narrow majority it will be important to keep an eye on how it will function initially. In particular, it will be important to watch relations between the SDSM and DUI given their recent pre-election tensions, and the perception in many quarters that DUI is an obstacle to some rule of law reforms.
- **EU accession negotiation:** North Macedonia remains hopeful that it will be able to hold the first intergovernmental conference with the EU to launch its accession negotiations. However, this will primarily depend on EU preparedness. In this respect, if the intergovernmental conference is not held, the coronavirus pandemic may come as a good excuse to both the Macedonian Government and EU.

# Montenegro

A surprising and unexpected election result at the end of the summer has generated a political earthquake of regional proportions. After 30 years in power, President Milo Djukanovic’s ruling Democratic Party of Socialists (DPS) has suffered an electoral defeat at the hands of the opposition. The outcome of the elections seems to have surprised even the Montenegrin opposition itself. Montenegrin analysts note that this may be the first time in the country’s history that a government is changed at the ballot box. However, the opposition block has won only a narrow victory, winning 41 seats in total in the 81 seat Parliament. While its leaders have moved quickly to proclaim victory and the end of DPS rule, local political analysts caution that the DPS will do everything it can to try to divide the opposition and co-opt some of its MPs into giving it their support. A tense few weeks thus await Montenegro, in which the DPS may try to break-up the – so far – united if heterogeneous opposition block. From the point of view of stability, a quick transition of power would be the best outcome, while a protracted process of forming the next government could open up the space for various political machinations, protests and wider unrest.

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimension	War	Low	Low	Low
	Terrorism	Low	Low	Low
	Government Instability	Elevated	Moderate	Modest
	Civil Unrest	Elevated	Moderate	Modest
	Ethnic Unrest	Moderate	Modest	Modest



## GOVERNMENT STABILITY

Montenegro went into the August 30th poll with most political observers expecting yet another election in which the ruling DPS would come out on top, defeating a divided and heterogenous opposition. Amidst scant reliable opinion polling, what little polling data was available seemed to suggest that, at worst (or best, depending on one's point of view), the ruling DPS would perhaps win a few MPs less than in the last elections, forcing it to bring on board a friendly opposition party such as the Social-Democratic Party (SDP) and allowing it to rebuild its coalition with the ethnic minority parties. Even the DPS' opponents seemed resigned to such an outcome.

It is for this reason that, once the votes began to be counted, the results of the elections were so shocking. In the end, the DPS won 35.1% of the votes cast, securing a total of 30 seats in the next Montenegrin Parliament, down from the 41.4% of the votes – 36 seats – that it won in 2016. The SDP's traditional partners – the Social Democrats, Social Democratic Party and the ethnic minority parties – together won another 10 MPs. Combined together, this still left them short of the 41 seats needed for a minimal majority in the 81 seat Montenegrin Parliament.

Meanwhile, the opposition won a total of 41 seats. Specifically, the For the Future of Montenegro coalition – a centre-right pro-Serbian grouping close to the Serbian Orthodox Church – won 32.6% of the votes cast and 27 seats. The more centrist, moderately pro-Serb block Peace is Our Nation won 12.5% of the votes and 10 seats, while the more civic, pro-Montenegrin Black on White coalition won 5.5% of the votes and 4 seats.

How did this unexpected result come about? Indeed, it was so unexpected that it seems to have caught the ruling DPS completely by surprise. Sources from inside the ruling party suggest that senior officials had no inkling that the tide of popular support had turned against them, until perhaps a day or two before the elections themselves. How this happened is not clear, but it seems that lower- and middle-ranking party officials either did not grasp that public opinion had turned against the ruling party, or did not dare to communicate this fact to the party leadership.

Clearly, what seems to have cost Djukanovic and the DPS this election was the adoption of the Law on Religious Freedom back in December 2019, along with their proclaimed plan of creating a 'Montenegrin Orthodox Church'. The Law on Religious Freedom was particularly controversial, because it envisaged transferring ownership of all church buildings and other properties belonging to the Serbian Orthodox Church to the state without any real legal due process. From the Church's point of view, this could have been the first step to allowing some newly-created Montenegrin Orthodox Church to use its churches.

Of course, the controversial law enraged not just the Serbian Orthodox Church, but also much of the Montenegrin public, resulting in the biggest nation-wide protests that the country had seen since independence. Crucially for the DPS, the protests were also joined by some of its own supporters and local officials.

