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CENTRAL AND EASTERN EUROPE

DEVELOPMENT OUTLOOK

AFTER THE CORONAVIRUS

PANDEMIC

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Central and Eastern Europe Development Outlook after the Coronavirus Pandemic

Chief Editor: Dr. Chen Xin

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Preface

The COVID-19 pandemic has exerted great impact on both national policies and international relations and will continue to influence various aspects of social life. Due to the sudden emergence of this pandemic, the original national plans and policies, which were made by the end of 2019 and at the beginning of 2020, do not have much reference value. In response to this problem, the China-CEE Institute associate researchers have made great efforts to re-view and re-evaluate the CEEC national development outlook in the context of the coronavirus crisis.

This edited book is providing a brief analysis on the development outlook of Central and Eastern European countries against the backdrop of the pandemic and the attendant uncertainties. The book is structured from four different perspectives on the subject: domestic politics, economic situation, social development and external relations. The book is based on a collection of reports by the associate researchers of the China-CEE Institute. The reports are originally from the June issue of the 2020 Weekly Briefings, a core product by the China-CEE Institute. The views in the book are represented by the individual authors instead of the China-CEE Institute.

The China-CEE Institute, registered as a non-profit limited company in Budapest, Hungary, was established by the Chinese Academy of Social Sciences (CASS) in April 2017. The China-CEE Institute builds ties and strengthens partnerships with academic institutions and think tanks in Hungary, Central and Eastern European countries, as well as other parts of Europe. The China-CEE Institute aims to encourage scholars and

researchers to carry out joint research and field studies, to organize seminars and lecture series, to hold some training programs for younger students, and to publish academic results, etc.

I hope this book will help enrich the knowledge of the situation of combating the pandemic in the region and promoting the bilateral relations between China and CEE countries.

Prof. Dr. CHEN Xin

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Part I
POLITICAL DEVELOPMENT OUTLOOK

Albanian politics in post-pandemic era: reshuffling influence and preparing for the next elections

Marsela Musabelliu

The outburst of COVID-19 put a halt to a very intense and controversy driven political setting of Albania. For more than two months, as animosities were set aside, the ruling force, and specifically Prime Minister Rama were the only conductors of the country's rules and regulations. The unique situation created by the lockdown and restrictive measures, designed a new and particular *modus operandi* for a political force in power, the extents of which has never been witnessed before. As the country's fate and peoples' lives were exclusively in the hands of the Council of Ministers, the opposition had no chance or platform to intervene, since all the events and reactive measures to such situations were out of their preview. However, the circumstances created by a pandemic that no one could have predicted, have drastically changed internal matters and in political terms what it has unveiled extensively is the deepening of Rama's cementing of power. What this entails in practice will be exposed in the next twelve months, because the ramification of three months of National Emergency will prolong in near future as well. The year ahead in Albanian politics is expected to be characterized by six months of intensive rehabilitation of the country after the pandemic and from January 2021 to June, there will be a full-scale and decisive electoral campaign.

The immediate future - recovery and reforms

In the beginning of 2020, it has been argued on this platform that this would be the year to establish whose grip on power would prevail. The only known variable in this Albanian political equation is Edi Rama: this centripetal figure will pull and push all the other actors, be this allies or adversaries, and he will be (for better or for worse) the trendsetter of the

political future of the country. And the main variable is not changed even after the COVID-19 restrictive measures were lifted; it is still the Prime Minister (PM) that decides the tones and the outcome of any political event in the country. On May 2nd, in a public appearance PM Rama while inaugurating new hospital structure named “COVID-3”, built in a short time in order to cope with another wave of the virus (if there will be any) stated that *Albania faced with this extreme challenge, coped with the reality and faced it successfully*. In claiming victory, the PM was careful in promoting his Government’s work and prompt response to the crisis. The fact that Rama would promote his cabinet’s and his own work was expected and is not new; indeed, during the lockdown Albanians would be governed by decrees and news displayed on Rama’s Facebook page. For years he has been an excellent communicator for the masses, online platforms has given him an unprecedented reach. Governing through technology is the new rule Albanian politics and the PM knows exactly how and when to use it.

It is our argument that second half of 2020, will be on the same line - Rama will flaunt his achievements online and the opposition will discredit every move of his, again online. Nevertheless, is there really such a huge discord between the ruling force and the opposition in Albania? To many in the country, it is clear now that all main political forces, even though with different ideals and platforms, when it comes to ruling the country, constitute the so-called “*water of the same well*.” The halt of the country’s main activities for more than 70 days, gave to the prominent political actors some time to negotiate and perhaps reshuffle positions and maybe redistribute influences. In the weeks of total lockdown, the actions of the main political declarations have been cryptic and vague; it appears that there is a special code of conduct and a narrative with a special language, which only they understand. Yet, even though the message is not transparent, the outcome can be read between the lines, for all to understand. The actions and discourse of main parties is heading toward the same outcome: stalling of reforms.

There are two areas that can change the Albanian political physiognomy forever: the Electoral Reform and Justice Reform and it

appears that none of them will have a viable future in 2020. The talks and public declarations on the Electoral Reform are cyclical agenda of the Albanian political elites since decades. Some local scholars argue that political parties are failing to rise above the politics of the day and are always exploiting the pre-election period to make amendments to the Electoral Code, depending on their short-term challenges. Achieving a compromise on the rules of the game and consolidating them is the only goal all political actors achieved, living out the possibility of any potential new force to enter the scene. Post-pandemic talks on the electoral reform will most probably have the same fate. The second half of 2020 will undoubtedly spark debates since the stakes are high for the next elections, however, it is felt and understood that the main three political parties will allow no other competition on the field. The “battle” is amongst them and apparently, they have already settled the outcome: compromise on the Justice Reform. The latter is an at all-time stall; since its very start up to date there has never been a more controversial time on which the Justice Reform was at a higher risk. Indeed, the very initiators and the financers of it, the United States (US) and the European Union (EU), have for the first time expressed publicly their concern on the issue. The blockage of these crucial reforms is aiding and abetting only a close circle of political parties (three, to be precise), which amongst them discuss the rules and benefit from this vicious circle of power politics.

Acting in 2020 and projecting in 2021

The second half of this year will be narrated and displayed politically in function of next year’s elections. Most probably, the propaganda will upscale and the display of Rama’s achievements will be trumpeted more than ever. In order to secure victory the next elections the bureaucratic apparatus will be in full working mode so that no event is left to chance. Rama and his Government will have to display some acts of good will in the path to recovery and mostly in the economic sphere; trade, investments, tourism as well as the reconstruction of the areas affected by the earthquake will most probably have a priority in the modified fiscal policies of 2020.

From this point of view, there might be some silver lining for some specific circles of the society; however, the political good will is not enough when operating with drained finances.

The challenges are huge but if Rama and his party will navigate the system in the same way they did on the past three years than their journey to the next electoral win will be sealed. As of May 2020, all the main national projections place Rama at the forefront of the political spectrum as well as the sole beneficiary of almost every potential scenario for the future. With the stalling of the two most important path to reforms and the progressive concentration of power into the PM's office, little space is left for balancing of power and compromising. It is expected that in the next months some considerable amount of cash flow will be injected in the crucial areas hit by the pandemic, this will help the profile of the Government into people's perception. Yet, if this will not be enough for the masses and there will be any kind of upheaval due to job losses or deterioration of financial conditions of Albanian households, then the opposition (mainly the Democratic Party) might have some space for bargaining power and potential co-governance options. With the current situation where the opposition is out of the Parliament it is unclear how their actions will unfold with regards to the ruling force, but one element is for certain they will bargain with the PM for whatever they can achieve in terms of power. Last but not least, every pre-election year witnesses in Albania the intense rise of the levels of political clientelism. As every campaign need influx of capital, what better way than to achieve it locally by the so-called "*businesses that run the country.*" Wealthy, influential entrepreneurs will do whatever in their power to gain influence and especially in dire times like a post-pandemic situation, there is no better chance of an easy *quid pro quo*.

Conclusions

When it comes to Albanian politics of post-pandemic, the most uttered word is "backroom deal." All are aware it exists they just do not know the explicit content. Curiously enough COVID-19 did not affect

nation politics in large; all the elements of prior to the health emergency are still present and what the lockdown has entailed is the increase Rama's prominence to power and influence. In the months to come, there are expected public verbal confrontation for one final purpose only – grip on power. Moreover, when the time will come for Albanians to go and vote, the majority of them will know that their vote does not count, because the leaders of the parties already established amongst them who will lead the country.

BiH political outlook after the COVID-19 pandemic

Zvonimir Stopić

Bosnia and Herzegovina entered the year 2020 with large amount of problems. Indications of Republika Srpska's secession, shown with various direct and indirect gestures of Republika Srpska's leading politicians, the crisis revolving around the Constitutional Court of Bosnia and Herzegovina, continuous inability of Bosnia and Herzegovina's Government to pass a budget for 2020 and various corruption affairs, surrounded by the social context colored by the slow prosecution of war criminals, inadequate handling of the painful and in many levels still unsolved war events, Srebrenica genocide being the most visible one, the constant economic depression and the stubborn never-ending and basically uninterrupted decrease of Bosnia and Herzegovina's population, describe in short the context of Bosnia and Herzegovina's pre-SARS-CoV-2 coronavirus epidemics outbreak reality. After what it seemed to be the initial joint cooperation in fighting the disease, which for a brief period of time might have indicated that conditions for a wider joint cooperation between Bosnia and Herzegovina politicians on a state, entity and local level might be possible, as soon as the coronavirus epidemics started to wane, it became clear almost instantly that coronavirus indeed did not bring anything positive. It only pushed the country into deeper into new crisis', affairs, and overall depression which will last for a while.

The initial drop in new cases of SARS-CoV-2 coronavirus, measured at the end of April and the beginning of May, instigated the relaxation and the lifting of many of the measures designed to prevent the spread of epidemics, which were implemented in the previous months. These relaxations, however, may have resulted in an increase of new cases and coronavirus related deaths in May and June. According to the data of the

Ministry of Civil Affairs of Bosnia and Herzegovina, as of June 12th, a total of 2,893 people have been infected with the corona virus in this country, while 163 people died. The Ministry of Civil Affairs of Bosnia and Herzegovina's data show that the number of 1,700 cases, registered in March and April, was increased by little less than 1,200 new cases during one month and a half which followed. Almost one hundred new coronavirus related deaths occurred in the same period, in contrast to the 69 registered in March and April. These numbers may be read differently. On one hand, it seems like the rate of the spread of the disease after the restrictions were lifted is more or less the same as it was when the country was in a state of a complete lockdown. The increase in number of new cases might in part be justified as a natural and hopefully short-term occurrence following the lifting of the restrictions, while on the other it can be explained with the fact that much larger number of people is now being tested than in the first two initial months of the epidemics, which naturally increased the overall numbers. What ever the explanation turns out to be, one thing is for sure. Bosnia and Herzegovina is still not free from SARS-CoV-2 coronavirus, and all indicates that this might be the case for some time in the future. Further dealing with the ongoing coronavirus epidemics will influence many activities in Bosnia and Herzegovina in the forthcoming months.

While the SARS-CoV-2 coronavirus was still kindling in the background, the political scene of Bosnia and Herzegovina returned to its pre-epidemics stage. Various affairs were a constant characteristic of Bosnia and Herzegovina politics before the coronavirus epidemics crisis, and they will continue to be a part of political reality for some time to come. Currently, the ongoing "Respirators Affair", revolving around the 100 unusable respirators purchased by the Federal Administration of Civil Protection and Government of Federation of Bosnia and Herzegovina from a Chinese private company through a proxy fruits and vegetables processing company "Silver Raspberry" (*Srebrna Malina*), revealed once again the absurdity of the flaws existing within the political and organizational system of Bosnia and Herzegovina. The "Respirators

Affair” is not the only affair which is currently ongoing in Bosnia and Herzegovina. The Republika Srpska entity has a similar problem, which includes a government made purchase of 50 respirators from a Banja Luka company “Medietik d.o.o.” for what it seems to be purposely inflated price. Questionable in this case is also the direct link made between the mentioned company and the office of Republika Srpska’s most prominent leader, the Serb member of the Presidency of Bosnia and Herzegovina and a leader of the Alliance of Independent Social Democrats (Savez nezavisnih socijaldemokrata, SNSD) Milorad Dodik. Apparently, the husband of one of Dodik’s close advisors, Ana Trišić Babić, is the owner of the company in question, which might indicate that the procurement of the respirators was prearranged to the benefit of certain circle of people.

The “Respirators Affair” and the questions raised over the “Medietik d.o.o” company showed how easy it is to demonstrate the incompetence or corruption within higher instances of power in Bosnia and Herzegovina, in this case of the Prime Minister of Federation of Bosnia and Herzegovina Fadil Novalić, the Federation’s Federal Administration of Civil Protection’s director Fahrudin Solak and Republika Srpska’s Milorad Dodik. These affairs also showed that the entire system is faulty. Although the irregularities surrounding the “Respirators Affairs” are still under investigation, and the questions around the “Medietik d.o.o” company had just been raised, at this moment it is pretty clear that affairs such as these are just the tip of the iceberg. Additional probes and preliminary investigations, which are simultaneously being undertaken by states institutions and journalists both, are currently showing that more than 400 public procurements in Bosnia and Herzegovina, conducted as means to fight the coronavirus, were not publicized but simply given to selected contractors without contest. Many of these procurements were conducted under the excuse of the “coronavirus epidemics”, although in reality weren’t needed as such, costed more and benefited selected individuals and companies, thus damaging the country for what might be a vast amount of money. To make the demonstration of just how rotten the system of Bosnia and Herzegovina is in general even clearer, these coronavirus affairs were

just recently additionally supported by the announcement of a corruption-type five-years prison sentence to the former head of the Department for Organized Crime and Corruption of the State Prosecutor's Office of Bosnia and Herzegovina himself, Božo Mihajlović. Carefully avoiding the unpleasant word, court found Mihajlović guilty for much more pleasantly worded “negligent work in the service”, which resulted to money being skimmed from his office.

Conclusion

When everything is taken under consideration, no significant changes can be expected to occur within the general state of Bosnia and Herzegovina politics. In short, the additional economic strain, brought by measures implemented to fight against the SARS-CoV-2 coronavirus epidemics, alongside with the corruptive, clumsy and irresponsible dealings with the public funds allocated for alleviating of the direct effects of the epidemics, only added weight to already heavy burden Bosnia and Herzegovina’s people have to carry. The affairs, national tensions, inability of political cooperation, disfunction of the state and local institutions, as well as the never-ending corruption on many levels will continue to shape Bosnia and Herzegovina’s reality in the near future. Additional problem also lies in the fact that the political ethics all are unfortunately accustomed to, now further enhanced with ongoing affairs, managed to cripple the government while the coronavirus epidemics is still ongoing. New clusters of coronavirus which from mid-June began to appear in Bosnia and Herzegovina, neighboring Croatia, Slovenia and Serbia, as well as in other countries of the world, indicate that there is more work to be done when it comes to protection of citizens. However, after these affairs, how this will be done has been placed under a huge question mark. Not only because of the general confusion regarding the future strategies of dealing with the coronavirus Bosnia and Herzegovina shares with other countries, but also because Bosnia and Herzegovina’s leaders lost the little of the people’s trust they managed to build by promptly and resolutely dealing with the coronavirus at the beginning of the crisis. These issues, which are building

up on top of the power structure of Bosnia and Herzegovina, will surely have an impact on lower instances as well. More so because Bosnia and Herzegovina is currently entering a stage of preparations for the upcoming local elections, set to be held in mid-November 2020. These elections, or the political struggle which precedes it, might have some positive effects on clearing at least some of the issues tied to the misuse of public money during the handling of the coronavirus epidemics. However, no one truly hopes that these elections, just as none have done before, will in reality bring any long-term changes in any significant way.

Bulgarian Political Development Outlook in Post-Pandemic Era

Evgeniy Kandilarov

The COVID-19 pandemic and measures to overcome it have confronted the world with an unprecedented challenge. Modern history knows both mass pandemics and severe economic crises. But now we have two in one. For the first time, we are seeing a de facto blockade of a significant part of the world economy for non-economic reasons. It could be argued that this also happened during wars. However, even during wars, manufacturing sectors such as the military industry underwent rapid development, and many others operated normally. Generally, the pandemic is characterized by unclear duration and intensity, with debatable potential consequences and unexplained causes. In such a situation, a double unusual risk is imposed - medical and social, contagion as well as economic collapse. Therefore, it is perhaps normal to see the domination of confusion, chaotic interpretations and contradictory versions.

Political shifts and growing tendencies in the Bulgarian political life

This also applies in full scale to the political situation in Bulgaria caused by the pandemic and makes the forecasts related to the development of the political processes from now until the end of the year very uncertain due to the dynamically changing situation.

The 2020 year is very important for Bulgarian political life, mostly for one reason only. This is the upcoming parliamentary elections to be

held in 2021. Therefore, for all main political forces in the country that have the ambition to participate in the next government, the development of the political situation is crucial.

The starting positions of the major political players in Bulgaria have undergone a significant change as a result of the emergency situation. Although still very serious changes could occur by the end of the year, for now are able to observe some very clear and visible trends.

The government, represented by Prime Minister Boyko Borissov is inevitably thinking about how the ruling GERB party and the prime minister personally will emerge from the crisis and what political benefits will be collected in the eyes of society and business. Borissov's messages are organized in three main groups, all subordinated to the idea of demonstrating the uniqueness and advantages of the Bulgarian experience.

First, not only in Bulgaria the situation is not good (unlike usual, when the world is developing steadily and we are experiencing tremors). Secondly, we are doing quite well here (again, unlike usual, when Bulgaria is in the queue for adequate reactions in a crisis). And third, we continue to work despite the blow we have suffered (unlike the world, which deals only with the epidemic, we are building, developing new industries and there is something to be inspected on a daily basis). Regarding the third point what is meant is the way that some Bulgarian Industries adopted their production lines in order to start producing medical protective equipment as well as some pharmaceutical products again related to the corona virus disease.

Undoubtedly, at this moment we observe a lasting tendency of strengthening the positions of the ruling party at the expense of weakening the public support for the opposition in the face of the Bulgarian Socialist Party. The crisis has brought other oppositional institutional and public

actors also into the background. This is probably a normal development under the circumstances. They are all aware that, in the absence of real operational power, they cannot claim to overcome the crisis. The trend works in favor of the government and the prime minister personally - but the question is how long this will last and how the current behavior of the "shaded" political actors will affect their future post-epidemic positions.

Weakening the opposition at the expense of the ruling party

The positives for the government and personally for the Prime Minister are also generated as a result of the deepening conflict between the Prime Minister and the Bulgarian President Rumen Radev during the crisis. President Radev is consistent in his ambition to reflect the alternative vision of the government, not only in health and sanitation, but also in socio-economic terms. Opinion polls show that the President did not gain a rating from the current clash.

Whether this trend will continue depends on how long the political effect of keeping society in constant fear and in a state of emergency will last. In an epidemic, it is probably clear that some of the head of state's arguments are not a topical issue in society. Of course this is true at the moment and there are no guarantees that it will not change in the short term until the end of the year.

This is also valid for all the other existing political projects that are emerging as an alternative to the ruling party and the government. Among them is the one of the former national ombudsman Maya Manolova, who tries to raise topics and issues that do not meet with serious resonance in the society. The situation is similar with the political project of the showman Slavi Trifonov, who insists that everything that is happening is a

sham. At present, virtually all political players in opposition to the government are unconditionally losing to the state of emergency.

However, the dynamics of the situation do not allow an easy answer to the question of whether the influence of all oppositional political projects in the socio-political space will remain permanently marginal or whether they will still be able to become more active and gain wider support at a later stage with the approach of the parliamentary elections. It all depends on whether the political situation will be permanently normalized or will remain unstable until the end of the year. However, the forecasts, which are related to the danger of a new epidemiological wave in the autumn, rather predict a permanent loss of positions at the expense of stabilizing the positive trends of the government.

The position in defense of the government and its measures dominates in the media and social networks. Those who challenge them or doubt their effectiveness, or deny the seriousness of the situation, are subject of fierce criticism and attacks. The liberal-conservative division has been reformulated and put on crisis rails. Paradoxically, it is the Liberals who accept the need to restrict human rights, while the Conservatives are in favor of more moderation in politics.

The internal crises of the Bulgarian Socialist Party

The fact that the main opposition force - the Bulgarian Socialist Party, is experiencing a serious internal party crisis, which is deepening as a result of the emergency situation, also works in favor of strengthening the positions of the ruling party. The socialist party is in a position where part of society attacks it for not seeking the consent of the government and not standing by it in the general fight against the virus, while another accuses

it of not convincingly imposing an alternative to the wrong policies of the same government. But it is precisely this conjuncture that strengthens the arguments of all those dissatisfied with the BSP. A problem occurs also from the fact that the activity of the BSP is concentrated mainly in the parliament, an institution that does not enjoy too much support, and now does not work properly.

In the internal party plan, the main issue facing BSP is the upcoming election of a chairman. An internal division is being formed in the party, as some of the party members declare themselves against the current chairman and again a candidate for the post - Cornelia Ninova. Internal party struggles are intensifying, which weakens the party's public position and gives the impression of weakness and division.

In any case, the trend we are witnessing is a collapse of people's confidence in the BSP, which, if maintained as a trend, combined with an internal party crisis of the party threatens to lead to a serious loss of votes and consequently a loss of position of the second the largest political force and main opposition party in the country.

Relocation of forces supporting the ruling party

In this situation, we also see a shift in the positions of other political players. Surprisingly, the "Movement for Rights and Freedoms" party, (supported mainly by the ethnic Turkish population In the country), which has had conflicting relations with GERB for 11 years - sometimes extremely tense, recently has shown unconditional support for the government. The MRF justifies its actions with the motive of "nationally responsible behavior". At the same time, analysts see in this behavior a clear tendency in the MRF's desire to displace as a stable partner of GERB

the current coalition formation called "United Patriots" (IMRO,NFSB and Ataka), which in turn is in a long-running internal party political crisis, which compromises them as a stable partner of the ruling party.

During the crisis, the United Patriots turned to three different approaches. IMRO – Bulgarian National Movement with its leader and current Military Minister Krasimir Karakachanov, advocates the line of a moderately positive alternative to government. Probably in this way the IMRO is preparing its gradual formation as a political entity with its own face and vision on the way to a future election campaign. So far this has no effects.

The nationalistic formations NFSB (National Front for the Salvation of Bulgaria) and Ataka take opposite positions.

The NFSB strongly opposes any easing of anti-crisis measures, which is probably seeking the support of the most concerned parts of society. Ataka, for its part, says there is no coronavirus crisis, and it is very likely that there is no coronavirus at all. Its goal is clearly those social groups that perceive quarantine and everything related to it as a conspiracy of the elites.

In conclusion, we must say that the forecasts for the rest of the political 2020 in Bulgaria are related to the fact that Covid-19 put in the hands of the government a very strong card, which gives it an advantage over all other political forces in the country. Prime Minister Boyko Borissov is trying, more than ever, to prove his irreplaceability and build the image of a "savior of life" for Bulgarians. This is what some researchers attribute to the fact that the Bulgarian prime minister wants to preserve the state of emergency by lifting it, preserving the resources that have come into his hands, and at the same time not using the term “emergency” that

worries society. In the remaining year until the regular parliamentary elections, Borissov will have to invent new and new plots to demonstrate that emergency action must be taken and no one else has the right to interfere in this field. If it succeeds in carrying out such a course of action, GERB will certainly guarantee itself an absolute victory in the next parliamentary elections in a much more favorable configuration than at present, as the main opposition political party, BSP will be largely neutralized. How this forecast will develop, however, depends to a large extent mainly on the development of the pandemic and its consequences for Bulgaria.

Forecast of Croatian Political Events after the COVID-19

Valentino Petrović

The forecast on the upcoming period of Croatian politics is mostly seen through the lens of parliamentary election, to be held on July the 5th. Today, when the COVID-19 crisis is stabilized but second wave is still a possibility, politicians have decided to sharpen their tools (unfortunately, not their political programs) and enter the arena, which always marks the beginning of unofficial campaign. With Civil Protection Directorate being compromised for their political bias, it seems that two major parties, HDZ and SDP, are far from reaching the necessary parliamentary majority which counts 76 votes.

Introduction

When writing an annual forecast of political events back in January 2020, nobody expected that Croatian, as well as global political landscape will be highly dependent on current circumstances around the COVID-19 emergency. In Croatia, January 2020 marked a new beginning for Zoran Milanović, a former Prime Minister who was elected as the new president of the Republic. This event was also a turning point for Social Democratic Party (SDP), the largest opposition party in Croatian Parliament, since their popularity started to go upwards leading them to become the first option in public opinion polls. These two cases sounded an emergency bell in Croatian Democratic Union (HDZ), whose president and current Prime Minister, Andrej Plenković, was quite confident when discussing the results of upcoming parliamentary election, proclaiming a certain victory of HDZ with a vast majority of votes.

Even though his Government was often accused of corruption, due to a large number of ministers who had to step down from their duties for

various unethical reasons, and for undermining the State's institution that have contributed to a growing concern of democratic deficit, HDZ remained a most popular party and it was expected that they will create a stable parliamentary majority after the parliamentary election. Some analysts even argued that Plenković should have gone for a snap election back in 2019 to make his majority in Parliament more clear and stable because of the fact that HDZ is today much dependent on a number of defectors from another parties. However, the COVID-19 crisis has shifted the priorities of Croatian political actors in another direction but, as soon as it was obvious that the COVID-19 is on the ropes, political elites have started to make plans for upcoming election.

The Impact of COVID-19 on Parliamentary Election's Date

A few months ago, when novel coronavirus was still around 5 000 miles away from Croatia, the general perception of every citizen who has interest in politics was that the parliamentary election will be held somewhere in autumn. But, as the virus was progressing and reaching European territory, and finally affecting Croatia, the debate on politics was put on hold to deal with the health and economic emergency. A Civil Protection Directorate was established and took charge of sustaining the virus. Every day, in the past two months, they were in front of cameras and TV reporters, and were informing Croatian public on latest events and number of affected citizens and those who have eventually died. The head of the team was Davor Božinović, Minister of Interior, and Vili Beroš, a recently appointed Minister of Health. At first, the work of Civil Protection Directorate was met with praise. Everyone was hailing their efficiency and expertise, especially of Alemka Markotić, the Director of 'Fran Mihaljević' Clinic for Infectious Disease. Another important figure was Krunoslav Capak, the Director of Croatian Institute for Public Health.

The four people were quite popular and their management of crisis was reflected in the revival of HDZ's support among citizens. As the movement restrictions have been slowly lifted, the talk of parliamentary election has yet again entered a public sphere. Soon afterwards, HDZ made

a decision to dissolve the Parliament and President Zoran Milanović had no choice but to call an election during summer time. The precise date is July the 5th. The reactions were mixed, but generally, the Government was accused of taking advantage of current situation. It is obvious now that Plenković wanted to avoid having the parliamentary election in autumn when it is clear that economic crisis is on our doorstep and will strike significantly by the end of 2020. Furthermore, the Civil Protection Directorate popularity has slumped and they are not seen as ‘superheroes’ anymore. Rather, they are perceived as pawns who make their decisions in accordance with HDZ’s interest. Some even argued that Markotić and Capak will be on HDZ’s lists for Parliament, but they have neither denied nor confirmed that yet. A number of questions will need to be answered. First and foremost, how the election is going to be conducted and what will be the turnout, when there are still some restrictions regarding larger gatherings. It seems that political rallies and parades will have priority over the much needed and widely spoken measures of social distance.

Croatian Political Landscape in 2020

The campaign for parliamentary election has not yet started, but most of political actors have already occupied their starting positions, eagerly waiting for July 5th. Some coalitions have been presented to the public, together with their election programs. Be that as it may, it is highly unlikely that two of the biggest parties in Croatia, HDZ or SDP, will be able to form the majority in Parliament without having to give up some positions in future Government to their partners, whether they will be from left or right side of political spectrum. At the first glance, HDZ has somewhat larger potential for post-election coalition. Aside from SDP, two of the biggest opponents or actors in Croatian political system nowadays are the list of Miroslav Škoro, the so-called Homeland Movement, and already known the Bridge of Independent Lists (MOST). Both of these actors can be understood more in terms of movement than parties, even though MOST have turned their way and eventually became a party. Škoro, on the other hand, can be perceived as a leader of political movement that assembles

different people from different backgrounds that have been, or still are, in charge of some minor parties on the right.

Most analysts are claiming that HDZ has compromised everything that was good during the COVID-19 crisis and some even say that they would not be surprised if SDP wins a majority of seats in Parliament. But both Škoro and MOST are belonging to the right side of political spectrum, although MOST was very reluctant to admit so, but some of their actions and previous decisions clearly put them closer to HDZ than SDP. For this reason, it can be expected that whoever ends up in a third place will be at least ideologically closer to HDZ and that the majority and the Government will be created out of HDZ and that third player. But one has to take into account the fact that MOST was already two times member of HDZ's Government, in 2015 and 2016, and in both cases they had to leave and join the opposition. In 2016, the divorce papers between HDZ and MOST were signed on a harsh terms and since then MOST has become a loud opponent of current Prime Minister, Andrej Plenković. Miroslav Škoro and his conservative entourage also do not have an especially positive opinion on Plenković. They believe that Plenković is not authentic enough to serve neither the interest of HDZ nor of Croatia; rather they see him as a Brussels oriented politician who is only on disposition to his friends from the European Union. HDZ, on the other hand, are clearly pointing fingers at Škoro who they hold responsible for the loss of presidential election when he invited his voters to cross their ballots and not vote for either Grabar Kitarović or Milanović.

SDP have formed a pre-election coalition with center-left parties and their leader, Davor Bernardić, publicly announced that he does not want to enter a post-election coalition with Škoro or MOST. That maneuver almost certainly suggests that SDP will not be able to form a parliamentary majority since the aforementioned actors are seemingly necessary to do so. It would be hard to imagine that SDP will go together with Škoro, but maybe Bernardić was supposed to be wiser when ruled out the possibility to make agreement with MOST.

Conclusion

Everything that has happened in early 2020 and later during the COVID-19 crisis has led to long-awaited parliamentary election. With the possibility of second wave of infection and economic downfall that are both coming to us probably in autumn, politicians are working hard to secure their paychecks by taking position in Parliament or Government. A stable parliament majority will be hard to reach. Therefore, it is still pretty vague how the political situation will unfold.

Czech Political Outlook for the Post-Crisis Period

Ladislav Zemánek

The coronavirus crisis affected the life of the Czech Republic in many regards. Notwithstanding its multiple impacts, the political prospects for 2020 how presented in March briefings remain valid. Therefore, I will base the following analysis on the National Reform Programme approved by the Government in May outlining the course, plans and measures to be carried out in a wide array of fields. I will focus on the macro-economic policy and reform of the public administration, putting them into a broader political context. In the briefings to come, I will draw attention to other relevant problems.

The National Reform Programme is a strategic document of the Government of the Czech Republic in the field of the economic and social policy, elaborated with the aim to define crucial measures to be adopted in order to achieve prosperity and sustainable development. This sort of document is usually worked out every year in relation to both the strategic, long-term goals and present needs and challenges.¹ Thus, in May, the Government updated and revise the last NRP, taking the coronavirus crisis, restrictive measures and related suspension of many social and economic processes into account. The current situation is characterised by a high degree of instability and uncertainty concerning the future development, therefore, the goals and steps set by the NRP 2020 have had to be adapted to the difficult circumstances.

¹ The NRP was elaborated by the Office of the Government in conjunction with ministries, the Parliament, economic and social partners and others. Due to the epidemic, the usual deliberation process over the preparation of the Programme was modified and replaced by two rounds of written consultations among the participants. After the NRP is approved by the Government, it will be submitted to the European Commission.

Ministry of Finance agenda unchanged

The structural reforms to be carried out are divided into four chapters: (1) macro-economic stability; (2) justice: housing, jobs, social policy and education; (3) productivity: investment, business environment and public administration; (4) sustainability: environment, transport and energetics.

The *macroeconomic stability* is to be achieved by means of the tax policy, the introduction of a budget framework, the long-term sustainability of the public finances and stability of the financial sector. The Government's priority in terms of *tax policy* is defined as follows: transparent tax environment, elimination of exceptions, facilitation of tax collection processes, digitalisation and effective fight against tax evasion. The Ministry of Finance has been preparing administrative facilitation of tax payments for small self-employed persons, residing in the introduction of joint general tax payment. The Government is about to revise the accountancy legislation in order to make the system simpler and well arranged. The Ministry still expects that a new on-line system of filing the tax return and related electronic communication between the revenue authorities and taxpayers will be launched by the end of this year as planned prior to the crisis.¹

Similarly, the current situation has changed nothing in terms of the Government's plan of the digital tax introduction, which has been subjected to harsh criticism from the USA.² Another concept of the utmost importance for the Government led by the Prime Minister Andrej Babiš is the so-called EET project, a system of electronic registration of sales which has been gradually extended covering an increasing number of business fields. The last round of the EET extension should have occurred this year, however, the Government has decided to postpone it to the next year owing

¹ More information about the flagship project (Moje daně, i.e. My Taxes) of the incumbent Ministry of Finance are available in the following analysis: <https://china-cee.eu/2020/03/05/czech-republic-political-briefing-prospects-of-the-national-politics-in-2020/>.

² For greater detail see the economic briefing dedicated to this problem: <https://china-cee.eu/2020/03/31/czech-republic-economy-briefing-prague-versus-washington-a-battle-for-digital-tax/>.

to the coronavirus crisis in order not to burden entrepreneurs with new duties when dealing with the impacts of the epidemic and state restrictions. After the last extension is carried out, the registration system will become obligatory for all business branches.

Pension problem and underdevelopment of the financial market

From the point of view of *the sustainability of the public finances*, the Czech Republic is evaluated by the European Commission as a country without significant fiscal risks both in the short-term and mid-term perspective, while it is exposed to a middle risk in the long-term period. One of the key factors of a potentially negative development is population ageing and the related pension system. A reform of the Czech pension system has been discussed for many years but no substantial progress has been made. The need for reform has been stressed especially by the right-wing parties, whereas the leftists obstruct it, defending the current model which is based on the pay-as-you-go obligatory payments of the economically productive people to the state budget from which the pensioners are paid out. It is obvious that the lower the number of economically productive people, the lower revenues are collected and, as a consequence, the lower the pensions can be. Given the significant trend of the population ageing, the need for a reconstruction of the pension system becomes more and more urgent. The Ministry of Labour and Social Affairs has been preparing changes of the current system which are to establish new pillars of the system. Nowadays, there are two pillars, the first one being compulsory for each citizen, while the second being voluntary and based on saving through funds of the private pension companies. Concrete legislative suggestions are expected to be put forward in the near future. In addition, by the end of 2020, a law amendment introducing a lower age limit of retirement for persons working in hard jobs should be prepared.¹

¹ Generally, the retirement age is 65 years. Differences are related to the number of children in case of women or the year of birth.

Stability and further development of *the financial sector* should be of high importance for the Government as its successful operation provide individual economic subjects wider opportunities for doing business or getting sources of financing. The Czech Republic's financial sector is excessively dominated by banks which remain to be crucial providers of financial means. The Ministry of Finance is, nevertheless, aware of the unsatisfactory structure of the market, striving for a balance between the banking sector and the non-banking one. Yet, the NRP mentions only the role of the Czech National Bank in securing the financial market stability, thus manifesting somewhat paternalistic inclinations. As for the central bank, its position is to be strengthened soon. For instance, it is probable that by the end of 2020, the Chamber of Deputies will pass an amendment of the law on the Czech National Bank with the aim to empower the bank to set rules and regulations of the credit market obligatorily, whereas these have been merely recommendations so far. The NRP states that one of the goals of the amendment is to guarantee equal conditions on the market, preventing unfair competition among the credit providers in the future when mortgages could be provided by foreign institutions, not subject to the supervision of the CNB. This point is relevant undoubtedly but the lawmakers should take into account that the excessive level of regulation may paralyse the market, make the access to credits impossible for a wide array of economic subjects and, as a consequence, inhibit economic productivity and performance.

Digitalisation and professionalisation of the state administration

Economic and social processes can be boosted by a high-quality *state and public administration*. In the course of this year, a new strategic document "Client-orientated public administration 2030" is being finished and supplemented. It defines the goals to achieve by 2030, i.e. maximally client-orientated bureaucracy stimulating well-being, the standard of living and prosperity of the country. It is obvious that the positive development is unthinkable without improvement of mutual coordination, cooperation and management. The administration system is still very fragmented, fossilised

and unable to share data, thus hampering synergic effects, efficacy as well as sufficient readiness for action. The state administration management should be based on evidence-informed, systematic and well-planned decisions, taking the whole and individual contexts into consideration. It is, therefore, positive that the NRP stresses the need for continuous education and training, professionalism and competency of the officials together with technical innovations.

Further digitalisation of the administrative processes is needed. In September, an electronic system of the legislative process in the Senate is to be launched. Generally, the idea is to make a global electronic information system containing all laws and rules, be they state, provincial or municipal ones. By the end of 2020, further steps are to be carried out in electronification of the public procurement. Development and implementation of the eGovernment and digital state administration concept are crucial, being required by the law on the right to digital services entered into force in February. One of the current priorities of the Czech eGovernment is the introduction of completely electronic submission of documents. This year, methodical documents and technical setting will be prepared in this regard. Moreover, the move towards digitalisation of the administrative processes could be strengthened and bolstered by the coronavirus crisis.

Estonian political outlook after the pandemic: Are we there yet?

E-MAP Foundation MTÜ

The point of departure for this briefing is vague – there is no single, analytically valuable, possibility to ‘produce’ a decent semi-academic forecast on what ‘costume’ Estonian politics will be ‘wearing’ after the crisis-associated decision-making process will be ‘grilled’ *post factum*. Arguably, all such ‘predictions’ should be treated as pure speculations, which, by default, will not be featured by a solid analytical baseline. Instead, one could offer an observation on how Estonian political elites are trying to either recover or get retrenched after the COVID-19 ‘buzz’ became peripheral, media headlines wise.

To kick the process off, the current Estonian President, Kersti Kaljulaid, noted that the country’s Government did well “as concerns the spread of the virus”, but she does not believe that Prime Minister Jüri Ratas and his Ministers “did well in terms of other measures [...] [having taken] steps [they] shouldn’t have”¹. The feeling is that the President’s understanding on how the things should be done is operationally interlinked with the need to have a proper balance between a political declaration and a decision made on political economy. Right from the moment when the second Ratas-led Government had commenced the work (April 2019), President Kaljulaid started employing different forms of message delivering to express her vision on how disbalanced the current governmental coalition’s activities were from the aforementioned point of view. There is a likelihood that the President’s opinion on the Government

¹ Kersti Kaljulaid in Almar Altosaar, ‘The crisis brought out what was already there’, *Postimees*, 1 June 2020. Available from [<https://news.postimees.ee/6986463/the-crisis-brought-out-what-was-already-there>].

will not get dramatically changed, but, in a significant addition, it is still unknown whether or not Kersti Kaljulaid is going to be up for re-election in 2021. Some of the members of the *Riigikogu* – where Estonian Presidents usually get elected – are antagonistic towards the President-incumbent, and, intriguingly, those could be found in a few parliamentary parties (mostly, of course, among the current governmental coalition).

From within, the Estonian Government's immediate action on the post-crisis agenda-setting process was somewhat surprising – Merike Jürilo, the Estonian Health Board's Head, was pushed towards resignation. A *Postimees*-issued reportage stated that it was already on 1 June when Tanel Kiik (*Centre Party*), Estonian Minister of Social Affairs, suggested Ms. Jürilo to resign¹. While noting that “criticism had never reached her”², Jürilo's reflection on what happened was more on reason-searching: “I felt cooperation with the Ministry and the [...] Minister was very good. [...] The [...] Minister never described the [B]oard or my actions as counterproductive”³.

At the same time, the Government had a different story to tell on the issue, which, apparently, had some longevity. Back in April 2020, Prime Minister Jüri Ratas (*Center*) was not expressing any delight regarding how the Health Board was handling the pandemic-generated crises. In his interview to *Postimees* then, Ratas, openly refusing to elaborate further on Merike Jürilo's prospective resignation, noted that “[t]he Health Board has succeeded in some aspects of managing this crisis well, while it could have done better regarding others”⁴. These days, the same media source is quoting the same Prime Minister specifying his understanding of the situation:

¹ Toomas Kask, ‘Social ministry breaking in the Health Board’ in *Postimees*, 19 June 2020. Available from [<https://news.postimees.ee/7000827/social-ministry-breaking-in-the-health-board>].

² Kask.

³ Merike Jürilo in Kask.

⁴ Jüri Ratas in Elo Mõttus-Leppik, ‘Prime minister critical of the Health Board’, *Postimees*, 29 April 2020. Available from [<https://news.postimees.ee/6961704/prime-minister-critical-of-the-health-board>].

I have said before that a reliable relationship between the [B]oard and the Government needs to be restored. It matters because the coronavirus has not gone anywhere. [...] There is no trust today. I believe [that] [...] [the Jürilo's resignation] is the best possible solution.¹

In the context of the aforementioned political development and considering a prospect to face the COVID-19's second wave in Estonia, there is a commentary arrived from Indrek Kiisler, Manager of *ERR* Radio News, and it is worth citing. The high-profile journalist gives an overview on why, from his opinion, each of the three members of the current governmental coalition does not mind pushing Merike Jürilo off from her position. Firstly, he argues that, in the particular case of the Conservative People's Party of Estonia (*EKRE*), it is "hardwired into their political rhetoric" to be "[r]ailing against officials", as it is "an element of populism and understandable as such"². Secondly, Prime Minister Jüri Ratas (*Centre*) "attempted to micromanage the Health Board" and "with each new crisis hotspot, he made countless phone calls and got involved in details that were n[o]t in his wheelhouse"³. Finally, on Foreign Minister Urmas Reinsalu (*Pro Patria*), Indrek Kiisler suggests that his opposition with the Health Board was of a different nature – the latter agency "did n[o]t like the fuss of Reinsalu's border closures and implementing of restrictions", and "there was ultimately the unfortunate case of the [Pro Patria] sponsor's rapid tests, of which the Health Board was unabashedly sceptical"⁴. In any case, even if the *ERR* journalist's judgement can be described as excessively harsh, the Government evidently attempts entering the post-COVID-19 era, pretending that they have not made any major mistakes during the crises. Certainly, the Prime Minister and the Ministers have enough power (and political opportunities) to try redirecting the country's attention towards other people whom the Government can 'appoint' as responsible for having

¹ Jüri Ratas in Kask.

² Indrek Kiisler, 'Opinion: Merike Jürilo was made an example of' in *ERR*, 19 June 2020. Available from [<https://news.err.ee/1104184/opinion-merike-jurilo-was-made-an-example-of>].

³ Kiisler.

⁴ Kiisler.

made crucial mistakes. Speculatively, the Jürilo's case is from such a 'basket'.

