

VIENNEAST COMPASS

2020 in review: Political instability in SEE

2020 was a bumper year for elections and government formation in Southeastern Europe (SEE), despite the COVID-19 pandemic and resultant economic downturn. Major developments occurred in all countries in the region barring Albania – and despite the heterogeneity of those countries, there are some common patterns that inform the outlook heading into 2021.

Weakened incumbents

The first pattern is that the year was a bad one for incumbents, regardless of political orientation. Incumbents were voted out in Montenegro, Moldova and Slovenia, while Boris Borissov's government in Bulgaria was damaged by sustained popular protests.

Even where incumbents secured new terms – in Serbia, North Macedonia, Croatia and Romania – their victories were delivered on the back of low voter turnout, denting their credibility. While this is not a new issue – low electoral participation is an ongoing challenge for democratic legitimacy in much of SEE – the malaise is deepening.

Even in Serbia, where President Aleksandar Vucic dominates the political landscape, the constitutional majority won by his personalist, authoritarian Progressive Party (SNS) in the parliamentary election was overshadowed by a boycott by much of the opposition. The SNS victory appeared hollow, and before it had even formed the interim government agreed in October, Vucic announced that fresh elections would be held concurrently with the presidential and Belgrade city votes scheduled for 2022. With four parliamentary elections having been held in eight years, Serbian politics resembles an ongoing campaign as Vucic seeks to reinforce his hegemony.

One hand tied behind the back

More generally, governments – both old and new – have their work cut out for them in maintaining political stability and legislating successfully. In Moldova, Maia Sandu from the Party of Action and Solidarity (PAS) won the presidential election but her European reformist agenda will be hobbled by a hostile ruling majority in the

parliament. In Slovenia, Prime Minister Janez Jansa's Slovenian Democratic Party (SDS) ousted a centre-left coalition but Jansa will struggle to pursue his preferred illiberal course due to the presence of more moderate junior partners in his government.

Political trends resemble not so much a wave of change, rather a gruelling tug of war. In Croatia, after the ruling Croatian Democratic Union (HDZ)'s incumbent Kolinda Grabar-Kitarovic was defeated in the January presidential runoff by the Social Democratic Party (SDP)'s Zoran Milanovic, the prognosis for Prime Minister Andrej Plenkovic's HDZ-led government looked dim. Yet the opposition centre-left alliance did not maintain its momentum heading into the parliamentary election held in July. HDZ was able to mobilise its loyal base amid low turnout to secure an unexpected win.

The limits of categorisation

Ideological fault lines in SEE superficially distinguish clientelist authoritarians versus reformist liberals. Yet this neglects the pluralism of the political landscape.

Strengthening the rule of law is, in particular, not solely in the domain of liberals. In Kosovo, Albin Kurti's anti-establishment Self-Determination Movement (Vetevendosje) is a left-wing nationalist party whose personnel comprise noisy activists and erstwhile technocrats schooled in international institutions. In Republika Srpska, the newly elected mayor of the capital Banja Luka, Drasko Stanivukovic, combines a platform of anticorruption with ultranationalism.

In Montenegro, the opposition alliance that formed a majority to oust the Democratic Party of Socialists (SPS) of the long-time rotating president and prime minister, Milos Djukanovic, is led by Serb clerical nationalists who put their anti-NATO agenda on ice only for the sake of political expediency.

In North Macedonia, Prime Minister Zoran Zaev's Social Democratic Union of Macedonia (SDSM) pursue a pro-European reformist agenda but equally it is the post-Yugoslav successor party, which maintains its own clientelist networks, while acting arbitrarily towards foreign investors in the [mining sector](#). The same is true of the National Liberal

Party (PNL) in Romania, which has a chequered record on reform, despite championing anticorruption while in opposition to the Social Democratic Party (PSD).