Come election day, it seems that some DPS voters switched their allegiance away from the DPS – the (still) ruling party won around 15,000 votes less than it had gained in the 2016 elections. Perhaps even more importantly, Djukanovic's strike against the Church seems to have fired up his opponents among ordinary voters. After three decades of the DPS and Djukanovic in power, many of those opposed to their rule had gradually slid into abstaining in elections and political apathy. This seems to have changed radically ahead of the elections, with the three opposition groupings winning a combined total of 207,213 votes. In a country of no more than 600,000 people, this is a huge increase from the 158,406 that the same grouping won in the 2016 Parliamentary elections.

The question is now what happens next and who will form the future government. The opposition moved quickly to proclaim victory and declare that the era of DPS rule was at an end. The ruling party sent more mixed messages. On the one hand, it signalled that it was willing to accept the outcome of the elections. On the other, it suggested that it would strive to form a coalition government with its traditional allies (the two Social Democratic parties and ethnic minorities), along with other like-minded parties.

The DPS is unlikely to hand over power willingly and easily. After 30 years in power and the corruption and abuses of power over which it has presided, it has a lot to lose, collectively and on the level of individual party officials, from the party top down. It will thus try to pick off individual MPs from the opposition blocks in the hope of cobbling together a majority. Moreover, it is likely to deploy a range of tools in order to co-opt these MPs, ranging from coercion to offering financial incentives.

Whether it will succeed in this plan is another matter. There is a clear sense in Montenegro that the DPS has been defeated and needs to hand over power. This turn-of-the-tide may be too powerful for the DPS to be able to cling on to power. If the DPS does go down this route however, mass protests, possibly violent, can be expected across the country by opposition supporters. However, we do believe that the DPS going into opposition is the most likely, albeit uncertain outcome.

All of this together has led us to downgrade the short-term Montenegro country outlook across a range of categories. On balance, a change of power after 30 years of DPS rule would be positive for Montenegro and the country's democracy. Yet the process of the DPS leaving power could prove messy. Hence, we are downgrading the one month government instability outlook to elevated. The fact that whoever forms the next government will have an extremely tight majority means that we are also downgrading the six-month government instability outlook to moderate. The uncertainty over the course of the government transition has also led us to downgrade the one-month civil unrest outlook to elevated and the ethnic unrest outlook to moderate.

Aside from a tense political situation and elevated societal tensions, whoever forms the next Montenegrin government will have to contend with a fairly dire economic situation. Most projections see the Montenegrin economy contracting by around 9% of GDP by the end of this year. Tourism, which directly and indirectly accounts for around 25% of GDP has been particularly hard hit. The economic downturn is also being felt when it comes to the public finances. The budget deficit is set to spiral to around 10% of GDP, yet with public debt set to rise to 90% of GDP by the end of the year, the country is poorly positioned to absorb such a high shortfall.

## OPPOSITION ACTIVITIES

Ahead of the August 30th elections, the main opposition parties had held negotiations on forming a single, united list to challenge the regime, which ultimately failed at the beginning of July. After this, three distinct opposition blocks were formed, although with the common goal of toppling the DPS and with an eye on working with each other after the elections.

The biggest of these three groupings was For the Future of Montenegro, a conservative, pro-Serb catch-all coalition gathered around the Democratic Front (DF), Socialist People's Party (SNP) and Popular Movement, a relatively new grouping initiated by businessman Miodrag 'Daka' Davidovic. The coalition also included the 'We won't give up Montenegro' group, a Church-backed NGO set up ahead of the elections and led by University professor Zdravko Krivokapic. Sources close to the opposition suggest that senior figures within the Church played a key role in forging this broad coalition. It also appears to have been at the bidding of Church leaders that Krivokapic emerged as the leader of the list. However, sources within the opposition only agreed to this on the condition that Krivokapic should withdraw after the elections.

Straddling the moderate pro-Serb and civic part of the political spectrum is the Peace is Our Nation coalition. The biggest party in this grouping is Democratic Montenegro (Demokrate) led by Aleksa Becic, Miodrag Lekic's Demos, the New Left party and liberal politician Vladimir Pavicevic. Finally, at the more civic, pro-Montenegrin end of the spectrum is the United Reform Action party which, together with a number of civic activists and journalists ran as the Black on White coalition under the leadership of Dritan Abazovic.