Even though, as reported, Merike Jürilo "had faced criticism since the pandemic began in early March, including for giving the green light to a visiting volleyball team from Northern Italy – at the time the hardest hit region globally so far as COVID-19 went – to Saaremaa", but the same reportage also argues that Minister Kiik "had publicly been among Jürilo's strongest supporters until [17 June]"¹. For the young Minister (Tanel Kiik is only 31 years old), it will be a learning curve in political environment where rational, irrational, and mixed choices are made overnight. As for the outgoing Head of the Health Board, she has already resigned, sending the following message to the Government:

[I]f you manage a crisis for 16-18 hours for four or five months in a row, you can maintain that for the sake of people's lives and well-being, but you can [no]t get into arguments with the [G]overnment on trivial matters. [...] I very much hope that a culture will develop more and more in Estonia where we listen to experts, take into account their opinions, and still get to solve health care events based on the opinions of people working in the field of health.²

Having solved the Health Board case for himself and the governmental coalition, Jüri Ratas is now facing a challenge that he may be required to confront personally. As reported, the Prime Minister's *Center Party* "received a EUR 50,000 donation from [a] little-known [...] businesswoman [...] in January", and "[a] lot of questions were raised concerning the origin of the money after the donation was published on the [*Political Parties Financing Surveillance Committee*]'s website in April"³.

¹ 'Health Board chief Merike Jürilo resigns' in *ERR*, 18 June 2020. Available from [<https://news.err.ee/1103383/health-board-chief-merike-jurilo-resigns>].

² Merike Jürilo in 'Health Board chief: Government needs to listen more, pontificate less', *ERR*, 19 June 2020. Available from [<https://news.err.ee/1104185/health-board-chief-government-needs-to-listen-more-pontificate-less>].

³ Anna Pöld, 'Ratas: Prosecution's investigation sensible' in *Postimees*, 11 June 2020. Available from [<https://news.postimees.ee/6994647/ratas-prosecution-s-investigation-sensible>].

A material in *Eesti Ekspress* claimed that “the money is originally from [the businesswoman’s] ex-partner, a businessman with considerable real estate interests in Tallinn”, and the ‘centrists’ “decided to return the money”¹. This situation brought Jüri Ratas back to the pre-pandemic ‘stage’, to which he would be desperately trying to never return. From April 2019, that stage was where the Prime Minister had to answer to a range of truly difficult questions related to different scandalous political and semi-political situations associated with the current governmental coalition. It looks like the normal political *routine* is gradually getting back to Estonia, and, on 10 June, the Prime Minister was given a hard time during the traditional *Riigikogu* Question Time. In regards of the aforementioned donation, his reply to the country’s Parliament was as follows:

Had I knowledge of anything criminal regarding that donation today, I would not be standing before you as [P]rime [M]inister – not because of a vote of no confidence, but because I would have resigned. I have no information to suggest there is anything criminal about the donation. There is not as far as I am aware – based on the information I have and the tools at the party's disposal for verifying such things.²

With a certain degree of journalistic cynicism, one may argue that the unprecedented COVID-19-related crisis – especially, its hardest period from February to April 2020 – was politically the least turbulent timeframe for Jüri Ratas ever.

¹ Pöld.

² Jüri Ratas in Pöld.

Greek Politics after COVID-19

George N. Tzogopoulos

The Greek Prime Minister Kyriakos Mitsotakis has efficiently managed the first stage of the novel coronavirus crisis. He decided to impose lockdown measures in mid-March considering public health his top priority. But his ability to overcome the economic challenges of the novel coronavirus is doubted. Scenarios for an early election in 2020 are flourishing in Greece. Mitsotakis can take the leader of the main opposition SYRIZA party Alexis Tsipras by surprise and cause him significant political problems. However, it is not very clear what he could achieve by calling a snap poll three years before his mandate expires and how he might justify his decision to Greek voters.

It is not particularly easy to make safe predictions about Greek politics. Politicians, who regularly put the political interest above the national one, are developing strategies which aim at taking their political opponents by surprise. For Greece to organize a snap poll has almost been a political habit, especially in the last decade of high tensions because of the impact of bailouts on the society. Following the national election of September 2009, which had been already an early poll as the normal one should have been normally organized in 2011, several other rounds followed until July 2019: the twin elections of May 2012 and June 2012, the one of January 2015 and of September 2015. Drawing on this experience the ongoing public discussion about a new early election – less than a year after the landslide victory of New Democracy – goes hand in hand with the Greek political culture.

Prime Minister Kyriakos Mitsotakis has publicly said that the possibility of an early election is non-existing. However, media do

continuously fuel relevant scenarios. An early election could have both opportunities and risks for the governing New Democracy party. At the writing, New Democracy enjoys a clear lead in all opinion polls. The main reason is its successful management of the first stage of the coronavirus crisis. In particular, Mitsotakis decided to take measures early, in mid-March, and considered public health as his top priority. His decision produced positive results. At the beginning of May lockdown measures were lifted as the number of COVID-19 cases was relatively low. Most Greek citizens had respected the measures and stayed home. And they certainly appreciate the fact that their government seriously managed the public health crisis instead of employing dangerous strategies of delaying the necessary lockdown for economic reasons.

There is no question that Greece does not constitute a tourism hub in the winter as it is the case for Italy, France, Spain or the UK. But irrespective of the relative easy task of the protection of public health, Mitsotakis deserves a credit for acting on time. The international media, principally US TV networks such as CNN, have praised the Greek government. It is a very good period for Greek-American relations and this has been publicly evident also during the COVID-19 crisis. Mitsotakis is keen on granting interviews to American journalists as well as to speak in events organized by American universities and think tanks. This good climate is then being reproduced by Greek national media – which largely support New Democracy – and is being perceived an indication of the good job of Mitsotakis and the Greek government. Since the outbreak of the economic crisis in 2009, Greek national media tend to largely focus on how Greece is illustrated abroad. While the image of the country was negative on several occasions, the New Democracy government has managed to temporarily alter this attitude. Whether this will continue will be seen in the future.

Obviously, the Greek government cannot only rely on its management of the first phase of the COVID-19 crisis to boost its political communication strategy and increase its performance in public opinion polls. The most difficult challenge will be to cope with the economic

impact. During the weeks of the lockdown, Mitsotakis supported employees who could not work by offering them economic support. In a period during which most people were staying home, the allowance of €800 that was given to many – but not all – affected employees for a duration of six weeks relieved some of the pain. Expenses for the median household were low – in comparison to other normal periods – because of their inability to spend in services. Greek citizens, for example, were not allowed to travel during the Easter holidays. The government, of course, would not be continuously able to provide the afore-mentioned allowance. The gradual reopening of the national economy since the beginning of May reflected its will for a return to economic normalcy. It is here where several employees – with the exception of civil servants – will face several economic difficulties.

The Greek economy is largely based on consumption in services. Restaurants, for instance, reopened in May by respective social distancing measures. This means they cannot host as many clients as they used to host in good time. Additionally, several Greek citizens remain hesitant to come back to their daily routine as long as no medicine against the coronavirus is found. The lower the turnover of a restaurant is, the more difficult it is for their owners to pay the personnel as well as to rehire the ones who had been put in layoffs during the weeks of lockdown. This is also the case for other service-related aspects of the Greek economy. These include shopping centers, coffee shops etc. Above all, Greece's economic recovery will significantly depend on the course of tourism during the summer season. If Greek citizens decide to avoid travelling or spending their holidays in hotels and foreign tourists prefer to stay in their countries, the recession will be much deeper than anticipated (below 10 percent) and unemployment will certainly increase. Higher unemployment means lower social contributions and more state expenses in necessary allowances.

Mitsotakis can count on his success in stopping the COVID-19 contagion in March, April and May but it is unclear if Greek citizens – suffering economically – will reward him in the scenario of an early election. The majority of Greeks tend to vote by assessing the economic

situation and their personal economic status. They will be perhaps keen on expressing their anger, should the tourism season will be seriously hit. Furthermore, it will be hard for the Prime Minister to explain why a snap election is necessary as his mandate will normally expire in 2023. Mitsotakis can perhaps talk about the necessity of the relaunch of the economy under his leadership. Another excuse could be the deterioration in Greek-Turkish relations requiring the election of a fresh government to deal with Turkish provocations in the Eastern Mediterranean. Nonetheless, almost all opinion polls outline that the majority of respondents did not favor an early election.

From a political perspective, Mitsotakis knows that the main opposition SYRIZA party is not well-organized. Its leader, former Prime Minister Alexis Tsipras, has decided to employ a soft rhetoric during the COVID-19 crisis. Although he criticizes the government for its economic performance, he needs more time to formulate efficient governmental policies following his defeat in July 2019 and also achieve a rallying of parties of the center-left around his figure. Having said that, Mitsotakis can arguably attempt to put Tsipras in a more awkward position by challenging him with a new poll that certainly he (Tsipras) does not want in 2020. But these tactics will jeopardize Mitsotakis' interest in showing to the Greek public opinion that he honored his words by normally organizing the election in 2023 in order for his work to be judged in the end. All in all, a new election will require either a second round due to different electoral laws or a cooperative will by Mitsotakis in building a coalition government with other parties, while he is currently governing alone. For this reason, it seems that the scenario of a reshuffle of the government is more likely and less risky than an early election – except Mitsotakis decides to take Tsipras by surprise.

Conclusion

The governing New Democracy party has a clear lead in all opinion polls. Prime Minister Kyriakos Mitsotakis has efficiently stopped the contagion of COVID-19 in the country by imposing a lockdown in early-

March. But the new challenge for him is to successfully relaunch the national economy. Should he decides for an early poll – as the Greek media speculate – he will attempt to renew his mandate and politically expose his main political opponent Alexis Tsipras. However, disenchanted and disillusioned Greek citizens – who want to see their economic life go back to normalcy instead of a snap poll – will not necessarily give Mitsotakis the sweeping victory he envisages. A reshuffle of the government is more likely than an early election, although experience suggests that Greek politicians are unpredictable and put the political interest above the national one.

Hungarian Politics: An Outlook after the Coronavirus Pandemic

Csaba Moldicz

In Hungary, the state and its launched measures could manage the looming threats efficiently and the shared common problems contributed to an increased awareness of managing the emerging problems. However, every crisis gives – be it of political, economic nature or caused by natural disasters – the opportunity, at least potentially, to successfully exploit the situation politically, and score heavy points in political debates. This briefing raises the question of how the Hungarian political landscape is evolving after the coronavirus, while looking at the main events and shifts in the Hungarian political landscape in a retrospective manner investigating the period between January and May 2020, while the clear focus of the briefing is put on the events of the last month. The briefing reveals some of the new political topics as well to be launched by the government.

The latest survey results

The latest political survey was carried out by the Nézőpont Institute between the 7th and 8th of May 2020. The questionnaire included 1,000 people. According to the date that was provided by the Nézőpont Institute, 54 percent of the likely voters would vote for the Fidesz-KDNP, which a significant increase compared to January 2020, when the political support of the party was 51 percent. (See table 1!) At the same time, the political endorsement of the Covid-19 crisis measures of the government has just stabilized around a staggering 70 percent.

	Fidesz-KDNP	Jobbik	MSZP-Párbeszéd	DK	LMP	Mi Hazánk	Momentum	The two-tailed Dog Party	Others
Likely voters	54	9	3	11	2	1	13	6	1
Eligible voters	43	8	3	7	1	1	8	4	26
Source Nézópont Institute, https://nezopontintezet.hu/2020/05/12/tartja-megnovekedett-nepszeruseget-a-fidesz/									

The dissatisfaction with the opposition parties is clearly shown in the increasing support of the Hungarian Two-tailed Dog Party, which is a protest party against the existing political establishment. The political support of this party among the likely voters was 6 percent in May 2020, while other well-established numbers were well below 6 percent, f. ex. the social-democrat MSZP-Párbeszéd or the LMP, which have had a much longer past in the Hungarian politics, could only show 3 percent and 2 percent political support respectively among the likely voters. Since January, the MSZ-Párbeszéd almost lost half of its support, the DK's support was de facto halved during this period. The Momentum and the DK are still the strongest opposition parties, and the new situation in the opposition camp revealed in the local elections' results last autumn seems to be a long-term trend.

Table 2 gives a good overview of the changes in political support since January 2020. The main change was that the ruling party's position has become stronger and the gap between opposition parties that emerged last autumn, was widening over the investigated period of time. The MSZP-Párbeszéd and the LMP seem to be marginalized political parties at the moment and in our understanding, the likelihood of recovering from these positions is very small, however, it can be excluded since the whole opposition camp is relatively weak.

Table 2. The change in Political support of Hungarian parties between January and May 2020								
	Fidesz-KDNP	Jobbik	MSZP-Párbeszéd	DK	LMP	Mi Hazánk	Momentum	The two-tailed Dog Party
The change in support among likely voters between January and May 2020	+3	-1	-2	+1	-2	-2	0	+2
The change in support among eligible voters between January and May 2020	+2	0	-1	0	-2	-1	0	0
Source: own compilation based on the surveys of the Nézőpont Institute								

According to a proposal put forward by the Hungarian government this week, the declared state of emergency and the pertaining law is going to be lifted on the 20th of June 2020. The Nézőpont Institute carried out a survey about the emergency law. In the survey three basic questions were raised, one of which explored the opinion of people on whether the declaration of the emergency law was just justified. 78 percent agreed with the statement that the declaration was rather justified, while 17 percent disagreed, and 5 percent was unsure about the answer or did not reply to the question. The second question was about the need to lift the state of emergency in Hungary. 66 percent agreed with the lifting of the limitations on the social and economic life in Hungary, while 28 disagreed and 6 percent did not answer the question or was unsure about the adequate answer. (Basically, the same question of whether Hungary should maintain the state of emergency was raised in the survey in another phrasing, but the result again was that the majority thinks we should not maintain it. Observing the answers to this question, there is a time series where the change within public opinion overtime can be pointed out. At the end of

March, 94 percent supported the maintenance of the state of emergency and this number dropped to 40 percent end of May.)

Another topic, which has been fiercely debated in the Hungarian media was the proposals for the EU recovery plan. The main fault-line is whether the funds can generate debt for the next generation or other forms must be given preferences. Among many proposals, the one of Soros stands out, since the issuance of perpetual bonds was proposed by him, whereas the EU is the body who should issue the bonds. Obviously, it would be easier to find proper funding for countries in trouble, yet at the same time, it could impose severe limitations on national sovereignty. The Századvég Research Institute carried out a survey about the preferences of the public. The questioning took place in May 2020 and it included 1,000 people. Based on the results, 76 percent of the pollees strongly rejected the idea of perpetual bonds, while 18 percent supported the plan and 6 percent did not answer or was unsure about his/her answer. The breakdown of answers based on party sympathies reveals great differences within opinions. While 91 percent of Fidesz-KDNP supporters rejected the idea, 60 percent of MSZP-Párbeszéd and 50 percent of LMP potential voters had the same opinion. (See more details in table 3!) The importance this topic will have in the political debate was revealed in the usual Friday interview with the Hungarian Prime Minister, where he told the media, that the government is to launch a new round of public consultation where one of the questions will relate to the perpetual bonds.

Table 3. The public support of the so-called perpetual bonds, breakdown based on party sympathies								
	Fidesz-KDNP	Jobbik	MSZP-Párbeszéd	DK	LMP	Mi Hazánk	Momentum	Other parties
Rejecting the idea	91	76	60	59	50	82	49	72
Supporting the idea	2	7	20	7	25	18	19	4
Not sure or no reply	7	17	20	34	25	0	32	24

Source: own compilation based on the surveys of the Századvég Institute, <https://szazadveg.hu/hu/kutatasok/az-alapitvany-kutatasai/piackutatas-kozvelemeny-kutatas/a-magyarok-elutasitjak-soros-tervet-europa-eladositasara>

3. Outlook

The Covid-19 did not generate new trends in the Hungarian political landscape, however, it did strengthen them and made them more visible to

the observer and it might have sped up the course of these trends. The already existing gap within the opposition camp has just widened over the course of the recent months, and it has become clear by now that unless the MSZP-Párbeszéd and the LMP substantially change their communication, find new messages and topics appealing to the public, they will ultimately disappear from the Hungarian politics, while the DK and the Momentum potentially can reap significant benefits from this process. Though we also must add that the advances of the Hungarian protest party (the two-tailed Dog Party) undoubtedly show that there is still room for improvement for the DK and the Momentum.

The Fidesz-KDNP has been able to considerably strengthen the public support and the crisis management of the government was strongly approved and overwhelmingly supported by the majority of the public, even by a significant amount of potential opposition voters. However, at the same time, we can clearly observe that the Hungarian government now prepares to launch new ideas and proposals to the public in order to keep the leading role in shaping the political debate and defining the major topics of the Hungarian politics. Plans about the new round of public consultation make the strong intention of the government to refresh the topics of the political debate and get feedback and support from the public.

Regarding the future, the ruling party seems to be emerging stronger from the coronavirus pandemic, which will enable the party to further set the course of the Hungarian political debate and coin new topics of the political discourse. Most likely, topics like illegal immigration and the question of how to finance the economic recovery in Hungary and the EU will be high on the agenda. At the same time, in our evaluation, the fractioning of the opposition camp is going to continue in the second part of the year. In our understanding, at the end of this road, three political parties will dominate this spectrum of the Hungarian politics: the DK – as the main left-wing party, the Momentum – as the liberal party of the opposition camp and the Jobbik – as the extremist right-wing party of the opposition.

Prospects of Latvian political development in 2020

Linde Nina

Within the past months of the Year 2020 Latvia has experienced significant changes in the political ecosystem of Latvia. This year has come with multiple pressing issues and variety of uncertainties to the politics of Latvia. As the healthcare challenges of the Covid-19 have been gradually fading it is seen that more focus will be put on the integration of the Municipal Reform, elections of the Riga City Council and prevention of negative economic impact due to the pandemic.

Elections of Riga City Council

In 13th February 2020 the Parliament of Latvia accepted the Law of dismissal of Riga City Council. Riga is the capital city of Latvia and the Riga City Council provides municipality services to a third of the total population of Latvia. Because of the amount of citizens, Riga makes a high contribution to the national development in economics. Although during the first reading only four of the five coalition parties of the Parliament of Latvia voted for the dismissal of the Council therefore reaching the bear minimum of votes to pass the Law of dismissal of Riga City Council to the next reading, the majority of Members of Parliaments - 62 out of 100 – gave their approval of the dismissal process of Riga City Council during the last reading. The extraordinary elections were planned to be held at the end of April. However, because of the outbreak of Coronavirus in Latvia the elections were postponed and are going to be held on the 29th of August

As for the new members of the Riga City Council there is expected a change in the leading parties. For the last years the leading party of the Riga City Council was a pro-Russian social-democratic party, which had been involved in multiple corruption scandals. The available audit report by the State Audit Office shows that there are suspicions of unjustified use of several million euros, as well as possibly fictitious employment in two

foundations of the Riga City Council.¹ Additionally the report of the State Audit Office states that the Riga City Municipality has not acted economically with the funds of Riga taxpayers when planning, allocating and monitoring the use of funding to associations and foundations, as the audit identified significant deficiencies in the funding planning, allocation and monitoring processes. With the scandals surrounding the Riga City Council, the dissatisfaction with the work of the Riga City council by the citizens of Riga has increased, and therefore a change in the division of political power over the Riga City Council is expected. The available internet polls from the period of 18th to 31th of May show that both the previously leading party of the Riga City Council “Saskaņa” and the relatively new political power in the Latvian political ecosystem “Attīstībai/Par!”, which is running for the elections together with the party “Progresīvie” and are both known to be more liberal, share approximately same amount of votes – more than fifth of the respondents according to the latest internet polls would vote for “Saskaņa” and the second fifth stressed that their votes would be given to “Attīstībai/Par!” together with “Progresīvie”.²

The Municipal Reform

It has been proven that the current municipality system of Latvia has been working ineffectively. The administrative costs of a citizen can vary from 50 to 200 Euros per citizen, only half of the municipalities can assure jobs for more than 40% of citizens who are in the working age. To add, only a half of the municipalities of Latvia can assure effective tools to make contributions to the development of regional entrepreneurship. Besides, only around the third of the municipalities of Latvia are able to make investments for the development of infrastructure worth 1 million

¹ <https://www.apollo.lv/6681762/vk-publice-reviziju-par-rigas-pasvaldibas-pieskirtajam-dotacijam>

²<https://klubs.factum.lv/reitingi/>

Euros.¹ Additionally, the relatively small size of the municipalities decreases the chances to provide the citizens with the opportunity to receive high-quality public services such as ensuring proper education and transportation services. These and other issues have led to The Municipal Reform by which it is planned to decrease the number of municipalities from 119 to 42 by jointing multiple districts.

However, there is to be expected a resistance to adaption to the changes within the Municipal Reform. During June of 2020, 46 representatives and heads of Latvian local governments addressed the President with a joint letter, calling not to promulgate the Law on Administrative Territories and Settlements adopted by the government of Latvia. However, the President of Latvia had already stated that the law will be promulgated, emphasizing that the reform is necessary in order to improve the capacity of local governments, to ensure that the population receives quality and even services. The President of Latvia was convinced that the reform was in the interests of all citizens and should be carried out. After the President of Latvia promulgated the Law of The Municipal Reform one municipality of Latvia had already made a conceptual decision to dispute the law in the Constitutional Court as the representatives of the municipality do not consider the Municipal Reform to be based on democratic principles.²

Additional changes due to The Municipal Reform are expected within the public services. In connection with the entry into force of the Law on Administrative Territories and Settlements, the Prime Minister has issued a resolution to all government ministers to submit proposals on the necessary reorganizations in public administration for the implementation of administrative-territorial reform.

¹ Announcement by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.

http://www.varam.gov.lv/lat/administrativi_teritoriala_reforma/

² <https://www.delfi.lv/news/national/politics/varaklani-ka-pirmie-nolemj-satversmes-tiesa-apstridet-novadu-reformu.d?id=52255277>

Mitigation of the consequences of the Coronavirus

The outbreak of the Coronavirus has left significant consequences to the economy of Latvia. The current economic prognosis from the Ministry of Finance show that Latvia will experience fall of Gross Domestic Product in 2020 by approximately 7%.¹ With the employment support measures approved by the government, the forecast of the number of people employed in the economy for 2020 has been slightly increased, expecting that the number of employees will decrease by 4.4% to 870 thousand this year, instead of the previously forecasted 5% decline. Accordingly, the unemployment rate in 2020 will be 10.5%, and compared to previous forecasts, the unemployment rate forecast has been reduced by 0.7 %.

As Latvia is a relatively small country a large proportion of the political development of Latvia will be influenced by the external events. The most significant negative risk is the recurrence of Covid-19 in Europe and Latvia, which may necessitate new, even stronger restrictive measures. There are also significant risks associated with escalating global, social and ethnic tensions, escalating geopolitical conflicts, a sharp rise in protectionism and high volatility in financial markets. At the same time, there are also positive aspects that could lead to a faster recovery in economic growth, including faster release of Covid-19 vaccines and drugs, stronger monetary and fiscal stimulus measures, and faster lifting of viral restraints and renewed business and consumer confidence.

The political strategy for the recovery from the consequences of the Covid-19 in Latvia include mainly 5 aspects - human capital, innovation, business environment for export capacity, access to finance and infrastructure. The Strategy of Latvia to recover from the Covid-19 has been divided in three time intervals - economic stabilization period, reorientation period, growth phase. As by the Strategy the period of the Year 2020 has been declared as the economic stabilization period the

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https://www.fm.gov.lv/lv/sadala/tautsaimniecibas_analize/tautsaimniecibas_analize/galvenie_makroekonomiskie_raditaji_un_proгноzes/

political measures to be implemented in 2020 have been aimed at stabilizing the financial situation of the population and entrepreneurs in the conditions of the Covid-19 crisis and limiting the spread of the virus in Latvia.

Summary

During upcoming months more focus on the political development of Latvia will be put on The Municipal Reform, Riga Council Elections and reduction of the consequences of the Coronavirus. Riga Council elections are expected to be held by the end of August. The current polls show that there could be rearrange of the political power within the Riga City Council thus decreasing the political power of the previously leading party of the City Council. Despite the open letter from 46 municipality representatives addressing the issues of The Municipal Reform, on June of 2020 the President of Latvia promulgated the Municipal Reform thus the next months will be devoted to administrative adaptation to the Reform. According to the political strategy of Latvia for mitigating the consequences of the Covid-19 crisis Latvia currently is in the phase of economic stabilization. Thus, it is expected that with the upcoming months Latvia will focus on stabilization of the financial situation of population and entrepreneurs in the conditions of the Covid-19 crisis and limiting the spread of the virus in Latvia.

Post-COVID Lithuanian Politics Focusing on the Welfare State and the Nation-Building

Linas Eriksonas

On 16 June the three-month-long national quarantine has come to an end in Lithuania. Two days later President Gitanas Nausėda in his State to the Nation address delivered in the Parliament and broadcasted over the internet, called for the start of the new period in the development of the nation-state in Lithuania. Already from the start of his speech, the President emphasized that “the process of state-building and improvement has no end. Today we have set yet another major goal for Lithuania: a Fair, Green and Innovative Welfare State”. The President pointed out that “a welfare state does not begin with economic and social indicators. It begins from respect to each other, mutual trust, responsibility for the common interest, and assistance to one another.” The latter statement was even highlighted in bold in the text of the speech made public on the website of the President’s office. It was meant to yet again underly the importance that the President gives to the idea of the welfare state - the guiding concept for the post-COVID national politics.

Many political pundits indicated that the President’s address lacked sharpness and criticism that was so characteristic of his predecessor’s annual speeches. Some had outright downplayed the significance of the President’s talk due to the lack of political acuteness. However, the President, in his first annual talk, aimed to outline his vision about the nation-building of Lithuania at a more conceptual level - to frame the discourse.

Below is a brief discussion about the President’s vision about the nation-state and its role in securing and providing the common goods for the citizens. It will try to identify some of the drivers, which have been accelerating as a result of the coronavirus crisis, that can make this

President's vision the reality in the years to come, following the upcoming parliamentary elections. Their first round is due on 11 October.

The global and national emergency caused by the spread of COVID-19 during the first half of this year created three critical imperatives which informed and, one might argue, profoundly reframed the discourse within which the democratic politics are conducted in Lithuania. First, it placed the interests of society before the interests and a free will of the individuals, thus creating a new normal where the scope of the public interest could intervene in the private sphere with public consent and as the situation demands and permits. Second, it increased the role of the state in society and economics, contributing towards the strengthening of central governance and creating a possibility to integrate the governance top-down across all levels of public life. Third, it created a consensus around the creation of the welfare state as part of continuous nation-building.

In his annual address, the President has explained the rationale for taking a new course in the political and societal development of the country with the following dictum: "We are still learning to live as One Lithuania. Personal interests prevail against the common good. Scorn and derision override reasoned criticism and dignity. Finger-pointing overshadows a helping hand. Meaningless noise raising outweighs dialogue". The expression of "One Lithuania" used by the President is a reference to the expression of "Two Lithuanias". The latter was frequently used as a by-word of the social and economic inequality in Lithuania that has grown increasingly during the transition period of the economy, and have continued unabated, resulting in out-migration, shadow economy and swings in political preferences of the electorate.

By emphasizing the need to learn "to live as One Lithuania", the President indirectly said that there is a need to build a more just society based on the principles of social and economic equality. The concept of "One Lithuania" has two important implications: first, it aims to expand the scope of the political nation by bringing in the diaspora as part of one-nation (and in doing so it superseded another popular buzzword in Lithuanian politics, namely, "Global Lithuania"), and, second, it wants to

create a more coherent and united nation, the national community of citizens, around the commitment to create and sustain the welfare state in Lithuania.

Hence, the high prominence given to the idea of “One Lithuania” in the President’s annual talk brings forward a clear signal that in the post-COVID period Lithuania is about to move onto the next stage of its development. If during the first three decades of the nation-building the key tenets were defined by cultural nationalism and free-market liberalism and neoliberalism, the COVID crisis has created the conditions for new, the reshaped political-ideological framework to emerge. A new normal as communicated by the President but also fully endorsed by the Government and, to some extent, by the governing majority see the re-creation of a nation-state based around a closer unity of the liberal democratic state and the civil nation, which is an expression of what political scientist refer to as civic nationhood or civic nationalism.

According to Anna Stiliz, Professor of Politics at the Centre for Human Values of Princeton University, civic nationhood is meant to describe a political identity built around shared citizenship in a liberal-democratic state. She argues that a “civic nation,” in this sense, need not be unified by commonalities of language or culture. It merely requires a disposition on the part of citizens to uphold their political institutions and to accept the liberal principles on which they are based. Hence, accordingly, the goal of the state, in this case, moved from the protection or promotion of one national culture to the protection and promotion of one national state and its political institutes. The moral, civic values become vital to sustaining such discourse. Hence, the repeated emphasis that President Nausėda made on trust. “A welfare state is impossible without trust – the trust of citizens in their state and its institutions, our trust in each other”, - argued the President.

The President further emphasized the togetherness and the shared political consensus on the agreement to build the welfare state. He spoke: “I ran for President guided by the vision of a Welfare State. A state that can resolve the persistent problems of poverty and social exclusion, corruption

and shadow economy, irrational use of public resources. A state that has the wish and determination to lead – not to follow behind others – in education, science and the development of innovative, high added value economy. A state where respect, justice, openness, and unity are more than just loud words”.

The unity of the state and the civic society is being put forward for the guiding principle in the new Welfare State in Lithuania. The President appealed for that respect with the following words: “It is only together that we can create such a state – which is in the hands of us all: political parties engaged in the parliamentary election campaign, governmental and municipal institutions, local communities, business and employee associations, public and cultural figures, health and education professionals, all those who love Lithuania”.

By mainstreaming the ideas of civic nationalism, the President (with the consent of the Government and the governing majority in the Parliament) is reframing the political context within which the parliamentary electoral campaign is due to take place. The classical divide of the political spectrum into the political left and the political right has ceased to be the main differentiator in the elections. The importance of the political ideas that come with this classical political divide has lost its pertinence in post-COVID politics. Without this divide also the populism which thrives on divisions loses its relevance and source for political mobilization. Here, the main denominator becomes the relation to the common good differentiating between those who are in line with the common good policies and who are stepping out of line. It makes it almost impossible to organize and politically mobilize political campaigns without taking a stance to this overall guiding principle.

What post-COVID politics in Lithuania is mostly about is the level of state intervention in society and the economy. Two camps have formed. The Government and the President adhere to the camp of state interventionists who promote civic nationalism driven by the state institutions (the proposal to establish the state-owned development bank is an example of that).

The opposition is left in a difficult situation to frame its position. It can argue against the lesser involvement of the state in society and the economy. However, since this is promoted as part of the all-encompassing one-nation concept of “One Lithuania”, it becomes awkward to argue against such a general and yet popular appealing and persuasive concept.

Hence, the post-COVID political discourse because in essence, the discourse without other politically viable alternatives, thus increasing the chances of political survival of those who have been in power during the coronavirus period. The latest opinion polls indicate that the political preferences of the electorate after the period of the increased growth of the opposition in popularity have reverted to the situation which was before the previous parliamentary elections.

The President was quick to share his view that the next Government will be formed by the centre-left parties, including those which form the majority today. However, there might be a steep learning curve for the society to accept the ideas promoted by the President and endorsed by the Government. During the quarantine period, the approval ratings of the President have dropped by 15 per cent. It shows that regardless of the lofty ideals, the leadership style is what matters most, especially at the time of changes.

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Montenegro Political Outlook after COVID-19

Vojin Golubovic

The Corona virus pandemic affects the health systems of the country, but also political systems around the world are not immune. Parties on power in the countries in which parliamentary elections are planned this year depend in particular on the response to the pandemic. Montenegro is among them. And this event, the upcoming parliamentary elections, will mark the rest of 2020 in Montenegro. But also stricter requirements regarding Montenegro's negotiations with the EU.

Parliamentary elections in the time of COVID-19 pandemic

The elections are expected at the end of August, although it is still questionable who from the opposition will participate in them. Regardless of the fact that the majority of the opposition claims that the announcement of the elections by the President of Montenegro was unconstitutional, it would not be surprising if the same opposition participates in them. It seems that everything depends on the political assessment of the leadership of those parties, some of which seem to be receiving signals from outside as well.

In particular, the outcome of the elections is ungrateful to predict, bearing in mind that, unexpectedly, Montenegro under the influence of various internal and external factors, has become an area where the will of citizens, ie public opinion, is changing very quickly. This primarily refers to the following factors - the disputed Law on freedom of religion (passed at the beginning of the year) and the pandemic of the COVID-19 virus. While the disputed law is mostly used as argument by the opposition, the initial reaction of the government in the fight against the pandemic and the achieved results have certainly led to an increase in the rating of the parties in power. Thus, public opinion polls also varied, and it is expected that the two factors mentioned before will affect the great inconsistency in the

electoral will of the citizens until elections. After the return of the epidemic (that was initially suppressed), possibly new good results of the health system could raise the rating of the ruling coalition again. If that happens before the elections, the ruling parties will surely use it in the election campaign, trying to avoid the negative economic consequences brought by COVID-19, above all huge borrowing and putting the national economy in an unenviable position. A very likely post-election budget rebalance should probably not be mentioned.

On the other hand, the protests of members of the Serbian Orthodox Church are politicized, so that they contribute to creating an atmosphere like before the 2006 referendum when Montenegro's independence was voted on. And while many think that only the opposition benefits from such tensions caused by the Law on freedom of religion, it seems to suit the largest ruling party (DPS) as well, because they always won elections when they played in the election campaign on the emotions of those who voted for the independence of Montenegro. On the other hand, it seems that most opposition parties are now neglecting everything they should be focusing on, primarily reforms and the agenda for a better standard of living. Probably due to the lack of such a systematic agenda to offer to the people, opposition leaders are also focusing more on the emotions of the people when it comes to the church and on the mass protests launched by the Serbian Orthodox Church in Montenegro. Pro-Serbian opposition parties will unequivocally try to build a better rating and a better election result using the topics related to the mentioned Law.

The Democratic Front (DF), the most radical pro-Serbian structure, faced with a drop in ratings during the pandemic, will probably try to take advantage of the Serbian Orthodox Church's conflict with the government and present itself as the exclusive supporter and organizer of religious protests. The announced religious protests, which will surely be held, with a large number of citizens, after the lifting of measures, will be presented by the DF as its own political platform, whose key goal is to be the strongest in the opposition. For that purpose, the plan will go in the direction of gathering all Serbian organizations to appear at elections together in a coalition. In addition to the DF, the list could include several minor

parties. According to some political analysts, the inflammatory rhetoric of the leaders of the DF, as well as threats of civil war and inappropriate behavior in parliament, will certainly spill over into the election campaign, which will probably be the dirtiest in last 20 years. Apart from the inflammatory rhetoric between the government and the opposition, one should expect a dirty campaign within the opposition itself, especially between the lists that will be led by the DF and the Democrats because they share an important part of the voters. It is expected that these two parties will play a dominant role among the opposition parties.

On the other hand, the part of the opposition that does not consider itself "pro-Serbian" - above all, the Social Democratic Party (SDP) and the civic movement URA seem to be the only opposition parties that will focus their election propaganda more on economic than religious issues. Therefore, it is possible to expect that their focus will be on criticism of the government based on insufficient reforms in those areas that the European Union recognizes as key - the fight against corruption, insufficient reforms in the judiciary, high public debt of Montenegro and the like. The URA will likely base its election campaign on advocating for an open list system, conducting lustration, opening secret files, reforming the economic, education and health systems, and passing property origin laws. Especially, one can expect that URA will put the emphasis on environmental protection, because this political movement has become a part of "green" parties of Europe.

However, it seems that these two parties - SDP and URA, if they do not appear in a coalition, will fight to pass the census, and the question is whether they will manage to enter the parliament. They simply do not cope enough and do not take a sufficient stance on the current religious situation (although the SDP voted for the government's Law on freedom of religion). It is not excluded that pre-election coalitions will be formed in order to neutralize the possibility of not passing the census. However, it is unlikely that any of these parties will be in a coalition with the Democrats or the Democratic Front. A coalition with the Demos or the Socialists of Montenegro is more likely.

In any case, it seems that political disagreements in 2020 will be very conflicting, despite the fact that the COVID-19 virus pandemic has shown all the absurdity of irreconcilable conflicts, especially those based on "national" or religious sentiments. Although the pandemic has shown how limited politicians can actually be in their plans, as well as how (un) creative they are in proposing solutions to the real problems caused by the pandemic (especially some opposition parties that were not active in making concrete proposals), in the coming period these parties will continue to try to fascinate the masses.

The political scene in 2020 after the election

If the currently strongest ruling party still has the opportunity to form a government after these elections, it will be faced with difficult decisions. The same awaits any other party if it wins power. This is especially true because, in addition to economic problems (almost certainly the economic downturn will be the largest among the countries of the region, huge public debt growth, the unavailability of the euro), the country will almost certainly face new demands from the European Union.

The so-called Non-paper of the European Commission for Montenegro emphasizes that the COVID-19 pandemic has created additional challenges in the field of judicial reform and contributed to certain objective delays in Montenegro's work on its rule of law agenda. However, it is clear that this document predominantly emphasizes some problems that need to be urgently resolved, such as pressures in judiciary and media in Montenegro. Therefore, after the elections, it is possible to do something about this issue, in order to at least formally show the progress in this area.

The new methodology in the process of negotiations with the EU should already in 2020 show whether Montenegrin politicians are ready to face real problems, i.e. are they able to show a higher degree of responsibility when it comes to key reform issues. Although the Montenegrin government is satisfied with the fact that the European Parliament adopted the Report on Recommendations for the Enlargement of the European Union to the Western Balkans, which calls for faster

closing of negotiation chapters with Montenegro, a progress in the rule of law is expected as soon as possible. However, as things stand at the moment, there are unlikely to be any significant shifts this year, as politicians have skilfully shifted the ball to other pitches. However, it is clear that the EU will not sit idly by because it has imposed on itself the obligation to be more engaged in the region, especially in the fight against corruption, increasing various freedoms (for example, the media, etc.). The issue of enlargement will be conditioned by the implementation of reforms and concrete results. However, by the end of 2020, significant progress should not be expected.

Macedonian Politics in the Context of the Global Pandemic and its Aftermath

Gjorgjioska M.Adela

The onset of the corona pandemic in early 2020 has rendered irrelevant most forecasts and plans drawn out before the start of the year. In the Macedonian context, one of its most immediate consequences was the delay of the early Parliamentary elections. Originally scheduled to take place on the 12th of April, a decision was reached on the 17th of March to postpone the elections in light of the spread of the coronavirus. As the health challenge intensified it began to influence healthcare, social and economic systems, as well as to expose the structural weakness of the political system as a whole, illuminating at the same time new contradictions sparked by the Covid 19 pandemic.

In order to describe the possible aftermath of the pandemic and its political implications, it is necessary to first determine what its impact has been thus far (by June 2020). This approach serves to discern the trajectory of the response to Covid 19 as well as to analyze the possible short, medium- and long-term implications to the political system and society at large.

Covid 19: February-June 2020

The first case of SARS-CoV-2 was confirmed on the 26th of February, a date which also announced the start of the country's battle against the spread of the infection. By the 17th of March, the day when the decision was reached to postpone the elections, the number of infected people had risen to 32. On the previous day, 16th of March, the Government had also decided to close the two international airports (Skopje and Ohrid) and ban foreigners from entering the country citing as the main reason the increasing number of confirmed corona cases both

domestically and globally. By the 31st of March, 3,518 tests had been made and the total number of infected people had risen to 329 cases.

The month of April started off with 354 and ended with 1465 confirmed cases (bringing the total number of deaths to 77). It was also the month which saw the strictest restrictions on movements. For instance, weekday curfews first ran from 9pm to 5 am and then were extended to 4 pm to 5 am.¹ Weekend curfews were also imposed. On the weekend between 11-12 of april, citizens were banned from moving from their homes for 61 hours - the most restrictive measure any Balkan country had imposed to curb the COVID-19 pandemic.² The weekend after a similarly strict curfew was imposed during the Easter Orthodox Holiday, from 16:00 on the Friday until the Tuesday morning. By the end of May, 29,575 tests had been made. The month started off with 1494 cases, and ended with 2226. The total number of deaths on the 31st of May was 133.

June 2020 and beyond

By mid June the trajectory of both the spread of Covid 19 and the institutional response aimed at its containment had changed. Although at the outset of the outbreak in early March, the Minister of Health had predicted the first peak to take place at the end of April, the developments suggested that the country is facing a resurgence in corona cases during the month of June. Over the first two weeks in June the number of newly infections was ranging from 100 to almost 200 new cases a day.³ The second wave in June has been attributed to three causes: 1) the institutional failure to prevent or restrict large gathering during family reunions during Eid al-Fitr, a religious holiday celebrated by the Muslim community; 2) the overall re-opening of the country in order to organize the parliamentary

¹ “COVID-19 in the WB: Weekend curfew extended to 60 hours in Serbia and North Macedonia”, available at: <https://europeanwesternbalkans.com/2020/04/10/covid-19-in-the-wb-weekend-curfew-extended-to-60-hours-in-serbia-and-north-macedonia/>

² Citizens of Serbia were banned from moving from their homes from Friday 10th, for 60 hours until Monday 13th.

³ The

elections; 3) to the resurgence of cases amongst workers in large factories across the country.

In contrast to the start of the health crisis in March, when the government rushed to impose strict restrictions on movement, now despite the second rise in infections and fatalities, both authorities and citizens seemed more relaxed. The curfews had been lifted entirely. Bars and restaurants started to open. On the 15th of June, after a prolonged stalemate over the date of new elections, the main political parties finally agreed that the country should hold Parliamentary elections on July 15th. On June 15th, the date when the decision on the date for the elections was reached, 103 new cases were confirmed. Over the course of the previous 4 days the number of confirmed cases had been on the rise (175 registered positive cases on 11th of June, 164 on the 12th of June, 196 on the 13th of June and 162 on the 14th of June). By the 17th of June, there were 2,549 active cases, and 216 fatalities. 3 months earlier, on the 17th of March, when the decision was reached to postpone the elections, the number of infected people was 32. This contrast serves to demonstrate how in 3 months, the institutional response to Covid 19 had become completely detangled from the facts on the ground (the number of new confirmed cases and fatalities.). This change in the trajectory is rooted in the interaction between Covid 19 with the political constellation in the country, and it is likely to also influence the short, medium- and long-term political effects of Covid 19.

In the short run_(the period between June and September 2020) the political attention is likely to remain refocused away from the coronavirus in spite of the rising number of confirmed cases and fatalities. With elections scheduled to take place on the 15th of July, the public and media space is expected to be preoccupied by national political and economic issues, with the coronavirus crisis temporarily sidelined to the margins of socio-political attention. As a result of this shift in focus, the health crisis is not likely to have a decisive impact on the election outcome. It may however affect the election turn-out, due to fear of possible infections resulting from participation in the electoral process. The extent of this effect will be dependent on the precautions taken by the authorities as well

as the ability of the various party-political electoral campaigns to attract voters to the polls. Ultimately, the election outcome will be determined by how the party-political competition plays out in the campaign period and how it translates into concrete efforts aimed at mobilizing voters. Important factors in this process will be the established formal and informal processes for gathering voter support: the utilization and mobilization of established clientelistic networks¹; the framing of concerns around corruption and the rule of law; the country's regional and international relations; as well as their correlation with internal ethno-national identity politics.

