



# **NATO DEFENSE COLLEGE FOUNDATION**

## **EASTERN EUROPE STRATEGIC TRENDS**

February 2013

### **Executive Summary**

February has been a troubled month in the Balkans. The crisis is shaking local economies and widening social frustration. Local political struggles and recently emerged scandals are igniting further instability in the region. Serbia, Kosovo, Macedonia and Bosnia's Governments have some problems in terms of stability.

Analysts foresee that there could be even early elections by the end of the year in Belgrade. This could negatively affect the EU-sponsored dialogue with Kosovo, a key factor influencing Belgrade's European ambitions. There have been some positive outcomes so far, but Belgrade and Pristina have not yet found a solution on Northern Kosovo, where the first still maintains control through the so called "parallel institutions". If Belgrade embarked on elections by 2013, the talks would inevitably be put in stand-by. Kosovo's government coalition growing fragility could also threaten the negotiations.

In Bosnia the Government of the Muslim-Croat entity lost a motion of confidence vote in the lower chamber of the entity's Parliament. This brought the EU to shelve efforts aimed at avoiding a political crisis that can reverberate on the central Government, which strongly depends on local dynamics.

Macedonia's scenario remains unstable as well. Opposition told it will not take part in local elections by March 2013. The EU is trying to mediate between opposition and the Government, but at the same time is blaming Macedonia's politicians, reminding them the political costs of the

stalemate in terms of European integration. It's a stick and carrot approach, which the EU is carrying on in the whole region, not only in Skopje. Europe threatens the Balkans' democracies to freeze the dialogue, yet keeps the window open because the Balkans would go nowhere without a European perspective.

## **Situation Report**

### **Serbia and Kosovo**

On 6 February the Presidents of Serbia and Kosovo, Tomislav Nikolic and Atifete Jahjaga met in Brussels, in the framework of the ongoing dialogue between Serbia and Kosovo, which launched direct talks last October held by Prime Ministers, Ivica Dacic and Hashim Thaci. Pursuing a good neighbour policy, through bilateral agreements in fields like security, energy, borders and customs, is the main goal of these negotiations, brokered by the High Representative of the EU for Foreign Affairs and Security Policy (HR).

The meeting between Nikolic and Jahjaga, which had just a symbolic value, was aimed at building confidence between the parts before the fifth round of talks, held on the 19<sup>th</sup> February, which focused on the very sensitive issue of Northern Kosovo, a territory where the Serbs are the ethnic majority and Serbia rules through the so called "parallel institutions" (police, currency, schools, public administration etc.). Differently from previous rounds, which positively addressed topics like border checks, no agreements were found. This was expected. Yet, if next rounds of talks will not bring to compromise – whether they'll be minor or major – Serbia could miss the chance to open accession talks with the EU. Belgrade seeks to set a date by April.

### **Bosnia**

Bosnia is experiencing one of the worst periods of its recent history. The country has an unstable financial situation and there have been a stagnation scenario in 2012, according to a recent report released by the Foreign Trade Chamber. The political landscape is fragile. On 13 February, the Government of the Federation of Bosnia and Herzegovina (FBiH), the so called Muslim-Croat entity of the county, lost a confidence motion in the lower House of the Parliament. The upper House still has to vote it.

Also the Republika Srpska (RS), Bosnia's Serbian body, is shaken by political troubles. The ruling coalition is undergoing a reshuffle, a move forced by the wide range of corruption cases that have involved high personalities of the RS over the last months.

Political instability in the entities is further cutting the room for manoeuvre at the central Government level, already very little due to a Constitution that gives large prerogatives to the entities. This makes reforms more complex and slows down the process of integration with the EU. Bosnia seriously lags behind the other former Yugoslav Republics in terms of Euro-Atlantic integration.

## **Montenegro**

Political parties are focusing on presidential elections, which will take place on the 7<sup>th</sup> of April. The main competitors will be Filip Vujanovic and Miodrag Lekic. Vujanovic is the outgoing Head of State. He seeks a third mandate. He is supported from the Democratic Party of the Socialists (DPS), in power since almost 20 years, to which he belongs to. Yet the Social Democratic Party (SDP), a small political force allied with the DPS, cast doubt on Vujanovic's candidature. The SPD thinks he is not entitled to run, because his first mandate started in 2003, when Montenegro was not independent. At that time the tiny Adriatic country, which gained independence in 2006 through a referendum, was part of the State Union of Serbia and Montenegro.

The SPD stance could boost Lekic's chances. He's the leader of the Democratic Front, a newly created party that scored a good result in general elections last October, becoming the second political force in Parliament. Nevertheless, pollsters indicate that Vujanovic should win.

## **Macedonia**

Political stalemate continued in February. The Social Democratic Union (SDMS), the main opposition force, already boycotting parliamentary works, announced it won't compete in local elections on the 24<sup>th</sup> of March. It also asked once more for early elections, a request launched last November. The SDMS thinks that the ruling coalition, formed by the Internal Macedonian Revolutionary Organization-Democratic Party for Macedonia National Unity (VMRO-DPMNE) and the Democratic Union for Integration (DUI), the main party of the Albanian minority, is not doing all the efforts required to foster Euro-Atlantic integration.

Actually, the road to NATO and the EU is blocked. Greece vetoed the opening of accession talks between Macedonia and the EU last December because of the long-lasting name dispute between

Skopje and Athens<sup>1</sup>. Bulgaria did the same. This wondered observers, as Bulgaria has always supported Macedonia's NATO and EU bid.

The Prime Minister Nikola Gruevski proposed SDMS to postpone local elections to March 31, in order to give the rivals some time to organize the campaign and register candidates. The SDMS strongly refused this "olive branch".