As will be evident from this very brief overview, the three-part opposition block which emerged victorious in the elections is extremely diverse in terms of people, movements and ideologies. Their common goal is bringing the DPS' 30 year rule to an end. Yet their visions for what kind of Montenegro they want to build are very different. For the Future of Montenegro is conservative, close to the Church in outlook with a range of pro-Serb and even Serb nationalist elements, with some within it also being firmly pro-Russian and anti-NATO. On the other hand, Black on White

is decidedly pro-European, secular and civic in outlook. Peace is Our Nation sits somewhere in between.

Under normal circumstances, it would be hard to imagine these parties and groups being on the same political side. Indeed, many analysts look with disbelief on the idea that they could actually form a government together. In the most simple of terms, Black on White is ideologically much closer to the DPS than the Democratic Front, wanting to keep Montenegro in NATO and oriented towards Europe and the West, with a more Montenegrin, civic identity. By contrast, the Democratic Front has traditionally been pro-Russian, opposed to NATO membership, Kosovo's independence, while seeing Montenegrin identity in ethnically Serb terms.

It is in part because of these differences – and a resulting desire to avoid sitting in government together directly – that Dritan Abazovic, the leader of Black on White, first put forward the idea of forming a 'government of experts', which would steer the transition away from DPS rule. The idea was immediately supported by Krivokapic. However, it is not clear that all the parties in Krivokapic's coalition – in particular the DF – are on board. Not surprisingly, many party leaders would prefer a more conventionally political government in which they assume ministerial posts.

Once Parliament is convened in its new make-up, President Djukanovic will hold consultations with party leaders on how to proceed with forming the next government. In all likelihood, Djukanovic will give the mandate to form the next government to whomever can demonstrate that they have the support of 41 MPs or more. In case no one can muster this degree of support, he will likely hand the mandate to form the next government to someone from his own DPS as the biggest party in Parliament.

The quickest and surest route for the opposition to remove the DPS from office and assume control of government would be to quickly agree on who its candidate for Prime Minister will be and present this name to Djukanovic. Failing this, the opposition will leave the political field open to the DPS and Djukanovic to cling on to power by dragging out the government formation process. Indeed, if Djukanovic were to hand the mandate to form the government to someone like current Prime Minister Dusko Markovic from his party, the DPS could try to run down the clock for forming a new government and force fresh elections.

From the point of view of Montenegro's stability, the safest course would be quick agreement by the opposition parties on the composition of the new government. This would seriously constrain the DPS' ability to engage in various machinations aimed at saving its hold on power. Should the opposition parties fail to strike a quick deal, political tensions – and with them civil unrest – could escalate quickly.

In the more medium term, whether the opposition forms a more political or expert government, it is likely to have a limited life span of a year or two, preparing the ground for the holding of more democratic, free and fair elections. Indeed, a transitional government as a step towards holding more free and fair elections is something that all opposition parties had demanded for a long time ahead of these elections.

## REGIONAL RELATIONS

Between the ongoing coronavirus pandemic and the election campaign, Montenegro has been inwardly focused. Partly as a result of this, relations with neighbours have been fairly quiet. The only partial exception were relations with Serbia which, although improved, were strained by the decision of Montenegrin authorities to close their border to Serbian citizens for much of the summer due to the spread of COVID-19 in Serbia.

However, the shock election result has the potential to destabilise relations with Montenegro's neighbours. In particular, Bosniaks in neighbouring Bosnia are extremely concerned about what they see as the prospect of Serb nationalists assuming power in Montenegro. They argue that the climate in Montenegro is, to them, reminiscent of the early 1990s, when Bosniaks were persecuted by Serb nationalist groups. Such fears are being reinforced by concerns within Montenegro's own Bosniak community about their physical safety. In particular, attacks have occurred against members of the Bosniak community and their property in the northern town of Pljevlja. The DPS and its supporters have sought to play up these incidents as evidence of the pro-Serb opposition's violent plans and intentions. However, many in the opposition have accused the DPS of being behind the incidents which, they argue, are intended to foster fear and insecurity within the country – particularly its minorities, create a perception that allowing the pro-Serb opposition to come to power could result in ethnic violence and – ultimately – pave the way for the DPS to remain in power.