Although the coronavirus pandemic is not likely to play a decisive role on the electoral outcome, the outcome in turn could be consequential towards the country's mid-term (Sep 2020-Feb 2021) response to the pandemic. In the absence of a global solution, as the coronavirus extends into the winter period and merges with the seasonal high pollution in the country, as well as the economic aftershocks, the challenge may intensify. Nonetheless, although a more stable Government is likely to be better placed to focus the institutional and political energy on the coronavirus pandemic, its effectiveness and efficiency in the existing political constellation will also be limited to ad-hoc responses. This is due to the fact that ethno-politics, party-political considerations and regional politics are likely to maintain precedence over healthcare, social and economic concerns sparked by the coronavirus. As a result, the overall response is likely to amount to an inadequate answer to the overall strains on the healthcare systems, collapsing economy and the rising public dissatisfaction. Therefore, new political crises and turbulences are to be expected in the mid-term.

In the long run, as global solutions to the coronavirus are sought and found, the country's readiness to respond to similar global challenges will need to be reevaluated by reflecting on the experience from the coronavirus crisis. Serious reflections will need to be had with regards to the ability of

¹ Clientelism defined as the exchange of election support for public sector jobs or other types of favours.

the state to adequately respond to the day-to-day grievances of its people. Such a political reflection will depend on the critical examination of the adequacy of the state bureaucracy, the healthcare and social protection systems. What is more, the key strengths and weaknesses of the economy as the whole will need to be reexamined. Whether this process of reflection and reevaluation will be possible and whether it will result in concrete reform steps will depend on the interaction between domestic, regional and international developments and actors on the one hand and urgent societal grievances on the other. In any case the outcome of that process will determine the long-term set up of the country's political system and its capacity to face and tackle the challenges of the 21st century.

Impact of Pandemic on Polish Political Situation: The Issue of Presidential Elections

Joanna Ciesielska-Klikowska

Last few months have brought about significant policy reorientation in many countries around the world. This case did not bypass Poland, in which the presidential election and the campaign preceding it were to be the dominant political event. The pandemic changed the planned course of events, yet giving it new political actors, shape and formula. The question of whether the election result stabilizes the situation in the country or will lead to an increase in ideological differences and deepening chaos remains open.

Policy changes in recent months

Today it is still difficult to write about the effects of the coronavirus on the political scene and presidential elections, since the number of infections in Poland is still rising, and the key goal of the state is to stop the epidemic. On the other hand, the COVID-19 and restrictions that accompany it, are changing Polish policy. The scale of this change is just reaching the Polish society and many consequences are not fully predictable. What was anticipated a few months ago – an unsurprising political situation, yet with a fierce electoral campaign and presidential elections in early May, became just a memory. The pandemic has completely altered the political life in Poland. And although the same people remain in power, their options for exercising this power are diverse at present.

Before the outbreak of the epidemic, the ruling United Right camp (consisting of the largest Law and Justice party [Prawo i Sprawiedliwość, PiS], and smaller coalition partners: Jarosław Gowin's Agreement, and

Solidarna Polska) and President Andrzej Duda were in serious trouble. The allocation of almost PLN 2 billion annually to public television instead of health care support, as postulated by the opposition parties, the vulgar gesture of MP Joanna Lichočka, as well as quarrels of Andrzej Duda's staff that went out in February and March 2020, indicated that the state authorities are experiencing serious image and organizational problems (see: Poland 2020 March Domestic Policy Briefing). Although PiS and Duda polls did not fall sharply, strong turbulence was visible. Other earlier crises have not been resolved as well - especially the scandal of the head of the Supreme Audit Office, Marian Banas, or disputes about changes in the judiciary system.

The outbreak of the coronavirus with great force flushed all these problems out of public debate, leaving the government camp blank. It was in fact difficult to criticize the government, which, as it was emphasized, "is fighting for the lives of Poles". In face of the crisis, people gathered around the government, which gained monopoly for political and economical action, because all the tools to fight the epidemic were (and still are) in its hands. At the same time, it reached also an information monopoly: it was the government, that decided which news to convey, and which to omit. The subordination of public media of the ruling Right over the past few years has only enhanced this effect. It seemed that PiS has already won the presidential election.

However, the ruling majority encountered a clear obstacle - opposition MPs and senators did not agree to hold the voting, scheduled for May 10, 2020. The government's intention was to conduct only correspondence elections. Yet, the opposition MPs were afraid of too fast pace of work on conducting these elections, because of multiple reasons, i.e.: they have never been conducted in such a formula in Poland; there was a possibility of spreading the disease through electoral packages being delivered to homes; there would be lack of secrecy and possible chaos associated with the subsequent counting of votes. Therefore, the National Electoral Commission decided to cancel them two days before the planned

date. At this point, all previous forecasts regarding the political situation in Poland have become outdated.

Consequences of pandemic for presidential elections

The situation in Polish politics did not return to the starting point, and made a full volley. The largest opposition party - Civic Platform (Platforma Obywatelska, PO) - decided to take advantage of this situation, and surprisingly changed its candidate for the office of head of state. Instead of Malgorzata Kidawa-Blonska, Rafal Trzaskowski became PO's candidate (Trzaskowski is the current President of the capital city of Warsaw, and inter alia former Minister of Administration and Digitization in Donald Tusk's government). The other candidates remained unchanged - there are 10 of them in total. However, the replacement of Kidawa-Blonska with Trzaskowski completely changed the dynamics of this campaign, which will last almost until the end of June. The new date for presidential elections (in mixed formula - voting at polling stations, and via post for people who want to do so) was set for June 28. The possible second round will therefore be held on July 12.

As a result, Poland is currently in a strange situation of presidential elections that were to take place - but were cancelled; will take place - but in a not-so-clear mix formula; with candidates who cannot run the election campaign in the traditional way - but mainly through social media. There are three scenarios for ending this situation, considering the candidates, who have the biggest chance for winning:

(1) Victory of the current President Andrzej Duda (PiS), who actually enjoys the greatest public support, but his poll results are getting weaker every day (42% support on June 12, even 58% in April 2020). His success will bond the authorities of the United Right and will certainly consolidate the current political situation for the coming years, even for subsequent terms. The president is known for his very active support for his own political camp and its initiatives (he is even called the "notary of the government"), as well as for passive policy towards other groups. Therefore, no change should be expected in this respect. Yet, if Duda's mandate proves to be very strong (victory in the first round),

the power camp may even decide to hold early elections hoping to obtain even broader support, and perhaps to obtain a 2/3 majority in the Sejm - needed to amend the Constitution.

(2) Victory of the opposition candidate, most likely Rafal Trzaskowski (PO, currently 23%-27% support), will guarantee wide possibilities for political change by opposition parties (which also have a slight advantage in the upper house of the parliament, the Senate). Perhaps it will give faith in systemic change also in the next parliamentary elections and turn Poland back to the European track. At the same time, this victory will lead to enormous political tension on the Sejm - Senate - Presidential Palace line and, as a consequence, will strengthen the fierce and ruthless political struggle that has been going on for many years. None of the parties to this conflict will want to let go, and the interests of citizens will become (probably) only a declared goal.

(3) Victory of the non-party candidate, Szymon Holownia, a well-known journalist and publicist, who over the past few months has been able to unite people tired of constant political fights of the main parties (15-17% support). Holownia boasts the greatest financial support from citizens (his collection for the campaign has exceeded PLN 6 million) and at the same time brings hope that it will be possible to break Polish politics from the clutches of the conflict between the right-wing PiS and the liberal PO. At the same time, he is accused of being only a media personality who builds the electorate on recognition and not on his political experience.

Which of the three candidates wins - the other participants of the race have little public support, not exceeding 6% - will decide about Polish politics for the coming years.

Conclusions

The coronavirus pandemic has already started the processes of decomposition of the Polish political scene with the possibility of large

political chaos. This disintegration means mainly shifts among the party power groups of both the opposition and the ruling coalition. The pandemic situation will at least sustain or even deepen the fragility of the Polish political scene. This is due to the fact that the state of the pandemic creates situations of surprising unpredictability for which political decisions need to be made.

At the same time, this state of challenges will reveal the increasingly low quality of party power groups, with their outrageous political practices, as well as mediocre practices of government and Sejm. The daily nuisance of fighting a pandemic will sharpen the negative assessments of political practices of main parties among ordinary citizens, creating an ever more fragile basis for political support for those in power, but also for the opposition.

This weakness of the political scene is ensured above all by the current proportional ordinance to the Sejm, creating fragmentation among the opposition and divisions among the ruling coalition. This ordinance was also the main reason for PiS relative defeat in recent parliamentary elections. This is because in this ordinance politicians and deputies stop counting on voters who are not directly dependent on them. And sooner or later they decide on arrogant political decisions towards their constituents, consisting in moving from one party to another within their parliamentary mandate.

Thus the ongoing pandemic and its medical, social and economic consequences can even lead to growing chaos in Polish politics. This chaos will be caused by the decreasing predictability of political behaviour and decisions of party power groups, both the opposition and the ruling coalition. It is difficult to predict whether the result of the presidential election will somehow calm this situation.

Romanian Political Outlook for the Second Half of 2020

Oana-Cristina Popovici

The political stage in Romania calmed down during the two months of lockdown, but has emerged with new forces for preparing the electoral campaign in the view of the two rounds of elections for this year: that for the local administration and for a new Parliament. Confronted with the pandemic and with some uninspired actions at the beginning of the year, the governing party fell sharply in voting intentions. The major opposition party has also decreased, on the background of an intermediary leadership. A Congress for restoring the situation is expected in the following weeks. The results of the elections are hard to be predicted, as the Government should also decide upon a hike by 40% in pensions, which would severely affect the economic recovery.

There were several issues on the political stage envisaged for 2020 at the beginning of the year: two rounds of elections, for the local administration and for the new occupants of the seats in Parliament, the muster of the Social Democrat Party (SDP) after the loss of the Prime Minister chair and the problems inside the party given the conviction of their main leader, and the way in which the actual governing party could strengthen the leadership position that was so hardly acquired. The actual governing party, the National Liberal Party (NLP), started the year with high pressure for organizing early elections for the Parliament and for having local elections in two rounds instead of one. The two issues were a high stake on the political table, but were totally abolished due to the lockdown and social distancing imposed by the coronavirus epidemic. Local elections, which should have taken place in June, were postponed, while the option of early elections for the Parliament dropped from the agenda.

The pandemic hit Romania when the political stage was tormenting: there was an intermediary Government with limited ruling powers, several attempts for nominating a new Prime Minister, important efforts for triggering early elections in the Parliament. However, the politicians managed to override misunderstandings and to vote for a stable Government, led by the Liberal Ludovic Orban.

During the last two months of pandemic, the political stage was quite quiet, without major attacks from the opposition towards the Government and with efforts for managing a crisis situation of unprecedented proportions so far. During this period, there were several sequences when parties did not miss the chance to launch attacks, being aware that Romanians will have to vote after the end of the state of emergency. However, the real usual fight between the parties in power and in opposition started to be resumed only after the end of the emergency state.

A pool at the end of May for capturing voting intention for the Parliamentary elections points that NLP is quoted with 32.6% of the voting options, compared to 33% a month before, in a slight decrease. However, the party had a strong fall from a level of 47.4% in an opinion pool in January. Such a behaviour was however expected following the pandemic episode and the measures taken so far. The main opposition party dropped even more, registering 23% of the options, compared to 24.8% in April. After the conviction of their main leader, the party seems to find difficulties in supporting another charismatic person that could take his place. The minor parties tend to see small increases, although not many of them were visible on the political scene in the two months of state of emergency.

The games for gaining as much as possible from the stake at elections is just beginning and they might strengthen during summer. SDP is negotiating an electoral alliance with two smaller parties in the Parliament, given the fact that their tendency in polls is quite the same, with only small changes. In addition, SDP is preparing for the Congress that will have to establish the new leadership. Initially scheduled for February, it was postponed for May and further delayed due to social distancing measures. The party hopes to organize it until the local elections, in June or July, and

after that, to manage to surpass the threshold of 23-25% which was a constant in the last months' polls. The idea of an alliance is the only chance for achieving an acceptable score, even if that would mean to re-establish the connection with ALDE, the party that broke the previous alliance in summer 2019 and weakened the previous SDP Government. A positive result is favourable for all the parties involved, as SDP will gain a higher score, while small parties have a higher chance for being part of the Parliament. The Pro Romania party, led by the former Prime Minister Victor Ponta, has an increasing score in the polls, but the chances to obtain important results in local administration elections is rather low, its network in territory being much more reduced. However, the leader of the party is well known among the Romanians and already announced his candidacy for the presidential elections in 2024.

The potential results of the election are less clear now than at the beginning of the year, as the actual Government had to confront the pandemic, period in which several undesired measures were taken. In addition, a major issue that would have a high impact on Romanians' choices at the election is not solved yet. One of the major problems the actual Government will have to surpass is the rise of the pensions with 40%, scheduled for the 1st of September. On one hand, main international institutions forecast a significant deepening of the budget deficit if such a decision is taken. This could affect investor's trust in the economy which would signify higher interest rates for loans on the international market, with potential negative consequences for the country rating. In this case, financing would be very difficult and such a situation would have a high negative impact on the recovery of the economy. In the revision on the state of finances under the European Semester, the European Commission drew the attention that the fiscal sustainability is in jeopardy over pandemic crisis and previous governments' fiscal policy. The projected increase in pensions, guaranteed by the law promoted by SDP, will put huge pressure on public finances at a time when they are affected by the coronavirus pandemic anyway.

On the other hand, not agreeing to such a decision could mean political suicide for NLP at both elections. In addition, the former Minister of Labour announced that SDP will submit a no-confidence motion if the Government will amend the law on public pensions by emergency ordinance and will avoid the 40% increase. Such a measure could be taken after July, when the second revision of the budget is expected. Moreover, no signal from the Government was launched related to a potential cancellation of such a measure, on the contrary. Therefore, a compromise is possible, in which the pensions will increase with a lower percentage. In this case, the Government will have to be very skilful in dealing with the possible dissatisfaction caused by the lower than expected increase of the pensions. One of the rumoured options is to propose gradual increases that will be implemented during a period of time, instead of just one major growth.

In general, the situation during the pandemics was managed in a proper way, and the special situations were quickly solved, according to specialists. In fact, according to the results of the polls carried out in Romania during this period, more than half of the population agreed that during the pandemic, it is correct to limit fundamental rights and freedoms. The advantage of the Government during this period was the enhancement of a good communication, using specialists in the medical sector, who did not use political aspects in their messages for the population. However, the Orban government was criticised by the opposition for lack of vision and practical measures to avoid an economic crisis, although compared to other countries, it was limited by the fiscal state of the economy. Such a situation could weigh hard on the chances for obtaining a good score in the elections.

According to specialists, none of the major parties is ready yet for solving the issues that are a priority for the population, such as massive investments in road infrastructure, health infrastructure, education. Following the pandemic, people tend to be more aware of such needs, despite increases in pensions and wages. The topic of corruption is less a priority nowadays than before the pandemic, but it remains a vulnerable issue.

The party Union Save Romania (USR) is among the ones who had the most important difficulties, after managing to obtain 22% of the votes in the elections for the European Parliament. According to some polls, they get around 11% of the Romanians' options. The reformist party, whose topic was corruption, has to adopt new messages and a new strategy after the major problems related to justice do not represent a threat anymore. That could reverse the drop in the last months. The party has already announced that will join the Liberal Government after the election, forming an alliance in the Parliament. However, they reserved their right to criticise NLP if they deviate from the path considered right.

Serbian Political Outlook in Post-COVID-19 Era

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Abstract: After eight years, in the Republic of Serbia the year 2020 ought to be regular electoral year. But, due to the sudden outbreak of the COVID-19 virus, electoral activities were put aside and elections even postponed. But after the virus situation started to improve, elections immediately got back as priority on daily internal politics agenda.

An estimation of internal political trends

Regular parliamentary elections were expected to be the main political event in the Republic of Serbia in 2020. The president of the Republic, Aleksandar Vucic, announced at the beginning of November 2019 that the parliamentary elections should be held at the end of March 2020, but at the end he calls for general elections on March 4th.

A part of Serbian opposition didn't welcome this call. Namely, their position is that elections shouldn't be supported, so they started boycott campaign. According to the attitude of the opposition parties and movements, the reasons for the boycott being announced by them include unfavorable general political, juridical and, above all, media conditions. It is notable that the opposition has no opportunity to an equal appearance on national TV stations. There are only a few televisions that hosted them, but because of their limited range, not all citizens of Serbia are able to watch it.

Party of Freedom and Justice founded by Dragan Djilas, People's Party, founded by Vuk Jeremic, and The Serbian Movement Dveri, founded by Bosko Obradovic, have publicly opted for election boycott. However, sudden outbreak of COVID-19 virus caused great changes. Following everyday worsening of the health situation both worldwide and

within the country, government proclaimed a state of emergency. There were number of restrictions that citizens were required to follow. Wherever was possible, working at home has been advised; online education for all levels has been introduced; strict prohibition of moving from 5 P.M. to 7 A.M. has been proclaimed, while older than 65 were not allowed to leave their apartments except at certain cases (medical needs, basic supply on Sundays from 3 A.M.- 8 A.M.).

The state of emergency in Serbia was lifted on May 7th. On that date, since first registered positive corona patient on March 6th, out of totally 122.995 tested people there were totally 9848 confirmed cases, 1710 patients were hospitalized, fully recovered 2160, while the death rate was 2.09%. On May 7th it was stated that in last 24 hours out of 5521 tested persons, 57 were positive.

Considering the fact that from the moment when first corona case was confirmed, Serbian government has learnt from Chinese experience in combating virus and followed their priceless advises, decisions on lifting up the emergency state and losing the preventive measures were awkward. Internationally accepted standards of pandemic are clear, pandemic is over only if in 28 consecutive days no single new case is registered. It seems that opposition critics were reasonable, governing party tends to secure new mandate using results achieved during the state of emergency.

In that sense, one may easy understand why, even two days earlier, Aleksandar Vucic, after meeting with representatives of nine political lists that announced participation in the elections, announced that parliamentary and local elections in Serbia will be held on 21 June. He explained that he accepted the proposal of some political parties to have 38 days for the election campaign before the date of the elections.

As before, the opposition leaders strongly object, but it is notable they have lost some allies that initially supported the boycott idea. Sergej Trifunovic and his Movement of Free Citizens suddenly changed its position. In January he said: “The Movement has decided that it will turn out for elections but only when the conditions are right. At this time we can only conclude with regret that not even the least of those conditions are in

place at this moment”. Asked about the boycott, replied “A boycott is just a tool and we are interested in better election conditions”. It is not very clear what significantly has changed in four months only, since he used to describe Serbia as a country in which “moratorium on freedom of speech and thought is in force”, but on May 5th, he announced the Movement will take part in the elections! This decision wasn’t welcomed by the boycott prone opposition parties only made the polarization bigger than used to be.

President Vucic, who is simultaneously the leader of the ruling Serbian Progressive Party (SNS – Srpska napredna stranka), felt confident about the elections outcome even by the end of the last year, but now his confidence is stronger. Although formally there was no election campaign during the state of emergency, all the time president Vucic and ministers in government used their activities in order to gain more votes. When criticized, they were continuously repeating that those are tendentious and unfounded opposition critics that only prove their lack of support within the electoral body.

Results that government has achieved speaking of protection of public health, the way of organizing medical systems, the way of conducting foreign affairs, in the first row, securing excellent relations with China and having its support during the entire crisis, is something that will have crucial impact to the election outcome. No matter to the fact that among voters are those who will abstain, nothing significant is likely to be changed in the internal policy of the Republic of Serbia. Serbian Progressive Party will still, with or without its coalition partners, exercise their power and it will not be majorly challenged by the opposition which is fractious and has different ideas regarding some key questions, such are Serbia’s EU path or solving the Kosovo issue.

The Kosovo issue is crucial issue that definitely will mark the mandate of new government. The EU demands for so called normalization of relations between Belgrade and Pristina are frequent and tones are higher. As many times before, Serbia is faced with conditions that ought to fulfill if eager to join the EU. It is true that so far no one has openly said that, if willing to join the EU, Serbia as to recognize Kosovo as an

independent state. And at that point key problem occurs. Being one of the foreign policy pillars, joining the EU might be considered as desirable goal. Even more, due to historical ties, Serbia belongs to similar civilizational and cultural milieu, and in that aspect joining the EU should be a logical outcome. But, from the other hand, what may be problematic is *quid pro quo*, or, in other words, if Serbia would be faced with the recognition of Kosovo in advance for fulfilling the European integration plan started to be realizing immediately after October 5th 2000 revolution. And again, situation has significantly changed in past twenty years and likewise in 2000 there were majority of the EU joining supporters, nowadays almost majority is against. It is true that opinion polls are created per ordering of particular stakeholder, but what actually matters are ordinary people attitudes. And, overwhelmingly, they are dissatisfied. It is a true that European future or European perspective, at first moment, brought certain liberty in movement, but it seems not to be enough. Living standard was not improved while some traditional values were questioned and European family isn't any closer. In that respect, knowing that final decision about the joining the EU has to be delivered at referendum, the outcome is questionable. But, in case that recognition of Kosovo came in same "package", it is nearly 100 percent that such referendum will fail. There is neither a party nor politician that is authorized to give up of any part of territory.

Conclusions

Post COVID-19 Serbian internal development will overwhelmingly depend on the outcome of the forthcoming elections. Considering that a number of opposition parties will abstain, it is very likely that another four years Serbian political development will follow the idea of governing party. What can be expected as the major problem will be if the EU imposes solution of Kosovo issue as condition for joining in.

The Most Important Political Events Awaiting Slovakia after the Coronavirus Pandemic

Peter Csanyi

The most important aim of Slovakia in 2020 and, probably, in 2021 will be to fight off the crisis of trust. Slovakia will also have to make some improvements in several other areas. The results of recent parliamentary election showed us one very important fact. The Slovak voters understood it was very important for the country to have a strong and legitimate government, what is necessary to execute the needed changes. Therefore, the new Slovak government's commitment to tackling graft, cleaning up the judiciary and pursuing a foreign policy that is unambiguously pro-EU is highly welcomed by the citizens. Besides, Slovakia should also focus on the economic impact of the coronavirus pandemic, climate protection and preparation for the population aging. Of course, we cannot forget that the trial with four defendants, charged from the murder of journalist Ján Kuciak and his partner Martina Kušnírová, the Threema messages investigation as well as the Promissory notes trial continue this year.

Fighting Corruption

The anti-corruption is at the top of new government's agenda. The new Prime Minister's election slogan "Together against the mafia" was taken seriously from the beginning of the existence of new government. After only days in office, PM Igor Matovič called out Kajetan Kičura, director of state material reserves, for suspiciously inflated procurement prices for essential medical supplies needed to fight coronavirus. The government duly fired him. Kičura, who had been nominated to the lucrative office by the previous coalition leader, Smer-SD, was later arrested and charged with corruption.

The COVID-19 crisis did not stop the authorities going still further to root out graft. After years of protests by farmers over allegations of widespread corruption involving farm subsidies, new Agriculture Minister Ján Mičovský removed the director of the state agriculture agency from his office. Juraj Kožuch, who had been responsible for delivering subsidies to Slovak farmers, was charged with corruption. Just like a financier Martin Kvietik, who is close to the former governing Slovak National Party. Alongside such sweeping promises, the government's manifesto includes concrete proposals for legislation on matters such as transparency of property ownership, safeguards for public procurement, lobbying and obligations for judges.

It is obvious that the fight against corruption is the central plank of the new coalition. Some things started even before the creation of this government, thanks to public pressure and some honorable prosecutors and judges, but we can see that some judges have already had to leave their seats and it seems to continue. The good news is that the government would not hold back from bringing corrupt officials to justice after years of high-level impunity under Smer-SD.

Changes in the Justice System

While critics have for decades accused the Slovak justice system of being slow and ineffective, it was the investigation into Kuciak's murder that showed the judiciary in its worst light. On January 13, 2020 prominent judges, including a former secretary at the Ministry of Justice nominated by Smer-SD, were charged with corruption crimes. Some were arrested.

In March, Mária Kolíková, a long-time advocate for justice reform and a member of For the People, a junior partner in the coalition government, became the new justice minister. She prepared a detailed plan to clean up the courts. The government program declaration includes solutions to the most serious problems of the rule of law and there is a chance that if they are carried out, they can really contribute to increased public trust, not just in the judiciary, but also in other institutions. Boosting

faith in state institutions is one of the thorniest challenges for the new government.

Experts welcome the proposals for greater transparency, reforms of the Constitutional Court, a new system for electing the General Prosecutor and the creation of a new High Administrative Court that would deal with disciplinary matters concerning judges and prosecutors.

“Different” Foreign Policy

One of the most palpable changes from the previous Slovak leadership is in the foreign policy arena. For the past four years, Slovak foreign relations have been torn between professional pro-European diplomacy, pro-Russian nationalism and a schizophrenic government policy.

The new cabinet wants to make Slovakia’s position in the world clear. The new Minister of Foreign Affairs, Ivan Korčok, believes that Slovakia will be a responsible and predictable partner. Korčok has three decades of experience as an ambassador, serving in Washington, D.C., Brussels and Berlin. He listed his priorities as the European Union, international cooperation and fighting misconceptions and conspiracy theories about the EU. A clear declaration of European integration and the Euro-Atlantic partnership is a good news for the country. It is very important to know where Slovakia wants to belong, especially in the current situation when the geopolitical balance is being reconfigured due to the coronavirus crisis. Officially, the former Smer-SD government had a pro-EU policy, even as officials cozied up to Russian President Vladimir Putin, visited Cuba and sued the EU over migrant quotas.

Investigation of the Murder of Journalist

Marian Kočner, Alena Zsuzsová, Tomáš Szabó and Miroslav Marček. These are the names of charged people from the murder of journalist Ján Kuciak and his partner Martina Kušnírová. The prosecutor of the Special Prosecutor’s Office filed criminal charges against them on October 21, 2019. The investigators believe that Kočner ordered the murder and paid

an unknown sum later when the killers found out that they had killed a journalist and his fiancée. Zsuzsová was his closest collaborator, and she is believed to have acted as the go-between who ordered Zoltán Andruskó to carry out the murder.

The four persons indicted for the murder face 25 years in prison. Andruskó started collaborating with the police shortly after he was detained, and he has already signed a plea bargain. His case was heard on December 30, 2019, besides the trial with the four indicted people. The preliminary hearing of the trial took place on December 19, 2019. One of the main points was the discussion about a possible plea bargain. Neither the prosecutors nor any of the charged individuals showed interest in closing a deal like that. The judge has excluded the Threema transcripts, which had been widely reported on in Slovak media over the past few months, as evidence against the defendants so far.

Threema Messages:

Threema is the name of the app that offers to encrypt a conversation between communicators. Slovakia learned that Marian Kočner, who is charged with murder of Ján Kuciak, was using it. When police seized his phone, they found out not only the messages among the evidence that brought him charges, but they also uncovered that he had judges, prosecutors and attorneys on call.

Among those people were Monika Jankovská, former state secretary at the Justice Ministry. The messages show that Jankovská directly ordered Judge Zuzana Maruniaková, who ruled on the civic lawsuit between Kočner and the private television network Markíza, concerning one of the promissory notes now subject to the criminal case against Kočner and Pavol Rusko, on how to decide on the case of the promissory notes. She had Kočner on the line all the while, and was taking orders from him.

Besides Jankovská and Maruniaková, there were more judges who had vivid chats with Kočner: Andrea Haitová, Jankovská's sister and judge of the Bratislava Regional Court, Miriam Repáková, judge of the Bratislava I District Court, Vladimír Sklenka, judge of the Bratislava I District Court,

Adrián Pažúr, chair of the Bratislava II District Court, David Lindtner, chairman of the Bratislava III District Court and prosecutor Bystrík Palovič.

Promissory Notes Trial

The closely watched trial started in July 2019 and continues in 2020. The police believe that Marian Kočner, his collaborator Štefan Ágh and former director of TV Markíza Pavol Rusko forged four promissory notes worth a total of €69 million. Kočner has been demanding the payment from Markíza. Kočner, who also stands accused of ordering the murder of journalist Jan Kuciak, and Rusko, have been charged; Ágh is accused and being prosecuted in a separate case. Kočner has been in prison for over one year due to this case; Rusko is wearing a monitoring bracelet.

Additionally, Ivan Cvik, an unknown trader with information about the fifth promissory note, came to court on November 6, 2019 to testify in the case of allegedly forged promissory notes. He has known one of the accused, Marian Kočner, for seven to eight years and, in the past, he used to counsel Kočner on how to recover debts. He also received about €10,000 from Kočner and when the mobster was detained last year, he wrote him a letter saying that he could turn to him if he needs help. Cvik said that Kočner asked him in 2017 to sell a fifth promissory note worth €26 million, which Rusko allegedly issued in 2000. Two of four promissory notes Kočner showed in 2016 are for the same sum.

Messages from Kočner's phone were read as evidence at the trial. The Threema app messages secured from his phone suggest that he also used his influence over some judges, some of whom have since faced disciplinary proceedings. Others have stepped down. The Specialized Criminal Court delivered its verdict on February 27, 2020 and issued a 19-year prison sentence in a maximum-security prison to both Kočner and Rusko. Kočner must also pay a financial fine of €10,000. The prosecutor demanded 20 years in prison for both and a fine of €300,000 for Kočner. The verdict is not effective yet; Rusko and Kočner appealed against it and turned it over to the Supreme Court.

Slovenian Politics and the New Janša Government after Coronacrisis

Helena Motoh

On June 20 the 14th Slovenian government celebrated the symbolic 100-days mark from March 13 when it was sworn in. The first three months were strongly impacted by the Covid-19 pandemic and the government's responses to the crisis revealed both the main characteristics of its governing style and the power relations in the government coalition. Although the evaluation that the government itself provided of the first one hundred days was extremely positive, the criticism coming from the opposition, media and the general public is equally strong.

Government self-evaluation

On June 19, government issued the self-evaluation of its first hundred days on its official page. It focuses on three main topics. First, it positively evaluates the three “anti-corona packages” of measures, which were intended to address the issues brought about by the Covid-19 pandemic and the consequent lockdown. Second, it stresses the strategy of the government to help recovery by motivating new investment. Third, it positively evaluates the fulfilment of the goals and promises specified by the coalition agreement. The detailed evaluation was provided by each ministry separately.

Among the measures related to Covid-19 and the recovery from the first wave of pandemic, the Ministry of Labour responded to public criticism about the disproportionate number of Covid-19 cases in nursing homes by emphasizing how efficient the measures were nevertheless, keeping 90% of the nursing homes free from infections. They also highlighted the measures aimed at prevention of unemployment growth due to the pandemic: subsidies for temporary lay-offs, part-time work, active employment measures etc. Additional measures for social security are also mentioned in the document, such as automatic prolongation of all social

security benefits and additional social security supports. Ministry of Finance also primarily lists measures that were part of anti-corona packages as its main achievements in the first 100 days. Among those, they identify exemptions from social security contributions for temporarily laid-off employees, exemptions from pension and invalidity insurance contributions for employees that worked during the epidemic and extra payment for particular groups of employees who worked in demanding conditions during the epidemic. Several other measures were also mentioned by the Ministry of Finance that were part of anti-corona packages: postponed tax reports deadlines and preparation of legal framework for loan deferrals and state guarantees for firms to take loans. Complementing and partly repeating the report of the Ministry of Finance, the Ministry of Economic Development also stressed the anti-corona packages' measures aimed at the recovery of Slovenian economy. In additions to the previously mentioned measures they listed the state vouchers, issued to citizens (200€ for adults and 50€ for children) to help revive the seriously affected tourism industry and the preparation of the legal framework to offer financial incentives for border regions and other problematic areas. They also mentioned the measure of ensuring different measures to ensure the liquidity of companies via fast liquidity loans, the legal framework to facilitate foreign investment to Slovenia and the additional incentives for new jobs' providers, digitalisation of companies etc. Ministry of Foreign Affairs especially stressed the successful crisis management project of repatriation of around 3000 Slovenian citizens at the onset of the Covid-19 pandemic. They also stressed good communication with EU and other countries during the epidemic – visits of the foreign ministers of neighbouring countries and videoconferences with other foreign ministries in EU, USA and Russian Federation. Apart from these, they also stressed activities for the preparations for the Slovenian presidency of the Council of EU in 2021 with the priorities of sustainable-development-based EU, rule-of-law-based EU and EU as a guarantee regional and global cooperation. The Ministry of Infrastructure stressed the measures related to energy and transport: exemption of

electricity distribution services' fee for households and small users, transport crisis management in the first weeks of the epidemic (especially the establishment of humanitarian convoys). They also stressed the preparations for the start of planned infrastructure building projects (Emonika station complex in the capital, upgrade of the railroads between the capital and the surrounding towns etc.). The Ministry of Public Administration emphasized the increase in lump sum for municipalities among its main achievements. Alongside this, they mentioned the passing of an amendment to the legal regulation on referendums enabling a shortened, "crisis" procedure for intervention laws and the successful shift to e-administration on all levels as two important changes in the epidemic times. Ministry of Education expressed their pride about the successful shift towards distance learning, otherwise widely criticized in media and the public. Supplementary measures to this were also listed: the purchase of additional ICT equipment for schools and children and cooperation with national TV to provide distance learning programmes. They also mentioned the solidarity benefit for students (150€) and supplementary aid for kindergartens, schools and other institutions to compensate the loss of income from non-public sources. Ministry of Environment expressed their satisfaction with new measures to promote the recovery of economy after the pandemic: among these, the intervention law simplifying and shortening the process of obtaining environmental and building permits for new investors. Ministry of Defence especially stressed their work on preparing the legal framework for better functioning and modernisation of the Slovenian armed forces, aimed also at employing a higher number of people. Ministry of Health which was otherwise included in the crisis management of the Covid-19 epidemic, did not list many achievements in the government report, emphasizing the role of Health Insurance Institute of Slovenia in taking over the costs of temporary laid-off employees and the salary compensation for the quarantined works, while also recompensating the losses of public health institutions and concessioners. The Ministry of Law evaluated its 100 days in relation to the preparation of legal frameworks of measures during the epidemic, while the Ministry

of Interior especially emphasized its role in organizing and monitoring the different phases of the lockdown. Ministry of Agriculture listed many measures aimed at compensating for the Covid-19 related losses in agricultural production and the framework for replacing the missing foreign labour with local workers. The Ministry of Culture listed among their achievements the supports for the self-employed in culture and other private cultural institutions that – as same as other private companies – got a compensation for temporarily laid-off workers.

Criticism of government policies

As evident from the government report, both the work and the self-evaluation of the ministries revolved around the measures that were part of anti-corona packages. These packages themselves received a lot of public criticism, mostly related to claims that some parts of economy were arbitrarily given more or less attention and aid, and to the fact that in reality many affected people and companies could not qualify for the aid due to the complex set of preconditions prescribed. Several of the ministries were additionally targeted by public protest, among them the Ministry of Culture, which was being accused in the series of protests as being virtually passive in the first 100 days of the government, despite the fact that cultural production was one of the most affected parts of the Slovenian economy.

The strongest criticism, however, is targeting the corruption scandals related to the purchasing of medical equipment and personal protective equipment (the so-called “mask scandal”), which involved allegations against the Minister of Economic Development Zdravko Počivalšek, Minister of Defence Matej Tonin and several high ranking officials from the leading Slovenian Democratic Party of Janez Janša. Strong criticism from the opposition parties, media and public also focuses on the governing style of the new government. They accuse the government of starting their mandate with radical replacements in the leaderships of main public institutions, putting people from or close to the Slovenian Democratic Party as heads of the Police, Army, Security Service, Statistical Bureau, Agency for Commodity Reserves and Public Health Institute and making

replacements in National Investigation Bureau, supervisory boards of state-owned companies and the programme board of the National Radio and Television. Apart from these interventions, the functioning of the government coalition is also being severely criticized as being overly autocratic and exclusively led by the leading political party and its political agendas. The critics identify the most obvious example of the domination of Janša's political agenda in the scandals related to the letters the Prime Minister and the government representatives addressed to the EU institutions about the alleged communist continuity forces' influence on media and court system. Even more, the repeated attacks by the Prime Minister on media and his attempts to influence court decisions are seen by many as a dangerous precedent of breaching the independence of different institutions in a democratic society. A shift towards a more autocratic style of government was also under criticism in official government communication to the public during the epidemic, especially the public statements by the official government representative Jelko Kacin.

Conclusion – outlook for the Janša government

The evaluation of the successes and failures of the first 100 days of the new government is prominently marked by the fact that this period coincided with the first wave of the Covid-19 epidemic in Slovenia. The government praises its successes through the prism of the anti-corona packages aimed at alleviating the damage done by the epidemic and the lockdown measures, while the opposition, media and public also focus at the epidemic management measures in their criticism of the autocratic and non-democratic policies, governing and communication styles of the new government. The radical split between the supporters and the critics of the controversial measures and actions of the new government, which is reflected in public protests and other similar events, might make the continuation of its government term and the keeping of a stable coalition progressively difficult.

Part II
ECONOMIC DEVELOPMENT OUTLOOK

Post-pandemic Albania: What to Expect in Economic Terms

Marsela Musabelliu

In the beginning of 2020, economic forecasts for Albania were calculated with a projected growth of 3.4–3.6 %, according to the main international financial institutions. It was expected that this growth would spark from internal/private consumption, investments and tourism. As the entire world is facing an evident recession, experts argue which will be the extent of a global slowdown in economic terms. In economic literature, there are many scenarios when dealing with recession, for the purpose of this briefing and in compliance with Albania's situation and projections, three are the most probable: **V-shaped, U-shaped, and L-shaped recessions**. In a V-shaped recession, the economy suffers a sharp but brief period of economic decline with a clearly defined trough, followed by a strong recovery. A U-shaped recession is longer than a V-shaped recession, and has a less-clearly defined trough where a national economy may shrink for several quarters, and only slowly return to trend growth. An L-shaped recession or depression occurs when an economy has a severe recession and does not return to trend line growth for long time. We will try to comprehend which scenario might mostly apply to Albania after COVID-19.

Albania and recession

The pandemic will shrink the global economy by 5.2 % this year, making it the deepest recession since World War II, according to the World Bank (the same institution in late March 2020, indicated the shirking of the global economy at 3.5%). The forecast came as economies around the world were gradually reopening. According to the report, countries that rely on global trade, tourism, commodity exports and external financing, will be hardest hit this year. Albania is considered one of the countries that will

suffer the most from the pandemic of Covid-19 in its economy, with the latest projections of decrease ranging from -5% according to the International Monetary Fund (IMF), to -5.6% according the World Bank, to -9%, according to the European Bank for Reconstruction and Development (EBRD). The latter is the most pessimistic of them all, but why EBRD specialists consider this scenario? General Director of EBRD office in Tirana, Matteo Colangeli, states that economic forecasts are particularly uncertain in the current situation, as they depend largely on the progress of COVID-19 and what measures governments will take to curb it. The extent to which individual countries will be affected depends on many factors, including the relative importance of some sectors in Gross Domestic Product (GDP), their integration into the global value chain, geographical location and key trading partners, as well as the specific conditions that prevailed before the crisis began. Albania turns out to be particularly affected by an unfavorable combination of some of these factors. *First*, the significant importance of tourism in its economy, which including direct and indirect (formal and informal) contributions is estimated to account for over 20% of GDP. Given that this is centered on a relatively short summer season, we can expect travel restrictions to translate into a reduced number of foreign visitors and tourism revenue by 2020. *Second*, close trade ties with Italy, one of Europe's most affected countries, are likely to be disrupted, which will reduce activity in other important sectors of the Albanian economy, such as the 'fason' industry. *Third*, domestic consumption may shrink more than in other countries, as a result of certain characteristics of the Albanian economy, such as the high weight of informal employment, which is particularly vulnerable during a crisis, and the importance still high of remittances, which are likely to fall.

Loses due to tourism weakening

Because of a steady influx of tourism revenue, many states may face severe effects on the economy. As the global travel and tourism industry stalls, the effects on the global economy are far-reaching. Worldwide, about 330 million jobs are supported by tourism, and it contributes 10% of

global GDP each year. Albania ranks 30th in the world in terms of the share of tourism in total employment, at 22% (while neighboring Croatia has this indicator at 25% and Montenegro at 33%). High dependence on tourism is one of the main reasons why the predictions of international institutions are pessimistic. The high weight of tourism in the economy is estimated to be one of the reasons for the strong expected decline this year. Sadly, Albania's economy is more likely to be hit hard by the epidemic due to its high dependence on tourism. According to the Tourism Association of Albania, the entire industry will be working at best-case scenario on the tune of 30-40% out of its full potential; furthermore, informality in the sector could rise due to the massive layoffs of the sector during the lockdown.

Spillovers from contraction of EU markets

As Albania's largest trading partner, the shrinking of economic activities in the European Union (EU) in general, but specifically Italy, are thought to be incumbent in the national economy. According to INSTAT, neighboring Italy is the largest trading partner with over 2.5 billion Euros in commodity exchanges. The low-value exports of intermediate goods destined for the Italian fashion industry is at an all-time stall. In the first quarter of 2020, the export of goods for the textile group and shoes fell by over 50%. Despite the fact that on May 25th, the factories work resumed at full capacity, the owners and managers raise the concern of in-stock goods, which has been created in their warehouse and 30% of it will not be withdrawn for this year by customers as their whole industry depends on foreign markets. The COVID-19 pandemic has highlighted the great weakness of the Cut-Make-Trim (CTM) sector in Albania, where most companies do not work with a closed production cycle. Characteristic of the sector is the high dependence on Italy, where 72% of the total exports of textiles and footwear, are sold as well as a 10% in Germany. CTM are the main commodity group exported in the country, with about 39% of the total exports. Their tendency has been on the rise, except in 2019, when they were hit by the depreciation of the Euro. With the COVID-19 outburst, the sector is facing yet another challenge that might be devastating. The

uncertainty created for the future is that the non-payment of orders by customers and creation of large stocks due to lack of market, customers refusal to purchase new products and lower demand from EU markets, will make it difficult for the sector to return to normal.

Decline of internal consumption due to further impoverishment of households

The pandemic will further impoverish Albanians. In the best-case scenario it turns out that about 100 thousand citizens and in the worst case more than 200 thousand individuals will suffer a decrease in economic well-being. The World Bank has published a recent report analyzing that the poverty rate in Albania could increase by 4 to 8%, going to about 40 % in the first scenario and 44 % in the second scenario. Scenario 1 of the World Bank refers to the fact that the crisis lasts 3 months and the scenario 2, if it lasts 6 months. Poverty level according to the World Bank, meaning the number of Albanians living on less than 5 Dollars a day will increase. The outcome of this situation will be the reduction of employees in cities that work majorly in the service sector; the latter are expected to lose a significant part of their income.

