



Weekly Briefing

Serbia Political briefing:
Analysis of trends in Serbian politics in 2018
IIPE

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Analysis of trends in Serbian politics in 2018

Look into the future is always murky because relies, in science (not in poetry), on experience. Serbia for years conduces policy of stabilization, budget cuts and investment in low yielding or ad performing mostly foreign companies. Yet combination of strong emigration and low fertility coupled with low government investment, low wages and strong limitations to public employment statistically show low economic growth and betterment through statistical and legislative changes of definition of employment.

Major political events in year 2018 are a) Belgrade local elections, b) results of the Kosovo dialogue (started by Serbian president Aleksandar Vučić at the end of October 2017) and subsequent changes in the political scene.

As far regards economy State will be selling concession for the Belgrade Airport (French firm Vinci Airports is mentioned as the most probable to get the 25-year concession to operate Belgrade's Nikola Tesla airport) in order to service budget deficit, Belgrade elections and remaining financial gaps in economy with murky perspective.

Political elections

Local elections for the capital city will be scheduled by the beginning of February and they will eventually be held in the first half of March 2018. Those who form the majority in local parliament will form the city government and elect a mayor.

Eventual parliamentary elections may be in interest of the President who leads the major ruling party Serbian Progressive party and his coalition partner, because analysis show slow but continued fall of percent that ruling parties win in the Serbian capital, with possibility of reaching **40-45 percent of vote**. Even initial doubt on possibility to form the local government in Serbian capital city, controlled by ruling party is perceived as a strong sign of weakness.

Socialist party of Serbia is in coalition with local strongman Dragan Marković called palm tree, mayor of small city Jagodina. Preferences are declining for this list in Belgrade and that is why in case the Socialist do not reform the pre-election coalition with Serbian Progressive Party they will seek to enlarge the coalition with Serbian Radical Party of Vojislav Šešelj.

Opposition parties will present probably several lists in Belgrade elections; one headed by former leader of Democratic Party, businessman Dragan Đilas, who was the Mayor of Belgrade from 2008 to 2013, supported among others by the Vuk Jeremić center People's Party and endorsed by Saša Janković, another former candidate for the President of Serbia, second headed by Democratic party; eventually third list made up of coalition of local initiatives headed by President of the municipality of New Belgrade and; in case of no agreement, another two lists of political right (*Dveri, Democratic Party of Serbia, Dosta je bilo, Healthy Serbia* of Milan Stamatović...).

It is maybe the last of two years before some right wing party does not attract more votes as voters are far more conservative and opposed to ruling coalition politics of EU integrations.

In the case of parliamentary elections, there is a possibility to have a unified patriotic coalition and partnership of Vuk Jeremić and Saša Janković will be more fragile.

Yet, Serbian President and his party promised their Western partners so called progress in talks with Pristina that, according to the agreement with EU will have to lead to “the comprehensive normalisation of relations between Serbia and Kosovo, in the form of a legally binding agreement by the end of Serbia's accession negotiations...” In order to reach the agreement in the year 2018, it would be needed to wait for the elections. However, Vučić announcement on December 25 that Russia should join the dialogue with Pristina, and needed Constitutional changes reflect that government may be seeking for the new elections as a way out of impasse between popular feelings regarding importance of Kosovo and Metohija and cooperation with eastern

partners on the one hand and government cooperation with the West on the other hand. Problems between western pressures to run the Tribunal in Kosovo for the crimes committed by local terrorist guerrilla UCK, helps Serbian position.

It seems that newest parliamentary elections, scheduled for the 2018 are not something impossible. In order to continue to win Vučić and his partners need constantly to be able to present an image of economic progress and foreign policy successes.

Economy

Strong emigration, continued subsidies for foreign companies and policy of low investments, continues to pressure domestic companies, sustainability of pension system and in the end will annul last year achievement of small diminution of public debt from 24,82 billion euro in December 2016 to 24,3 billion euro in October 2017, which is partially due to strong local currency dinar.¹ Concession of Airport and plans to privatize remaining telecommunication company *Telecom* and state share in *Komercijalna banka*, largest local bank (controlling around 12 percent of banking sector in Serbia) partially owned by foreign capital, (EBRD 24,4%, IFC 10% and smaller auction holders)² serve the government to finance debt and series of elections that can cover expenses of actual policies. Serbia probably had economic growth of mere 1,9 percent of GDP in 2017.³

Statistically diminished unemployment is mostly due to surge in emigration and modified formulas to calculate the results. Serbia lost 60.000 people that left to OECD countries in the year 2015, while in period 2005-2014 medium number of emigrants was 31000. Serbia loses also approximately 35000 people per year (difference between number of deaths and live births per year). Probably last year was equal as 2015 which means that in 2015 and 2016 together Serbia may have lost close to 200 000 people which means that already old society is rapidly

¹ <https://beta.rs/ekonomija/ekonomija-srbija/81215-javni-dug-srbije-na-kraju-novembra-62-6-odsto-bdp>.

² http://www.rtv.rs/sr_lat/ekonomija/aktuelno/komercijalna-banka-pausalne-informacije-stete-svima_869311.html

³ <https://beta.rs/ekonomija/ekonomija-srbija/80883-zavod-za-statistiku-rast-bdp-a-srbije-1-9-odsto-u-2017-a-infla-cija-tri-odsto>, Accessed on: 29.12.2017.

losing population and its age structure is deteriorating rapidly as age structure of those leaving country differs from 43 years which is medium age of Serbian population.

Badly aging population pressures pension system, in an economy based on services and agriculture, low industrial productivity and still high subsidies. Foreign direct investments generally affect negatively medium salary, employment and tax revenues.⁴ Serbia is land of cheap labour with skilled work force steadily fleeing the country with exception of IT services.

Better placement in the competitiveness report of the World Economic Forum (78th place of 137) is due to some rankings (HIV prevalence, lowest inflation, flexibility of determining wages and traditionally good education). Still, capacity to retain and attract talent remain among the worst 5 countries in the list.

Conclusion

Serbia awaits last strong year of President Aleksandar Vučić who is intended to be the first president in the past 30 years to survive policy that is aimed against determined defence of the national rights in Kosovo and Metohija. Although after the Belgrade elections ruling Serbian Progressive Party will be able to form the ruling coalition, opposition parties will all together have, more or less, equal number of seats as the governing coalition parties.

Serbian economy continues its path toward low wages, weak protection of worker`s rights and unsustainability fed by limited possibilities for concessions and privatisations.

Emigration of highly and semi-skilled work force with badly structured reforms of education in the long run will create economy that serves cheap tourism and captivates development.

⁴ <http://harvester.rcub.bg.ac.rs/bitstream/handle/123456789/11724/Disertacija.pdf?sequence=1>.