The governments in Albania and Kosovo are also watching events in Montenegro with some trepidation. Both are concerned about the welfare of the ethnic Albanian community in Kosovo should pro-Serb nationalist parties come to power. Kosovo is particularly concerned about the possibility of Montenegro revoking its recognition of Kosovo's independence. In the short and medium term this seems unlikely. Most of the parties gathered in For the Future of Montenegro would probably like to see this happen. However, they will not be able to push something like this through as long as they are in government with the other two opposition groups. Something like this would only be possible – if unlikely – in a government in which the DF would come to wield decisive influence sometime in the future.

## **SECURITY**

Following the elections, the internal security situation in Montenegro is fragile. The country is bitterly divided between supporters of the ruling DPS and supporters of the opposition. Many DPS supporters are loath to see power handed over to the opposition. On the other hand, opposition supporters have a clear sense that the DPS has been defeated and needs to leave power. Whether the DPS leaves power or – even more so if it clings on – the animosity between supporters of the DPS and opposition makes civil unrest a real possibility. In addition to this, the security situation is further complicated by the possibility of inter-ethnic incidents and violence aimed at the Bosniak community in particular. Complicating this particular situation will be uncertainty over who is perpetrating the violence.

## LOOKING FORWARD

- **Formation of Parliament:** the new Montenegrin Parliament must meet 15 days from the announcement of the official election results. At this point, Parliament needs to elect a new Speaker, at which point it should become apparent whether the opposition majority can agree on a common candidate for this position at least. Should they fail, the post would still go to Miodrag Lekic of opposition party DEMOS, as the oldest MP.
- **Government formation:** a quick resolution to the question of who will form the next government and along what lines will be crucial for Montenegro's stability in the short and medium term. The longer the country continues without a new government, the more political and ethnic tensions will build. In this sense, it is important to keep an eye on whether the opposition will agree firstly over the nature of the next government (political or expert) and then on its actual composition.
- **Security situation:** Tensions are running high in Montenegro, creating a delicate security environment. On a basic level, there is the potential for conflict between DPS and opposition supporters. On a secondary level, there is the risk of inter-ethnic incidents, directed against the Bosniak community and perpetrated by either nationalist Serb groups or rogue DPS supporters.

# Serbia

The final results of the Serbian Parliamentary elections have confirmed the ruling Serbian Progressive Party (SNS) overwhelming dominance over the next Parliament. However, despite the huge majority enjoyed by the SNS, Serbian President and party leader Aleksandar Vucic has held off from nominating the next Prime Minister and enabling the election of the new government. There is no logical reason to delay government formation given his party’s majority. However, Vucic does face a dilemma of sorts – how to ensure the semblance of an opposition presence in Parliament while at the same time not alienating friendly existing coalition partners such as the Socialist Party of Serbia (SPS).

Trajectories		Outlook		
		1 month	6 months	12 months
Risk Dimension	War	Low	Low	Low
	Terrorism	Low	Low	Low
	Government Instability	Modest	Modest	Low
	Civil Unrest	Moderate	Moderate	Moderate
	Ethnic Unrest	Low	Low	Low



## GOVERNMENT STABILITY

Following the repeated voting at a record 234 polling stations on July 1st, the final results of the Serbian Parliamentary elections held on June 21st were announced. Predictably, there were no major changes compared to the preliminary results. Official turnout slipped below 50% to 48.9% of the electorate, something that will give added ammunition to the boycotting opposition and those arguing that the new Parliament lacks legitimacy.

Meanwhile, the ruling SNS' seat tally dropped marginally, from an initially projected 191 seats to 188 seats (60.6% of the votes cast), an increase of 57 seats compared to the previous elections. The SPS, the SNS' junior coalition partner has won 32 seats – while its overall vote share is down compared to the last elections, it increased its number of seats by three. The Serbian Patriotic Alliance (SPAS) also made it into Parliament with 3.83% of the votes, thanks to the reduction of the electoral threshold prior to the elections, winning 11 seats. The remaining seats were won by minority MPs representing the country's ethnic Hungarians, Bosniaks and Albanians.

Despite the more than overwhelming majority enjoyed by the ruling SNS, the process of government formation is being drawn out inexplicably. The new Serbian Parliament met on August 3rd, but failed to do anything other than confirm the mandates of the new MPs. Serbian President and SNS leader Aleksandar Vucic had suggested that the new government would be formed by the end of August, yet this has not materialised. After this, senior officials within the SNS suggested that the government would be formed after the two rounds of negotiations with Kosovo at the beginning of September. However, even this deadline is likely to pass.