Decrease of remittances

To the main three reasons of grim economic outlook from EBRD, there is another to be added, decline of migrant cash flow. Albanian living abroad are also expected to be affected by this global crisis, which will lead to a reduction in income and, consequently, remittances. The Covid-19 pandemic is expected to hit remittances of migrants to their homeland, reducing them by 28% in European and Central Asian countries, including Albania. In the latest World Bank, report focused on the issue is forecasted that across the globe remittances will shrink by 100 billion Dollars. The pandemic crisis and the blockade of the economy are hitting more jobs where immigrants are employed, who are also the most vulnerable in these countries, and many of them often work in informality, which does not give them adequate social treatment. In Albania, immigrant income accounts for

9.5% of the country's national production and according the same projections of World Bank there will be a decline of these remittances to Albania at the tune of -28%.

Conclusion

COVID-19 is lately named from economists a “Black Swan” event. This unexpected and hard-to-predict event was not within the range of normal expectations. Nonetheless, it will result in a severe economic contraction on a global scale during this year and beyond. For Albania the most possible scenario for the future is a not a V-Shape recession, that can be applied to very optimistic outlooks where a country’s fiscal stability is sound. As of May 2020, a sudden recovery seems highly unlikely. It is our argument that Albania will face a U-Shape recession given the data and the projections available. It will take some time until some real recovery will be witnessed, and this assumption is based on the four deteriorating/high risk categories (tourism, CMT, internal consumption, remittances). In the worst-case scenario with slim probability, there is the L-Shape recession; the major hope for this scenario not to happen is the potential of injection considerable amount of liquidity in the national marked due to the pre-election year. However, if it actually occurs the outcome could be devastation for the country in the decade to come.

BiH Economy Outlook after the Coronavirus Pandemic

Zvonimir Stopić

Fragile economy of Bosnia and Herzegovina is slowly trying to recover from the consequences of the March-May lockdown measure due to the COVID-19 pandemic outbreak. After an important decision by the Council of Ministers of Bosnia and Herzegovina regarding the distribution of the blocked International Monetary Fund loan, it is expected that positive changes will be taking place in months to come. In this report we will also take a look at how the countries budget will be effected by reduced diaspora income, what is the outlook of air traffic and real estate business, as well as how building large number small hydropower plants is becoming a more relevant issues to the country's economy.

Diaspora

Depending on how long the COVID-19 travel bans and restrictions such as the mandatory quarantine will be in place, the economy of Bosnia and Herzegovina, due to the lack of the seasonal return and general financial income flow of its diaspora citizens working mostly in European Union (EU) countries, could further suffer. According to the Ministry for Human Rights and Refugees of Bosnia and Herzegovina, the EU countries, Austria, Germany and Croatia, constitute 57% of the Bosnian diaspora, or around 955,000 people. Other more significant numbers are in the United States of America (around 130,000) and Canada and Australia (around 40,000 each). In total, around one 1.6 million people born in Bosnia and Herzegovina today live in 50 countries around the world.

In case that the diaspora will be prevented from doing their seasonal travel to the homeland, the budget deficit of Bosnia and Herzegovina is expected to grow because during summer months these arrivals contribute to a higher rise of expenditure in general. Diaspora's freshly imported capital is extremely relevant to the entire economy system of Bosnia and Herzegovina. According to the data of the Central Bank of Bosnia and Herzegovina, money transferred by Bosnian citizens from abroad in 2019 counted € 1.5 billion, while from 2017 to 2019 it surpassed € 4 billion. The diaspora is a crucial investor in economy of Bosnia and Herzegovina. Macroeconomic analyst Faruk Hadžić predicted that a drop of 10-20 % will have severe consequences to the country's economy which mostly relies on expenditure. Without foreign citizens and tourist arrivals, this diaspora budget percentage is even more valuable.

Even if the Bosnian authorities relax the restrictions to the extent of no mandatory quarantine for its arriving citizens, the arrivals will also depend on the current travel measures implemented by other countries where the diaspora will be returning to. One of the possible solutions to enhance travel would be border test of medical documents stating that a person has tested negative in the last four days before arrival.

Airports and Air Traffic

The lockdown has had an unprecedented impact and offers yet uncertain future at all four airports in Bosnia and Herzegovina. Sarajevo, Banja Luka, Tuzla and Mostar airports have been closed for commercial passenger travel until June 1st. The Sarajevo airport authorities have called their income in March and April symbolic, counting losses of € 2 million in the first four months. The director of Tuzla airport reported losses of € 700,000, when compared to the last year. They have achieved only 13 % of the planned income in the first four months, with everything being earned before the lockdown period. Due to these setbacks, Tuzla airport cut short the working hours and sent some of the employees to a mandatory

vacation. Banja Luka airport had an increase from 35,000 to 150,000 passengers between 2018 and 2019 by introducing Ryanair low cost flights. The director still cannot account the lockdown losses but evaluates that it could take them two years to reach the 2019 numbers. Mostar airport, which has been in decline since 2015 and reported only 35,000 passengers in 2019, has been planning a rise of 40 % this year. But with zero flights since the lockdown and cancellation of all Eurowings flights until the end of the year, they expect losses of around € 650,000.

It is obvious that imminent government financial interventions will be necessary for the airports to make up for the losses even after the comeback of commercial passenger flights in June. If not, layoffs will be unavoidable after the initial hours and paycheck cutbacks are implemented in the next months.

Real Estate

The real estate market in Bosnia and Herzegovina has been paralyzed during the lockdown months as well. The market has seen a rise of 12 – 15 % in prices and demand for real estates in the pre-lockdown period. Considering that the post lockdown period is bringing significant changes in bank loan policies and stricter conditions are expected, without enough fresh investments, the market demand is expected to be further plunging in the incoming months. Real estate companies expect that their losses will be subsidies by the so-called “corona law” which offers help measures to all companies in the Federation Bosnia and Herzegovina that have had income losses more than 20 %. A shift towards a new market demand has been noticed by Naida Ćerimagić from the Real estate Association of Federation of Bosnia and Herzegovina. She stated that, due to the pandemic lockdown, there has been a rising demand for small suburban houses with gardens or smaller land parcels up to 1000 square meters that are suitable for agricultural activities.

Hydropower Plants

One of the more significant issues in the near future that is already taking effect is the construction of small hydropower plants. Their construction has not been slowed down even during the COVID-19 lockdown restrictions. Around 100 of them have already been constructed while more than 300 more are planned. This will have significant economical effect, as well as the negative ecologic consequences. More so since Bosnia and Herzegovina has one of the most preserved rivers and water supplies in Europe. Since the regular inspections have been even more limited due to the COVID-19 lockdown, this has opened up space for unmonitored and non-licensed activities of concessional investors and builders of the hydropower plants. According to Viktor Bjelić, the project coordinator of the “Center for livelihood” (Centar za životnu sredinu) from Banjaluka, if all of the 400 or more planned hydropower plants will be built, they will contribute no more than 3 % to the general electric energy production. On the other hand, severe damage will be done to natural resources, local communities and the economy in general, Bjelić added.

Separate entities’ strategies and the International Monetary

Fund (IMF) loan distribution

There has been no general strategy on a state level for the governmental subsidies that will soften the negative economical effects of the lockdown. The first round of subsidies was given to only companies that were ordered to shut down in Republika Srpska. Their government plans to pay out minimal wage of € 260 for companies that have been banned to continue working in March, April and May. Tax authorities of Republika Srpska have received applications for 24,000 workers and expect to pay out around € 9 million. The Tax administration of Federation on Bosnia and Herzegovina had received around 25,000 entrepreneurial applications for wage subsidies that relate to 174,000 employees. State

subventions there will be given for April, May and June and around € 100 million from the IMF loan, that is to be distributed to cantons, will mostly be used for this purpose.

Regarding the distribution of € 333 million loan granted by the IMF, the Council of Ministers of Bosnia and Herzegovina finally reached an agreement on June 2nd. The loan has been blocked by the Central Bank of Bosnia and Herzegovina for more than a month, since it was sent by the IMF on April 23rd. This situation was interpreted by the representatives of the international community as political “play” and the Bosnian politician have been given a final warning by the EU delegacy and the United States embassy on May 28th to unblock the loan in order to soften the negative economical consequences of the COVID-19 pandemic in the country. The Council of Ministers decided that 61.5% goes to the ten cantons of Federation of Bosnia and Herzegovina, 37.5% to Republika Srpska and 1 % to Brčko district.

Conclusion

As an outcome of the March to May COVID-19 lockdown restrictions, the next months and the remainder of the year will be extremely challenging for the fragile economy of Bosnia and Herzegovina. Although the relaxation measures have been introduced since mid May, the state intervention to businesses that have suffered severe income deficit have been slow and inadequate. Also, the two entities differ in the application strategies. After almost a month of withholding the IMF loan from being implemented, the Bosnian politicians have come to a general agreement of its distribution, so the most important financial injection to the fallen economy will be implemented in the following months. On the examples of Bosnian airports and real estate situation we can conclude that some businesses will have a harder time recovering as it will for the greatest part depend on the development of general pandemic situation in the country and the world. This also applies to the seasonal return and overall

transactions of Bosnian diaspora which contribute a significant amount to the countries budget. Another economical topic which will be of growing concern in the near future is that of building hundreds of small hydropower plants which threaten to significantly transform the natural resources and ecological potential of Bosnia and Herzegovina waters.

Bulgarian Economic Development Outlook after the COVID-19

Evgeniy Kandilarov

Recently European Union predicted “*a recession of historic proportions this year*” due to the impact of the coronavirus with a drop in output of more than 7%, as it released its first official forecast of the damage the pandemic is inflicting on the bloc’s economy. The 27-nation EU economy is predicted to contract by 7.5% this year, before growing by about 6% in 2021. This was announced in the spring economic forecast of the EC.

What is the forecast for the Bulgarian economy in this context?

It is well known fact that Bulgaria is one of the poorest member states of the EU. However, at the onset of the Covid-19 pandemic, economic conditions in Bulgaria were favourable. At 3.4 per cent, **GDP growth** in Bulgaria in 2019 was robust for the fifth year in a row, mainly driven by growing household consumption. This positive trend has been interrupted by the Covid-19 outbreak.

Bulgaria declared a State of Emergency on March 13, shutting down parts of its economy as it introduced social distancing and anti-epidemic measures. This lasted for almost three months.

According to preliminary data announced by the National Statistical Institute (NSI) on June 4, Bulgaria’s economy grew by 0.3 per cent in the first quarter of the year. This way Bulgaria is probably one of the very few European countries to show a GDP expansion in the first quarter of 2020 (up to date only Romania posted a quarterly expansion as well). In real terms, gross domestic product (GDP) in Bulgaria in January-March was 25.58 billion leva, or 13.08 billion euro.

NSI’s preliminary data showed domestic consumption shrank by 0.1 per cent compared to the last quarter of 2019, but was 4.1 per cent higher

year-on-year, while gross fixed capital formation was down by 1.5 per cent compared to Q4 2019 and 1.2 per cent higher on an annual basis.

The same statistics shows that exports in the first quarter were 0.9 per cent up, while imports rose by 1.5 per cent, which resulted in a trade surplus of 372.3 million leva, or 1.5 per cent of GDP. Compared to the first quarter of last year, exports were up 1.9 per cent and imports were 1.2 per cent higher.

Before the COVID-19 outbreak, Bulgaria's Cabinet has set a 3.3 per cent economic growth target this year in the Budget Act macro-economic framework. The Budget revision in April, made necessary by disruption caused by the Covid-19 pandemic, did not amend the growth target, but the European Commission's spring forecast projected that the Bulgarian economy would contract by more than seven per cent.

At the same time other respectful financial Institutions has made more optimistic prognosis. For Example according to the European Bank for Reconstruction and Development (EBRD) the Bulgarian economic output is projected to decline by 5.0% of GDP, but is expected to grow by 4.0% in 2021. Again according to the same source the decline will be largely due to the impact on tourism, which has had a detrimental effect on some other countries as well.

The analyses of the EC forecast for Bulgaria shows that the sectors directly subject to the measures taken to contain the spread of the pandemic (e.g. retail, transport, hotels and restaurants, art and entertainment) are estimated to be operating at 30-40 per cent of their capacity, while important negative spillover effects are also expected on the rest of the economy. At the same time a rebound in economic activity is expected in the second half of 2020 with the gradual lifting of the confinement measures. Domestic demand is projected to strengthen already in the third quarter and should continue growing in the fourth.

Government measures to protect income and employment should support household consumption, which is nevertheless expected to fall by almost six per cent in 2020.

Table 1: % change in GDP on an annual basis for Bulgaria according to different financial institutions

	2020	2021
World Bank	-3.7	3.9
Raiffeisen Bank International (RBI)	-3.9	3.3
IMF	-4.0	6.0
Fitch	-5.1	4.2
Wiiw	-6.3	1.7
European Comission	-7.2	6.0
Unicredit Bulbank	-7.8	7.0

Source: *The respected Institutions*

Investment is set to shrink by 18 per cent in 2020 on account of current and expected financial hardship at the firm level due to drastically reduced cash flows. Liquidity support schemes are expected to mitigate chain defaults but not to stimulate new investment.

Investment, however, is expected to follow a slower recovery path with an annual growth of only one per cent, as high uncertainty and still weak business finances are set to suppress and postpone investment activity.

As for the **import and export** of Bulgaria in 2020, a broad-based fall in Bulgaria's exports of more than 13 per cent is expected, mainly due to the worldwide impact of the Covid-19 pandemic. Imports are expected to contract by more than 12 per cent, mainly due to the large fall in investment but also due to the decline in exports, which have significant import content. According to the existing economic prognosis, in 2021,

exports will recover, but the shock that Bulgaria's trading partners are facing will likely dampen external demand compared with pre-pandemic years

The **unemployment rate** in Bulgaria has increased significantly since the Covid-19 containment measures were put in place, boosted in part by the return of workers from abroad. Job losses are set to be most pronounced in the services sector (which accounts for more than 60 per cent of employment), where the disruption is likely to last longest. Bulgaria's unemployment rate is expected to jump to seven per cent in 2020, after having reached historic lows of 4.2 per cent in 2019. In 2021, a partial recovery in employment is projected to take place and the unemployment rate to decrease to 5³/₄%.

Nominal **wage growth**, after years of substantial gains, is expected to moderate to 3¹/₂% in 2020 and 2¹/₄% in 2021.

Consumer price **inflation** is expected to fall from 2.5 per cent in 2019 to 1.1 per cent in 2020 and stay at that level in 2021. This can be largely explained by the sizeable impact of the collapse in oil prices. Core inflation is set to fall to two per cent in 2020 reflecting lower prices in non-energy industrial goods and a slowdown in services inflation. In 2021, core inflation is forecast to decelerate further to 1.3 per cent due to a smaller price increase of processed food.

The positive news is that according to the experts Bulgaria is facing the Covid-19 pandemic from a strong **fiscal position**. In 2019, the budget surplus reached 2.1 per cent of GDP. As part of the package of measures to contain the pandemic and its impact the government announced a higher spending on medical equipment, wage bonuses and increases for the medical and security staff, as well as subsidies, tax deferrals, state

guarantees and a reallocation of investment funds to support the economy. The severe macroeconomic outlook is set to increase spending on unemployment and social benefits and curtail the revenue from taxes. The overall impact on the budget is estimated to be close to 5 pps. of GDP relative to the previous year, pushing the balance into a deficit of around 2¾% of GDP in 2020 after four years of surplus. In 2021, based on a no-policy-change assumption, the budget deficit is forecast at 1¾% of GDP, mainly due to the positive impact of higher economic growth on revenues and the fading impact of some expenditure measures.

Again according to the EU economic forecast on Bulgaria, general **government debt** is expected to increase and reach over 25 per cent of GDP in both 2020 and 2021, as a result of the primary deficit, the contraction in GDP and certain measures to support liquidity in the economy (e.g. the capital strengthening of the Bulgarian Development Bank to provide state guaranteed loans) that do not affect the deficit but which do weigh on debt.

Indicators	2019	2020	2021
GDP growth (% , yoy)	3,4	-7,2	6,0
Inflation (% , yoy)	2,5	1,1	1,1
Unemployment (%)	4,2	7,0	5,8
Public budget balance (% of GDP)	2,1	-2,8	-1,8
Gross public debt (% of GDP)	20,4	25,5	25,4
Current account balance (% of GDP)	5,2	3,3	5,4

Source: European Economic Forecast, Spring 2020

Talking about current development of Bulgarian economy there must be noted that Bulgaria still aims to join the euro zone waiting room,

the Exchange Rate Mechanism (ERM2) and the Banking Union in the coming months although some political considerations outside Bulgaria's control could have an influence on whether the country does so by its July 2020 target. This is because the ultimate decision lies with the euro zone and Denmark's finance ministers, as well as with the European Central Bank. ERM2 accession would definitely support the credibility of Bulgaria's monetary policy framework.

In an upside scenario, a credit upgrade was possible if Bulgaria's economy returned to its previous growth trajectory without a buildup of major macroeconomic imbalances, or if its external performance was significantly better than current projections. Conversely, a downgrade was possible in case of balance-of-payment pressures or if Bulgaria's policy response to the pandemic led to more significant or permanent macroeconomic or fiscal imbalances.

Of course very important impact on the recovery of the Bulgarian economy has the EU budget for the period 2021-2027 or the so-called the multiannual financial framework which is expected to be € 1.1 trillion. In addition, the EC is proposing a € 750 billion EU Recovery Plan, which is outside the Union's multiannual budget and should be implemented by the end of 2024. Two thirds of these funds will be provided in the form of grants and one third as a loan.

Conclusion

The spread of the COVID-19 infection in Bulgaria has been relatively limited, but the country has been under lockdown since mid-March. The economic fallout from the pandemic is widespread, affecting a large number of sectors. The government launched a package of fiscal

support measures, but their effectiveness is in doubt, especially as regards employment protection. Many experts think that the crisis will have a moderate impact on the economy in the long run, with economic growth expected to continue until the end of the third quarter of the year. At the same time must be noted that significant long-term economic, political and social effects of the pandemic are still possible. If isolation measures in practice remain in place much longer than expected, the recession could be much greater, so the level of economic growth from 2019 would not be possible to be reached in the next few years. Finally risks to this macroeconomic outlook arise from the uncertainty on the degree of take up and success of the measures to support the economy. The impact of the epidemic on consumption patterns will also be critical for the strength and duration of the recovery phase. Last but not least there must be pointed out that unfortunately all these forecasts are very much uncertain due to uncertainty with the development of the crisis.

Forecast of Croatian Economy after the Coronavirus Crisis

Valentino Petrović

Summary

The article deals with the upcoming six-month forecast of economic situation in Croatia. When the novel coronavirus struck European economies, everyone was pointing fingers and asking where the European Union is. In that way, it seems that the Union is needed only when member states are looking for some additional funds in their budgets. However, Croatia was also struck by an earthquake that happened in Zagreb and large proportions of city's infrastructure were damaged. Today, a month before the election day, political parties are (re)shaping their election programs hoping that some form of parliamentary majority will eventually be reached.

Introduction

The upcoming 6-month forecast of key economic events in Croatia is undeniably shaped around a major event that is going to be held on July 5th, that being parliamentary election. The year 2020 was often called an “election” year in Croatia, since we have already had presidential election in January or to be more precise, a second round of it, while parliamentary election was expected to take place in autumn. But as it often happens in Croatia, citizens were once again tricked, and after an exhausting campaign against COVID-19 epidemics, the Government led by Prime Minister Andrej Plenković has decided to conduct parliamentary election during summer time. In that way, they could use the popularity of Civil Protection Directorate which is assembled of mostly HDZ people to push the agenda of their successful bout with COVID-19, but it was also a tactical maneuver

to avoid losing their own popularity among Croatian electorate due to upcoming economic stagnation and recession period.

Even though the article deals with economic forecast in the next six months, the political context of this situation is of utmost importance because of the fact that HDZ with their partners are holding a tight parliamentary majority with lots of defectors from other parties. With early election they hope that they will reach the number of 76 people in Croatian Parliament and not be dependent on their current partners such as Croatian's People Party (HNS), and City of Zagreb's major Milan Bandić. However, the outcome of the election is far from predictable and it is obvious that neither HDZ nor Social Democratic Party (SDP) will reach those 76 hands in Parliament. Some even argue that a serious political crisis is ahead of Croatia since main players in parliamentary race are set firmly against each other and it is hard to imagine how the coalition government will look alike. Therefore, even without COVID-19 situation the economic forecast would be hard to discuss when there are political uncertainties around the corner.

Everything Stays the Same

In earlier reports on Croatian economy during COVID-19 outbreak we were mostly discussing how the Government approached the crisis and what measures it had undertaken to save the economy from collapse. Different sets of measures were introduced and some people were lucky enough to avoid losing their jobs, however there were significant salary cuts and private sector was generally dissatisfied with the way the Government handled the situation. Croatian leading economic experts also raised their voices and warned of unsustainability of Government's economic programs. But only few of them were analyzing the true nature of problem within Croatian economic system. While many believe that economy will recover once the proper (neo)liberal agenda takes precedence over some other principles of economic governing, the truth lies in the way political processes are unfolding and how corruption and clientelism are taking over Croatian institutions and hinder economic activities of medium

and small entrepreneurs. Furthermore, Croatian public sector is comprised of far too many people who are in charge of certain bureaucratic positions that are holding back economy from going forward. It often seems that politics, no matter whether it is left or right-wing Government, is using this state of affairs to capture the very same institutions that are supposed to be here to protect the interest of not only economics but the society in general.

Today, a month before election day, almost every political option has underlined the above-mentioned issues and announced their intention to enter the ring and challenge the actors who are behind such system. But the quest to find the ones who are responsible for downfall of Croatian institutions and, consequently, Croatian economy should be very narrow, since the usual suspects are hiding within their ranks. In that matter, everything stays the same. During every election campaign, political leaders are pushing their agenda full of promises such as reduction of value added-tax (PDV), growth of minimum wage, cuts in public administration, digitalization of public services. But when the time comes to implement those measures and ideas everyone stands frozen before the Croatian economic behemoth. Furthermore, political structures have shown unwillingness to tackle reforms in public administration system because people holding various positions in state, regional or local offices are there by the line of duty to represent the interests of their respective parties and political options who have delegated them to follow the party hierarchy. These problems were present in Croatian political, economic, or even social system since the inception of Croatian modern statehood and none of the former or current political options have decided to make the highly needed reforms. Therefore, it is hard to expect that it will be done in the next six months period especially taking into account the circumstances around coronavirus pandemic, the possibility of second wave, and political uncertainties.

Can the European Union Influence Croatian Transformation?

Recently, noise was raised in Croatia concerning the presidency of the Council of the European Union. It was a golden opportunity for Andrej

Plenković and HDZ to show everyone in Brussels their allegiance to European project and to prove that even a small country like Croatia can take this duty and do it in a right way. On a domestic level, it was an opportunity to show their political opponents that without HDZ there would not be much of a Croatian future within the European Union and that nobody can do the job of presidency better than them. In fact, it is a rotating position that each member state will eventually take so there is not much to be excited for. However, everyone was extremely excited when the topic of European money was introduced in Croatian discourse. But we still have to wait to see some results from it. In the last financial framework 2014-2020 Croatia had around 10,7 billion euros at disposal. Until today, we have withdrawn only around 3,5 billion euros, but the good news is that the rest of this money will be available until 2023. The next financial framework for the period from 2021 to 2027 will account for the same amount of money, 10 billion euros, and it is expected that this time, with some experience in EU projects, the money will flow more easily. But for everyone applying for these funds, the problem is still in the very process of applying which can be complicated and sometimes too bureaucratic.

After the COVID-19 crisis and many accusations that the European Union practically disappeared from global and even European political scene, the European Commission presented its plan to invest 750 billion euros which could be used by member states in order to boost national economics. Again, 10 billion would be there for Croatia, but the plan still needs to be approved by the European Parliament and it is doubtful that it would be so, taking into account the position of Austria, Denmark, the Netherlands, and Sweden. However, if member states would get to a common solution and if the money finally finds its way to a Croatian budget than it would have to be used for purposes like creation of new jobs, energy efficiency, education, health system and so on. The economic situation in Croatia will largely depend on European money and during this crisis we get to know the importance of EU membership. Still, the European Union requires some proofs and results, and we have to be very careful in what direction the money will eventually go.

Conclusion

The parliamentary elections are ahead of us and the results are more unpredictable than ever before. Two of the largest political parties in Croatia, HDZ and SDP, are facing with internal issues and they are currently preoccupied with their lists of candidates rather than economy. The latter will, unfortunately, have to be put on hold for some time and we could only hope that the European Commission's plan will be accepted and implemented in the right way.

Czech Economic Outlook for the Post-Crisis Period

Ladislav Zemánek

The coronavirus crisis has overturned all plans and predictions concerning economic development in 2020. A prediction of the GDP growth presented by the Ministry of Finance in January is very illustrative of this twist. A growth of 2.0 per cent was expected, whereas a May prediction replaced the figure by a slump of 5.6 per cent. This briefing is divided into two parts. The first one is based on the most recent official macro-economic prediction report elaborated by the Ministry of Finance, while the second one inquires into the start-ups field, into consequences and prospects thereof. That is because the Czech start-ups are very dynamic and promising segment of the economy with global ambitions.

How deep will the recession be?

There are no hard data as to the Czech economy performance in the first quarter of this year and, similarly, predictions of the future development have to be perceived as very uncertain. Assessing both the present and upcoming state, synergic effects of individual negative consequences should be taken into account seriously. Problems and slump in one area will spill over to others, thus mutually strengthening each other. I believe that spill-over and negative synergy will be typical of the economic development in the following period.

The Ministry of Finance expects that the current crisis will afflict significantly especially tourist industry, culture, sport, trade, transport as well as manufacturing industry.¹ The latter will suffer from a considerable decrease in demand from households, and reduction of investment

¹ The macro-economic prediction report published in May available at: https://www.mfcr.cz/assets/cs/media/Makro-ekonomicka-predikce_2020-Q2_Makroekonomicka-predikce-duben-2020.pdf (in Czech).

expenses. Even if the epidemic crisis is overcome in the following weeks, the economic recession in the first half of this year is inevitable. Results of the second half-year will be dependent not only on the ability of the Czech subjects to cope with the negative impacts of the crisis as well as on a proactive policy of the Government but also on the economic situation in other countries and a degree of disruption of the trade and international supply chains. According to the official predictions, the GDP will plunge by 5.6 per cent this year, being followed by a rise of 3.1 per cent in 2021. The restrictive measures introduced by the Government in response to the epidemic outburst in spring virtually suspended the economy which subsequently led to decrease in incomes of both households and companies, and savings. These negative consequences together with persisting concerns about the future development and financial situation have been and will be reflected in fall in consumption and demand. It is expected that the real consumption of households will decrease by 1.5 per cent year-on-year, and in 2021, it could rise by 0.8 per cent. In addition, the predictions of the Ministry anticipate that the consumption of governmental bodies will increase by 2.6 per cent in 2020 and by 2.0 per cent in the year to come, the figure thus being higher than expected prior to the crisis. The worse balance is connected with the rise in expenditures on the social benefits and supportive programmes and stimuli. Moreover, the Government is planning an increase in staff in the field of education and armed forces. A sharp decrease is expected in the export of goods and services (-17.0 per cent) in consequence of the overall economic slowdown of the export markets. Similar figures are mentioned in case of import, which is to drop by 16.8 per cent in 2020.

The question is whether the predictions elaborated by the Ministry of Finance are not too optimistic. The conclusions could be influenced by psychologic motives in a way which can be observed, for instance, on the financial markets and their quick recovery. In May, prices of a wide array of stocks and bonds reached the peaks before the crisis. Many economists, however, warn that they are overvalued. The point is that the present optimism does not reflect real economic performance of businesses as the

hard data have not been published in accounting books yet. Epidemiologists, for their part, do not exclude a possibility of the second wave of the epidemic by the end of the year. Perhaps therefore, a prediction presented by the OECD in June provides a more accurate and realistic scenario.¹

According to the OECD Economic Outlook, the Czech economy will plunge by 9.6 per cent this year, thus being the fifth worst affected country worldwide after Spain, France, Italy and Britain. The figure mentioned should be valid in a single-hit scenario. In case the epidemic burst out again, the drop may amount to -13.2 per cent. What are the reasons behind such a sharp decrease? Paradoxically, one of the main factors is a solid economic performance in the last years which would implicate a more significant drop thereafter.² At the same time, however, the Czech economy was slowing down prior to the crisis, whereas the inflation rate was increasing considerably, which also applies to the rise of the average wages or consumption. Such a development could not last for a long time. But it ended earlier and in an absolutely unexpected way by the coronavirus epidemic and the governments' decision to suspend economies. This declining tendency of the Czech economy, which was, besides other things, accompanied by a sharp drop of virtually 10 per cent in investment during the first two months of this year, has merged with the sudden economic slump, producing synergistic effects. Another reason lying behind the potentially high negative numbers is a shape of the anti-crisis restrictive regime which was very severe and global, thus damaging economic processes greatly. Not by coincidence, excessive restrictions have been subjected to criticism by an increasing number of experts as well as politicians.

¹ See the June 2020 OECD Economic Outlook: <http://www.oecd.org/economic-outlook/june-2020/>.

² Czech GDP growth was as follows: 2014 2.0 %, 2015 4.3 %, 2016 2.3 %, 2017 4.6 %, 2018 3.0 %, 2019 2.4 %.

The Czech start-ups to expand

The Czech start-ups have been expanding abroad. Mere 22 per cent of these enterprises have no plans as to the international business at this moment. Even though the main focus of our start-ups is still the Czech market, virtually one third has already started carrying on business in other countries, the number being increasing. Several years ago, the situation was opposite, all the more if speaking about countries beyond the CEE region. This tendency has been strengthened by the globalisation processes and multiplied by digitalisation, automatisisation and interconnection of national economies. Although the current coronavirus crisis will likely to slow the globalisation down, giving impetus to the concurrent regionalisation process, the shift towards deeper digitalisation and automatisisation will continue unchanged. On the contrary, the crisis will prompt (and has already prompted) different economic subjects as well as states to invest in such technologies and innovations. Given the start-ups are usually highly adaptable, dynamic, disruptive and innovative, the potential for their development and international expansion is huge. It applies to the Czech start-ups similarly. As far as the field of business is concerned, the majority of the Czech start-ups are specialised on e-commerce and marketing, web services, agriculture, food and life science, analytics and projects management, fin-tech and legal-tech as well as transportation, logistic and mobility. It is beyond any doubt that such fields are very perspective, irrespective of the coronavirus crisis and its impacts on the structure of economies.

Not by coincidence, global ambitions and plans for international business have become one of the typical attributes of start-ups, differentiating them from the SMEs. Besides, the other features are scalability, innovative component, defined exit plan as well as year-on-year growth. According to the Keiretsu Forum, the world's largest network of the so-called angel investors, the international expansion still remains to be the main weak point of the Czech start-ups as perceived by themselves. In terms of the countries or regions which have been among the most attractive for the Czech start-ups the leading position is occupied by Europe,

followed by the Northern America and Asia. The Czechs have found their start-ups almost exclusively in the Czech Republic, especially due to the local environment knowledge. Only several businesses have been established in Britain, the USA and Slovakia.

What about practical effects of the current crisis on the Czech start-ups? Elaborating on the Keiretsu Forum survey and analysis, one can draw a conclusion that the crisis may contribute to transformation and revitalisation of economy and businesses in the long-term perspective, opening new opportunities especially for innovative and pioneering subjects. An overwhelming majority of startupists is convinced that the crisis will not influence investments, thus proving optimism of these enterprises, which is also shared by investors who claim that they are prepared to invest in start-ups regardless of economic recession. Yet, many companies have been and will be affected seriously, first of all those in the travel industry, hospitality, event management, residual products, completely offline services and, last but not least, automotive industry. On the contrary, the crisis situation can help to faster growth of businesses from e-commerce, online working tools, health care, research, nanotech and IT.

Estonian Economic Outlook after the Pandemic

E-MAP Foundation MTÜ

Is June 2020 the most appropriate month for making a decent prognosis on Estonia's economic outlook after the COVID-19? Most probably, it is not – firstly, because it is not yet “after”, and, secondly, the EU is still in the process of establishing a solid financial framework to get back on track. By the end of May, the European Commission sent a EUR 750 billion economic stimulus plan together with a revised proposal for the entity's 2021-2027 budget to the European Parliament¹. In the meantime, indeed, there are some digits to detect and developments to discuss. In a routine manner, *Statistics Estonia* did what it was supposed to do – told the truth on how Estonian export-import is ‘behaving’. The agency's report was not incredibly positive, but, in any case, it was reflecting the actuality – if compared to April 2019, the exports of goods were in decrease by 17%, while imports dropped by 22%² (please see *Figure 1* for more details).

On a concrete note, in April 2020, the top-3 destinations for Estonian exports were Finland, Sweden, and Latvia, while the biggest decreases were detected in exports to the Netherlands (EUR 35 million down), Russia, and Sweden (down by EUR 32 million each)³. On imports to Estonia, as reported, the main countries of consignment were Finland, Germany, and Lithuania, with the most noticeable decreases detected on goods from Sweden (down by EUR 66 million), Germany (down by EUR 42 million),

¹ ‘Covid-19: the EU plan for the economic recovery’ in *The European Parliament*, 28 May 2020. Available from [<https://www.europarl.europa.eu/news/en/headlines/economy/20200513STO79012/covid-19-the-eu-plan-for-the-economic-recovery>].

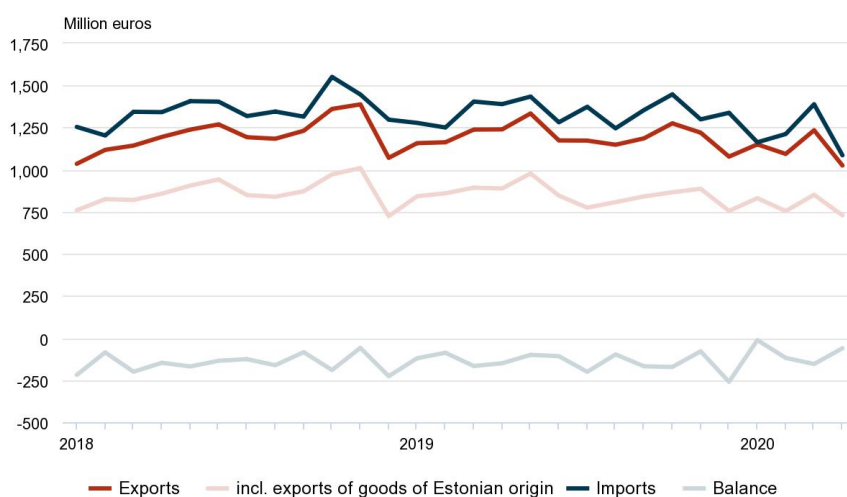
² ‘Biggest decrease in foreign trade in 11 years’ in *Statistics Estonia*, 9 June 2020. Available from [<https://www.stat.ee/news-release-2020-073>].

³ ‘Biggest decrease in foreign trade in 11 years’.

and Russia (down by EUR 35 million)¹. Characteristically, for Estonia, the aforementioned decrease in foreign trade is the biggest in 11 years – due to the pandemic, the Estonian economy is arguably undergoing a substantial restructuring. Most probably, some of the changes will be irreversible (or hardly reversible to the previous *status quo* in the nearest future) because the global economic development is experiencing the most dramatic redesign of supply chains. For example, the EU’s main ‘take away’ from the COVID-19 crisis will be in eliminating any dependence from any other market (be it in the Asia-Pacific or North America) in regards of protective equipment and essential medical products and other important items, which can be directly associated with public health and security in general.

Figure 1

Estonia's foreign trade by month, 2018–2020



Source: Statistics Estonia

In the particular case of Estonia, considering the size of the country’s economy, there will be no big difficulty to detect and then ‘heal’ the pandemic-related ‘wounds’ in order to quickly move on. In a way, the process has already begun, but, while attempting to effectively cut some

¹ ‘Biggest decrease in foreign trade in 11 years’.

expenses off, there is always a danger to ‘throw the baby out with the bathwater’. For example, it was only a few weeks ago, in March, when Estonian Prime Minister Jüri Ratas was visibly joyful in reporting that the Rail Baltica “has progressed from the planning phase to the design phase in all three Baltic countries” and that “construction work has started or is about to start in the territory of all three countries”¹. The Rail Baltica, an infrastructural project of the EU-wide significance (it is a part of the *North Sea Baltic TEN-T* corridor), is a 870-km greenfield rail transport provider for both passenger and freight traffic, which has a “goal to integrate the Baltic states in the European rail network”². By far, it represents the whole Baltic region’s project of the century that will interlink Helsinki with Warsaw, via Tallinn, Pärnu, Rīga, Panevežys, Kaunas, and Vilnius, in a few hours. Undeniably, in the last 5 years, the project’s implementation has been featuring a range of setbacks and mismanagement-associated operational difficulties. However, the need to get the Rail Baltica eventually completed had never been seriously questioned. Until now.

A report based on the findings of the European Court of Auditors/ECA stated that “Estonia, Latvia and Lithuania do not have enough people for the Rail Baltic[a] project to be feasible”³. All justifiable sarcasm aside (one does not need to engage the ECA and spend presumably significant funds to calculate the total number of inhabitants of the Baltics), there is a definite issue with making the Rail Baltica economically profitable right away. As argued by Oscar Henrics, an ECA member, the project’s forecast on annual passengers (4.6 million) “fall well short of the 9 million passengers”⁴, considering the breakeven point for such grand initiatives. More specifically, the auditor pointed out that

¹ Jüri Ratas in ‘Ratas: Rail Baltic in design phase, construction about to start’, *ERR*, 10 March 2020. Available from [<https://news.postimees.ee/6918747/ratas-rail-baltic-in-design-phase-construction-about-to-start>].

² ‘Rail Baltica – Project of the Century’ in *RB Rail AS*. Available from [<https://www.railbaltica.org/about-rail-baltica/>].

³ Andres Einmann, ‘Audit: Rail Baltic feasibility questionable’ in *Postimees*, 17 June 2020. Available from [<https://news.postimees.ee/6999379/audit-rail-baltic-feasibility-questionable>].

⁴ Oscar Henrics in Einmann.

[t]here are 3.6 million people living up to 60 minutes away from Rail Baltic[a] stops, which is the lowest figure for projects of this magnitude. It is a major risk in terms of the project's feasibility.¹

There is also a valid argument, singled out by the ECA, that the Rail Baltica has become significantly more expensive than previously estimated – as reported, “[t]he initial cost of the project was put at EUR 4.648 billion”, while “[t]he latest forecast talks of EUR 7 billion, up 51 per cent [...] from the initial estimate”². Nevertheless, as forecasted by the Rail Baltica, “[d]uring the peak of the construction works from 2022-2025 [the business] will create approximately 13,000 new jobs in the construction industry, with 24,000 indirect and induced jobs in the related industries such as material sourcing and component manufacturing, logistics, hospitality and catering, professional services and many others”³. Arguably, these figures are simply tremendous for the rather small economies of the Baltic states. However, the previously quoted ECA's report got the *intra*-Estonian discussion on the very necessity of the project reloaded and regenerated.

With the large-scale construction sites along the rail line of the railroad is to be established in 2022⁴, *EKRE*, a major Estonian political party that holds five ministerial portfolios in the current governmental coalition, launched severe criticism in local media on what the Rail Baltica is for Estonia. Mart Helme, the party's leader as well as the country's Minister of the Interior, noted with pride that

¹ Henrics in Einmann.

² Einmann.

³ 'How Rail Baltica can help with the post-COVID economic recovery' in *RB Rail AS*, 25 May 2020. Available from [<https://www.railbaltica.org/how-rail-baltica-can-help-with-the-post-covid-economic-recovery/>].

⁴ 'How Rail Baltica can help with the post-COVID economic recovery'.

[i]n reality, [the] Rail Baltic[a] is not moving forward. Yes, there is land acquisition and some people are sitting around being paid big salaries. But the project is not moving. And that is largely because we have stopped it.¹

At the same time, as observed by Anvar Samost, a senior-level journalist of *ERR*, it is not surprising that a project of such a magnitude “has been a rallying point for disparate”², engaging very different groups into the country-wide debate – from the *EKRE* (a parliamentary party) to a few supporters of a Tallinn suburb that may have to be re-designed due to the Rail Baltica. However, the reporter argued, many of those engagements are “just for conflict’s sake”, and “even if the [railway] is not ready in 10 years’ time, [...] many will be surprised by the outcome”³. Giving the example of an expensive initiative for Tallinn, the Reidi project, – it is a long new road constructed in the Estonian capital city that goes along the coast, interlinks the central suburbs with some northern areas, significantly helps in reducing traffic jams, while including a seaside promenade, park strips with recreational areas, cycle tracks and driveways⁴, – Samost reminded that it “was heralded as a disaster both before and during its construction”, but, once completed “it has proved to be a boon for tens of thousands, so there is no reason to think that [the] Rail Baltic[a] will be very different”⁵.

Most definitely, it will be the case for the Rail Baltica as well, if only a future-focused perspective is not taken away from the imaginary equation. In general, for such infrastructural projects, it takes plenty of time to get

¹ Mart Helme in ‘Mart Helme: Rail Baltic project halted thanks to EKRE’, *ERR*, 3 May 2020. Available from [<https://news.err.ee/1085131/mart-helme-rail-baltic-project-halted-thanks-to-ekre>].

² Anvar Samost in ‘Opinion: Rail Baltic holds up a mirror to Estonian society – up to a point’, *ERR*, 23 June 2020. Available from [<https://news.err.ee/1105239/opinion-rail-baltic-holds-up-a-mirror-to-estonian-society-up-to-a-point>].

³ Samost.

⁴ ‘Reidi tee’ in *Tallinn.ee*. Available from [<https://www.tallinn.ee/eng/Reidi-tee-constructions>].

⁵ Samost.

seamlessly ‘incorporated’ into global businesses, with new hotels to be built later on, new waves of tourists to be re-directed to the region of the Baltics from elsewhere, new inhabitants to be settled in the previously ‘empty’ areas (for example, along the coast between Pärnu and Rīga or inland between Panevežys and Kaunas), and new corridors to be created for 5G connectivity. This is where geo-strategy prevails over pure economics, and this is when Estonia will add plenty of geo-strategic value to its region.

Perspectives for the Greek Economy

George N. Tzogopoulos

The Greek economy had already shown signs of slower growth – in comparison to its 2019 rates – before the outbreak of the pandemic. The beginning of the public health crisis has been a serious blow. 2020 economic perspectives largely depend on the continuation of the pandemic and its impact on services, principally tourism. While Prime Minister Mitsotakis hopes that several European initiatives will help the national economy breathe, he also opts for a regular access to international markets via issuing sovereign bonds. Although interest rates remain relatively low, the risk of overborrowing and overspending should not be overlooked. In the interim, the performance of Greece in implementing reforms has been certainly influenced by the novel coronavirus. Among other things, foreign investments are a key to recovery. It is positive that Greece is continuously supporting the Belt and Road Initiative and seeks to maximize benefits.

The impact of COVID-19 on the Greek economy is the most important concern for Prime Minister Kyriakos Mitsotakis. Although the national economy had already shown signs of slower growth at the beginning of the year – in comparison to its 2019 performance – the novel coronavirus has caused a nightmare about a recession that will possibly rise to 10 percent and perhaps surpass this percentage. The Governor of the Bank of Greece Yannis Stournaras had initially said (in April) that the economy would shrink 4 percent. He later (in May) revised his prediction and anticipated that recession would reach 6 percent in 2019, whereas growth could return in 2021. The European Commission appears more pessimistic. It forecasts a 9.7 recession for 2019. According to its spring 2020 economic predictions this will be the worst performance in the Eurozone. Contraction on the whole is expected to amount at 7.7 percent.