Smoke, mirrors, and opportunism

Furthermore, the political landscape is not only difficult to categorise, but political actors have shown themselves willing to cooperate with unlikely allies on an opportunistic basis. In Moldova, Maia Sandu's PAS led a liberal government until November 2019 that was propped up by the Kremlin-aligned, clientelist Socialist Party (PSRM). This alliance was formed on the basis of a lowest common denominator; namely, to dismantle the hegemony of Vlad Plahotniuc, the oligarch who had captured the country's institutions. Once that objective had been achieved, the PSRM collapsed Sandu's government and allied with the rump of Plahotniuc's Democratic Party (DPM).

In 2020, similar patterns were evident in Kosovo and Montenegro. In the former, after participating in a short-lived government led by Vetevendosje, the 'establishment' Democratic League of Kosovo (LDK) pulled the plug amid a power struggle, instead forming its own fractious multiparty coalition that variously co-opted old allies and rivals to lock Vetevendosje out of office. In Montenegro, the Serb nationalist For the Future of Montenegro (ZBCG) alliance cobbled together a ruling coalition with pro-European liberals and Serb centrists.

Chaos amid the storm

According to the latest forecasts by the International Monetary Fund ([IMF](#)), the SEE region will experience an average decline in Gross Domestic Product (GDP) of 6.3% in 2020.

Elsewhere, the Vienna Institute for International Economic Studies ([wiiw](#)) estimated that net inflows of foreign direct investment (FDI) had fallen by 32% in SEE in the first and second quarters of 2020 compared to the same period of 2019, which had itself been an underwhelming year in this respect. The Western Balkans experienced a shallower decline of 12%, with Kosovo, Montenegro and North Macedonia even enjoying increases. Nonetheless, the overall decline has serious

implications for countries with economic sectors that are integrated into global value chains (GVCs), such as automotive and tourism.

Political instability has not immediately contributed to the downturn, although suboptimal institutional management precipitated the second wave of COVID-19 already over the summer. In the policy domain, even where government change has occurred, new administrations tend to be pragmatic, especially in macroeconomic measures. Compromised institutions, corruption, and populism also do not necessarily frighten away FDI, at least in [Central Eastern and Southeastern Europe](#).

Nonetheless, political instability will have an impact going forward. According to both the IMF and UNCTAD, winning back FDI will provide a route to high-quality economic growth. Political instability will not necessarily prevent the return of FDI, given that it does not question macroeconomic policy, nor the structural advantages many countries in the region enjoy. Wobbly politics can also provide a perverse kind of certainty for investors.

Yet, as current trends show, in most cases political actors continue to operate within and alongside neo-patrimonial networks. Cooperation is generally informed by competition for control over resources – such as state-owned companies, public tenders, and state agencies – rather than genuine ideological consensus.

Amid deteriorating socioeconomic indicators, increasingly emboldened civil societies, tight fiscal space, and suboptimal institutional capacity, the ability of ruling elites to govern strategically will acquire greater importance. An early litmus test will be the ability of governments to efficiently absorb [funds](#) earmarked for distribution in the region by the EU. Slovenia, Romania, Bulgaria and Croatia will receive large amounts under the EUR 750 billion recovery package: some EUR 3.3 billion has been set aside for the Western Balkans and EUR 100 million for Moldova.

Outlook

In 2021, elections are scheduled to be held in Albania and Bulgaria, while snap parliamentary polls are all but guaranteed in Kosovo and highly likely in Moldova. Electorally, it is likely to be a quieter year;

and there should be few surprises outside of the usual grind of politicking. The inauguration of the Biden administration will be welcomed by most governments in SEE, although there is unlikely to be a wholesale strategic change with respect to the substance of US policy in the region.

However, the impact of unprecedented global circumstances combined with deeper social malaise in an economically depressed region could snowball into political instability of a more disruptive nature. Demographic decline, institutional dysfunction, corruption, and depressed living standards are structural issues that may well come home to roost sooner rather than later.