In public, SNS senior party officials and Vucic himself are trying to present the process of government formation as a huge dilemma. Clearly, given the SNS' huge majority, there is no dilemma over how to assemble a majority in Parliament. In reality, Vucic likely has a very different dilemma – how to ensure even the semblance of an opposition presence in Parliament. Given that most of the opposition parties boycotted the elections – while those that did not failed to get the support to enter Parliament – the SNS is very close to presiding over a Parliament with no opposition.

Rebuilding the coalition with the SPS would reduce the opposition presence to the 11 MPs of SPAS, themselves hardly a convincing opposition grouping. Moreover, SPAS itself seems more than open to entering government with the SNS. The possibility of forcing the SPS into opposition thus appears to be an idea being mooted by Vucic, though it has its risks, not least of which would be the SPS becoming a genuine opposition. An SNS government with the ethnic minority MPs is also being considered. However, all of these options seem flawed in Vucic's mind.

The riddle that Vucic is essentially trying to solve is an impossible one – how to bring as many parties into government, while also retaining an opposition presence. Given the impossibility of fulfilling both goals, another possibility which has been mooted is the scenario that Vucic might opt for some kind of 'government of national unity'. Doing so would allow him to bring almost all MPs into government while providing a useful justification for the absence of any opposition. Tough decisions over Kosovo, or the need to handle the COVID-19 pandemic could provide useful justification.

Ultimately, only Vucic knows which one of these options he may opt for. In the meantime, by drawing out the government formation process, he is also achieving a number of other short-term goals. Firstly, he is keeping his own potential coalition partners guessing as to which, if any of them, he might bring into government, in so doing reducing their bargaining power day by day. Secondly, he is also keeping his own SNS loyalists guessing as to who will be awarded which jobs in the new government, encouraging them to work even harder to prove their loyalty. Thirdly, Vucic is basking in the fact that, even more so than usual, he is the ultimate arbiter and all-powerful decision-maker in the country, something that is abundantly clear to everyone. Finally, both the SNS and Vucic are using the drawn out government formation process to crowd out other news items (and problems) from the public's eyesight.

The current state of affairs could thus roll on well into September and perhaps even October. A new government certainly needs to be formed by the end of October however. In the meantime, there has also been relatively little credible speculation over who will get the top jobs in the next government. Ana Brnabic seems to have the best chance of retaining the Prime Minister's job, having proven her loyalty over and over again.

By the end of October, the riddle over who will enter into government with the SNS will have been resolved, if not before. In the more medium term, the legitimacy of the next SNS-led government will remain a problem. In line with this, speculation is growing that President Vucic may opt for early Parliamentary elections in 2022, around the same time when his mandate is due to expire and when the Belgrade City elections are due to be held. Vucic is aware that the opposition would probably find it hard to justify boycotting another election, particularly if the most important positions of power were up for grabs.

## OPPOSITION ACTIVITIES

Following the June elections, which most of the opposition boycotted while those that took part failed to enter Parliament, the Serbian opposition is in a process of reconstituting itself. Failure to pass even the reduced 3% threshold may force some of those political parties and individuals who took part in the elections into political retirement. Yet the boycotting part of the opposition, while claiming vindication, is hardly in a great position either. It is also made up of small, fragmented parties, who will now additionally struggle to secure funding and public attention.

At the beginning of August, the Alliance for Serbia (SZS), the main opposition umbrella grouping, formally ceased to exist. Instead, most of its members created the Associated/United Opposition of Serbia (UOS). The new grouping is intended to be a much looser umbrella organization, which, according to the opposition leaders, will allow its members to grow, develop and retain their specific identity. Perhaps the biggest difference compared to the SZS is that far-right Dveri is no longer part of the new grouping.

Regardless of how it groups and regroups, the Serbian opposition's most basic problems include a lack of new faces, credible and plausible leaders capable of appealing to the public, and policies which have traction with voters. All of this is compounded by the skewed political playing field on which the opposition has to compete with the ruling SNS.

There is, however, no shortage of anger and discontent with the SNS' rule in Serbia. Just how little it takes to spark mass protests was made clear in early July, when, amidst a rise in the number of COVID-19 infections, President Vucic suggested that new lockdowns and police curfews would be imposed to stem the spread of the disease. The same evening – on July 7th – thousands of people gathered spontaneously outside the Serbian Parliament to protest against the announced measures. However, the protests quickly spun out of control, with a far-right group briefly managing to storm Parliament. Clashes ensued with the police, with ever increasing violence between police and demonstrators over the next few nights. Having begun as a protest against COVID-19 measures, it quickly became apparent that a large number of ideologically very different groups were taking part in the protests. Ultimately, the protests petered out.