New trends in the Greek economy are outlined in the sixth surveillance report that was published on 20 May and takes the disruption generated by the novel coronavirus into account. The good news for Greece is that it can benefit by some pan-European programs. The most characteristic example is the Pandemic Emergency Purchase Program of the European Central Bank worth of €750 billion that includes Greek bonds. There are also other initiatives that can support Greece's recovery efforts such as the European Structural and Investments Funds and the Support to Mitigate Unemployment Risks. The European Investment Bank is similarly playing a constructive role whereas relaxation in the implementation of goals set by the Stability and Growth Pact. More importantly, Mitsotakis counts on the agreement between Germany and France on the potential creation of a European Rescue Fund and hopes for a final European decision on this to be reached in July. He hopes that this European scheme will be significantly based on subventions instead of loans and will critically assist companies experiencing the economic pain of COVID-19.

The sixth surveillance report also acknowledges the pressure exerted on the Greek economy by the continuation of the refugee crisis. As it mentions, Greece recorded a 46 percent increase in migrants' arrivals in 2019 and the inflows further strengthened in the first quarter of 2020. The problem is that the financial assistance provided by the EU in that regard – important as it is – does not suffice. Without a generous policy of resettlement to other member-states, Greece is unable to respond to challenges alone. The main reason why resettlements are not impressive is that most EU member-states find it politically convenient to authorize countries such as Greece or Italy to host most refugees instead of taking a higher number. Solidarity is rather absent in spite of some public opinion gestures such as the relocation of unaccompanied minors to countries like Germany.

From another perspective, Greece has managed to access international financial markets during the pandemic while its debt servicing needs for 2020 and 2021 are low. In June, for example, it raised €3 billion in its third bond issue of the year. Finance Minister Staikouras celebrated

the successful 10-year bond issue. The question, however, is how these funds are being spent or will be spent as the Greek government provides no details. It is certainly positive that international financial markets show confidence vis-à-vis Greece during the pandemic but experience from the pre-2010 period suggests that Greek politicians had led the country to economic collapse through overborrowing and overspending. It is also striking that the Greek government prefers to issue new bonds in a period during which existing cash reserves (€26 billion) could absorb liquidity shocks.

Another critical aspect is the alleged ability of Greece to continue the reduction of non-performing loans. Their stock reached €68.5 billion in the end of 2019 – down by €13.3 billion in comparison to the end of 2018. The impact of COVID-19 on the process will be perhaps serious as banks do need to revise their strategies and adjust them to circumstances. The sixth surveillance report also mentions that planned sales of non-performing loans were on hold whereas the realization of the Hercules scheme was temporarily being postponed. Against this backdrop, the European Central Bank's mission chief for Greece Francesco Drudi warned in June that the Greek government should complete reforms to support its banking sector in reducing bad debt.

The Eurogroup of 11 June commended Greece's response to the pandemic. It also pushed for the realization of structural reforms though are pending. These include the implementation of the arrears clearance plan, the legislation of an effective new insolvency code and the abolition of the current scheme for the protection of primary residences by end-July 2020. Further to this, the Eurogroup exerted pressure on the Greek government to place emphasis on the tax administration, public investment as well as the improvement of the business environment. The sixth surveillance report had already focused on delays caused by the novel coronavirus on the creation of local subsidiaries for farmers and self-employed as well in the procurement process for the new IT system of the pursued Charter of Account and the aimed cadaster project.

Looking towards the future, Premier Mitsotakis hopes that the tourism season will perhaps help Greece to partly recover. On 13 June he gave an impressive press conference on the island of Santorini attempting to persuade the world public opinion that the country's reopening was safe and carefully studied. As he said: 'we have enough data today, because we test essentially everyone who flies in degrees, to feel comfortable about opening up to the world. Just to give you an indicative number over the past four days we did almost 4000 tests. From people flying into Athens, we only had two positives, both asymptomatic'. The day after Mitsotakis also gave an interview to *CNN* in which he endeavored to further promote his government's response to the pandemic. The American media have been keen on praising Greece, although arrivals from the US have not yet been permitted.

Last but not least, foreign investments will certainly contribute to the much expected recovery. Despite the momentum loss in the 2020 spring, the Hellenic Republic Asset Development Fund is advancing on the privatization of stakes in the old airport of Hellinikon, Hellenic Petroleum, Athens International Airport, Public Gas Corporation, the Marina of Alimos and others. Greece also positively looks at potential new Chinese investments in the context of the Belt and Road Initiative. In a relevant videoconference, countries held on 18 June, Deputy Minister of Foreign Affairs for Economic Diplomacy Kostas Fragogiannis stressed the great importance of multilateral ties for collective health, prosperity and security on a global level. He also talked about the importance of strengthening international cooperation on a strong and effective World Health Organization as well as about cooperation among BRI countries in for a comprehensive and coordinated response to the crisis.

Conclusion

The COVID-19 is expected to lead the Greek economy to a deep recession. Scenarios vacillate but a percentage close to 10 percent seems plausible. Prime Minister Kyriakos Mitsotakis plays the card of tourism. He believes that his efficient management of the initial phase of the

problem will be the springboard for foreign tourists to visit the country considering an attractive and safe destination. In parallel with this, he hopes that Greece will benefit by several European programs, especially by the Rescue Fund, in order to support small and medium-size enterprises that have been strangled in the lockdown months. However, it is debatable whether his decision to continuously issue sovereign bonds is prudent from the moment Greece already has a cash buffer to overcome liquidity shocks and its debt profile remains problematic. Structural reforms and foreign investments – for example from Chinese companies – are being continuously regarded pillars of recovery.

Hungarian Economic Outlook after the Coronavirus

Csaba Moldicz

The recent wave of the coronavirus pandemic severely struck the European economies creating new conditions for economic development. The recently changed circumstances prompt us to have a brief overview of the revised economic forecasts and look into the new conditions. After a short overview of the European trends, the briefing focuses on the Hungarian economy and attempts to contrast the different opinions concerning the future prospects for this year and 2021.

1. The Hungarian economy in comparison to the EU average

The European Commission issued its revised forecast in early May, in which they already included the impact of the altered economic environment. According to the forecast, the European Commission expects a deep fall in the Gross Domestic Product (GDP) of both the European Union and Hungary in 2020. The EU economy is to contract by 7.4 percent, while the same figure shows a 7.0 percent plunge in the Hungarian GDP. The European Commission anticipates the unemployment rate to rise to 9.0 percent for the whole EU, while the Hungarian unemployment rate is expected to grow to 7 percent. Basically, in every economic indicator, the EU forecasts a relatively better outcome for Hungary than the EU average, which is no surprise since *“The economic shock from the pandemic hit Hungary’s economy at the peak of the business cycle.”*, the European Commission argues in its report. Wherever we can see deviations from this general trend (see f. ex. the investment, and the current account balance!), they can be explained by the former growth, which was faster than the EU average.

As for the year 2021, the European Commission’s forecast is extremely cautious since it does not count on fast recovery but just a partial recovery of 6 percent GDP growth. Though the economic growth will be significant according to the European Commission, the unemployment rate would be around 6 percent in 2021. The forecast explains this rather gloomy expectation with the following factors: (1) gradual recovery of external demand and tourism (2) higher unemployment (3) weak income

support for households and (4) the effect of declined house prices on the construction sector.

Table 1. Hungarian economic indicators in EU comparison, 2020 forecasts		
	EU average	Hungary
GDP growth (%)	-7.4	-7.0
Total investment (% of change)	-13.2	-18.7
Employment growth (%)	-4.4	-3.8
Unemployment rate (%)	9.0	7.0
CPI	0.6	3.0
Current account balance (as of GDP)	3.1	1.3
General government balance (as of GDP)	-8.3	-5.2
General gross debt (as of GDP)	95.1	75.0
Source of data: European Commission		

2. Uncertainties around the real trajectory of the economy in 2020

It is not surprising that there is no consensus on the economy's development in 2020. The data that are available at this moment still do not give full access to the needed indicators in order to assess the situation in the Hungarian economy. In the first quarter of 2020, the Hungarian GDP grew by 2.2 percent compared to the corresponding period of the last year, while the seasonally adjusted figure reveals 2.0 percent growth. If we look at the sectoral distribution, we can find that sectors growing faster than the average of the whole economy were: construction (+3.0 percent), and the majority of service subsectors¹ (+3.0 percent) while agriculture (-0.6

¹ Wholesale and retail trade and accommodation and food service activities 5.0 percent, Transportation and storage 2.6 percent, Information and communication 8.8 percent, Financial and insurance activities 4.4 percent, Real estate activities 2.5 percent, Professional, scientific, technical, and administrative activities 5.0 percent.

percent) and the manufacturing sector (+1.7 percent) performed below the national average in Q1 2020 compared to the corresponding period of 2019. The interpretation of these figures is difficult since only the last weeks of March 2020 were affected by the lockdowns.

Table 2. External trade in goods in the period January-March 2020 compared to the corresponding period of 2019		
	Change in terms of HUF (percent)	Change in terms of Euro
Export	+6.0	-0.1
Import	+5.7	-0.4
Source: Hungarian Central Statistical Office		

Recent figures of trade in goods were published by the Hungarian Central Statistical Office on May 29, 2020. The data reveal that the deterioration of the Hungarian trade balance already started in March, when the volume of export decreased by 5.6 percent. However, a more worrying trend is that the import basically remained unchanged, the decrease was only 1.0 percent. If you look at the seasonally adjusted figures, you can see a widening gap between export (-11 percent) and import (-4.4 percent). It is worth looking at the price level of external trade too. The strong devaluation of the Hungarian currency led to different outcomes when measured in terms of Euro or Forint. We should not forget that the HUF weakened by 9.3 percent in terms of Euro and 12 percent in terms of USD compared to the corresponding period of the last year.

It is still not clear what the official expectations about the economic growth in 2020 are. According to the Ministry of Finances, the fall in GDP will be around 3 percent, while the Central Bank of Hungary, the MNB has higher expectations. The Governor of the MNB published an article in early June where he summarized his evaluation of the current crisis and outlined the adequate steps of policy responses. He recalled the three former economic crises Hungary experienced in the last half-century; the oil crisis of the 70s, the transformation shock of the early 90s, and the Global Financial Crisis. In the first and third case, he argued that the crisis led to growing debt, while in the second a neoliberal therapy caused growing

unemployment and growth losses. None of the solutions were adequate; in the period after 2010, the new policy combined policy measures where both the decrease in public debt and job creation were paid attention to. Based on these foundations, he argued that the management of the economic crisis caused by the coronavirus will be easier, since we can discern the next trends:

- The current economic crisis is not a system-level event, but it can be interpreted as a series of crises that can be managed separately from each other.
- Given the historical background, Hungary must not increase its external debt in any circumstances.
- The problems of the southern member states of the EU can be explained by the system-level crisis of the EU and the eurozone. He argues that the main reason for growing indebtedness in that region is the lack of reforms in the eurozone. He adds that V4 countries are different.
- The job losses during any crisis are usually permanent, however, we can recreate these jobs lost in the aftermath of the coronavirus pandemic until the end of the year.
- The increase in borrowing and lending was one of the key elements in earlier successes. If the growth of credit volume is double-digit, the Hungarian economy can grow by at least 2 percent annually. That is still the goal of the MNB, he argued.
- Before the coronavirus, 75 percent of the Hungarian economic growth came from investment, and half of the investment originated from the construction sector. This technology and investment intensive growth path must be kept, the governor argues in his article.

Though the MNB forecasted 2-3 percent GDP growth for 2020, the recent communication suggests a slightly worse number. At the same time, the forecast is still positive. The Ministry of Finances is more cautious since the Convergence Program (see the May Economic Briefing in more detail) forecasted a 3.0 percent fall in the Hungarian GDP.

3. Summary

As we could see there is no consensus on the predictable GDP growth for 2020, however, this should not take us by surprise since the relevant data from April and May – the two months mostly affected by the lockdowns and the plunge in the global demand – are still missing. One of the key indicators – industrial production figures – was just published by the HSCO on the 5th of June. According to the communication of the HSCO, the volume of industrial production fell by 36.8 percent year on year. This figure – along with data of tourism¹ and retail trade² – rather indicates that the forecast of the Ministry of Finances is more realistic. At the same time, the strategic considerations of the MNB are able to guide us and reveal the possible economic strategy of the Hungarian government. Despite all differences between the two mainstream points of view, the common point is that both assume that the economic recovery will be V-shaped and we soon will be able to return to the economic development path that Hungary embarked upon a few years ago. In contrast to these approaches, the report of the European Union rather anticipates a long period until full recovery, thus this GDP growth forecast is U-shaped.

¹ The number of tourism night plummeted by 97 percent.

² The volume of sales in retail trade decreased by 10 percent in April compared to the same period last year.

Prospects of Latvian Economy under the Impact of the COVID-19

Nina Linde

The exports of Latvia have been significantly impacted due to the Covid-19 crisis

Data from the Central Statistical Bureau on foreign trade in Latvian goods in April this year show that the value of exports of goods amounted to 927.7 million euros, which was 13.9% lower than in April last year. The fixed decline in exports in April was the sharpest since October 2009, largely due to the effects of the pandemic. A significant decline in global external demand was predictable, as indicated by economic sentiment indicators in the European Union (EU), the US and China, as well as forecasts by international organizations on global economic development and foreign trade. Many countries in the world were declared to be in a state of emergency and their borders were closed in April, but the international movement of goods was not as severely restricted as the movement of people. However, self-isolation and the introduction of quarantine, especially in the EU countries or in the largest Latvian export market, significantly reduced economic activity, as a result of which the demand for Latvian goods also decreased.

In addition, the assessment of Latvian manufacturers of export orders for the second quarter of this year has significantly decreased. Thus, it is expected that in May and June the decline in the value of exports of goods could reach double digits compared to the corresponding period of the previous year, and in the second quarter of this year, the decline in the value of exports will be significant. Assessing the outlook for exports in the second half of the year, the decline in exports is expected to ease, given both the stabilization of EU economic sentiment and the planned lifting of

the emergency, and the implementation and planned EU support instruments to help national economies recover more quickly from the COVID-19 pandemic.

The fall in exports of goods in April this year was recorded for all groups of goods. The largest decrease is in vehicles, by 59.8% in total, which was negatively affected by the decrease in car re-exports.¹ A significant decline was also recorded for wood and wood products, by a total of 15.9%. A similar decline in timber exports was recorded from the beginning of the year, which is mainly due to the high base last year. At the beginning of last year, timber exports increased, which was supported by the high volume of exports of timber and timber products to the United Kingdom due to Brexit. However, the positive effect of this factor disappeared in May last year, and in the second half of the year the total value of timber exports began to decline, reaching 15% in some months. The consequences of the pandemic in March this year reduced the price of timber on world stock exchanges, which also had a negative impact on the export value of timber and timber products of Latvia.

Exports of agricultural and food products decreased by 8.2%, which was largely influenced by the decline in exports of cereals and alcoholic beverages. Exports of mineral products, on the other hand, decreased by 37.6%. The decline in exports in this product group was determined by a decrease in electricity exports by 74.4%, as well as a decrease in oil exports by 75.9%. Electricity exports were negatively affected by lower electricity prices in all trading areas of the Nord Pool exchange due to lower electricity consumption due to warm weather conditions as well as lower economic activity during the emergency. In turn, the decline in oil exports was influenced by both the fall in oil prices on world stock exchanges and the volume of less transported oil products in Latvian ports.

Analyzing foreign trade, it is important to note that imports of goods in April this year have decreased even faster than exports, by a total of

¹ <https://www.fm.gov.lv/lv/aktualitates/jaunumi/makroekonomika/62381-fm-pandemija-butiski-samazinaja-latvijas-precu-eksporta-vertibu>

27.4%. As a result, the foreign trade deficit in goods has significantly decreased from 290 million euros in April 2019 to 65 million euros in April this year. The sharper decline in imports of goods compared to exports is related to both the decline in Latvia's domestic consumption and the decline in re-exports of goods. Similar import dynamics are expected in June. However, with gradual economic recovery the dynamics of imports and exports are expected to slowly improve.

Economic prospects of the year 2020

The current economic prognosis from the Ministry of Finance show that Latvia will experience fall of Gross Domestic Product in 2020 by approximately 7%.¹ Additionally it is seen that due the Coronavirus crisis the unemployment level will have increased by 4.9% in comparison to 2019 reaching 11.2% in 2020. The data from the Ministry of Finance shows that during the Year 2020 the total import will have decreased by 10.0% in comparison to 2019 and total export levels will have fallen by 9.0%.

The current prognosis shows that the restrictions in field of service (e.g. cancelation of private and public events) and restricted travel opportunities have significantly impacted consumption, which is also reduced by the fall in income. Uncertainty about the severity and duration of the consequences of the Covid-19 pandemic is forcing citizens to be cautious about spending, so the fall in consumption is estimated to outweigh the decline in income. Exports of services are suffering significantly as the flow of tourists and air passengers is depleted due to the constraints of the emergency. At the same time, a comprehensive decline in activity in foreign markets reduces the export sales of goods.

A significant decrease in investment is forecasted for 2020. Although investment flow will be strengthened by the increase in public investment set out by government decisions, high uncertainty will deter new private investment income.

¹https://www.fm.gov.lv/lv/sadala/tautsaimniecibas_analize/tautsaimniecibas_analize/galvenie_makroekonomiskie_raditaji_un_prognozes/

Restrictions imposed to cope with the Covid-19 pandemic had a rapid impact on the labor market, as companies were no longer able to continue functioning as they did before. However, the rise in unemployment is expected to be lower than during the previous global financial crisis, with the government providing support to businesses and citizens affected by the crisis. Low economic activity has forced entrepreneurs to consider optimizing costs and thus reducing labor costs. In addition, rising labor supply as a result of unemployment will not contribute to wage growth, even as economic activity recovers, thus weakening price increases next in the future.

The transition to digitalization will only accelerate and the process is already underway. And, given the developed infrastructure, Latvia could be in a good position in the digitization process. Shared service exports and start-ups could be some of the Baltic success stories. However, the environment still needs to be strengthened to make its positive impact on the economy more significant.

Undoubtedly Covid-19 will leave impact on the economics of Latvia. However, in comparison to the financial crisis in the Year 2008, it is important to note that in the last years Latvia has experienced strong economic development with good fundamentals, including fiscal discipline and surpluses in current accounts during the past years, which have all facilitated strong labor markets. Additionally, it is important to stress that the economy of Latvia within the past years has well integrated into Eurozone and comparing to the previous crisis has strengthened the banking sector. In assumption that the Euro area countries will slowly transfer from the emergency situation to previous business environment, the crisis for Latvia will be sharp, but with smaller impact in the upcoming years if comparing to the financial crisis in 2008. Overall, the combination of European Union and national response to the crisis will be critical to amortize the consequences of the Covid-19 crisis.

Summary

Due to the Covid-19 crisis the field of Latvian export has been significantly affected by the shift in consumption. Latvian goods in April this year show that the value of exports of goods amounted to 927.7 million euros, which was 13.9% lower than in April of 2019. The fixed decline in exports in April was the sharpest since October 2009, largely due to the effects of the pandemic. Overall in comparison to 2019 total export levels will have fallen by 9.0%. As for the outlook of the upcoming months during 2020 will overall be devoted for mitigating the consequences of the Covid-19 crisis as the amount of public investment funded by the state will increase. Although investment flow will be strengthened by the increase in public investment set out by government decisions, high uncertainty will deter new private investment income. The current economic prognosis from the Ministry of Finance show that Latvia will experience fall of Gross Domestic Product in 2020 by approximately 7%. Additionally, it is seen that due the Coronavirus crisis the unemployment level will have increased by 4.9% in comparison to 2019 reaching 11.2% in 2020. Low economic activity has forced entrepreneurs to consider optimizing costs and thus reducing labor costs. In addition, rising labor supply as a result of unemployment will not contribute to wage growth, even as economic activity recovers, thus weakening price increases next in the future.

Lithuanian Economic Outlook after COVID-19

Linus Eriksonas

There is still uncertainty about the scope of the damage caused by the coronavirus pandemic to Lithuania's economy. However, the latest report by OECD shows that the economy is forecasted to contract sharply decreasing both domestic and external demand. Under the scenario which assumes that a second wave of the virus outbreak might occur in the autumn, the annual GDP growth might shrink by 10,4 per cent, while if no second wave is materialized the damage could result in the estimated 8,1 per cent decrease in GDP growth. The recovery of both consumer confidence and global trade is of utmost importance in order to boost consumption and investment and keep the level of unemployment at the pre-crisis level. Until the global economy rebounds, Lithuania is left mostly on its own to find new sources for economic recovery.

Below is a brief overview of the most important public investment projects approved by the Government which could boost growth and job creation in the economy after the successful tacking of the first (if not necessarily the only) wave of the coronavirus pandemic. It will try to identify the possible impacts of the planned intervention measures for society and economy in the years to come.

At the start of the crisis, Lithuania's economy was in a healthy state. As noted by the bank analysts, in 2019 Lithuania demonstrated remarkable resilience to the global economic slowdown in 2019: Lithuania's GDP grew by 3.9 per cent, compared to growth of just 1.5 per cent in the European Union. Besides, Lithuania was one of the three EU countries with faster GDP growth in 2019 than in 2018. Until COVID-19 stoke, for the third year in a row, the Lithuanian economy grew faster than expected: GDP growth averaged 3.9 per cent.

The bank sector analysts showed that this growth and indeed, resilience was due to the ongoing systemic change in the structure of Lithuania's economy. One bank report called this factor the

“Germanisation” of the Lithuanian economy, meaning the positive government budget and external balances, and sustainable and balanced growth, which is driven by household consumption, exports and investment in a similar way as Germany has been doing. The bank analysts even declared that the “Germanisation” of Lithuania’s economy signals Lithuania’s transformation from “a migrant donor” to “a migrant magnet” due to the breakthrough in attracting industrial investment, more even regional development, extremely rapid growth in exports of high value-added services, and low inflationary pressures due to growing competition and the introduction of new technologies in the trade sector.

It is predicted that due to these ongoing structural changes which have been taken place in the economy, Lithuania is on the trajectory of more rapid economic growth and that with the end of the coronavirus crisis the growth could accelerate next year to 4,6 per cent with the GDP growth rates for the subsequent period of 2022-2023 predicted to be within 3-4 per cent range. If this indeed becomes a reality (as the retail banks are already suggesting), the country stands a good chance of avoiding the middle-income gap in the long run.

Such upbeat optimism of the bank analysts is in stark contrast to the reports from the industry. On 5 June the President of the Confederation of Lithuanian Industrialists was put on the record saying that the salaries could decrease by 10 per cent, though was quick to add that there are some sectors where salaries would grow eventually grow such as sectors driven by digital technologies. On the other side, the bank analysts has offered a more comfortable picture showing the restored consumption levels: in May the consumption was higher than a year before, and the growth of retail in non-food products reached 6 per cent.

There are two significant large-scale projects of the state intervention, which can occasion further growth and fuel both consumptions and trade. First, it is a strategic investment plan for economic renewal, which was unveiled by the Ministry of Finance at the beginning of June, and its implementation is to start at the end of the year. Second, it is a major regional transportation infrastructure project the Rail Baltica (to integrate

the Baltic States in the European rail network via a standard gauge railway line of 870 km with a maximum speed of passenger trains set at 249 km/h and freight transport at 120 km/h). The project has reached its critical implementation stage during COVID-19.

As concerning the first mega-public investment project, the Government has earmarked an unprecedented sum of 2.5-billion-euros for the economic stimulus plan to mitigate the effects of the coronavirus epidemic. The Government's borrowing limit would be raised to 5 billion euros or around 10 per cent of the country's GDP. "We are facing this kind of threat for the first time, so the response must be historic. I am asking every responsible politician, businessperson, bank and citizen to respond and contribute," the Minister of Finance Vilius Šapoka commented on the historic decision.

The total amount of long-term investment to be implemented by the end of 2021 will amount to about 6.3 billion euros, of which new and additional investment will make up 2.2 billion euros. The plan includes the supporting measures in five areas of governance, namely, human capital, digital economy and business, innovation and research, economic infrastructure, climate change and energy. A sum of 757 million euros will be allocated to human capital support measures. 1 billion 382 million euros – to support the digital economy and business. A sum of 989 million euros earmarked for the measures supporting innovation and research activities. 2 billion 56 million euros will be spent on economic infrastructure and 927 million euros – on the projects increasing the resilience to climate change and increasing the use of the renewable energy (such as the use of hydrogen for the storage of energy produced from renewable energy sources).

As regarding the Rail Baltica declared as the Baltic region's project of the century, the project has gained on new urgency during the COVID pandemic as a vehicle to support the economic recovery of Lithuania and the region. As reported, the project has raised 941 million euros from Connecting Europe Facility funding and national co-funding. Additional funding of 781 million is sought to be invested by the end of 2023. In 2020 Rail Baltica indicative procurement value in the Baltic States is 788 million

EUR. These investments will be directed primarily towards the construction of the international railway terminals in Riga and Tallinn and for continuing the construction of the mainline in Lithuania from Kaunas to the state border of Lithuania and Latvia. The large-scale construction of the mainline of the railway is estimated to begin in 2022. By 2026 the total Rail Baltica investment in the Baltic States is estimated to reach 5.8 billion euros.

The organizers of the project argue that the gradual absorption of the project's direct capital investments would provide a significant boost to the local construction, engineering and other service industries. It is argued that this infrastructure project would increase the aggregate demand in the economy and generate GDP growth, thus helping not only to mitigate the negative impacts of COVID-19 on the economy but also bring it on a fast-growth track.

Additional value will derive from the commercial developments taking place as a result of the implementation of Rail Baltica across the region, for example, in the areas of urban real estate, regional infrastructure, logistics and industrial activity, as well as joint development of other infrastructure and systems such as road, air, maritime services, communications and 5G, energy and defence.

Partly linked to this project is also the development and deployment of the 5G network which would provide a backbone communication and data infrastructure for Rail Baltica. On 3 June the Government approved the 5G Development Guidelines for 2020-2025 prepared by the Ministry of Transportation and Telecommunication. According to the approved Guidelines, the 5G connection development in Lithuania will go through four stages. First, the start of the implementation of 5G connectivity and its development in 2021. Second, the 5G connection in at least one of the largest cities in 2022. The third, the uninterrupted 5G functioning across five major cities, including Vilnius, Kaunas, Klaipėda, Šiauliai and Panevėžys by 2023. During the final stage, by 2025 5G connection would become available across the rest of the country, including roads, railways and the international transport corridors (“Via Baltica”, “Rail Baltica”).

The organizers of the project have estimated that during the peak of the construction works from 2022-2025 Rail Baltica will create approximately 13000 new jobs in the construction industry, with 24000 indirect and induced jobs in the related industries such as material sourcing and component manufacturing, logistics, hospitality and catering, professional services and many others. The prepared cost-benefit analysis estimates that for every of 50 construction sites to be created 120 new local jobs will be created in the economic activities directly related to the construction with another 145 jobs resulting indirectly due to consumption.

The above developments show that the optimistic prognosis of the major retail banks operating in across the Baltic region as concerning the economic prospects are founded not only on macroeconomic forecasts and also on concrete demand-driven public investment plans, increasing the resilience of Lithuania's economy.

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Montenegro Economic Outlook after the Pandemic

Milika Mirkovic

The COVID-19 virus pandemic is an event that has turned the global economy around and caused major changes globally. The consequences of the pandemic will also be felt in the Montenegrin economy. Namely, the COVID-19 pandemic virus has reversed initial positive economic growth expectations. According to the projections, in 2020, GDP real growth rate will be negative and negative trends are expected in all segments of the economy. High uncertainty is a constant that characterizes the following period and it seems that the economic future has never been more uncertain than now.

Recession by the end of the year?

In the first quarter of this year, GDP recorded real growth of 2.7%. Although economic growth was expected at the beginning of the year, the first case of the COVID-19 virus was recorded in March, so the introduced health measures limited economic activity, especially in sectors that are crucial for the Montenegrin economy. The Montenegrin economy is further more sensitive as it is not characterized by high diversification. Therefore, a significant decline in economic activity is expected by the end of the year. According to estimates, the real GDP growth rate this year will range from -5.6% to -9%.

The most optimistic is World Bank which projected GDP real growth rate of -5.6% and European Commission -5.9%. On the other side, EBRD projected drop of GDP of -8%, while International Monetary Fund was the most pessimistic and projected GDP growth rate of -9%¹.

¹ WB Spring forecasts: The Economic and Social Impact of COVID-19, the country notes 2020, EC European Economic Forecast - Spring 2020 (European Economy), EBRD Regional economic prospects – from shock to recovery, IMF World Economic Outlook: The Great Lockdown

The corona virus pandemic will affect the economy on both the demand side and the supply side. The most important category of GDP, on the consumption side, is private consumption. According to estimates, private consumption will fall by 9.1% (European Commission). Private consumption accounts for 75% of GDP and in previous years was a significant generator of economic growth. However, the decline in this year's private consumption will be mostly affected by the decline in income due to the expected reduction in the number of employees, but also the decrease of wages primarily in the private sector, which will reduce the labour income of the population. Also, in 2020, a reduction in the amount of remittances can be expected, which will affect the total consumption of households. According to World Bank projections, remittances will make 3.4% of GDP in 2020.

Also, in 2020, a decline in other components of aggregate demand is expected. According to estimates, investment will fall by -7.5% (European Commission). The reduction in investment will have a multiplier effect on the reduction of GDP. Reduced construction activity, but also reduced works on the construction of the highway will affect the reduction of investment activity. Previously, the completion of works on the first section of the highway was expected by the end of the third quarter of 2020, but the completion of works has been postponed for next year. In addition, investment activity will be affected by the reduced capital budget after the budget rebalance in June 2020. Certainly, the high uncertainty will affect the postponement of many planned infrastructure projects in the private sector, which will further affect investment consumption. Reducing disposable income will reduce not only private consumption, but also savings, which is the basis for the realization of investment consumption.

The negative consequences of the pandemic will be reflected on supply-side. It is expected reduction of production, given that a significant number of companies were either closed or production was significantly reduced due to measures introduced by the National Coordinating Body. In addition to restrictions in the domestic market, companies that depend on imports of products for reproductive consumption have a problem related

to regular supply, which affects the reduction or slowdown of production. Due to reduction both production and demand, exports of goods are expected to decline. The decline in industrial production is a result not only of the situation in the economy, but also due to external factors. Non-diversification of exports of goods, which mostly consists of metal exports, unfavourable trends in the international sector directly spill over into the situation on the domestic market. In 2020, a decline in industrial production is expected, which will primarily be generated by reduced production in the manufacturing industry.

In addition to the decline in exports of goods, high negative growth rates will be recorded in exports of services due to a large decline in the tourism sector. Namely, one of the most endangered sectors of the Montenegrin economy is the tourism sector, which is a significant generator of economic growth. Revenues from tourism account for more than a fifth of GDP. The number of tourists in the second quarter of this year was at a significantly lower level in comparison to the previous years. Higher number of tourists can be expected in the third quarter, but it will be at a much lower level compared to the previous years. However, tourism activity, and economic activity in general, will be affected by the epidemiological situation in the country, but also in countries with which Montenegro has the greatest economic cooperation. The opening of borders with the EU and the gradual establishment of airlines are one of the positive signals. On the other side, closed borders with countries where a significant number of tourists come from (e.g. Serbia, Kosovo, and Russia) will significantly affect developments in this sector.

Imports of goods and services are also expected to decline in 2020. Reducing investment consumption also means reducing imports of materials and other inputs for production, especially in the construction sector. The decline in tourism will, in addition to the impact on the export of services, also affect the import of goods. Namely, more than 2.5 million tourists from abroad visit Montenegro every year, which is a significant generator of demand for goods and services. The decline in the number of tourists from abroad will consequently lead to a decline in demand for

goods, and thus imports, which grew in previous years, among other things, due to the growth in the number of tourists. According to the World Bank projection, trade and services balance makes -22.7% of GDP, while current account balance will be at -17.0% of GDP in 2020. Consequently, with the decline in foreign trade, it will reduce activities in the transport sector.

In 2020, a slight growth in prices is expected. The pandemic affected the reduction of prices on the international market, which affected the trends of prices in the first half of the year. In the following period, due to the decrease in demand, no significant increase in prices is expected.

Unfordable trends at labour market are expected

Unfavourable trends can also be expected in the labour market. Negative employment trends have already been recorded in the first five months of 2020, when registered employment decreased by 17.5 thousand or 8.8% less in comparison with the end of 2019 and 3.3% less compared to March when the pandemic was recorded in Montenegro. As a decrease in economic activity and a strong decline of activity in the tourism sector, employment will fall in the coming period. The decline in employment will be influenced by the reduced inflow of FDI, which is estimated at 3% of GDP in 2020 (World Bank). The negative impact of the pandemic can potentially be offset to some extent by the employment of domestic labour, instead of seasonal workers coming from neighbouring countries. On the other side, an increase in the unemployment rate can be expected, especially among the young population that is at the highest risk of losing their job.

Trends in public finances

One of the great challenges of the Montenegrin economy is the sustainability of public finances. The Montenegrin economy has exhausted its fiscal capacity during the previous period, but also in previous months by financing measures to combat the consequences of the corona virus pandemic. According to the budget rebalance, the expected budget deficit is EUR 335.9 million or 6.7 time higher than in the previously planned

budget for 2020. By the budget rebalance decomposition of budget items was done, thus creating fiscal space for the needs of financing additional economic support measures. The budget rebalance planned the missing funds in the amount of EUR 877.5 million, which is 48.6% more than the previously planned budget. It is expected that one part of the missing funds will be provided from a loan with the IMF, while the other part can be provided from the European Commission through a macro-financial support instrument or by borrowing from the World Bank. However, a major borrowing problem is the country's unfavourable fiscal position.

An indebtedness problem remains a significant burden for the Montenegrin economy in the coming period. It is estimated that public debt will represent over 80% of GDP (taking into account the decline in GDP this year), and in nominal terms will be on similar level from the previous year.

Macedonian Economic Outlook in the Context of the Corona Pandemic

Gjorgjioska M. Adela

By June 2020, it was apparent that the corona-virus pandemic had caused the largest disruption to the economy since the country's independence in 1991, exceeding the impact of the 2008/9 global economic crisis. The IMF estimates that the pandemic will cause a 4% reduction of GDP, a figure which has been criticised by some as too optimistic. In any case, the medium to long term effects on the economy will go hand in hand with the ongoing development of the pandemic as well as the specific measures taken to contain it. The longer it continues, the more strain it will put on the already weak economy, accumulating into strong aftershocks with severe socio-economic consequences.

Economic forecast

According to the IMF, the pandemic will cause a reduction of at least 4.0% of GDP, with all components of GDP likely to be negatively affected. Others have described this scenario as too optimistic in light of the more negative forecasts for the economic performance of the neighbouring countries and the higher contractions on average across Europe. It is expected that domestic demand will be reduced by 2.7% and net exports by 1.3%, resulting in the cumulative output losses of around 3.7 Billion EUR for 2020 and 2021. Based on such estimates, the UNDP forecasts that by the end of 2021, the economy will still not be able to return to the pre-crisis growth trajectory.¹

¹ [https://www.undp.org/content/dam/undp/library/covid19/Socio-Economic Assessment North Macedonia.pdf](https://www.undp.org/content/dam/undp/library/covid19/Socio-Economic%20Assessment%20North%20Macedonia.pdf)

In an attempt to ameliorate the impact, the Government has made available €550mn or 5.5% of GDP of assistance to citizens and companies, distributed in three economic packages. The aim of the first two packages has been to improve the liquidity of firms worst affected by the coronavirus and preventing a sharp rise in unemployment. The third package has been described as “direct assistance to citizens and businesses to offset the consequences of the coronavirus (COVID-19) pandemic”. However, in spite of the government support, companies continue to face serious and unprecedented cash-flow, supply and operational problems, whilst private consumption is falling and consumer confidence is rapidly deteriorating. Industrial production in April and May declined by around 30% on an annual basis, which is worse than the EU decline of 24%. Similarly, retail trade in April and May declined by 19%, while the decline in the EU was 11%.¹

All of these trends are likely to continue until the end of the year. Thus, although helpful in the short run, the potency of the economic measures taken is likely to be short-lived and hampered by the economy’s vulnerability to economic developments in Europe and globally - due to strong banking and trade ties, the disruptions in international supply chains, but also due to the structural vulnerabilities of the Macedonian economy as a whole. The combined effect of the pandemic shock and the structural weaknesses of the economy is likely to result in several key economic effects, with particularly adverse effects on several critical sectors at risk.

Disruptions in international supply chains

The structure of the Macedonian economy, with 82 per cent of the country’s exports intended for European countries makes it highly dependent on exports to European virus-hit countries. The disruptions in global supply chains are expected to lead to an expected fall of exports of goods and services of 9.8% in nominal terms, or 5.5% in real terms. Recent projections by the National Bank (May 2020) forecast a fall of exports of

¹ <https://wiiw.ac.at/uncertainty-looming-after-elections-in-north-macedonia-n-453.html>

goods and services of 17.1% in real terms. According to the UNDP, disruptions in international supply chains cause uncertainty in the automotive component industry in particular. “Around 50 automotive component suppliers are working well below their production capacity in a wait-and-see attitude, causing a significant downside risk on the export side. Similarly, problems have also been faced with the imports, in light of the high dependence on basic materials needed for industrial production processes which are usually imported also from the worst-hit markets in Europe.¹ The projected fall in imports is between 2.8% in real terms (IMF 2020) and 15.4% in real terms (National Bank, 2020).”²

Critical sectors at risk

Labour lay-offs and bankruptcies (insolvencies) are likely to intensify, affecting the national revenue shortfall. Several sectors of the economy however, are expected to be most exposed. According to the UNDP, industry micro entities (0-9 employees) will be the hardest-hit category by size of business. Employing 126,243 persons, this sector was already vulnerable before the outbreak, struggling with low liquidity and heavily burdened with loans. Another sector at risk of large layoffs is the tourism, hospitality and entertainment industry. The lockdown, social distancing and forced closures of stores (including shopping malls) led to a dramatic fall in both wholesale and retail trade. Moreover, 2020 experienced an unprecedented fall in the number of tourists and the number of nights spent negatively affecting the industry as a whole.³ The summer period may help offset some of the losses to the domestic tourism sector,

¹ “The economy faced by the coronavirus and the concept of neoliberalism” available at: <https://rabortnik.com.mk/%D0%B5%D0%BA%D0%BE%D0%BD%D0%BE%D0%BC%D0%B8%D1%98%D0%B0%D1%82%D0%B0-%D0%B2%D0%BE-%D0%B5%D0%BA-%D0%BD%D0%B0-%D0%BA%D0%BE%D1%80%D0%BE%D0%BD%D0%B0-%D0%BA%D1%80%D0%B8%D0%B7%D0%B0%D1%82%D0%B0-%D0%B8-%D0%BA/>

² [https://www.undp.org/content/dam/undp/library/covid19/Socio-Economic Assessment North Macedonia.pdf](https://www.undp.org/content/dam/undp/library/covid19/Socio-Economic%20Assessment%20North%20Macedonia.pdf)

³

helped also by vouchers for domestic tourism for low-income individuals and households offered as part of the government financial support. However, this also depends on the border restrictions, which are likely to affect regional tourist patterns during the summer and autumn periods. In any case, if the crisis lasts until the end of 2020, record losses are expected in the sector. According to a May 2020 survey by the Union of Chambers of Commerce, the decline in the tourist inflow will be over 80% and the recovery may last until the end of 2027.¹ The third critical sector at risk is the textile industry. It exported goods in total value of 117 Million € in 2019, which is 1.8% of the country's total exports of goods. At the end of February 2020, textile manufacturing employed nearly 6,000 workers, whereas the entire textile industry engaged 30,942 workers. Layoffs in this labor-intensive industry, which is experiencing a significant downturn, can have a massive unemployment impact.

Additional government subsidy programs targeting the critical sectors at risk may be necessary to reduce significant job losses across the sectors. According to some economists, the anti-crisis measures that the government undertook, such as the wage subsidies for companies that keep workers have expired already (in June), and if economic activity does not improve soon and there are no additional measures, the labour market is likely to worsen.² Thus, as the corona crisis continues, it is likely to result in further spikes in the already high levels of unemployment (currently at around 18%) and an increased percentage of the population falling under the poverty line. Due to labor layoffs and exceptionally low job creation, it is forecasted that it will increase to 20.4% at the end of 2020. These trends will inevitably also affect the poverty rate, which according to the UNDP forecasts, will increase to 21%. Poverty is likely to also be affected by the reduced net inflow of remittances, as migrants' incomes abroad shrink. Annual inflows of private transfers are expected to fall by 102 Million € in 2020. This will affect disposable incomes of recipient households and put

¹ <https://www.24.mk/details/turistichko-ugostitelskiot-sektor-e-najpogoden-od-koronakrizata>

² <https://wiiw.ac.at/uncertainty-looming-after-elections-in-north-macedonia-n-453.html>

an upward pressure on the poverty rate. As a result, households, individuals and firms are likely to face difficulties in loan repayments, causing worsening of banks' portfolios of loans.

The medium and long term economic effects are conditional upon the second and third pandemic waves. Even if the economy restarts production in full observance of the health prevention measures, it will take several months before demand picks up. This in turn will prolong the economic recovery phase. The circular flow of income and revenues is likely to be severely affected as a combined effect of all these processes. It is expected that the projected fall on the revenue side and the limited response on the expenditure side would result in a consolidated central government budget deficit of 6.5% of GDP in 2020, as well as increases in debt and deficits beyond those recorded in the Global Financial Crisis. The Macedonian economy will only be able to seek ad hoc treatments for the symptoms of the rising economic crisis. On its own however, it will possess neither the capacity nor the economic power necessary to address the causes of the economic crisis. As a result, the potency of the economic measures taken is likely to be hampered by the economy's vulnerability to economic developments in Europe and globally, but also due to the structural inability of the state to stimulate and coordinate the economy as a whole.

Projections of Poland's Economic Situation in the Coming Months

Joanna Ciesielska-Klikowska

Anticipating the economic consequences of a pandemic seems to be very difficult. The opinions of Polish economists in this respect are extremely divided. Some point out that lockdown is a chance for Poland to rethink and introduce new forms of work, adapting the labour market and the economy to the challenges of the 21st century. They predict that the economic consequences will be small and the economy will return to good track soon. Others, however, say that Poland is threatened by a huge recession, group layoffs and a return to the state of economy from the early 1990s, when industry had to recover after the collapse of Comecon. So what will the economic cost of pandemic be like and what should the government do to reduce the recession as much as possible?

Current situation and economic forecasts

The present phase of the epidemic in Poland is not ending at all, and the peak of infection remains at a high level of 350-450 per day. Although the authorities hope to flatten the growth curve soon, the assumption that the pandemic will end in a few months is unrealistic. The risk of its rapid recurrence in winter will not be reduced either. At the same time, however, now - after lifting most of the restrictions and introducing “defrosting the economy” – it is time to think about how will the Polish and world economy work, and to what extent will its rules change.