## **Regional Trends**

A problem of governance is emerging in the Balkans. Many Governments are on the brink of collapse. Their weakness depends from both external and internal factors. This scenario is making the dialogue with the Brussels more complex, slowing down the process of European integration.

The global crisis is the main external source of the Balkans' stress. It is strongly stressing local economies. Recovery is still far away, the flow of foreign direct investments is thinner than it should be, banks owned by Western groups are very cautious in granting loans and unemployment is rising in the whole region, paving the way to new social burdens.

Governments are under pressure also because of internal political dynamics. In Serbia, some recently erupted political scandals have involved both the Prime Minister Ivica Dacic and the President Tomislav Nikolic. The first was accused of having ties with Darko Saric, a powerful drug lord who made a fortune by importing cocaine from South America and selling it all over Europe, Italy included. As for Nikolic, the Radical Party, a rightist group to which Nikolic previously belonged to, stated that the Head of State accepted 5 million euro from Miroslav Miskovic (a businessman with a huge political influence) during the presidential campaign in 2008, which Nikolic lost. Analysts suggest that early elections within the end of 2013 are almost unavoidable.

The political scenario in Pristina is fragile as well. The coalition of Hashim Thaci doesn't have the majority in the Parliament anymore and the Government is kept alive through the external support of the Alliance for the future of Kosovo (AAK), a party headed by Ramush Haradinaj, the main political arch-rival of the Prime Minister. Haradinaj stressed that he is supporting the Government just because of his sense of common good, because leaving the country without a coalition in a period rich of challenges (economic crisis, talks with Serbia etc.) would not be responsible.

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<sup>1</sup> Macedonia was provisionally named FYROM (Former Yugoslav Republic of Macedonia) after its independence in 1991 in order to give it a seat in the UN General Assembly. Since then, nothing has changed. To Greece, the name Macedonia implies territorial claims over its homonymous region, of which Thessaloniki is the main city.

A further threat to Thaci's grip on power comes from Jakup Krasniqi, the Speaker of the Parliament and the Secretary of Thaci's Democratic Party (PDK). He's ready to cut ties with the Prime Minister – they are at odds – and he should announce the creation of a new party very soon.

Also Macedonia and Bosnia's ruling parties are dealing with growing instability. We have already mentioned the opposition's boycott of local elections in Skopje, as well as the political crisis in Bosnia's Muslim-Croat entity.

Serbia may pay the highest price for political instability. Scandals are undermining both the Government and the Presidency in terms of credibility, and this could affect the EU-mediated dialogue with Kosovo. As a matter of fact Serbia's leadership could play the card of nationalism to get some political consensus back. This could bring Dacic and Nikolic to reduce the importance of the talks with Pristina, a move that would reassure the poorest segment of the population, which is more sensitive to Kosovo rhetoric and represents their main constituency. However by doing this Belgrade would waste the chance to obtain a date for the opening of accession talks with the EU, as Brussels links this to the positive outcome of Serbia-Kosovo negotiations. The EU will take a decision in April, according to media reports.

Also Pristina has something to lose. If the Government fell, the EU would be forced to wait for another interlocutor to carry on the dialogue with Belgrade. It will take some time. Maybe too much time. This could pose at least a two risks. First, Kosovo will lose the chance to find an acceptable modus vivendi with Serbia, whereas the country needs Belgrade to foster stability– whether it likes or not. Second, the EU will not make any concession regarding visa facilitations, an issue that could bring benefits to Kosovo's stagnant economy and that the EU has cautiously started considering.

Bosnia's scenario is frustrating the EU. After the no confidence vote suffered by the Government in the lower chamber of the Muslim-Croat body, the EU delegation to Bosnia announced the end of its efforts aimed at facilitating the dialogue between parties in order to avoid a political crash. On the 25<sup>th</sup> of February Brussels' envoys blamed Bosnia's politicians by reminding them that the country still needs to change some 1.000 laws to make the European perspective concrete. Also the Secretary General of NATO, Anders Fogh Rasmussen, asked the Bosnian political élite to work harder in order to promote serious reforms. He visited Sarajevo last 7<sup>th</sup> of February.

Macedonia's political crisis is creating frictions with the EU as well. Stefan Fuele, the Enlargement Commissioner of the EU, cancelled a scheduled trip to Skopje, showing all of his dissatisfaction with Macedonia's current political infighting. Fuele made clear that, without putting an end to the stalemate, there will not be any chance to move forward on the path to Europe.

The EU's stance is double-faced, in Skopje, Sarajevo and in the whole region. On the one hand, European officials stigmatize the Balkans' politicians and threaten to freeze the integration process. On the other hand, they still keep the window open by mediating disputes (for example Croatia and Bosnia reached a deal for Bosnia's access to the Croatian port of Ploce),<sup>2</sup> exhorting the politicians to make reforms, making efforts to foster regional cooperation, also by granting funds.

Maybe this is not the best policy that Brussels might carry on. However if it froze any accession perspective, the region would slide into a chaos, considering the ongoing economic crisis and turbulences in neighbouring countries already part of the EU (Bulgaria and Slovenia's Government fell in the last weeks) or ready to join it (Croatia is experiencing the hardest economic recession since the end of the war). Moreover, the EU is also aware that Russia and Turkey are investing a lot in the Balkans in terms of finance, infrastructures and energy. A momentary "withdrawal" from the Balkans could speed up Moscow and Ankara's appetite in the region. The EU does not want to "loose" the Balkans.

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<sup>2</sup> After Croatia's access to the EU the current special regime, regulating Bosnia's access to the port of Ploce – Bosnia has claimed it for a long time – to export and import agricultural products should end. Yet, the countries decided to prolong it, under the EU's mediation.