## **REGIONAL RELATIONS**

Serbia's relations with its neighbours were relatively uneventful, with the exception of Kosovo. On September 4th, the White House announced that a 'historic' agreement on normalizing relations between Kosovo and Serbia had been signed after several days of US-mediated negotiations by the two sides. The agreement came as the culmination of months of secretive negotiations mediated by President Donald Trump's special envoy, Richard Grenell. For a long time, rumours has abounded that Grenell was negotiating a land-swap deal between Kosovo and Serbia which would be part of a package aimed at normalization of wider relations and, perhaps, mutual recognition. Yet when it came, the deal signed contained nothing nearly as substantive. To begin with, the two sides did not sign an agreement with each other, but rather individuals agreements (which read more like pledges). Moreover, while including some plans such as building road and rail connections between Serbia and Kosovo, most of these were not new. Many other pledges – such as diversifying energy supplies – were extremely vague.

The agreement did include a point obliging both sides to exclude untrusted vendors (i.e. Huawei) from the construction of telecommunications networks. Israel also seems to have ended up having a key place in an agreement nominally relating to Kosovo and Serbia. Namely, Israel agreed to recognize Kosovo, in return for which Kosovo agreed to establish its embassy in Jerusalem. Serbia also agreed to move its embassy to Israel. What any of this had to do with normalizing relations between Kosovo and Serbia remained a mystery. In the end, most observers concluded that the 'agreement' was devoid of any real or lasting substance.

## **SECURITY**

The security situation in Serbia remained calm and uneventful over the reporting period, with few significant developments.

## LOOKING FORWARD

- **Government formation:** Despite the SNS' huge majority in the new Parliament, it remains uncertain when the next Serbian government will be formed or what its composition will be. Consequently, this will remain the most pressing issue to keep an eye on in the coming months.
- **Dialogue with Kosovo:** Following the meeting in Washington, political negotiations on normalising relations between Belgrade and Pristina are set to resume in Brussels. These negotiations will tackle more deeply entrenched problems, yet there seems little prospect of them making headway any time soon.

# About Risk Dimensions

## War

We understand 'war' as the state use of armed force beyond regular policing. This category includes the risk of the state use of force in the context of inter-state war, civil war, border disputes, but also in response to terrorism or civil disorder.

## Terrorism

Terrorism refers to activities, or the risk thereof, of organised groups (large or small) who are causing, or pose a credible risk of causing, death, injury, property damage, kidnapping or other forms of terror using violence (which may include shootings, assassinations, bombings, arson, beatings, etc). At risk may be individuals or assets. Motives may be wide ranging – religious, political, ideological, nationalist, ethnic, etc.

## Government Instability

This category covers the risk of government collapse, protracted government instability and/or paralysis and/or deadlock and/or inability to take decisions, the risk of early elections, or even a protracted institutional or constitutional crises.

## Civil Unrest

The category refers to unrest and/or disorder which is primarily political, socio-economic, labour, land/property issues, corruption or rights-based in terms of motives, or directed against a specific actor or issue. It can include mass protests, riots or strikes, whether peaceful or violent and national-level, regional or local.

## Ethnic Unrest

This category refers to unrest and/or disorder which is primarily motivated by ethnic, religious or nationalist factors and/or grievances (real or imagined). It can include mass protests, riots, communal attacks or frequent physical attacks against members of a group. It can be violent or non-violent and national-level, regional or local in nature.

## About

The Western Balkans Stability Monitor is produced by BIRN Consultancy, part of BIRN Ltd. BIRN Consultancy is an independent analysis, advisory and corporate investigation consultancy with a regional focus on the Balkans. Our mission is to help our clients better understand both the opportunities and challenges facing them in the south-east Europe. Often, our clients already have a degree of familiarity with the region. They turn to us for more detailed analysis of developments and trends or to investigate a particular problem, because our unique mix of knowledge and expertise gives us a competitive edge over others.

## Contact

**Phone:** +381 11 40 30 304

**Email:** [consultancy@birn.eu.com](mailto:consultancy@birn.eu.com)

**Website:** <http://consultancy.birn.eu.com/>

**Address:**

Kolarčeva 7, V floor

11000 Belgrade

Serbia