In fact, the scale of the economic crisis caused by the pandemic is large. The negative effects of the coronavirus push the Polish economy into first since the beginning of 1990s recession and will weigh on public finances. However, because Poland has considerable space in economic policy, including high flexibility of monetary policy with a strong external balance sheet and public finances, this will help reduce the scale of the shock. A solid rebound is expected in 2021, followed by an improvement

in the country's fiscal position. Although the pace of economic development is likely to fall to 2% this year, it should rebound in 2021 to 4.3%-4.8%. In addition, unemployment is projected to rise to 7.5%, but is expected to fall to 5.3% next year. Projections indicate, that inflation will amount to 2.5% this year (in 2019 it was at the level of 2.1%), although analyzing the current prices in stores it may be higher by the end of the year.

The main cause of the crisis brought administrative restrictions imposed on citizens and business, yet private expectations also had and still have a large impact on the observed collapse and prospects of a future breakup. In fact it can be assumed that epidemic costs will have to be borne by everyone - entrepreneurs, capital owners, working people, the unemployed, pensioners, public sector employees, private services, industry and agriculture. Public policy should therefore strive to distribute these costs as evenly as possible, without trying to protect the interests of either group at the expense of the others.

The current activities of the Polish government are to prevent a wave of bankruptcies among the companies affected by the crisis, and are focusing primarily on providing flexibility to the economy. The report prepared by the Wise Europa Foundation indicates that in recent months the Polish government has acted similarly to other OECD countries, which used comparable macroeconomic instruments for this purpose, namely the incurring public debt (bringing deficit increase by several percent of GDP) supplemented by easing monetary, and the redemption of government bonds by central banks.

These packages are necessary in the short term, yet difficult to maintain in the long run - due to macroeconomic risks (i.e. inflation, stagnation of productivity, public sector insolvency) and undesirable microeconomic effects, like those in the banking system. Therefore, their widespread use reinforces the need for quick and permanent restoration of relatively normal economic activity, including the abandonment of administrative lockdown as the main means of dealing with the epidemic.

We can presume that strategies that are successful in the short term need not to be identical with strategies that are effective in cross-section for

a whole year or several years, and today's approach will have to be modified in the wake of changing patterns of infection, expanding medical knowledge, and taking into account economic costs of individual interventions. In contrast, strategies for long-term eradication of epidemics should indicate a set of epidemiological and economic measures conducive to reducing the number of infected people and preventing their accumulation in a short time in conditions of quasi-normal economic activity. At the same time, it is necessary to find many mutually complementary solutions not only possible for mass implementation, but also to maintain for a long time.

What should be done?

Certainly, in the coming months, the government should pay close attention to the risk assessment of citizens and entrepreneurs. This assessment may extend the recession by many months, which is why a necessary element of public policy going beyond the current "anti-crisis shields" (economic assistance programs introduced by the government since March 2020; now there is already the fourth version of the "anti-crisis shield") will be fiscal stimulus packages including public investments, concessions tax, changes in the structure of public expenditure and regulatory reforms to help the economy recover quickly from recession. The challenge of their implementation will be to reconcile the needs of current fiscal stimulation with longer-term public policy objectives, like the European New Green Deal or the Digital Agenda, while balancing the conflicting interests of different groups (e.g. industrial and mining sector employees or the unemployed and employed).

Restoring the Polish economy to the pre-COVID-19 conditions requires not only lifting the administrative restrictions on individual mobility and prohibitions imposed on business, but also convincing entrepreneurs and citizens that these activities are permanent and the likelihood of another lockdown is very low. It can be expected that even after the current phase of the epidemic has been suppressed, the economy will remain at a very high level of uncertainty reducing the investment activity of companies and the propensity of households to consume. Role

activities carried out from mid-2020 to the end of the year should therefore bring the preparation of the entire socio-economic system for a possible increased number of SARS-CoV-2 cases in autumn and winter, and taking measures to stimulate consumer and investment demand in the economy.

Economical plans for the following months

It can be assumed that in the coming months the government will therefore strive to implement a stimulus package for the entire economy, covering both the fiscal and monetary sphere as well as regulatory changes. It should include:

- reducing the burden on local government budgets (due to lower revenues) by permanently abolishing the so-called “Janosik tax” (it is a payment to the state budget made by local government units whose tax revenues exceed the ratios specified in the act from 2003), provided that the investment is maintained by cities and provinces;
- increasing public investment in 2020 and 2021 by 1% of GDP compared to 2019;
- accelerating the investments and other expenses implemented centrally or announced for central funding in recent years, such as the Central Communication Port or the Vistula Spit canal;
- balancing the costs of the crisis between employees and the unemployed and significantly making the labour code more flexible for at least two years - introducing full flexibility of employment contracts (short notice) in exchange for raising unemployment benefit to half of the average wage for a period of six months;
- maintaining a relative budget balance and avoiding the explosion of expenses (e.g. resignation from the so-called thirteenth and fourteenth retirement in 2021; liquidation of pension privileges in mining, police and army, and in the judicial system - introducing the calculation of pensions according to the rules for other professional groups);

- introducing one rate of PIT tax at the level of 30%, assuming a significant increase in the tax-free allowance (currently only annual income below PLN 8.000 [EUR 1.800] is not taxed), protecting persons with lower incomes and liquidation of all other concessions, including tax for the Internet and cost of getting income;
- covering single tax for sole proprietorships and farmers, with the option of an increased free amount as an alternative to a detailed cost accounting and deductions;
- unification of VAT at the level of 23% -25% (introduction of one rate for all products - currently different product groups have different VAT rates);
- reducing cash turnover in the economy through the mandatory digitization (introduction of non-cash payments by all business entities).

Conclusions

Polish economy currently needs restoring normal economic activity in the (still to come) post-COVID-19 reality. However, short-term successful strategies must not be synonymous with effective strategies for coming years. Poland will definitely feel the effects of the recession, but it will most likely be milder and end sooner than originally planned. If Poland manages to flatten the disease curve quickly and there is no risk of another lockdown, the Polish economy will be able to enjoy a return to economic growth of around 4.3%-4.8% in the next year and to keep unemployment low. It would be a huge success and at the same time a chance to maintain a competitive position in the international arena.

Romanian Economic Outlook after the Pandemic

Oana-Cristina Popovici

Romania had better economic results in the first quarter of this year than those initially forecasted. Yet, a strong contraction up to 15% of the GDP is expected in the second quarter, followed by a similar recovery. The Government hopes in a V-shaped comeback, but in the meantime has to manage high twin deficits, the Excessive Deficit Procedure initiated by the European Commission and a 40% increase in pensions established for September, which could further deteriorate the economy. The support of EUR 33 billion from the EU in the view of the economic recovery could be claimed based on strategic projects for the modernization of the whole economy in the medium and long term.

Romania's economy managed to avoid recession in the first quarter of this year and registered the strongest expansion in the EU, being among the three European countries that reported positive quarterly dynamics. GDP growth registered an advance of 2.7% compared to the first three months of 2019 and 0.3% compared to the last quarter of last year. First official data on the impact of the COVID-19 on the economy turned out to be better than analysts' estimates.

However, the largest economic impact of the pandemic is expected to be seen in the second quarter of 2020, when restrictions have led to a freeze on activity in almost all sectors. The perspectives for the whole year are not as optimistic anymore. The World Bank predicts an economic decline of 5.7% for 2020 in Romania, according to the "Global Economic Outlook" report issued in June. The main reason for such an evolution is Romania's status as an importing country of goods that are deeply integrated into global trade and value chains. Under these circumstances, the global evolutions risk to have a higher impact on the domestic economic evolution. Last data of the European Commission shows a 6% decrease in the national economy this year.

The Minister of Finance also estimated a strong contraction for this year, but with a recovery that will start in the third quarter. The projections show that GDP is expected to contract by 15% in the second quarter, amid a decline in services and industry, followed by a similar recovery. There are already signs that the economic activity slowed down significantly. In April, new orders in the manufacturing industry decreased by almost 40%, while the turnover in manufacturing saw a drop by more than 38% compared both to March 2020 and to April 2019.

The Government hopes in a “V” recovery of the economy, compensating the shock generated by the pandemic by an equally sustained increase once the activities are resumed. The Government considers that the measures taken during this period would allow for such a recovery. First of all, the measures aimed at maintaining almost intact the liquidity of companies, by paying technical unemployment and state-guaranteed loans. In addition, the National Bank of Romania (NBR) supported the economy by increasing liquidity in the banking system and reducing the reference interest rate. Therefore, these measures should have been “freezing” the production capacity, giving companies the chance to preserve the necessary resources for relaunch. Second of all, the most affected sectors (mainly those in the hospitality industry) have a reduced contribution to GDP formation and economic growth. Some economic analysts are more skeptical and do not endorse this scenario, since the major external partners, such as France, Germany, Italy and Spain will not register a similar evolution. In the context in which future closures of the economies are still possible, given the lack of a cure for the disease, a sinusoidal evolution is rather forecasted.

The “Romania Economic Outlook” report, recently launched by BRD, one of the largest banks in Romania, estimates a GDP contraction of 3.9% in 2020 and a U-shaped comeback starting in the third quarter at best. However, there are some major risks that could lead to a more pronounced contraction. Moreover, the report has a pessimistic outlook on the chances of the GDP growth turning positive next year, as the disruption caused by Covid-19 could be longer, while the manoeuvring space for counteracting

it is reduced. Therefore, they highlight a higher probability of a slight contraction. Other institutions, such as World Bank, expects Romania's economy to grow by 5.4% in 2021, while the European Commission foresees a return of 4.2%. The Minister of Finance estimate a similar GDP increase, situated between 4-5%.

Romania entered the crisis with some major flaws: very high current and budget deficits, meaning very low reserves for supporting the economy. It was the only EU member state to exceed the fiscal deficit threshold of 3% of GDP in 2019. Moreover, Romania has a very low level of revenues at the state budget, especially tax revenue, as well as a high rigidity of spending, given that most of the revenues cover pensions and salaries. Following the first budgetary adjustment this year, the deficit worsened, being reassessed at 7.6% of GDP (as compared to 3.6% initially), but based on a real GDP drop by only 1.9%. Given the future evolutions, it is possible that the deficit to be higher; BRD estimates it at 7.8% of GDP, while Standard & Poor's (S&P) at 8%. At present, all three major rating agencies give a negative outlook to Romania's credit rating, with significant risks for a downgrade.

At the beginning of June, the rating agency S&P confirmed Romania's rating at BBB- / A-3, with a negative outlook. Romania managed to avoid for the moment a downgrading which seemed very realistic given the expansionary policies carried out so far, which would have had an extremely negative impact over the economic evolution given that this would have meant an increase in financing expenditures. However, the situation continues to be vulnerable and tensed and the rating could be downgraded if fiscal and external imbalances remain high for a longer period and no fiscal consolidation measures are to be applied.

On the other hand, the current account deficit in the first quarter grew by 21.9% on a year-on-year basis, amounting to EUR 1.36 billion. As the current situation is not in the favour of improving the perspectives, managing these twin deficits also put pressure on the general macroeconomic situation. For example, the national currency is more vulnerable than the currencies of other surrounding countries given the size

of twin deficits and the increased risks in terms of fiscal policy and public debt sustainability.

Romania also has to deal with the Excessive Deficit Procedure, despite the decision of suspending the fiscal rules in the EU starting with March 2020 due to the pressure caused by the pandemic. The European Commission considered that the breaches of European tax rules were prior to the coronavirus and therefore not due to it. Romania has to provide a set of measures in order to consolidate the fiscal framework through structural reforms, whose sustainability and efficiency will be valued taking into account the economic and fiscal impact of the pandemic and the implications of activating the derogation clause in the Stability and Growth Pact.

Several measures were taken for improving the support towards small and medium-sized enterprises (SMEs), which are meant to continue. The Government supplemented the budget allotted for the IMM Invest programme, which will allow tripling the number of beneficiary companies. Currently, there are over 3,000 beneficiaries, which received financing of almost EUR 520 million. A similar programme for providing financial support to large companies was approved by the Government. In this case, the state is guaranteeing loans up to 90% and is subsidizing the interest rate up to 50%. The initial ceiling of this state aid program is over EUR 1.6 billion. The support scheme will become operational after the approval of the European Commission.

Still, S&P estimates that the fiscal stimulus package including the economic measures taken by the authorities in response to the COVID-19 crisis, which amounts to 3% of GDP, is among the weakest in the region. However, the measures may reduce the effects of the crisis, but with the effect of raising the budget deficit to around 8% of GDP, including declining revenues due to the economic contraction.

The electoral context of this year could also affect the evolution of the economy. An increase by 40% of the pensions starting with the 1st of September was adopted by the opposition last year, and the Government has to decide whether it will be implemented or not. There are high risks

that such a decision could further block the economy, as international financial institutions and rating agencies have shown that they pose a major risk to the health of the economy. So far, in his declarations, the Minister of Finance stated that such a raise would create problems for the budget sustainability in the next two years. He pointed that there are not enough funds for such a law, and in order not to destabilize the economy, other measures must be taken. A potential increase of maximum 10% was envisaged by S&P, in the agency's report regarding Romania.

Romania will receive EUR 33 billion representing mostly non-reimbursable funds and loans on advantageous terms through the European Commission's recovery plan, in addition to the structural and cohesion funds. However, the effective amount depends on the ability to carry out a national economic recovery plan for absorbing the European money, with effects in the long-term on the economy. The plan should include strategic and modernization projects which should reflect the real needs of the society and based on the European Semester recommendations.

Economic Forecasts after the COVID-19 Pandemic in Serbia

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Abstract: There is a widespread belief that the world will not return to the functioning it was before this crisis. In Serbia, like in many other countries, after fighting a pandemic, there is ongoing struggle for the preservation of the economic system. There is still great uncertainty for more accurate forecasts of economic trends. The recovery of different economies after a pandemic is interrelated, and Serbia through trade and investment channels is predominately connected to the EU. Projections from international organizations show that Serbia will have a recovery in 2021 after the recession in 2020. The negative impact on the Serbian economy will be weaker than in other European countries.

Introduction

Virus COVID-19 evolved into a major disaster for the citizens and economy all over the world. Serbia was also affected by the pandemic. Due to the outbreak of the COVID-19 pandemic the Republic of Serbia declared state of emergency on 15 March 2020, which lasted until suspension on 6 May 2020. Economic Measures of the Government of the Republic of Serbia to Support the Economy, in order to manage the impact of COVID 19, were introduced in April 2020, with the 5.2 billion EUR worth program. Good communication between the economy and the Government of the Republic of Serbia has led to the harmonization of economic measures of the Government with the needs of the economy.

According to world health experts, this virus is still a great unknown. It is also a great unknown in terms of its consequences on the economy of the world, EU, and Serbia. Since there are a multitude of unknowns, a

projection of the economic recovery of Serbia after the COVID-19 is very difficult to determine with any kind of certainty. The most general estimation would be that the pandemic will have a negative impact on the Serbian economy, although the impact will be potentially milder than in other European countries.

Slowdown in the economy

Before pandemic the Serbian economy had a real GDP growth of 4.2% (in 2019), general government debt has been 52.1% of GDP, and unemployment rate at 10.5%. Before the COVID-19 the Government of Serbia projected 4.0% growth for 2020. The COVID-19 pandemic outbreak is leading to a much lower growth of the Serbian economy than previously expected. According to the IMF World Economic Outlook, a 3% drop in GDP is expected in Serbia in 2020, followed by a 7.5% growth in 2021.

According to the European economic forecast (spring 2020), the impact of the COVID-19 pandemic and the measurements imposed in order to preserve health, are expected to cause GDP to contract by around 4% in 2020, followed by a strong rebound by 6% in 2021. The contraction and the recovery are forecast to be both mainly driven by private consumption and investment. The overall short duration of lockdown measures is not expected to durably affect production capacity and the long-term growth trajectory.

In 2019 annual growth was above 4% for a second consecutive year. Short-term indicators suggest that growth remained robust in the first quarter of 2020, but the positive outlook came to a sudden halt due to the outbreak of the COVID-19 pandemic. During the state of emergency, in force were, among others, a 12-hour daily curfew, transport shutdowns, and the closure of all non-essential shops, restaurants and cafes. Many private companies in Serbia were not been able, due to the closure, to earn for the salaries of the employees, so the question of survival was raised, especially for the affected branches, considering that the service companies were affected more than sales companies.

The World Bank is estimating that Serbian economy will enter into a recession in 2020, driven by lower tourism and transport activity, lower remittances, decelerating exports and lower FDI and investment overall. „Over the medium term (2021-2023) growth will return to its previous trajectory. This medium-term outlook crucially depends on international developments (including the impact of COVID-19), the pace of structural reforms and political developments.”

According to the EC forecasts public deficit and debt will rise strongly in view of crisis mitigation. Public debt is projected to rise above 60 percent of GDP in 2020, reflecting both a high deficit and a fall in GDP, and then will follow a gradual decline in 2021 in line with the economic recovery and deficit reduction. Under the plan agreed with the IMF, Serbia's public debt should not exceed 60% of GDP, from 52.4% at the end of 2019.

Trade, jobs, industrial production and overall development

“Due to its relatively high trade openness, the Serbian economy is set to be strongly hit by the COVID-19 crisis-induced contraction of external demand, particularly from its main trading partners in the EU, leading to a projected fall in exports by 8½%. The negative domestic demand shock is however expected to lead to a stronger fall of imports by 9½% and thus to a positive contribution of net exports to GDP growth in 2020. Exports and imports are forecast to rebound strongly in 2021”, according to the European economic forecast.

It is indisputable that the EU (primarily Germany and Italy) has been Serbia's most important foreign trade and economic partner for years. In addition to the inflow of foreign direct investments, loans, remittances (and donations), which predominantly come from them, the European Union is a key strategic partner of Serbia due to its huge global economic, technological and political significance. Therefore, current and future economic trends in Serbia are significantly influenced by developments in the EU. The relatively slow recovery of the EU economy after the pandemic will be reflected in the slowdown in the growth of import demand and

investment, which will also be reflected in the slowdown in the growth of domestic exports. Since Serbian economy depends on manufacturing and trade with the EU incises in Serbian manufacturing and trade are usually driven by foreign direct investments again first of all from the EU.

According to the assessment of the National Bank of Serbia, inflation in 2020 should be around the lower limit of the allowed deviation from the target ($3 \pm 1.5\%$) in the conditions of lower aggregate demand, as well as lower import prices, including oil prices. Gradual approach of inflation to the central value of the target is expected in the medium term, which should be contributed by the recovery of demand, stimulated by monetary and fiscal policy measures.

The lockdown induced job losses and reduction in labor income, especially poor and vulnerable households were disproportionately affected. According to official information, 15,000 people in Serbia have lost their jobs. But, according to research conducted by the SeConS Development Initiative Group, about 200,000 people have lost their jobs in Serbia, which corresponds to about 8% of the people employed in February 2020, including informal and self-employed workers. Vulnerable categories of employees were especially affected, those who work without contracts, with occasional contracts, then with fixed-term contracts, as well as the self-employed.

According to the Statistical Office of the Republic of Serbia research of the industrial production by months compared to a February 2020 (100%) was 79.33% in March, 70.37% in April and 83.85% in May. The percentage of companies operating in April was 86.13, and in May that percentage rose to 94.54, which shows a good speed in returning to the normal level of activity, and provides hope that employment will also increase.

Since the EU, at the EU - Western Balkan's Summit (held in Zagreb on 7 May 2020), just reaffirmed the European perspective of Western Balkan's countries, instead of specifying its policy of enlargement on the West Balkans and the respective timelines, that may makes WB more inclined to change their orientation in the direction of Russia, China,

Turkey and other interest spheres. On the other hands, the EU solidarity response (3.3 billion EUR financial solidarity package to the Western Balkan countries), and also IPA funds proposed packages for support WB in the recovery, are much stronger incentives.

Conclusion

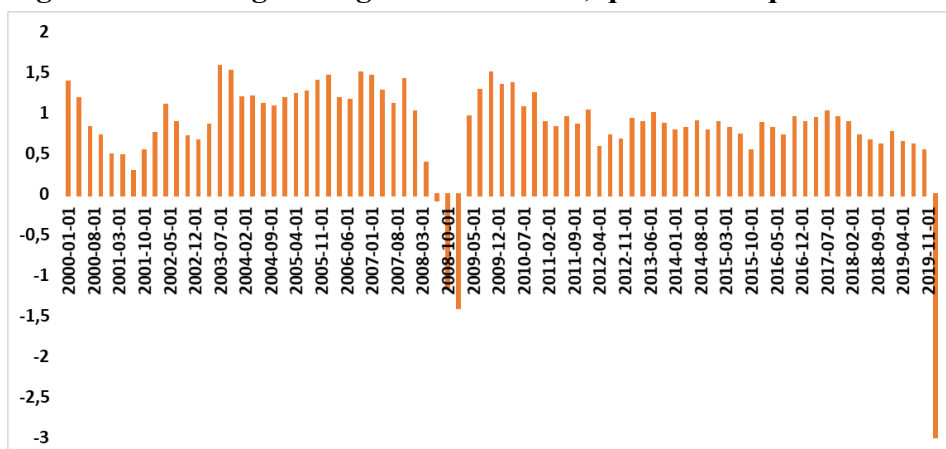
It is expected that COVID-19 induced crisis may be far greater than those caused by the global financial crisis in 2008. In addition to fighting pandemic the current priority is the economy. The negative consequences of the pandemic did not bypass Serbia, but the impact will be potentially milder than in other European countries. Most of the effects of closing and reducing the largest number of economic activities due to COVID-19, as well as economic measures to support the economy in Serbia, will be visible at the end of the year at the earliest. Post COVID-19 changes will most likely include changed models of doing business. The pandemic has broken or shortened globalized supply chains. Production positioning will tend to be closer to customers in developed countries. This means that Serbia because of its proximity could become more interesting for EU companies. It may also become interesting for investments from China, which will thus be closer to the EU market.

New Economic Outlook for Slovakia

Martin Grešš

Summary: *Coronavirus pandemic has crippled the world economy, disrupted the global supply chains and negatively affected also regional blocks and the economies of their individual member states including the European Union and the economy of Slovakia. Negative effects on the GDP development in the world is presented in figure 1 with the latest available data for first quarter of 2020 with the slump in GDP of -2.99% in comparison with previous quarter. We note the slump that is deeper than the negative change during the financial crisis in 2008 and 2009, or more precisely in the fourth quarter of 2008 (-1.14%) and the first quarter of 2009 (-1.39%).*

Figure 1 Percentage change in world GDP, quarter-on-quarter



Source: OECD (2020).

As already mentioned in previous weekly briefings regarding the economic situation in Slovakia (April and May 2020), the current coronavirus pandemic has already negatively affected the economy of Slovakia in the first quarter of 2020, especially since the first cases appeared and countermeasures to fight the pandemic were introduced

together with the emergency state in March 2020. After rather slight increases in the number of affected people, since April the countermeasures began to ease with the end of emergency state in mid-June and almost all the measures eliminated with the one, probably most important, still in place – using face masks in the interior.

In this briefing, we present the current outlook for the Slovak economy after the coronavirus outbreak in the first half of 2020 for the second half-year of 2020 and following years where available. We focus on the forecast based on the data and put forth by the National Bank of Slovakia (NBS) – central bank of Slovakia.

However, we note, based on the OECD (2020), that the economic outlook in current situation is exceptionally uncertain and with the easing of health emergencies and confinement measures together with restarting of economic activities may lead to recovery to be hesitant and interrupted by another coronavirus outbreak if targeted containment measures are not put in place or prove ineffective.

On the other hand, OECD (2020) reminds that the “governments and monetary authorities reacted remarkably quickly to the crisis, reducing the spread of the virus and preventing an even larger economic and financial collapse. Emergency measures expanded hospital and other healthcare capacities, helped to preserve the incomes of workers and companies despite the shutdown, and guaranteed private debt on a large scale in some countries.” Monetary policies have been eased in many countries (with programs such as cut in the interest rates and enhanced asset purchase programs). Also fiscal policies have been relaxed to support the economies resulting in new challenges for national governments such as increase in the state budget deficit, increase in the public debt to significantly high levels, and interest rates reduced to historically low levels of zero percent or even less.

Economic outlook for Slovakia¹

In June 2020, the NBS introduced new middle-term prediction regarding the outlook of the Slovak economy for upcoming months of 2020. Based on the NBS (2020b), regarding the new developments after three months of the coronavirus outbreak in Slovakia, there are three major changes in comparison to previous outlook by the NBS. These three most important changes are:

- The figures for the first quarter of this year are slightly worse than was expected.
- The recovery from this year's economic downturn caused by the coronavirus in the first quarter is expected to be slower. While at the end of April the Slovak economy was expected to reach the pre-crisis levels at the end of 2021, in the end of June, the Slovak economy is expected to reach its pre-crisis levels of 2019 economic growth probably no sooner than in the first half of 2022.
- The lasting consequences of the crisis will be probably more pronounced. The NBS assumes that at the end of 2022, the Slovak economy should still be 6 percent smaller in comparison to the scenario with no coronavirus outbreak.

There is a number of reasons for these changes, especially for longer than expected recovery of the Slovak economy. Based on the most current information, we note that the vaccination or even the medicine for the Covid-19 virus is not to be expected soon. Even though according to EMA (2020), EMA's human medicines committee recommended granting a conditional marketing authorization to Veklury (remdesivir) for the treatment of COVID-19 in adults and adolescents from 12 years of age with pneumonia who require supplemental oxygen rendering remdesivir the first medicine against COVID-19 to be recommended for authorization in the EU. Besides the effective vaccination/medicine and the uncertainty of their invention, the people all over the world will continue to live in greater

¹ Data in this part are taken from NBS (2020a).

uncertainty than before the coronavirus outbreak affecting their behavior on both sides of market fundamentals – as consumers on the demand side and as investors on the supply side as well. Also, we may expect introduction of old and new coronavirus countermeasures, even though in more subtle forms, in case of rising in the numbers of the infected or second wave of the outbreak. One of the most important thing, as mentioned in the introduction, is the disruption of global value chains and trade relations which may prove extremely negative for the development of the Slovak economy which belongs to one of the most opened economies in the world. Because of this fact, even though the strict countermeasures taken by the old and new Slovak government in March this year together with the opening up, easing the measures and helping the economy through fiscal and monetary policies, it may still not be enough in case there is another wave of the coronavirus outbreak later this year (may be expected in the fall with the weather propitious to virus widespread in the population). Also new and more complex problems may arise in the financial sector, despite the help from the EU and the Slovak government, affecting the willingness and ability of the banks to finance loans, mortgages, investment. Another problem may arise in the public finance sector. The gap between budget revenues and expenditures is expected to widen to more than EUR 8 billion with public debt exceeding the 60 percent of the GDP. Again, we identify several reasons for this situation: 1. Less taxes flow into the treasury, 2. People working and shopping less with companies having lower profits, 3. Government measures to help the economy, directly affecting the budget of EUR 2 billion (NBS, 2020b).

The forecast for this year expects both, employment and the economy as a whole, to be roughly at the level of 2017 by the end of this year. Regarding the loss in the number of jobs is expected to reach 70 thousand jobs. However, based on the effectiveness of government measures, we may expect this number to rise. The NBS expects the loss in jobs at 100 thousand in case of a combination of several negative factors.

In case of wages, the situation may be bifurcated depending on the sector one works in. There is a strong possibility that the wages in the

private sector will fall rather sharply in the following month of this year. There are two reasons for this: 1. Many people worked fewer hours in the beginning of this year and 2. The bonus rewards should be lower. On the other hand, as the economy begins to recover, the hours worked, and thus wages, should grow relatively quickly. People working in the public sector will not feel the crisis so much thanks to the approved wage adjustments. Since the public sector is smaller than the private sector, wages in the economy as a whole will fall.

Regarding prices, in 2020 prices are expected to continue to increase because of the food prices. Many operations that survive the crisis are unlikely to be in a position to cut prices due to their fixed costs and liabilities.

Conclusion

Slovak economy will be hit quite hard with the current coronavirus crisis in 2020 with expected recovery sometimes in 2022. However, we note this recovery will be possible only in case vaccination or medicine for Covid-19 will be discovered and the economy will not be hit by future waves of the disease. Decreasing world trade and the disruption in the global value chains will hit directly and negatively the export-dependent Slovak automotive sector and also other sectors of the economy. Therefore it is of great significance the situation with coronavirus not only in the Slovak economy, but also in Slovak major trading partners like Germany, Czechia and others. In case of new wave, the GDP will probably fall by 11% with hard recovery caused by heightened uncertainty and high unemployment. On the other hand, implemented fiscal measures may cushion the impact of this downturn to some extent, which is, however, hard to predict.

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The Rating Agency S&P confirmed Slovenia's credit rating: AA- and Stable Outlook for Post-Corona Times

Tina Čok

Summary

By confirming Slovenia's credit rating, the rating agency Standard & Poor's expects negative economic growth this year, but indicates a positive turnaround as early as next year. Moreover, Slovenia has risen two rungs in the latest IMD World Competitiveness Ranking to 35th among 63 countries, due to improvements in business and government efficiency, while sliding back in terms of economic performance over 2019. Notwithstanding the impact Covid-19 had on consumer confidence, the expectations for the country's economic situation, both in terms of the financial situation and unemployment, have improved most this month.

Favorable impact of strong economic growth combined with a high balance of payments surplus

On 12 June 2020 the rating agency Standard & Poor's confirmed the credit rating of the Republic of Slovenia with AA- (stable outlook).

This year, due to the Covid -19 pandemic, the forecasts for the Slovenian, European and other global economies have deteriorated. According to the agency, Slovenia has built up a strong position over the last decade, characterized by successful economic growth, the reduction of private sector debt and the reduction of public debt as a share of GDP, which will enable Slovenia to successfully combat the negative consequences of the pandemic without long-term negative effects on its credit rating.

Forecast for next year: positive growth in credit ratings

Strong economic growth in Slovenia combined with high balance of payments surpluses in recent years has had a favorable effect on reducing net external debt from over 40% of GDP in 2012 to 10% in 2019. In addition, economic growth has been balanced and has not led to macroeconomic imbalances. Taking into account all these factors, Slovenia entered this year's economic recession much stronger than the economic crisis of 2008/2009. The Agency is also convinced that the effective response of the Slovenian government, together with ECB monetary policy, is preserving the productive capacity of the Slovenian economy, so it forecasts that the Slovenian economy will begin to recover towards the end of this year.

The current credit rating of the Republic of Slovenia reflects its high GDP per capita and its membership in the Monetary Union. In addition, the agency estimates that the balance of payments will continue to show a surplus and that government debt will start to decline again from 2021. The assessment also recognizes a stable and efficient institutional framework in the Republic of Slovenia. In short, by confirming the credit rating of the Republic of Slovenia, the agency expects economic growth to be negative this year, but already next year it points to a positive turnaround. The new government, in office since March, will continue to focus on limiting the negative economic impact of the pandemic. In addition, the government's fiscal response will help to mitigate the negative impact of the pandemic on the labor market and entrepreneurship.

For this year, S&P forecasts a decline of 7.8 % in Slovenia and growth of 5.2% next year. Another two years with GDP growth of 2.6% are expected to follow.

In addition, S&P expects the new Slovenian government to focus on economic recovery before tackling some of the announced political priorities, such as reducing administrative barriers. However, structural reforms will be important for future growth, for example in education, labor taxation, long-term care, administration and state-owned companies.

The OECD also emphasizes the need for structural reforms for Slovenia and has identified two possible crisis scenarios.

The first scenario envisages one wave of the epidemic, a 7.8% fall in GDP and a rapid recovery, while the second wave would bring more problems, so Slovenia must be prepared to respond quickly to external shocks. A small and open economy, like Slovenia's, must be able to react quickly to shocks outside Slovenia, which further increases the need for structural reforms that will allow a more flexible and competitive economy, stressed Jens-Christian Hoj from the OECD.

In order to avoid a larger number of long-term unemployed in Slovenia, hard-to-employ jobseekers should be supported by active labor market policies. Slovenia should adopt a more selective approach to economic facilitation and support, allowing more businesses to remain active, and this should be combined with protection of vulnerable groups.

It is now important to boost demand, especially in Slovenia, also to avoid possible later effects in the form of insolvency or bankruptcy. To this end, Slovenia can also benefit from ECB incentive measures. But it should also increase competitiveness and productivity, which are still lower than they could be, partly because Slovenia still has more state-owned companies than in comparable countries.

Consumer confidence in June better than in May, but significantly worse than last year

The National Statistical Office notes that expectations for the country's economic situation, both in terms of the financial situation and unemployment, have improved most this month.

The consumer confidence indicator was nine percentage points higher in June 2020 than in May. After a record low in April this year, consumer confidence is slowly improving, but it is still 16 percentage points below the long-term average.

Among the components of the confidence indicator, the expectation of the country's economic situation has improved the most this month, by 12 percentage points. Consumer expectations regarding the financial

situation and expectations regarding the number of unemployed also improved, both by 9 percentage points, and consumer expectations regarding savings (by 5 percentage points).

Mainly due to a sharp decline in April, the consumer confidence indicator is now even 29 percentage points lower than in June last year and 26 percentage points lower than the average for the previous year.

All four components of the consumer confidence indicator have deteriorated on an annual basis: the expectation of the number of unemployed by 54 percentage points, the expectation of the country's economic situation by 41 percentage points, the expectation of the household's financial situation by 19 percentage points, the consumer's expectation of savings by five percentage points.

Slovenia has moved up two places on the competitiveness scale

This year Slovenia has overtaken two countries on the competitiveness scale of the Swiss Institute for Management Development and ranks 35th out of 63 countries. Slovenia has advanced on the scale in recent years and the coronavirus crisis could change the order, so the main challenge is to ensure financial liquidity so that companies can operate as normally as possible. If the banking system reacts faster and if European money comes to Slovenia, the response to the challenges will also be faster.

After 2014, when it was ranked 55th after a deep fall due to the crisis, Slovenia is climbing up the competitiveness scale, both in terms of economic performance and the efficiency of government and business, while infrastructure is relatively stable in the long term and is around 30th place. During this period, the country has made the most progress in, for example, the criteria of employment, institutional framework, access to finance, management practice, etc.

Slovenia ranks 36th in terms of economic performance, three places less than last year and seven less than the year before. The decline is due to the slowdown in economic growth, and last year the growth of business investment in equipment and machinery declined significantly due to the lower growth of foreign demand. The state lost eight places in the survey

indicator, which assesses the potential risk of reallocation of companies from Slovenia. This is also due to the increase in the minimum wage and the exclusion of bonuses from it.

According to the criterion of government efficiency, Slovenia ranks 38th, compared to 39th the year before. The improvement is due, for example, to a better assessment of managers in terms of the legal and regulatory environment with regard to the promotion of corporate competitiveness and corruption, as well as the achievement of sustainable development goals and the democracy index. In the latter, we rank 30th out of 63 countries on the IMD scale.

Slovenia lost some places in public finance (39th place), which reflects faster progress of other countries but not a deterioration of domestic political conditions, and fiscal policy (57th place). In the latter area, Slovenia is at the lower end of the scale due to relatively high taxes on wages and contributions, and the country also occupies a poor position in labor law and in the legal framework for combating unemployment.

Slovenia ranks 29th in the infrastructure sub-sector, having lost two places last year. The decline was mainly caused by the bankruptcy of Adria Airways - in the quality of air transport Slovenia is at the bottom end of the scale in 62nd place. The efficiency of infrastructure for the distribution of goods and services, the adequacy and efficiency of energy infrastructure and spatial planning in cities from the perspective of business activity are also rated worse.

Experts also point out that Slovenia has fallen on the innovation scale despite high economic growth and relatively high investment in research and development. The blame lies with the universities, which have not offered companies enough applied research. On the other hand, it was also the companies that were unable to absorb this knowledge in order to update their product range.

Conclusions

Due to measures to curb the Covid-19 in Slovenia and in most EU countries, the decline in trade in April has become much more severe. The

fall in external demand, interrupted supply chains and the cessation of production in some Slovenian companies further deepened the decline in manufacturing output.

Despite unfavorable global economic conditions, economic indicators combined with the government's policy response to the Covid-19 crisis put Slovenia in a good position for a stable economic recovery in coming months.

Part III
SOCIAL DEVELOPMENT OUTLOOK

What to Expect Ahead? Albanian Society and Multiplied Challenges

Marsela Musabelliu

As of June 2020, the situation of Albanian society appears more uncertain than ever. It becomes a strenuous task identifying what the trends of the future will be given that the number of infected persons is taking alarming proportion if compared to the population. Indeed, this number is in some days as much as seven folds higher than in the days of the lockdown of March, April and May. As soon as almost all economic activities reopened, the jump in new cases became frightening, and this happened in time where public transportation is not functional yet. To make the situation even worse a number of protests in the capital of Albania exposed large number of people to the high risk of being infected. Between anxiety and confusion, Albanians are experiencing also agitation and fear – a fear on their future wellbeing. The next half of 2020 is will be challenging to say the least and the general mood is as bitter as the projected scenarios for the future. The most precarious aspects of the society in the half year to come are healthcare, at risk basic livelihood for a considerable part of the population, job losses/lower income due to the recession and lower rates of migration to European Union (EU) countries that will impose new demographic trends.

Healthcare

After the lifting of imposed restrictions form more than two months, the Ministry of Health of Albania declared that it was expected a higher number of infected persons or better it would be inevitable; however they continued, the whole healthcare system in involved in an “*alert level Nr. 4*”. What the predictions did not insert in this outlook was the high number of medical staff infected and sometimes being the very spreader of the virus,

endangering so their families and patients. To further the scare, some well-known doctors in the country has raised the red flag on the fact that if the hospitalized COVID-19 patients will reach 400, the facilities and medical equipment at their disposal will not suffice (as to mid-June 2020 there are 78 patients hospitalized). According to a latest World Bank report, Albania continues to be classified as “*weak*” in terms of in terms of the capabilities of the health system and according to the same Albania ranks last in relation to countries in the region in terms of hospital skills. The International Monetary Fund (IMF) also ranked Albania at the bottom of the ranking with 43 European countries in terms of health investments. According to this ranking, Albania spends less than any country in the region on population health, 2.8 % of Gross Domestic Product (GDP), while Bosnia allocates 6.9% of funds in relation to GDP for public health services, Croatia 6.4%, Macedonia 4.3%, Montenegro 4% and Serbia 6.1%. Looking ahead, the situation might drastically worsen by the day. As it was, the health system was flawed in many aspects, in adding the burden of COVID-19, the months to come will be even worse. Cases of patients who were being treated for other symptoms and contracted the virus in the public and private hospitals in June lowered even more the level of trust in the system. Postponing routine checks in hospitals and being discharged before time for fear of contracting the virus, seems to be the new normal.

In order for the Albanian healthcare operations not to face collapse, special attention needs to be paid to the following policy areas: a) Review specific recommendations by Global Health Insurance Index (GHII) and World Health Organization (WHO) guidelines and invest in closing critical gaps in pandemic preparedness.

b) As global shortages of medical equipment are a at the order of the day, an effective and swift allocation of recourses to medical staff protection and their further training can multiply the chances of lower infections rates and better treatment of patients. c) A detailed strategy for testing and supervising of current patients. The government can review capacities for oversight and tracking of contacts in order to identify investments to ensure rapid limitation of any other COVID-19 waves or

any other disease. d) Last but not least, given that direct out-of-pocket payments are a known fact in Albania, an important objective is to protect patients from financial risk. Recognize that the loss of personal income resources will expose many people who need health care to a financial risk; swift measures may be needed to ensure that the system will provide for those who need it the most.

Providing for basic livelihood

Albanians are truly accustomed to economic difficulties, yet in for 2020 in many are using an old idiom to express their frustration “*the poverty is seated cross-legged*”. Over 35% of citizens live on less than 550 Lek per day (around 4.5 Euros, or 5.5 US Dollar, which the level of “poverty” specified by the World Bank). As of 2020, 24% of Albanian families have at least one debt to pay and many are considering taking on new debts. In these conditions, when the government confirms the losses in the economy and the increase in unemployment, experts suggest that aid packages should not exclude any layer of the society (Cit. Mario Brakaj). Even before the coronavirus pandemic appeared, Albanians were facing unfavorable economic conditions, which are now deteriorating. The new economic challenges risk to through the country in to deeper levels of poverty. There are assumptions amongst experts that the level of citizens living in poverty could rise so far as 55%; even if these predictions may seem catastrophic, they are not baseless. If the trend of the recession deepens, the scenario is possible.

Job losses and lower income

So far, the financial packages have given some breath to the economy, focusing mainly on salaries for people who lost their jobs, but the other phases envisage direct intervention to get out of the deep crisis that has affected not only Albania but also all the countries hit by the lockdown. Employees of private enterprises that have been suspended, or have not been paid during the pandemic period, will be paid from the state budget. The resumption of economic activity can be seen as a start to recovery, but

market players and experts say businesses and their employees will face a number of difficulties until they can return to normal. With the start of the activity, the employees who have returned to their jobs will no longer receive assistance, salary from the state budget but will be paid by the employer. But now and in the foreseeable near term, the employers do not operate in their businesses at full capacity, which makes it difficult to make payments. Bank of Albania gives an overall assessment of the situation created as a result of the pandemic by stating that this situation will also affect employees and the income of families as a whole, as the decline in the activity of enterprises can lead to a reduction in income or disruption of wages. In a chain effect and insofar as it is not balanced by household savings and state protection measures, this can further affect the weakening of their consumption and, subsequently, the difficulty of meeting financial obligations.

New demographic trends

Migration is a longstanding plague for the Albanian society. It is estimated that only in the last 7 years more than half million left the country with destination mainly being EU countries. During the period 2008-2018, a total 1,249,706 Albania citizens migrated to the EU. This represents 44% of Albania 2019 population. It is, almost, the number of citizens of the rest of the region, who migrated to the EU put together (Cit. EXIT).

Destructive as it may seem, for years this reality has been a kind of “tension release” for the country: meaning, instead of submitting to frustration in their homeland, Albanians choose to leave and create a life elsewhere. In the new reality of 2020, this will be not feasible any more, or it will be limited to smaller numbers of migrants. The reason for this is that the traditional host countries for Albanian migrants (Italy, Greece, and United Kingdom and Germany to a certain extent) are now facing shortages of jobs themselves, and most probably, their territory will be hostile environment for international workers.

It is our argument that the demographic trends in 2020 will be mainly from the rural to urban areas within Albania rather than going abroad. This

will be fueled also by massive losses of jobs in agriculture during the lockdown. On the other hand, Albanian urban areas are already facing major difficulties themselves, so the pressure is predicted to be high.

Note: Possible social unrests. If the abovementioned points (and others) will be not targeted properly by efficient polices and on-the-ground actions, the chances of social unrest rise exponentially. The bases for this assumption are drawn from the already witnessed students protest in June, prior protests for the National theater as well as clashes between the State Police and owners of illegal buildings on the coast before demolishing them in mid-June. As tensions are already high, there is just the need of a simple spark to start a fire.

Conclusions

As for all affected countries, for Albania as well the rest of 2020 is not going to be a smooth one. As the pandemic hit hard every single aspect of peoples' lives, the coming to terms with the outcome of COVID-19 is going to be challenging for some and agonizing for others. Alarm bells should ring for a society that struggles to keep afloat and a nation that is afflicted at the core.

BiH Social Development Outlook

Zvonimir Stopić

May in Bosnia and Herzegovina has been both a month of gradual loosening of the restrictive measures induced by the COVID-19 situation and a month which can be perceived as a showcase of the direction towards which the society in Bosnia and Herzegovina might expect to go in the coming months and possibly until the end of the year.

Lockdown relaxation of public venues – effects and expectations

With the end of May, the lockdown situation in Bosnia and Herzegovina came to an end. Most of the restrictive measures were either relaxed or eliminated completely. By the end of May in the Federation of Bosnia and Herzegovina, it was no longer obligatory to wear protective masks outside. Masks were still needed for closed venues, while the two meter distance continued to be a mandatory measure in all situations. Public gatherings have been allowed and limited up to 100 people indoors and 300 outdoors. Since mid-May, business enterprises were gradually being allowed, as were all kinds of traffic, with previously prescribed hygienic measures taking place. Republika Srpska had its own restrictions timeline which varied in a couple of day's differences in most cases. The 8pm – 5am curfew was abolished on May 21st.

Elementary and high schools were to remain closed and continue online until the end of the running school year in June. So will universities with the exceptions of final exam defenses and practical seminars. Daycare centers and kindergartens were opened with safety measures since mid-May.

The first public gathering venues that were opened were the religious venues. The Catholic churches started holding masses at the end of April. The Catholic authorities issued orders to respects the rules of social

distancing on church premises, advising courtyard masses with speakers where applicable and have until further notice postponed or limited all larger gatherings like communions or funerals. Mosques have been closed for joint prayers from March 17th to May 6th. Since the opening, everyone entering a mosque is obliged to disinfect their hands at the entrance, respect the measures of social distancing by praying at marked spots inside the spaces, while tespih (prayer beads) are not to be in common use - the people were advised to bring their own alongside praying carpets. The Orthodox churches have not been put into lockdown during the pandemics. It is safe to predict that these precautionary measures will be in effect in places of worship in months to come.

When it came to publicly funded cultural sector the changes came with the end of the movement restriction order for citizens younger than 15 and older than 65. Starting with May 15th, museums, art galleries, cinemas and libraries have opened up after two months of closure. Among them was the Zemaljski muzej in Sarajevo, largest and most important museum in Bosnia and Herzegovina, which is one of the seven cultural institutions of state significance without a clear legal status and state system budget due to the country's constitutional structure. Because of these issues, the museum has already been closed from 2012 to 2015, for the first time in its 124 year old history. Now, due to the pandemic closure and without state budget money and possibility of making its own revenue, it is again on the verge of financial breakdown, with its employees receiving their last salaries in February. Similar problems plague the History Museum in Sarajevo and the Museum of Literature and Theatre Arts of Bosnia and Herzegovina, which have no revenue without grants, tourists and group school visits, and in which all projects have been delayed. The Contemporary Art Museum in Banja Luka, which is supported by the Republika Srpska Ministry of Education and Culture, Ministry of Civil Affairs of Bosnia and Herzegovina and the city of Banja Luka, had last received grants from concourses in 2018, which they have to apply for as a non-governmental institution. During the last year there were no concourses and currently there is no indication to when will any further

funding occur. In the meeting held in the beginning of May by Kenan Alikadić, the Minister of Culture and Sports of Kanton Sarajevo, with the representatives of the seven cultural institutions that have no clear legal status, it has been concluded that the Ministry will analyze the budgets of the mentioned institutions and put forward suggestions to eventual solutions. It is expected that, without further financial support from other governmental institutions, considering the summer school break and lack of tourist, some institutions will be forced to lay off their employees and eventually close. Other three previously unmentioned institutions are the Cinemateque, Library for the blind and Art Gallery of Bosnia and Herzegovina.

The COVID-19 epidemics also stopped all professional and amateur sports competitions and activities, among them also the most popular one: the “Premijer liga” (Premiere league), a competition of professional football clubs of Bosnia and Herzegovina. Initially the main problem for the continuation of the league was the deadline set by the Bosnia and Herzegovina Football Associations to June 13th, to be the last possible date to resume the competition. This date was contested by the Ministry of Health and Social Care of Republika Srpska which demanded that football matches should not be played there before July 1st. Finally, the commission of the Bosnia and Herzegovina Football Association has decided to end the competition as it was, with scheduled 11 league rounds and two Cup semi-finals not being played at all. This made FK Sarajevo the reigning champion after only 22 games played, with another Sarajevo club Željezničar coming in second, Zrinjski from Mostar third and Borac from Banjaluka fourth. These first four positions secure access for qualifying round of the forthcoming European club championship competitions. Unofficially, the next “Premijer liga” season is expected to start from August 1st, if the pandemic situation will allow it. In general, the COVID-19 epidemics had large effect on professional sport, ranging from cancellation of competitions and prevention of regular training routines of both teams and individuals, to cutbacks made by the Federation of Bosnia and Herzegovina Ministry for culture and sport of 40%. Trainings of

professional athletes resumed in May under controlled conditions, while some competitions will continue without the attendance of audience in June and months ahead if the COVID-19 epidemics do not change these plans.

Air pollution and its social impact

One of the visible effects of large industries being put to halt due to the worldwide COVID-19 pandemic is the drop in numbers of the level of level pollution all around the world. However, although economical lockdown was largely enforced in Bosnia and Herzegovina as well, this doesn't seem to be the case here. The measuring of air quality, provided by the Hydro-meteorological monitoring stations around the country, haven't recorded any significant changes. As it was explained by Denis Žiško from the Center for Ecology and Energy in Tuzla, due to the general lack of industry in Bosnia and Herzegovina, there was not much of it to be shut down. The standard polluters, such as Zenica Steel Mill and thermoelectric power plants in Tuzla and Kakanj, remained producing during lockdown, keeping the air quality constant.

Due to the industrial plants that do not invest enough in ecological modernization, Bosnia and Herzegovina is, especially during winter period, one of the most polluted countries in Europe. Specific example is the capital Sarajevo which in December 2019 climbed up high on the list of the most polluted cities in the world. Anes Podić from the civil association Eko akcija points out that the air monitoring stations in the Sarajevo Canton have barely been operating during the lockdown so the data itself was incomplete and untrustworthy. Furthermore, he indicated that the lack of vigilance during the COVID-19 pandemic might have been used for illegal ventures that will further harm the ecological situation in the country.

There are no indications that the issues related to the air quality will turn for the better in the coming months and years. Considering the stated above, the opposite might be closer to the truth. Bosnia and Herzegovina's air quality is expected to have more relevance in the future. According to the World Bank report from its Sarajevo office, the air pollution currently is a cause of around 3,300 premature deaths in Bosnia and Herzegovina.

Almost 1/10 of every death in the country can be attributed to it and with around 16% of those numbers are related to inhabitants of Sarajevo and Banja Luka alone.

Conclusion

Although the COVID-19 epidemics outbreak is probably seeing its last days in Bosnia and Herzegovina for now, some of the restrictive measure introduced March are still present, and will probably continue to be present until the end of the year. The further relaxation or re-introducing of the measures depend on the development of the pandemic situation. If the pandemic situation is to be kept under control, we can expect further relaxations and reductions of restrictions related to public gatherings, while some hygienic and some general social distancing rules will probably remain for awhile. Considering that the severe budget cuts for sport and cultural institutions in Bosnia and Herzegovina are still in place and there has not yet been an official budget for it in Republika Srpska, many of these activities will not have any other option but to close soon. Air pollution continues to be a growing problem that will in the near future possibly have more social and political impact.

Bulgarian Social Development Outlook after the Outbreak of the COVID-19 Pandemic

Evgeniy Kandilarov

Social processes usually require time and accumulation of factors and influence in order to change radically determined tendencies. Therefore, the forecast for the social development in Bulgaria following the outbreak of coronavirus pandemic has not changed drastically in the face of the tendencies observed before the crisis. At the same time we have to underline the fact that the outbreak of the epidemic led to a series of problems closely related to health and wellness systems, as well as to the economy, the education system, the labor market, and services, etc. So this led to the increase of all the negative tendencies observed in the Bulgarian society before the COVID 19. From this point of view, it can be said that the pandemic appears as a catalyst for a set of negative social tendencies, the improvement of which therefore makes it extremely difficult, and according to some analysts, is almost impossible in the near term.

Bulgaria's main social problem remains **demographic situation**. The country's population will continue to decline. The birth rate remains more or less at the same level, but decreases. In addition, adding the processes of emigration, in recent years in Bulgaria the population has mostly emigrated. Of course, there are returnees, but the net balance is negative. These trends have not changed. They will not change this year either, so the population will decrease. The number of deaths in 2019 is 108,083, and the overall mortality rate is 15.5 per thousand. Compared to the previous year, the number of deaths decreased by 443, or by 0.4 percent. However, the overall mortality rate remains one of the highest in the EU.

As of December 31, 2019, the population of Bulgaria is 6,951,482 people, which represents 1.4% of the population of the European Union. Compared to 2018, the population of the country decreased by 48,557

people, or by 0.7%. There are 3,369,646 men (48.5%) and 3,581,836 women (51.5%), or 1,063 women per 1,000 men. The number of men predominates at the age of 53 years. With increasing age, the number and relative share of women in the total population of the country increases. The aging process of the population continues. At the end of 2019, the number of persons aged 65 and over was 1,504,088, or 21.6% of the country's population. Compared to 2018, the share of the population in this age group increased by 0.3 percentage points. The aging trend of the population leads to changes in its basic age structure - below, in and above working age. Both the aging of the population and the legislative changes in determining the retirement age have an impact on the population in working age and above working age. For 2019, these limits for the working age population are up to 61 years and 4 months for women and 64 years and 2 months for men. The population of working age as of 31.12.2019 is 4 156 thousand people, or 59.8% of the population of the country, as men are 2 180 thousand and women - 1 976 thousand. In 2019, the number of able-bodied population decreased by almost 45 thousand people, or by 1.1%, compared to the previous year. As of the end of 2019, 1,729 thousand people, or 24.9%, are over working age, and 1,067 thousand people, or 15.3% of the country's population, are below working age.

All this gives reason for a number of experts to predict that if these trends continue after 2030, Bulgaria will move from a demographic crisis to a demographic death of the population.

The question is how the pandemic will affect these processes. According to some analysts, the pandemic could have a positive impact on the demographic processes, as there is such a term in history - demographic compensation. It happens in military crises, pandemics, low birth rates, and then there is a purely psychological urge in people for higher birth rates.

But other experts are rather skeptical about such opportunity. There are at least two reasons about such skepticism. The first is that people's way of thinking and value system are quite different from what they were 50 years ago. More and more people are living in the virtual world. The other

reason is that, a compensatory element occurs when the crisis is over - whether it is a war or a pandemic, it doesn't matter. At the moment, people are very scared because there is still a great uncertainty about the future development of the situation. So the conclusion is that even if there is some impact of the pandemic on the birth rate in Bulgaria, it will be minimal.

There is another factor that overwhelms the feeling of anxiety and insecurity among the population and it is related to the dynamically deteriorating economic environment, the collapse of a number of businesses and the growth of **unemployment** in the country.

The number of unemployed in the European Union rose to 14.08 million in April, up 397,000 from a month earlier. This is shown by the data of the European Statistical Office.

Bulgaria does not lag behind the general trend. In April the number of unemployed in the local labor market increased by 65 thousand people to 219 thousand, and the ratio of unemployed people increased from 4.5% in March to 6.2% compared to the active population in April. At the beginning of June the total number of unemployed in Bulgaria reached 290,000, and the increase due to the COVID`19 crisis is 90,000 people.

The negative effects of COVID-19 on young people under the age of 25 are much more visible. Bulgaria reports an increase in youth unemployment of 7.5 percentage points. up to 20.8% within a month, so the total number of unemployed young people increases by 15 thousand people to 36 thousand.

Despite the current slowdown in the labor market and the decline in newly registered unemployed, the state expects a second jump in September-October.

The high level of unemployment registered in the country due to the pandemic from a social point of view indicates a sharp **loss of income** for tens of thousands of people and pushes them before the risk of falling **under the line of poverty**. Unfortunately, the state of poverty in Bulgaria is significantly stagnant as a tendency. At the same time, which is very much disturbing, is that due to the COVID 19 there is a newly emerged tendency for another part of the population, which, over the last 10-15 years,

has managed to build their life a little above the social bottom and now it is going down again. So there is a significant risk if it collapses this threatens to further increase the despair of this existence. The sociological studies show that around 51 percent of Bulgarians testify that their income has decreased due to the coronavirus. 61% of the society expects normalization of life by the end of the year, and 35% have opposite expectations. However, this data shows hope rather than forecast. Bulgarians are apparently already suffering heavy losses due to the crisis and are hoping for a recent normalization. Some analysts have commented that in practice this is not an economic recession, but rather repression of the human factor.

Of course, in addition to the problem of unemployment and declining incomes, the crisis has become a stress test for almost all social systems in the country. To the greatest extent this applies to **health and education**. The reason for both systems to not collapse is the relatively short term and the relatively low intense of the spread of coronavirus disease in Bulgaria.

If the negative prognosis about a second wave of pandemics in the autumn and winter becomes true, and if this second wave is possibly combined with the annual flu epidemic, and if this new crisis lasts more than two months, the Bulgarian **healthcare system** will face a very serious clash and is likely to fails to withstand more severe pressure.

The same applies to the entire **education system** in the country, starting from primary schools to universities. Recent months have shown that none of the existing educational institutions at all levels is prepared for a complete transition to distance learning. To a large extent, the school year at all levels was “saved” only by the fact that the crisis erupted in the middle of the academic year. However, if it is necessary to switch to distance learning for a longer period, covering most of the teaching material, it is very possible that the system will start to stall and it will most probably turn out that it cannot cope with the situation, neither technically nor from personnel point of view. In the long run, the collapse of the education system can be detrimental to the stability of the social bond.

Finally, **the conclusions** are quite worrying. It might be true that the world will never be the same after the pandemic. One of the most negative consequences from the COVID`19 crises which is true for the Bulgarian society as well is that from now on the life of people will be filled with uncertainty and public anxiety, in some cases despair. The **public psychological condition** is most severely affected, burdened and damaged. For the Bulgarians, the painful thirty-year transition has already killed most of the hope for prosperity. The result is social decline and social apathy, which lead to resignation, laziness, refusal of any activity, despondency. The COVID`19 pandemic adds to it more evils for the public mentality. According to some social psychologists the public mental health in Bulgaria is currently in extremely poor condition. This is due to the constant instillation of fears, anxieties and panic about COVID 19. There is a high degree of public anxiety among great part of the society. The rest of it deny to follow any kind of rules and restrictions anymore and is about to believe in all kind of conspiracy theories related to the idea that everything around the pandemic is a huge manipulation of the population in order to bring it under control and to restrict its basic civil and even human rights.

A recent sociological survey among the Bulgarian population shows anxiety and fear of disease, with a tendency to raise sharply, anxieties and fear of crime and violence, fear of unemployment, with a tendency to rise, fear of poverty with a tendency to rise, and many other fears. Unfortunately, all these leads to a lack of public trust in the government, in the president, in the judiciary, in the healthcare system, etc. What dominate the society are public hatred, despair, social disgust and resentment. All this shows the course of very negative and very deep social processes, the reasons for which are complex and their beginning has nothing to do with the current crisis situation, but the outbreak of the pandemic of COVID-19 catalyzes these processes and takes some of them to extremes.

The Prediction of COVID-19 Implications on the Social Situation in Croatia

Benjamin Petrović

Summary

As the numbers of Croatian population newly infected by the COVID-19 pandemic reach minimal by the day, the Croatian Government, led by Prime Minister Andrej Plenković, decided to implement a slow relaxation of public health and safety measures. Consequently, a variety of social issues arises from the post COVID-19 surrounding. With the parliamentary election to be held on the 5th of July, and a potential new Government and parliamentary structure in line, it is of worth to note several key social areas shaping the rest of the tumultuous year.

The challenges within Croatian education and school system

With the late 2019 being characterized by turbulences in educational system of Croatia caused by the massive protests and a strike performed by various teacher unions asking for better work conditions and salaries, the same system was undeniably shaken by the outbreak of COVID-19 pandemic in the first half of 2020. Governments around the world, with their ministries of education, had to be fast in adapting to new circumstances which implied a high level of urgency and coordination, with a goal of maintaining a stable schooling system within the emergency measures put forward in dealing with the pandemic. In spite of difficulties and a strong sense of urgency, home-schooling via internet and national television channels proved to be successful to a certain degree. Some issues, such as accessibility to streaming mechanisms, higher level of parent

involvement and potential abuse of the possibility to engage school activities from the comfort of one's home, were posed, but considering the circumstances, educational system managed to prevail.

With the significant reduction in the numbers of COVID-19 infected population, May 2020 was the month when the emergency measures began to drop and everyday life and activities slowly began to be directed towards higher level of normality. The Government of Croatia along with Ministry of Science and Education, decided that from the 25th of May, the first four classes of primary school will return to their schools, but in line with safety measures still in place. The other four primary school classes, secondary school students and university students, will finish the current school and academic year from their homes, in line with distancing measures. The Minister of Science and Education, Blaženka Divjak, announced the Government's decision to allow the students from first four classes of primary school to advance into next classes regardless of the grades. Furthermore, students from other four primary school classes and secondary school students would have an opportunity to have correction tests from four subjects, instead of previous three. Additionally, number of correction terms will raise from two to three. Of course, the described approach will only take place in order to finish the current school year.

Regardless of the measures introduced, the teachers and education syndicates, ready to raise their voices even in the harshest of times for the rest of society, called the Governments decision as protective towards students with bad grades. Furthermore, the initiative meant to smoothly and successfully finish the school year, was described as a tool to lessen the authority of teachers and an encouragement for students to avoid studying.

Taking everything into account, one of the key challenges for the Croatian Government will be directed towards dealing with ending the much damaged school year, managing to grade students fairly according to their studies and work, and creating a positive backdrop for the next year. An extra stress on the managing process comes from the teachers' syndicates, vehemently opposing every decision directed towards the betterment of their own portfolio, narrow-mindedly emphasizing their

burdens and issues, losing the perspective of shared responsibility for their sectors failures and troubles, regardless of COVID-19.

The post-earthquake Zagreb renovation

As the rubbles are still being cleaned and the damage caused by the earthquake, which hit Croatian capital Zagreb on 22nd March 2020, is still being repaired, a large number of citizens whose homes were heavily damaged are still unable to return to their houses and apartment buildings. Moreover, some neighbourhood buildings are still facing issues with inflow of heat and warm water. Along with the listed issues, matters such as the financing and repairing of different structures, issues posed by citizens in temporary residencies, and basic renovation procedures were supposed to be answered by the amendments to the law for the renovation of the damaged structures. But the poor coordination between the Government, Ministry of Construction and Physical Planning, and the Mayor of Zagreb, Milan Bandić, led to the draft amendments being poorly written, not highlighting the key issues. Finally, before the version of the draft entered parliamentary procedure and discussion, the Government, led by Prime Minister Andrej Plenković, dissolved the Parliament, because of the coming parliamentary elections on the 5th July.

With 26,197 buildings damaged and around 5.6 billion euros in financial damage estimation, the decision of the Government not to be haste with a crucial law amendment in the period when its citizens are deemed homeless and without general needs such as heat and electricity satisfied, is worrying and unusual. In the given situation, the presentation of the draft amendment in the future Parliament and the eventual implementation of the law will have to wait until fall 2020. That also depends on the swiftness of the democratic procedure after the July election for which both the politicians' and analysts' forecasts predict difficulties in establishing a parliamentary majority of 76 seats.

Needless to say, such decision caused an outrage among the citizens, media and activist groups who demanded the law amended as soon as possible in order to reach a legislative support in dealing with the damage

and consequences of the earthquake. Mayor Bandić has isolated himself from such decision, stating that the City will provide the city-owned apartments to those families rendered homeless after the earthquake. In line with that, nine families were given city-owned apartments and the necessary help. But the issue lies behind the fact that there are many more families who are at the moment situated in student dormitories or have found private means of securing a temporary home.

Marko Pavić, the Minister of Regional Development and EU Funds, stated that Croatia is expecting around 500 million euros from European Union's Solidarity Fund, and that those means will be directed towards helping the citizens of Zagreb and the rebuilding processes of schools, hospitals and cultural heritage buildings. An important aspect of reception of the stated funds is the financial help for families leasing the temporary, replacement apartments. It has to be outlined how the mentioned statement from Minister Pavić came almost three months after the earthquake, just a few days before the deadline for the application to EU's Solidarity Fund, meaning that the damage assessment which needs to be a part of the application, was not done as swiftly as it could be.

Ever present migrant issue

With the slow reduction of public health and safety measures implemented during the pinnacle of the COVID-19 pandemic, the opening of national borders, traffic and transit infrastructure being reverted towards more fluidity, means that national governments and their internal security sectors will need to address the migrant challenge, somewhat ignored during the pandemic, once again. During the first half of 2020, the new migrant wave brought a strong influx of migrant population towards Bosnia and Herzegovina. With the reception centres and detention facilities being overcrowded and poor health and sanitary conditions becoming a significant issue, a large portions of migrants use improvised shelters and keep avoiding the police patrols of Bosnia and Herzegovina and stride towards Croatian border.

A significant issue that stems from the re-adoption of cross-border transit is the rise in people smuggling activities, and other forms of cross-border crime. Even though the border police is doing utmost to control even the regular bus lines with security checks and document analysis, the harsh terrain between Unsko-sanska county of Bosnia and Herzegovina and Croatia, is not easy to patrol. Because of internal disagreements, regarding the approach and implications of the expanding migrant issues, Bosnian Minister of Security Fahrudin Radončić, resigned from his position, thus creating another coordination issue. Croatian Prime Minister Andrej Plenković, in his visit to Bosnia and Herzegovina, stressed how there will be no extreme separation measures between the two neighbouring states such as barbed wires and fences along the border. In line with most of moderate European politicians, without a clear idea on how to act, Plenković called for action on the source of the migrant crisis. Of course, such solution should and would be viable, but the immediate trouble on the border still remains and will need to be solved.

Conclusion

Taking all noted complexities into account, it is obvious how current issues Croatia is facing on a social scale are also the future challenges. The next Croatian Government, regardless of the profile, will have to tackle a wide variety of post COVID-19 concerns. The ever-lasting debates with the teachers' syndicates and education sector in need of stabilization, mitigation of the unfortunate earthquake consequences in financial and legislative form, and the constant presence of migrant population at its doorstep, are just some of the significant social topics which will shape the rest of 2020 in Croatia, and probably the following year.

Czech Republic Social Outlook for the Post-Crisis Period

Ladislav Zemánek

The coronavirus crisis has had not only economic or political impacts but also social ones. This briefing is therefore concerned with the role and actions of the liberal democratic state as well as media during the crisis as these two proved to be the crucial social actors. Afterwards, the attention is paid to chosen effects of the crisis in relation to political and economic problems in a broader social context.

The most important point is not the coronavirus epidemic itself but reactions of the State and other social actors together with the adopted measures aimed to curb the spread of the disease. Introducing global restrictions, the Government imposed radical limitations on freedoms of citizens and civil rights, and paralysed economy. But it seems that restrictive measures cannot be considered the only remedy and solution of the difficult situation. Similarly, they cannot be interpreted as the only cause of the positive development observed in the course of the last weeks as the reality is more complex. The crisis revealed the strength of the liberal democratic state which was able to take power, proving to be operational and dominant in the social milieu. After decades of apparent weakness and incapacity, the State demonstrated genuine sovereignty. Paradoxically, it occurred by means of actions going beyond a standard operation of the liberal democratic regime. Therefore, it is not excluded that such an experience can undermine legitimacy of the liberal democracy, motivating some social and political actors to make use of the unexpected opportunity and widespread popular support expressed to the strong political action during the crisis. In the future, one can expect more expansionist and

interventionist state policies, interfering both in economic, market processes and ordinary life of people. At this moment, it seems that the opposite position warning against strengthening of the State is weaker. The traditional dilemma between liberty and security is likely to be solved in favour of guaranteeing more security and safety to the detriment of liberty and freedoms, at least in the short- and medium-term perspective.

Restoring the “normal”

Nevertheless, the State was not the only actor who showed its power and influence. The crisis also confirmed the weight of media and their manipulative practice. Not by coincidence, some experts and politicians opine that an excessive power of the State and media will be more dangerous than epidemics in the future. In the last months, both state representatives and media contrived to raise atmosphere of fear and danger which spread out among the society. Subsequently, a significant part of the Czech population conformed to the restrictive regime immediately and without hesitation, even calling for more severe measures. Critics of restrictions and state interventionism usually do not challenge the need for an adequate response to the epidemic but disapprove the degree, perceiving it as disproportionate. The excessive power of media should, therefore, become a subject of public discussion. It is not to suppress the freedom of press but to define clear borders of their business. If we witness such unprecedented interventions in economic and social life, there cannot be a sphere of media absolutely uncontrolled and unregulated. Given the enormous role played by media nowadays, they should bear full responsibility for the way they do their business and should be under stronger public and legal control. In a wide array of cases of the last months, journalists could be accused of scaremongering. Notwithstanding this fact, no serious public or political debate will likely to be run in the Czech Republic with exception of long-lasting disputes over the role of the public service media (the Czech Television and the Czech Radio).

Under the current circumstances, the principal task is to get back to “normal” in order to mitigate huge economic losses and deficits (including

the state one). An important part of the stabilisation and “normalisation” is resumption of standard operation of health care system. In response to the spread of the disease and with the aim of prevention, the health care has been limited significantly which can produce a higher number of victims than the coronavirus itself as the health care – counting a wide array of surgeries – has been put away and postponed. Another aspect is psychological impacts on the population which may lead (and have already led) to frustration, isolation and deprivation. Not only for this reason is another round of the nationwide, global quarantine and state of emergency (in case of the second wave of the epidemic) unacceptable. Moreover, it would be unsustainable economically.

Furthermore, little attention has been paid to effects on the work ethic. During the quarantine, considerable part of employees received a salary, even though they were at home not working. The extraordinary state could satisfy this part of the society as they had effortless incomes, which can lead to devastating consequences (if not taking into account the problem of injustice). Similar effects can be brought about by generous social programmes of support and benefits. These might weaken the motivation to work, make productivity lower and, last but not least, deepen indebtedness. Debts originated during the present-day period will be repayed by the future generations with great difficulties. All these factors may give rise to social problems and conflicts as well as to impoverishment of different social strata. The political elite should become aware of the positive correlation between wealth of both the society as a whole and individuals on one hand, and stability, sustainability and the very existence of democracy on the other. Acting irresponsibly and pursuing short-term goals and interests, the politicians may undermine the current democratic regime and its roots, all the more, that the Czech nation has little experience with the political democracy.

Challenges to cope with

What is to be done then and what other implications will the crisis bring about? It is necessary to kick-start the economy which is unthinkable

without lifting of restrictions imposed earlier. It emerged that some political forces were reserved to do so contenting with the crisis state and extraordinary powers they gained within the state of emergency regime. It applies especially to the social democrats.

The crisis will likely to exacerbate the problems of the euro area, which will lead to even higher no-confidence towards the European currency project among the Czech society. At the moment, there is not any relevant political party or movement promoting the adoption of the euro. As stated the former governor of the Czech National Bank Miroslav Singer, a serious debate on the adoption of the common European currency ended not later than in 2008 after the financial crisis burst out. Since then, several attempts to open it could be observed but they were of no effect. The Czech side has made a commitment to adopt the euro when the Czech Republic was joining the European Union but, at first our country has to fulfil set conditions. Nowadays, the Czech Republic has fulfilled two out of four requirements regarding a state of the public finances and interest rates. At the same time, it fails to fulfil terms as to the price stability and exchange rate. It is highly probable that the current crisis will push this question further aside, all the more, that support of the euro has been increasingly lower in our country.

The Government will likely to oppose ideologically biased projects coming from the EU, for instance, the Green Deal. The official Czech position is rather sceptical in this regard, although statements made by different Government representatives have frequently been contradictory. The Green Deal and an enforced shift towards the carbon-free and completely green economy would damage the Czech economy seriously, producing grave social problems including unemployment, decrease in living standards related to rise in prices and impoverishment of the primarily low-income part of the society. In May, the Czech Prime Minister Andrej Babiš criticised the Brussels elites for their focus on the Green Deal and for making it the only way out of the crisis. The Czech Republic will continue to support economic, social and ecological sustainability but it has

to be achieved in a gradual, organic way, not in a radical, global and coercive one.

Our economy will suffer from labour shortage, which is a long-term problem. It applies especially to construction, engineering and agriculture. The shortage was solved partially by means of import of foreign workers, first of all, from the Ukraine. However, a significant part of these had to leave for their native land, their return being very uncertain. Undoubtedly, the shortage will hamper the restart and development of the economy. This factor can merge with the mitigation of the work ethic and lowered motivation to work caused by social benefits provided by the State. Some groups of the population have been becoming increasingly dependent on the State and interested in the spendthrift state policies. The economic performance can also be affected negatively by irresponsible actions adopted by several political actors who undermine economic and other forms of cooperation with the non-Western partners, especially China and Russia, from ideological reasons. In any case, the challenges mentioned above should be taken into consideration if discussing the post-crisis outlook of the Czech Republic.

Estonian Social Outlook after the Pandemic: *Jaanipäev* and History

E-MAP Foundation MTÜ

As it was noted in the previous ‘societal’ briefing, ‘June in Estonia’ represents a month when the entire country’s population is waiting for *Jaanipäev* (Midsummer Day) to celebrate it, forgetting about all sorts of troubles and pandemics. At the same time, since 1941, the same month is also about remembrance of one of the most horrific parts of Estonian history – the July 1941 deportations, ‘orchestrated’ by the Soviet Union’s occupational regime. Jüri Ratas, the country’s current Prime Minister, spoke to the nation on 14 June:

Seventy-nine years ago, [...] over 10,000 people were taken from their homes and deported to a cold land. [...] The June deportations left a deep wound in the soul of our people, destroying innocent lives and breaking apart families that were never reunited. [...] I deeply commemorate the victims and extend my heartfelt sympathies to all who have suffered because of these tragic events.¹

For a small sovereign nation, those figures were not just a statistical +/- . Every Estonian family, in one or another way, suffered from the brutal Soviet occupation, which, these days, is being factually denied by the current President of Russia. On 18 June, in his article, Vladimir Putin argued that “[i]n autumn 1939, the Soviet Union, pursuing its strategic military and defensive goals, started the process of the incorporation of Latvia, Lithuania and Estonia” and that “[t]heir accession to the USSR was

¹ Jüri Ratas as cited in ‘Ratas: June deportations left a deep wound in the soul of our people’, *ERR*, 14 June 2020. Available from [<https://news.err.ee/1101978/ratas-june-deportations-left-a-deep-wound-in-the-soul-of-our-people>].

implemented on a contractual basis, with the consent of the elected authorities”¹.

Understanding ‘incorporation’ differently, Urmas Reinsalu (*Pro Patria*), Estonian Minister of Foreign Affairs, quickly reacted on the Russian President’s treatments of the same historic facts, stating that “Russian President Putin continues to present a false historical narrative”, adding that the Russian side’s “statements are completely false”, and concluding that “[i]t is especially cynical to make such statements on the week of the 80th anniversary of the occupation of the Baltic states”². On the same day, the Ministry of Foreign Affairs of the Republic of Latvia issued even a more specific statement, arguing that “[t]he Baltic states were occupied and annexed illegally, using threat and military provocations” and that “[t]he USSR breached its international obligations and conducted an act of aggression”³.

However, back to the Estonian society, their response to the aforementioned politico-historic battle over what happened 79-80 years ago was symbolic as well as elegant – the deportation victims were commemorated with an installation in the middle Tallinn’s Freedom Square (*Vabaduse väljak*). The installation was titled as ‘Wagon of Tears’ (see images shown below), and it was placed on a segment of rail track to face the eastern side (Siberia)⁴. As reported, the wagon was to represent “one of the 490 wagons used in the 1941 deportation, and [was] filled with

¹ Vladimir Putin, ‘The Real Lessons of the 75th Anniversary of World War II’ in *The National Interest*, 18 June 2020. Available from [<https://nationalinterest.org/feature/vladimir-putin-real-lessons-75th-anniversary-world-war-ii-162982?page=0%2C2>].

² Urmas Reinsalu as cited in ‘Reinsalu condemns Putin's vision of Baltic occupation’, *ERR*, 19 June 2020. Available from [<https://news.err.ee/1104280/reinsalu-condemns-putin-s-vision-of-baltic-occupation>].

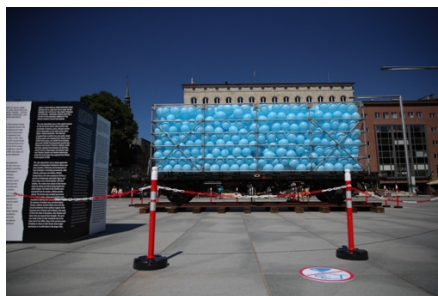
³ ‘Latvian Foreign Ministry underscores that Baltic states were occupied and annexed illegally’ in *The Baltic Times*, 19 June 2020. Available from [https://www.baltictimes.com/latvian_foreign_ministry_underscores_that_baltic_states_were_occupied_and_annexed_illegally/].

⁴ ‘Gallery: Deportation victims commemorated with ‘Wagon of Tears’ in Tallinn’ in *ERR*, 14 June 2020. Available from [<https://news.err.ee/1101620/gallery-deportation-victims-commemorated-with-wagon-of-tears-in-tallinn>].

blue balloons symbolising the ‘tears of the deportees’”; in addition, “[t]he border contour of the installation [was made to replicate] the former border of the Soviet Union”¹. Kersti Kaljulaid, the country’s President who visited the site, reflected on the installation with the following statement:

Freedom is something that we have to work for every day and make sure that it does not diminish. It may not always seem that we are affected, that no one is attacking my freedom, but just as these balloons explode from time to time as they move in this wind, and it seems that the whole thing remains intact, something can crack from the edges. It is important to be able to feel the threat to human rights and freedoms at any time and I think the blue balloons symbolise this as well as the tears that were shed 79 years ago.²

The real tears and the imaginary tears of remembrance were not dropping for nothing – it was about 10,000 people who were, on 14 June 1941, brutally deported by the Kremlin from their homes in Estonia to a range of locations in the vast Siberian region of Russia; out of those deportees, about 6,000 died on the way to the Gulag or in their Siberian labour camps or elsewhere in the former USSR³.

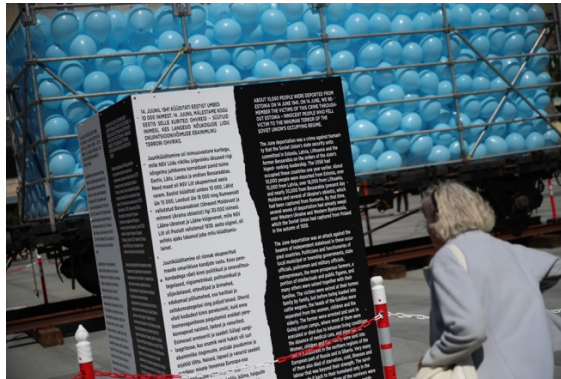


Source : Siim Lõvi/ERR

¹ ‘Gallery: Deportation victims commemorated with ‘Wagon of Tears’ in Tallinn’.

² Kersti Kaljulaid as cited in ‘Gallery: Deportation victims commemorated with ‘Wagon of Tears’ in Tallinn’.

³ ‘Gallery: June 1941 deportations anniversary marked in Haapsalu, Risti’ in *ERR*, 15 June 2020. Available from [<https://news.err.ee/1102148/gallery-june-1941-deportations-anniversary-marked-in-haapsalu-risti>].



Source: Siim Lõvi/ERR



President Kersti Kaljulaid visits the ‘Wagon of Tears’ installation on 14 June 2020

Source: Office of the President of the Republic of Estonia

The tragedy of June 1941 was, certainly, an aftermath of the actual occupation of the country by the Soviet Union, which the Kremlin started in the middle of June and finished off by the beginning of August 1940. Evidently, the Republic of Estonia was politically ‘beheaded’ – on 17 July 1940, General Johan Laidoner, Commander-in-Chief of the Estonian Armed Forces, and his wife were deported to Penza (Russia), while the country’s President Konstantin Päts and his wife got arrested on 30 July

and then deported to Ufa (Russia)¹. Historian Küлло Arjakas notes on what happened:

Around 90,000 Red Army troops started crossing into Estonia at 4 a.m. (Estonian time) on 17 June [1940]. To specify the new locations of the Red Army, General Laidoner went to Narva to be given the new base locations and other conditions (so-called Narva Dictate) by head of the Leningrad Military District Kirill Meretskoy. Major railroad, telegraph and telephone stations had to be surrendered to Soviet military control, while the civilian population (Defence League) had to be disarmed inside 48 hours. Estonia also had to surrender suitable plots for airfields and airstrips, equip [Soviet] garrisons with power etc. The Estonian air force had to ground flights over Estonia for 14 days following the agreement. General Laidoner signed the conditions of the so-called Narva Dictate at 3 p.m. Military units from Paldiski and Klooga occupied Tallinn by midday on 17 June. The Red Army also moved into sea fortresses and set up armed guards at military sites.²



17 June 1940. Soviet war machines on Vabaduse Avenue in the Tallinn suburb of Nõmme.

Source: Archives of the Tallinn University's Academic Library

¹ Dario Cavegn, 'Estonia commemorates June 1941 deportation with national day of mourning' in *ERR*, 14 June 2019. Available from [<https://news.err.ee/952432/estonia-commemorates-june-1941-deportation-with-national-day-of-mourning>].

² Küлло Arjakas as cited in 'Diary of Karl Soonpää on June 17, 1940', *ERR*, 17 June 2020. Available from [<https://news.err.ee/1102959/diary-of-karl-soonpaa-on-june-17-1940>].

Be it on the level of the country's officials or in society, Estonia remembers both summer of 1940 and 1941. 'Incorporation' is definitely not the word when a sovereign nation is getting smashed from the political map by a neighbouring empire. This is a historic fact, on understanding of which the country's Government and the political opposition are very much in agreement. The annexation of Estonian lands and deportations of Estonian citizens are hardly to be forgotten, and, most definitely, the 'tears of 1940-41' will be symbolically reappearing in every next summer, in the collective memory of the Estonian society. As noted by Marko Mihkelson (*Reform Party*), Deputy Chairman of the Foreign Affairs Committee of the *Riigikogu*, "[t]he official line of Russia's foreign policy has been, over the years or even decades, to justify everything that happened at the beginning, during and after the World War II, including the occupation and annexation of the Baltic states", and that "it is first and foremost important for the President of Russia to defend the same Stalinist narrative that dates back to World War II [...] and how to justify [Russia's] current aggressive, expansionist foreign policy"¹... As for the COVID-19, for the Estonian society, the *Jaanipäev* was something to look forward to. Having survived all sorts of occupations, annexations, invasions and deportations, Estonia can definitely overcome the current pandemic-associated issues. The summer is on, and the vitamin D is waiting to be consumed.

¹ Marko Mihkelson as cited in 'Reinsalu condemns Putin's vision of Baltic occupation'.

Greeks Concerned about the Future

George N. Tzogopoulos

While Prime Minister Kyriakos Mitsotakis is examining the scenario of calling an early election – that is not highly likely but remains possible – a careful study of public opinion trends outlines the main priorities of Greek citizens. For the majority of Greeks, the remaining six months of 2020 will be particularly difficult because COVID-19 is seriously impacting on their personal finances. In parallel with this, they are concerned about an escalation in Greek-Turkish relations over drillings in parts of the Mediterranean that Greece believes belong to its own continental-shelf – a view challenged by Turkey – not necessarily peacefully. The governing New Democracy party is not generating enthusiasm among Greeks with its performance but preserves a clear lead over SYRIZA due its seriousness in dealing with the early stages of the pandemic.

There are two main concerns in view of the remaining months of 2020 for the Greek society: the impact of COVID-19 on the real economy and the future of Greek-Turkish relations. Starting with economic considerations which are of much higher interest for the majority, Greek citizens see that after a period of sacrifices and pain that lasted for almost one decade, a new public health crisis is seriously impacting on their everyday life. The Greek economy is largely based on services, particularly on tourism. The more COVID-19 persists the worst it will be. The first signs of the summer tourism season are not encouraging. Beyond tourism, the novel coronavirus is causing much uncertainty to the majority of citizens. The necessary adjustment from face-to-face to online activities, for example, is generating fear for permanent changes in the labor market – at the expense of employees.

A June ALCO poll offers a ranking of challenges as they are assessed by Greek citizens. 49 percent talk about unemployment, 13 percent about the pandemic, 12 percent about the refugee crisis, 11 percent about bilateral relations with Turkey and 5 percent about high taxation. But 75 percent of respondents believe that several governments have decided to lift lockdown measures earlier than they should have done so in order to prevent a massive economic crisis and 70 percent called the Greek government to further support the national economy. In this poll the level of satisfaction with the performance of the Greek government was 6 – with 10 the highest score and 0 the minimum. Moreover, 89 percent asserted that foreign tourists should have been allowed to enter Greece only after having passed a COVID-19 test.

A Pro Rata survey conducted in the end of June 2020 provides useful results. 61 percent of respondents say that their personal economic status would deteriorate in the next twelve months. Of those respondents, 59 percent are between 18 and 34 years old, 60 percent between 35 and 54 and 62 percent over 55 years old. But it is interesting that results are related to the political party respondents support. Voters of New Democracy are more optimistic whereas voters of SYRIZA appear more pessimistic. In particular, 32 percent of New Democracy supporters expect their personal economic status to worsen while this percentage raises to 85 percent for SYRIZA supporters. The same survey exhibits that the majority of Greek citizens would pay for a COVID-19 test themselves if it cost until €50 (73 percent). Only 16 percent would pay a price of up to €100. And a July Marc poll reflects the anxiety of employees of the private sector: 26.4 percent is afraid of losing its job.

Furthermore, another poll conducted by MRB indicates that Greek citizens were concerned about a second wave of COVID-19 after September (75.3 percent). 22.9 percent was less worried about such a development. In addition, 63.4 percent expressed fear about the public health impact of the pandemic on either themselves or their family and 30.7 percent about the economy and personal employment. More importantly, 41.3 percent said that their personal income had already been reduced because

of the pandemic whereas 20.8 percent expected similar cuts in due course. On the contrary, 28.2 percent replied their personal income would not be affected by the novel coronavirus and 1.3 percent that it could even increase.

In parallel with their personal considerations about future developments, Greek citizens demand more solidarity from the EU. A recent survey commissioned by the European Parliament shows that 68 percent of respondents agreed the EU should possess more competences in dealing with crises such as COVID-19. The support of Greeks in that regard reached 78 percent and was lower only in comparison to Portugal, Luxemburg, Malta, Estonia and Ireland. Greeks were also in favor of greater financial means (79 percent). This was the highest percentage in Europe followed by that of Cyprus (74 percent) as well as Spain and Portugal (71 percent). In the same poll several Greeks (41 percent) complained about the 'loss of income' in a relevant question about the worrying personal financial situation of all European citizens.

With reference to relations between Greece and Turkey, the aforementioned MRB poll shows that 66 percent of respondents considered a military accident between the two countries likely in the next months. An increase of 6.8 percent in comparison to the percentage monitored in December 2019 is observed. Here, supporters of both New Democracy (65.2 percent) and SYRIZA (64.4 percent) agree. Another relevant survey conducted by Opinion poll provides similar results. 60 percent of respondents deem such a military incident possible. Furthermore, the Marc survey demonstrates that 74.4 percent of respondents were concerned about this scenario and that 88.5 percent demanded from Greek political parties to forge a common foreign policy line on this theme. Greek political parties have not yet agreed to do so though.

Despite the natural trend of the majority of Greeks to be uncertain about the future, the governing New Democracy party preserves a clear lead in all opinion polls. The Marc survey, for example, exhibits that 41.6 percent of respondents would vote for New Democracy and 20.4 percent for the main opposition SYRIZA. It also outlines that most Greeks consider the governmental work more efficient under New Democracy in

comparison to the SYRIZA administration. Specifically, an improvement is diagnosed in sectors such as the digital transformation of the state (58 percent), public safety (54.2 percent), health (51 percent), foreign policy on issues of national interest (48.8 percent), public administration (45 percent), the management of the refugee crisis (42.5 percent), economic affairs (40.5 percent), justice (35.2 percent), education (34.7 percent) and social work (34.1 percent).

The most important advantage of the Greek government is the understanding of the majority that the economic recession has been the result of the pandemic and not of its own policies. Even on Greek-Turkish relations it is Ankara which appears determined to challenge Greece and violate its sovereign rights and not vice versa. Of course, the management of the bilateral relationship does not necessarily generate self-confidence among Greeks. An July Interview poll exhibits that the majority of respondents (53 percent) expected from the Greek government to better handle the Hagia Sophia theme whereas 40 percent believed New Democracy had done its best. Last but not least, the Greek government counts on its influence on mainstream media – which received state advertisements during the pandemic and economically depend on the state to survive – as well as on negative public image of SYRIZA. At the time of writing the main opposition has been tarnished by several alleged scandals. The March survey sketched out the frustration of Greek citizens. 57.2 percent of respondents believe SYRIZA lost its moral advantage.

Conclusion

The COVID-19 pandemic has rendered the Greek society particularly vulnerable. In a period during which the national economy – in spite of its structural problems – had already showed signs of stabilization after the dramatic financial crisis, the novel coronavirus causes a serious setback. Against this backdrop, the majority of Greeks is highly concerned about the future. Opinion polls demonstrate that respondents feared they might lose their job or their personal income could be reduced. Beyond the pandemic, they are concerned about the future course of Greek-Turkish

relations. The majority considers a military incident between the naval forces of the two countries likely as they disagree on which maritime zone constitute the exclusive economic zone of each.

Most Greeks are satisfied with the quick response of the New Democracy government in the early stage of the pandemic. This explains the clear lead the governing party enjoys in all opinion polls. By contrast, SYRIZA is being encountered with several alleged scandals which tarnish its public image. Looking at current public opinion trends Prime Minister Mitsotakis makes political calculations in deciding or not for a snap election. The anxiety of Greek citizens about the future could lead him to accelerate the decision because the impact of the pandemic is expected to be seriously felt in the 2020 autumn. Of course, no safe predictions can be made about how Athens and Ankara will cope with their disagreements in the Eastern Mediterranean, an issue which largely impacts on Greek public opinion and only follows that of the consequences of the pandemic.

Labor Market Prospects in Hungary: An Outlook

Csaba Moldicz

The impact evaluation of an economic crisis very much depends on the scale of effects it has on the labor market. To show the importance of which indicators we utilize during our analysis, it is worth paying attention to the burst of the dot-com bubble, when GDP could increase again after eight months, however, unemployment figures will keep worsening for around 24 months. In other words, the economy can grow without creating jobs, this phenomenon is often called 'jobless growth'. In the present situation, we can ask ourselves whether the scale of the plunge in economic activities is proportional compared to the losses in the labor market. Obviously, the answer relies very much on the policy responses and measures of the given country. Until now, we could see that the effects of the coronavirus on the labor market in the European Union and Hungary have been much more moderate than in the US. Bearing the importance of labor market policy choices in mind, this briefing looks at the Hungarian labor market trends and prospects in the aftermath of Covid-19. Still, unless a second wave of the pandemic cannot be excluded from the analysis, the forecasts remain extremely uncertain.

There are significant differences in the forecasts of the European Commission and the Hungarian Government, the MNB reveal dissimilar approaches for economic development. A good example of this uncertainty is the unemployment forecast of the OECD that provides us with two scenarios; the one that excludes the possibility of a second wave, and the other one includes it. And as long the range of unemployment rate forecasts is from around 4 percent to 9 percent for the year 2020, the only thing which remains certain is uncertainty.

1. Hungarian labor market data in EU comparison

The recent EU labor market data were published by Eurostat on the 3rd of June 2020, the communication contains the April data. The seasonally adjusted unemployment rate of the region was 7.3 percent, which shows a slight rise compared to the March figure. (2020 March: 7.1 percent). At the same time, the US unemployment rate was 14.7 percent which rose from 4.4 percent in the previous month! This comparison shows the huge impact of labor market policies that modify market players' behavior and reactions in a given situation. To explain the very different trends – though the scale and nature of the Covid-19's impact on the economy were de facto the same in the US and the EU – we have to recall that the costs of laying off co-workers are very close to zero or zero in the United States while in Europe the dismissal of employees can lead to significant costs of the employers. This difference along with stronger legal protection of employees can easily explain the significant differences in the data. Moreover, we can add that in some crisis-stricken countries the unemployment could drop (see Italy and Poland!). Whether this difference will be temporary only hinges on the nature of the economic crisis. Given a V-shape crisis, the European unemployment rates will not repeat the curve of the American one, however, if we have an L-shaped recovery, in other words, a protracted crisis, European employers will have to reduce and intensify cost-saving measures including mass dismissals. What we can also see from the European and American comparison is that the very flexibility of the labor market can lead to fast improvement of the data too.¹

The question of why this comparison is relevant to the future of the Hungarian labor market might arise. Hungarian labor market policies are closer to the American one, however, the difference is that the state is willing to more actively intervene in the market processes, this approach borrows from both models. Looking at the same period as above the Hungarian unemployment rate change from 3.4 percent in February to 4.1

¹ In May 2020, US unemployment rate rapidly declined to 13.3 percent as the economy was opened up.

percent in April 2020. In April 2020, the number of employees was 4.368,000 in Hungary, this number reflects a drop of 73 thousand people compared to March 2020. And it is by 136,000 lower than in the corresponding period of 2019.

	February 2020	April 2020	Difference
EU	6.4	6.6	0.2
Germany	3.4	3.5	0.1
France	7.6	8.7	1.1
Austria	4.4	4.8	0.4
Italy	9.1	6.3	-2.8
Spain	13.6	14.8	1.2
Hungary	3.4	4.1	0.7
Poland	3.0	2.9	-0.1
Czechia	2.0	2.1	0.1
Slovakia	5.5	6.8	1.3

Source: own compilation based on Eurostat database

The scale of change is larger than the EU average and much smaller than the US, data suggest. In our opinion, the proportioned and systematic differences from the European average show the deviations in the labor market policies, thus we can conclude that the effect of Covid-19 will be more direct in the Hungarian labor market, however, the recovery will create jobs easily. (See the economic briefing of June more on this approach!) The Hungarian Prime Minister highlighted a few weeks ago again that the core of the Hungarian labor market policy is that social allowances do not help people, however, creating jobs does promote people and can boost the economy. Accordingly, the Hungarian government raised the ceiling for the number of public work schemes from 100,000 to 200,000 to give employment to those who have recently lost their jobs. The creation of jobs in the public sphere is complemented by public funds to increase the investments of private firms. Until now 100 billion HUF has been spent

on this purpose, public funds have to be added to private funds, thus the scale of the created investment is to reach 200 billion HUF.

It is very difficult to interpret the data now since there are significant differences in the results of the Hungarian Statistical Central Office, the National Employment Services and the surveys carried out by pollsters. The reasons for the differences are many-fold; sometimes people don't register after losing or they do it later; and in other occasions, people are not laid-off officially yet, however they consider themselves unemployed, etc. According to pollsters, the unemployment rate in Hungary must have reached 9 or 10 percent. The data of the Ipsos' survey reveal 9 percent unemployment. Based on these results, the most hit social layer is that of those who do not have secondary or tertiary education. One-fourth of these people became unemployed during these last months. The Publicus Research Institute also carried out a survey including 1,004 people in the last two weeks of April. According to its results, around 10 percent of the pollees lost their jobs.

2. A Labor Market Outlook: 2020 and 2021

As we pointed out above, the main policy approach in the labor market has been unchanged, namely, the creation of jobs is given preference as policy choice over handing out unemployment allowances, however, it doesn't mean that the government would not adjust to the new conditions. Despite the unaltered philosophy, the public budget reveals that the Hungarian government intends to spend more on unemployment allowances. In the previous year, these funds made out 0.2 percent of the central budget, whereas the ratio increased to 0.5 percent in the budget for 2020. Another point in the adjustment process is how to respond to the decreasing number of vacant jobs. Over recent years, we pointed out several times that one of the largest impediments is the growing scarcity of (skilled) labor force. That led to more capital-intensive production and rapidly increasing wages and salaries. The problem seems to be the past since the number of vacant jobs significantly dropped in the Hungarian labor market. (This number was slightly below 90,000 mid-2018 and it is

slightly below 60,000 now. The plummet is significant both in the public sector and the private sector.)

Table 2. Unemployment rate forecasts (%)			
	2019	2020	2021
European Commission	3.4	7.0	6.1
Hungarian Government	3.4	5.6	4.3
The Central Bank of Hungary (MNB)	3.4	3.9-4.2	3.8-3.9
OECD	3.4	6.7*-9.2**	-
The Global Economy	3.4	5.4	3.98
Source: European Commission: Economic Forecast for Hungary; Hungarian Government: Convergence Program; MNB: Inﬂációs Jelentés, March 2020. Notes: */ in case of single hit; **/ in case of a double hit.			

The forecasts regarding the unemployment rates widely differ due to the growing uncertainties in the world market and the question of an eventual second wave of the coronavirus pandemic. In our opinion, the more optimistic forecasts seem to be more likely to happen. The recent drop in the employment levels can not be explained by internal factors, only by the external shock of the pandemic. As long as the recurrence of a second wave cannot be excluded, forecasts will remain uncertain. At the same time, we must add that the Hungarian government seems to be very determined to create jobs and stick to active labor market policies.¹

¹ In a sharp contrast to passive policies, labor market policies focus on increasing the employability of unemployed workers and not on sustaining incomes of the jobless people.

Latvian Social Development Outlook: Qualitative Healthcare Services and Social Innovation

Linde Nina

As the overall social situation regarding the outbreak of Coronavirus has improved since the active cases have significantly decreased it is seen that the restrictions will gradually become looser thus other medicine services will become more accessible to the residents of Latvia. During the upcoming months more focus will be put on strengthening the weakest points of the healthcare system such as due to the overwork of doctors it is problematic to ensure high quality healthcare service, hospitals outside the largest cities of Latvia have low workloads and surgical efficiency (on average one operation per day), which affects the quality of service. ¹ Additional shortcoming as supervision of non-certified doctors and residents is formal and not practical and the fact the accounting of working time is not provided electronically, therefore it is difficult to review the employment efficiency of medical personnel. Additional shortcoming that has been detected is that some health institutions do not fulfill the provision of health care services paid from the State budget.

It should be emphasized that the further aim is not to close a hospital or reduce the availability of specialists. The aim is to improve the quality of health care (including home medical care, palliative care), efficient use of human resources and use of the state budget. As one of the key priorities the Ministry of Health has set is importance to ensure that the patient is transported to a specific hospital in return for the necessary high-quality services.

¹

https://www.vm.gov.lv/lv/aktualitates/preses_relizes/6352_lidz_gada_beigam_bus_zinamas_izmainas_slimnicu_darbiba/

Latvia develops world-wide innovation to prevent the spread of Covid-19

In order to limit the spread of Covid-19 in Latvia, while ensuring the national economy and population of Latvia to gradually transition back to pre-Covid circumstances, the Latvian information and communication technology industry and science field representatives have voluntarily and in free of charge developed the mobile app "Stop Covid", which has been available since the end of May. Several state institutions have also been involved in evaluating the application solution, including the President of Latvia and the Chancellery of the President, the Center for Disease Prevention and Control, NATO StratCom, as well as medical professionals and epidemiologists. The social project "Stop Covid" serves as an evidence that Latvia is not only an innovative country but has a great expertise in creating adaptive technological solutions with added value as many leading technology companies have been involved in the process of the implementation of the "Stop Covid" application.

Application "Stop Covid": modern and innovative tool to prevent the spread of the Coronavirus

Because of the restrictive measures and public participation and awareness, Latvia according to the European Centre for Disease Prevention and Control is the country with the fourth lowest cases of Covid-19 in the European Union.¹ Despite the great results regarding the prevention of Coronavirus the Latvian authorities still value the Covid-19 crisis with high precaution and seek innovative precautionary measures with low impact on economy and the daily lives of people. With the high involvement of society and the use of modern technology, the development of new virus prevention tools has gone a step further. The newly developed application allows epidemiologists to identify contacts more quickly. It is to be seen

¹ <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

one of the most efficient ways to prevent the chain of transmission of infection and the wider spread of infection in society.

Although Latvia is currently a country with one of the most moderate restrictions, yet measures taken still significantly affect people's activities and economic processes. In order to ease the restrictions, it is necessary to introduce alternative precautionary measures. The Latvian success regarding prevention of the spread of Coronavirus is based on extensive testing and contact search. The contribution of the developed technological solution “Stop Covid” will make it easier to find contacts and speed up testing time. According to the head infectologists of Latvia this can serve as a contribution in order to improve controlling the infection and reduce the restrictions since as claimed by epidemiologists and scientists, even if only 20% of the Latvian population would use the application, it would already be an important support for risk identification and further control of the infection in the society.¹ Within less than two weeks since the application had started to operate the total number of users reached 60 000, which is approximately 3% of the residents of Latvia.² As reported by the representatives of the application “Stop Covid” the number of users is increasing daily and already proved its efficiency as reportedly a recent Covid-19 patient had used “Stop Covid” application.³

Key priority – data protection

One of the key aspects that was taken into account during the development stage of the application “Stop Covid” was data protection. During the installation of the app, the user is given the choice of providing their contact information for communication or not. Additionally, the app does not identify a specific person, track a person's location, or process information (contact information, messages, usage of other applications, photos, videos, etc.) on the user's device and the information about possible

¹ <https://www.apuricovid.lv/biezak-uzdotie-jautajumi>

² <https://www.apollo.lv/6993544/lietotni-apturi-covid-lejupieladejusi-60-000-iedzivotaju>

³ <https://www.lsm.lv/raksts/zinas/latvija/daziem-nesen-ar-covid-19-saslimusajiem-bija-apturi-covid-lietotne.a363193/>

contacts is stored only in the downloaded application, and is automatically deleted from the device memory after 14 days.¹ Within its competence, the Data State Inspectorate provided support in the development process of the application “Stop Covid” monitoring that the individual's right to privacy is respected, while enabling the responsible authorities to protect public health in general. Despite the efforts to ensure the anonymity and data protection and the conclusion of Data State Inspectorate that the application ensures safe data transfer, the application raised discussion in the society of Latvia regarding the possible data protection flaws within the application “Stop Covid”. The discussions around this topic reflected that disinformation is still a problem in Latvian society.

The basic principles of information transfer in the application “Stop Covid”

The application is based on a methodology developed by European scientists, including Latvia, as well as on the new Bluetooth signal exchange algorithm developed by Google and Apple, and its use is voluntary. The app anonymously uses Bluetooth technology to capture nearby smartphones (approximately 2 meters and longer than 15 minutes) on which the app also runs. The recorded information is stored on the user's smartphone and is automatically deleted after 14 days.

Regardless of whether the app is used or not, the Disease Prevention and Control Centre of Latvia contacts the population with confirmed Covid-19 disease. Disease Prevention and Control Centre of Latvia receives this information not from the application, but from medical institutions. If the patient uses the app, the Disease Prevention and Control Centre of Latvia will send a code that can be entered into the application to activate the sending of an anonymous notification to fixed contacts who have been at risk of infection. The identity of the Covid-19 is not revealed to the recipient of the notification. To ensure the data protection the patient

¹ <https://www.dvi.gov.lv/lv/zinas/mobila-lietotne-apturi-covid-neizseko-personas/>

does not have access to the information that are the recipients of the notification.

The operation of the application is based on encrypted data, as well as the principle of voluntary use. Bluetooth fixed contacts are only stored on the user's smartphone as encrypted codes and are not available to the user or application developers. They are deleted after a 14-day period. A user can optionally specify its contact phone number in the application. However, contact information of the users that have been in contact in Covid-19 patient will only be received by the Disease Prevention and Control Centre of Latvia if the user is notified of contact with Covid-19 and provided its contact details. By providing a contact telephone number, the Disease Prevention and Control Centre of Latvia will be able to contact the user, noting the need to isolate themselves or seek additional medical attention in case of symptoms. In case of detection of contact with Covid-19 and user's approval for further actions the following data will be available for the Disease Prevention and Control Centre of Latvia: telephone, date of contact, signal strength, duration of contact.

Summary

In the upcoming months more focus will be put on strengthening the weakest points of the healthcare system of Latvia focusing on providing higher-quality healthcare services. During June 2020 Latvian information and communication technology industry representatives in cooperation with other experts implemented an innovative digital tool to prevent the chain of transmission of Coronavirus and the wider spread of infection in society. Within less than two weeks since the application had started to operate the total number of users reached 60 000, which is approximately 3% of the residents of Latvia. As reported by the representatives of the application "Stop Covid" the number of users is increasing daily. and already proved its efficiency as reportedly recent Covid-19 patients have used "Stop Covid" application. One of the key priorities regarding the application was to ensure data protection and privacy policy. The involvement of government institutions regarding data protection policies

has contributed to the creation of anonymous yet effective virus prevention tool since the application does not identify a specific person, track a person's location, or process extra information. The application is based on a methodology developed by European scientists, including Latvia, as well as on the new Bluetooth signal exchange algorithm developed by Google and Apple, and its use is voluntary. The app anonymously uses Bluetooth technology to capture nearby smartphones approximately 2 meters and longer than 15 minutes on which the application also runs. The recorded information is stored on the user's smartphone and is automatically deleted after 14 days.

The Outlook of Lithuania's Societal Development with the Focus on Increased Social Controls

Linas Eriksonas

The end of the first wave of the coronavirus crisis in Lithuania which formally was declared to be over with the termination of the national quarantine on 16 June created further urgencies. First, there is a need to keep the public health situation under control through the continuous monitoring of the people moving cross-border, accounting to the overall situation globally. As of 29 June, a list of 50 countries was prepared by the Ministry of Health which contains the countries where there are more than 25 new cases per 100 thousand population. The arriving passengers from the virus-risk countries will have to register with the public health authorities and spend 14 days in self-isolation or would face legal consequences. Second, there is a need to implement certain social controls to prevent social and other misbehaviours which can be occasioned and even spurred by the uncertainties caused by the emotional response to the pandemic and its consequences.

Below is a brief outlook of the societal developments in Lithuania following the successful tacking of the first wave of the coronavirus pandemic with the focus on the introduced several legislative measures increasing social controls, which might impact the relationship between the state institutions and society as a whole. It will try to assess the potential impact of the ongoing changes for state development in the upcoming years.

According to Social Control Theory (formulated by Travis Hirschi), ties to family, school and other aspects of society serve to diminish one's propensity for deviant or anti-social behaviour. As such, social control theory states that crime occurs when such bonds are weakened as a result of social institutions losing control over individuals. This attachment depends on the strength of social bonds that hold people to society. According to Hirschi, there are four types of social bonds that bind people

together, namely attachment, commitment, involvement and belief in shared values. These bonds help to exercise the self-control of individuals in a given situation. Accordingly, to prevent the weakening of those bonds state institutions introduce social controls.

The COVID virus crisis and the pandemic-tackling measures introduced by the government (such as the lockdown of borders, limitation of social contact and so on) have made all types of social bonds vulnerable to their weakening. The police authorities during the quarantine reported the increase of the incidents involving drink driving, domestic violence, drink driving, the crimes causing minor bodily harm, manslaughter.

However, the most significant efforts to introduce social controls by the Government have been not so much about increased policing of the streets and other public areas but concerning white-collar crimes and the cases of public corruption. The nonviolent financially motivated crimes by businesses and government professionals committed against the public interest or under a false pretence of the assumed public interest have become the target for strengthening social controls in the state and society in the post-COVID period.

On 11 June the Financial Crime Investigation Service under the Ministry of Interior launched an investigation into the fraudulent activities related to purchasing the face masks and COVID-19 speed test kits. Several cases were reported linked to the allegedly fraudulent activities by the public officials from the local municipality administrations, including the top official from the major city municipality. The governmental agencies involved in purchasing the medical supplies (such purchases were exempted from the public tending procedures due to the urgency caused by the pandemic) during the COVID period were put under scrutiny.

On 3 June the president of one of three major business confederations and the president of the national bank association and four other people were detained by the Special Investigation Service (STT), which during the this all-out operation searched the premises of 70 people linked to the cases of the detained business leaders. The STT reported that the data obtained give reasonable grounds to suspect that the detainees received illegal

monetary remuneration for their role and impact in the adoption of various legislative acts in the interest of the business. “This pre-trial investigation revealed examples of the façade lobbying, which covered an intolerable desire to profit or to gain other personal benefits, using existing powers and influence. This situation shows once again that it is important to continue discussions and seek solutions for that process of lobbying becomes more transparent”, - the Director of STT said on the record.

Three main features could be discerned as characterising the adopted approach of the governmental institutions aiming to increase social controls concerning the public governance through a comprehensive tackling (both prosecuting and preventing) the white-collar crimes and public corruption. First, one can notice the increased scrutiny of governmental officials at all levels of governance. Second, the increased scrutiny of the private persons and the organisations they represent who come into contact with the governmental and municipality officials and their interactions. Third, the increased powers for the authorities to investigate and bring to trial the perpetrators of white-collar crimes.

As concerning the increased scrutiny of public officials, in 2020 the Chief Official Ethics Commission, which is the primary watchdog institution for considering the misdeeds of public officials, has prepared the recommendations with the guidelines concerning the limitation of the acceptance of gifts and services. According to the Guidelines, any gifts having a value of more than 150 euros received by a public official would have to be declared. In such cases, the gifts would be treated as a property of the state or a municipality. It is illegal also to receive any services provided or paid by others if this transaction is related to the job functions carried out by the gift receiver, a public official.

Regarding the increased scrutiny of the interactions between public officials and society, in June the Parliament approved the new amendments to the Law on Lobbying Activities. According to the amended Law, any efforts from the organisations and the individuals representing them to influence the legislative process for their benefit are regarded as illegal, unless they are declared. The physical or legal persons that are involved in

the lobbying activities have to register as official lobbyist on the specially designated public website entitled as “The register of the transparency of lobbyists”, setup and maintained by the Chief Official Ethics Committee. Until now the individual opinions expressed by physical persons as regarding the considered legislation were legal, except for the cases where a physical person was actively and repeatedly involved in drafting the legislation and/r involved in the direct process of the approval of specific legislation.

The Chief Official Ethics Committee in consultation with the Special Investigation Service (which has the right to initiate and conduct pre-trial investigations under the supervision of the Organised Crime and Corruption Investigation Department of the General Prosecutor’s Office) have listed the public officials and the institutions that the monitoring of the lobbying activities would be concerned. The list includes the President, the Members of the Parliament, the ministers and vice-ministers, the chancellors of the Government and the ministries, the party leaders, the city mayors, the members of the local municipality councils and the directors and the deputy directors of the local administrations. Their interactions with non-public bodies and individuals might come under scrutiny according to this Law.

Concerning the strengthening the powers to prevent and persecute the white-collar crime and public corruption, on 30 June the parliament approved the amendments to the Law on the Prosecutor’s Office. According to the amended Law, the General Prosecutor’s Office gained the power to give a status of the special prosecutor to a prosecutor when investigating the economic crimes, including the crimes committed against the business structure or financial system of the country. Further, a special prosecutor status could be given to a prosecutor in the cases where charges are brought against the head of a state or municipal institution, public or private entity and even a person having legal immunity on behalf of the public interest or because the public interest was compromised.

The above legislative measures create the pre-conditions for the emergence of a new model of democratic governance, which departs from

the Anglo-American tradition of liberalism concerning the engagement of society and non-elected bodies (such as public interest groups and special interest groups) in the political decision-making process. By diminishing the informal exchanges between the public officials and the non-elected bodies representing social and business groups and specific interests, while formalizing the process of interactions between them, under the watchful eye of the statutory institutions, the social controls might result in diminishing social ties in the sphere of governance.

Some form of lobby registration is required in 12 European Union Member States. At the EU level, the Transparency Register (launched in 2011 and jointly managed by the European Commission and the European Parliament) provides a searchable online database for the declared policy interests, lobbying expenses, membership in the EU consultative structures and the staff member responsible for governmental and public affairs in the registered institutions. The self-declarations are required for activities designed to influence directly and indirectly policymaking, policy implementation and decision-making in EU institutions. These measures aim not to prevent the interest groups from accessing policymakers or create barriers for their access but to involve them more profound; hence the need to make the information about them open.

On the one hand, the legislative measures and their implementation to strengthen top-down control concerning white-collar crimes and public corruption in post-COVID Lithuania aim to curb the occurrence of such crimes at the time when social bonds in society are at risk of weakening. However, on the other hand, these efforts risk of creating a more considerable distance between policymakers and society-at-large than it is intended, that might result in the loosening of the social bonds which keep citizens attached, committed, involved and sharing the same values through the interaction with decision-makers in a more informal way.

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COVID-19 Pandemic Impact on Montenegrin Society: An Outlook

Vojin Golubovic

The COVID-19 virus pandemic will undoubtedly have huge, and often devastating, consequences in all spheres of society. When it comes to Montenegro, the pandemic will directly or indirectly affect people's behavior patterns in 2020, direct their activity, but also affect the living standards of citizens and numerous social (seemingly unrelated) events that have shaped the public scene in 2020 so far.

Continuation of the fight against the epidemic in Montenegro: Montenegro does not have the luxury of repeating the same measures

Despite the fact that the response of the National Coordination Body for Infectious Diseases and the Montenegrin government regarding the first wave of the coronavirus epidemic was assessed as one of the most successful and gave excellent results, returning the epidemic to Montenegro will not mean returning to those measures that brought excellent results. Namely, in the first wave, the Montenegrin government put the emphasis exclusively on preserving the health of citizens. In line with such a goal, measures were introduced that placed too much responsibility on the government and the health system. Public institutions have been closed, numerous business areas have been closed, companies have been limited in their activities, international borders have been closed, and even intercity traffic has been suspended. In addition to the prescribed ban on movement, such measures brought a quick result - Montenegro became the first European corona-free state, and the first state to declare

the end of the epidemic. However, why can't such measures in the fight against the epidemic be expected again?

Simply, capacities are limited. The economy has been significantly affected, and it has finally become clear that global interdependence does not allow isolation. Therefore, regardless of the return of the epidemic, the measures that will be taken in the fight against the spread of the virus will not go in the direction of closing Montenegro, neither towards other countries, nor at the local level. It is expected that the responsibility will be gradually transferred from the state to the individual, the citizen. Therefore, it is expected to prescribe penalties for non-compliance with measures that are of a preventive nature (wearing masks, keeping a distance, etc.) as well as increased inspection supervision.

The situation caused by the COVID-19 is likely to leave a mark on people's behavior, their creativity and way of doing business. Undoubtedly, it will accelerate the process of digitalization in all spheres of social life, as well as in all areas of human activity. However, it seems that the system of public services will be improved, which so far is usually based on traditional methods (counters, waiting in line ...) Digital transformation of society in Montenegro is still in its infancy, and the pandemic will certainly accelerate this process. In any case, lock out has shown that certain systems adapt quickly to the new situation. This primarily refers to the education system. It is possible that, if the situation with the epidemic in the fall is significantly worse (when the new school year begins), the education system will be fully ready for online teaching and testing of students' knowledge.

Impact of COVID - 19 on living standards in 2020

The standard of living of the citizens will be obviously affected by pandemic. With the poor economic situation (over-indebtedness of the state, low possibility of borrowing under favorable conditions), it is questionable the adoption of laws that should provide better social protection of the population. This primarily refers to the new Law on pension and disability

insurance, which assumed an increase in the amount of the minimum pension and thus less exposure of the elderly to the risk of poverty.

Although the content of the new law has long been agreed between all parties in the Social Council (government, employers and trade unions), the fact that it is not in parliamentary procedure, indicates a possible delay in the adoption of this law in 2020. Government announced that the harmonization of pensions will continue in the coming period, but the question is why the law was not adopted first, and then the harmonization was done? The answer seems to have to do with the huge financial burden on the government caused by the epidemic. Certainly, in the remaining part of 2020, one of the main challenges will be the regular payment for about 130,000 pensioners, which requires 35.5 million EUR per month.

What is likely to lead to the non-adoption of the new law this year is the fact that it proposes an increase in the minimum pension from the current 128 EUR to 145 EUR. So, the new pension law will not be adopted this year because it has a great fiscal impact and would increase budget expenditures. In addition, the COVID-19 virus has affected the postponement of certain projects that would provide better protection for the elderly (for example, planned homes for the elderly).

Although the crisis has significantly redirected budget expenditures, at least a reduction in pensions should not happen in 2020. However, public sector wages may be subject to reduction depending on the intensity of the crisis and the degree of need to reduce costs. But such a scenario would further reduce the living standards of most citizens, whose spending would be limited to basic, priority goods and services.

In addition, the presence of a crisis caused by the COVID-19 virus pandemic will undoubtedly leave significant consequences on the labor market in this year. This primarily refers to the lower volume of seasonal employment and less engagement of both domestic and foreign labor. In addition, the crisis is likely to hit the informal sector, given the high level of informal employment in Montenegro. However, although job losses in the informal sector will not be visible, increased unemployment will be reflected in a decrease in real disposable income, and thus in a lower

standard of living in 2020. A higher unemployment rate compared to the pre-crisis period, as well as a lower employment rate make it impossible part of activities aimed at ensuring inclusive growth, because they impose additional problems and create pressure on the social protection system, which has limited defined means for stabilization. What is clear is that the upcoming survey on poverty conducted by the Statistical Office of Montenegro for 2020 is likely to show a significantly higher rate of risk of poverty compared to the previous survey for all categories, except perhaps, for employees.

The epidemic stops religious-political protests

The strained relations between the Montenegrin government and the Serbian Orthodox Church due to the adoption of the Law on Freedom of Religion in Montenegro have subsided in the first wave of the epidemic, because religious (and largely politicized) protests have been banned (due to the ban on all public gatherings). However, the fact that with the easing of measures, there was a new tension between the Government and the Serbian Orthodox Church, i.e. new mass protests, indicates that this will be a long-lasting conflict. However, the worsening of the epidemiological situation will probably stop the protests again in 2020 (at least until the end of the parliamentary elections, which can be a politicized decision). But, it is hard to believe that stopping the protests will blunt the edge of discontent, so in 2020 it is possible to expect a new violation of the measures prescribed to suppress the epidemic. The reason for such an opinion is the fact that the protests are supported by Serbian nationalists, who are also quite aggressive and radical in the Montenegrin parliament. It is they who will try to take advantage of one essentially social issue and make a political campaign out of it. The protests are likely to be largely supported by some Serbian media outlets, which tend to spread inaccurate information, but also, financial support to protests from uncontrolled channels is not ruled out. All this indicates that the issue of the mentioned conflict will continue to be open in 2020, at least until the elections.

However, what is problematic is the imposition of church themes (both by the authorities and the opposition in Montenegro), when the population is facing an unprecedented crisis, which requires a transition of thought. Such an environment can have a negative impact on the overall development of human potential in Montenegro, because it focuses on retrograde issues, which ignore the real problems of society. Church leaders add fuel to the fire in such an environment, because they are primarily interested in personal material security. Proof of this is their persistent silence on other issues in society. Therefore, well-organized, but hidden invitations to mass gatherings by church officials are possible, which should be expected on the dates of some important church holidays, some of which are already in mid-July.

In summary, the impact of the COVID-19 virus pandemic will cause dramatic disturbances in Montenegrin society, which will put the standard of living of citizens in the forefront, while some social problems, for example, environmental, will be removed from the 2020 agenda.

Macedonian Disruptions and Improvised Solutions in a Fractured Educational System

Gjorgjioska M. Adela

Measures aimed at containing the coronavirus pandemic, such as the temporary closure of educational institutions, have resulted in disruptions to educational systems and processes across the world. On the 10th of March 2020, the Macedonian Government announced the precautionary decision to temporarily close all educational institutions (kindergartens, primary and secondary schools, as well as universities and all other extra-curricular institutes of education). According to UNICEF monitoring, as of June 25th, country-wide closure has been implemented in the country, affecting a total of 359.623 learners across the various educational stages (177,627 females and 181,996 males).¹ During the summer period the institutions responsible for devising and implementing educational policy (most notably the Ministry of Education and Science), will determine the approach that will be taken for the new academic year, the official start of which is the 1st of September. However, such efforts will be circumscribed by the continuing spread of the pandemic as well as the pre-existing structural and technical incapacity of the relevant institutions to fend off the continuous deterioration of the macedonian educational system. The combination of these processes makes the country vastly unprepared to adequately respond to the challenging new reality imposed by Covid 19.

Pre-corona educational challenges

Even before the arrival of Covid 19, the country's educational system was marred by many structural weaknesses, as observed and evidenced by multiple OECD country reports. The 2019 OECD Report on "The education system in the Republic of North Macedonia" found that: "Learning levels in the country are among the lowest in Europe and the Western Balkans. This reflects systemic challenges of low funding, unstable governance and limited capacity. Despite

¹ <https://data.unicef.org/resources/data-to-inform-the-covid-19-response/>

some improvements, young citizens of North Macedonia continue to leave education with among the lowest learning outcomes in Europe and the Western Balkans. Major differences in educational outcomes across different ethnic groups also persist. While poverty rates have fallen in recent decades, low educational performance is limiting the employment and life opportunities of many individuals and impeding national development.”¹ Furthermore, the report correctly identifies the Ministry of Education and Sciences (MoES), as the institution responsible for developing strategic and legal documents and defining and implementing policies for all levels of education. Moreover, it concludes that the Ministry of Education and Science lacks technical capacity for evidence-based policy making or monitoring policy implementation. “This undermines the development of coherent and consistent policies and strategic planning, as observed in the repeated changes in the curriculum.”² Furthermore, the OECD locates one of the major reasons for the system’s inefficiencies to lie in the way in which educators and education authorities are appointed: “The appointment of principals, teachers and directors of key agencies frequently reflects political affiliations rather than demonstrated competence and experience”³ Finally, the OECD observes that strategic documents do not set out any specific goals for the sector of education, most notably there is an absence of targets to raise learning outcomes, despite the country’s low performance in international student assessments.

Unsurprisingly for this institutional and socio-economic context, macedonian students have continuously ranked amongst the worst in the PISA Survey of 15-year-old students that assesses the extent to which students have acquired the key knowledge and skills essential for full participation in society.⁴ The assessment focuses on proficiency in reading, mathematics, science and

¹<https://www.oecd-ilibrary.org/docserver/9b99696c-en.pdf?expires=1595859276&id=id&accname=guest&checksum=3D7732F6C23C472DAFF3878A7D993E7E>

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⁴ The Programme for International Student Assessment (PISA) is a triennial survey of 15-year-old students that assesses the extent to which students have acquired the key knowledge and skills essential for full participation in society

students' well-being. The 2018 PISA data showed that Macedonia ranked 67 out of 77 participating countries in reading and mathematics and slightly higher - 63 out of 77 countries - in science.

Improvised responses to the coronavirus challenge

The abrupt arrival of the pandemic in a context of a collapsing educational system caught the educational authorities unprepared, resulting in improvised half-baked measures aimed at tackling the day to day challenges to education which the pandemic posed. As a result, numerous guidelines and instructions have been published by the educational authorities in the past months. However, instead of facilitating the new learning process, they have contributed towards the creation of a confusing and a chaotic environment, which both educators and students have had difficulties navigating.

The country's UNICEF office has attempted to support the educational authorities by offering various platforms and methods aimed at "rapidly expanding the remote learning programmes for giving children a 'learning lifeline' and a sense of normalcy." Specifically, UNICEF in cooperation with the Ministry of Education and Science offered two workable solutions aimed at primary school pupils: the TV-Classroom and the E-Classroom. The TV-Classroom is a collaboration between the Ministry, the Bureau for the Development of Education, UNICEF, children's television producers OXO and national broadcaster Macedonian Radio and Television, and provides programmes for younger children. The E-Classroom builds on the UNICEF-supported Eduino online learning platform aimed at supporting early learning and is described as a one-stop-shop for educational content to cover lower primary, primary, lower-secondary education for all children aged 6 to 14.¹ As a result of the cooperation between the UNICEF and the Government, just weeks after the closures, the UNICEF-supported initiatives have reported that they have been able to offer a "mix of national broadcasting and e-learning to keep children at home and keep them learning, and by using health messages including on handwashing – to help them protect their health and the health of others."²

¹ <http://www.eduino.gov.mk/>

² <https://www.unicef.org/eca/stories/keeping-education-track-north-macedonia-during-covid-19-pandemic>

However, in spite of the availability of the platforms for the primary school level, teachers and pupils have reported numerous obstacles to their utilization and usefulness in the educational process. One major problem has been the lack of adequate resources for the conduct of online teaching and studying. A survey conducted by the Ministry of Education showed that at least 30,000 pupils from disadvantaged backgrounds do not have the conditions necessary to be able to follow online classes. Another structural problem has been that many teachers do not possess the skills and knowledge necessary to conduct distance learning. This structural disadvantage translates into an additional socio-economic disadvantage for the participation of children from poorer families in the educational process. Furthermore, even in cases where families do have the necessary resources, there are additional obstacles of access to distance learning. Namely, younger pupils more often than not need parental assistance in order to follow online teaching. However, only those parents (1 parent per family) who are working in the public sector have been exempt from work during the pandemic. Other parents (such as those who work in the private sector) have had to continue working, and have not been able to support their children through the distant learning process.

The situation on the secondary school level has been similarly challenging, albeit due to a different range of reasons. Unlike the availability of platforms for online learning for the primary school level, there have been no similar platforms for distance learning made available to high school teachers and to the students. The Ministry of Education has only been able to communicate instructions for evaluations of student performance.¹ In spite of promises to the contrary, no online educational platforms have yet been made available. Instead, teachers have been left to their creativity to choose specific social networks to conduct online classes and evaluations. Summarizing the overall situation, the Youth Educational Forum, has stated:

The transition from the offline to the online space has complicated the educational process for all its participants (students, professors and responsible institutions). What is more, it brings to the surface pre-existing problems of the educational system in the country, such as the inadequate and insufficient digitalisation and technological unreadiness of the teaching staff. In the last

¹<https://www.slobodenpecat.mk/nastavniczite-dobija-upatstvo-za-testirane-i-oczenuvane/?fbclid=IwAR0DFIjONdw5PcMMZMv8VchgZ9RJiKOMuLjELUIq78rsWy0TXI2DM4ppwr4>

months, the schools and teachers were left on their own to implement the curriculum, searching for various ways, which were not always functional and effective. Precisely because of the absence of a unified approach and clear instructions by the responsible institutions, the students have been exposed to low quality teaching, bad teacher- student communication, but also with unfair and unobjective evaluation.¹

The Ministry of Education has announced its intention to announce the strategy for the upcoming academic year by mid-August. The strategy should detail whether and which classes and levels will be taught, online, in person or through a combination of online and offline methods. Moreover, the Ministry has also promised to deliver a national platform for distant learning, which will unify the various resources and the evaluation processes in a one-stop-learning platform. In any case, even if the platform is delivered on time before the start of the academic year, this would still be far from the comprehensive solution necessary to address the broader challenge. Online education is a huge paradigmatic jump in the field of education, which requires adequate technological preparedness, stream-lined, accessible as well as tailor made resources. What is more, the appropriate utilization of such platforms depends on comprehensive training and support for both students and teachers, which have not been provided in the macedonian context. In the absence of such a multi-layered transitional process, it is to be expected that the educational process will continue to face disruptions and challenges in the coming academic year, adding an extra social burden to the overall challenge posed by the coronavirus pandemic.

¹ <https://www.dw.com/mk/%D0%B7%D0%B0-%D1%88%D1%82%D0%BE-%D1%9C%D0%B5-%D0%B7%D0%B0%D1%95%D0%B2%D0%BE%D0%BD%D0%B8-%D0%B7%D0%B0-%D0%BE%D0%BD%D0%BB%D0%B0%D1%98%D0%BD-%D0%BE%D1%84%D0%BB%D0%B0%D1%98%D0%BD-%D0%B8%D0%BB%D0%B8-%D0%BA%D0%BE%D0%BC%D0%B1%D0%B8%D0%BD%D0%B8%D1%80%D0%B0%D0%BD%D0%B0-%D0%BD%D0%B0%D1%81%D1%82%D0%B0%D0%B2%D0%B0/a-54273068>

Social Consequences of the Coronavirus Pandemic in Poland

Joanna Ciesielska-Klikowska

Recent months have brought a total change in economic and political plans and projections for the future. However, the pandemic has also changed social relationships and the problems that societies have to face. As far as social issues are concerned, for Poland, a special challenge for the coming months will be to reduce unemployment and income inequalities as soon as possible, but also to draw attention to the enormous workload of women who have to work professionally and take care of the family and home during lockdown.

Pandemic unemployment - truth or myth?

The fight against unemployment seems to be the most important challenge. According to the data provided by the Ministry of Labour and Social Policy in Poland, in April 2020 there were 966,000 unemployed (5.8%) registered, in May the number of unemployed slightly exceeded one million (6%) - this is official data created on the basis of information provided by Employment Offices. Considering the data of the Central Statistical Office from recent years, the scale of unemployment growth is *de facto* small. So did the coronavirus not affect the Polish labour market?

Not completely. Data from Employment Offices is not the only way to measure the number of people without work. In fact it is a simple number showing how many people have registered themselves as unemployed. However, the unemployment rate does not show the percentage of unemployed people in the entire population, as sometimes mistakenly thought. The unemployment rate is the percentage of people without a job who are actively looking for it in a group of professionally active people. Those who do not work and are not looking for a job are called

“professionally inactive”. According to the latest, full survey of the economic activity of the Polish population from the 4th quarter of 2019, the group of “professionally inactive” is over 13 million people (including, among others, 7.5 million retirees and 5 million of professionally inactive people in working age).

A more detailed analysis of unemployment in recent months is provided by “Diagnosis Plus”. This is a report created by four research centres and economic think tanks: GRAPE, CASE, IBS and CenEA. “Diagnosis Plus” is a study conducted in accordance with the guidelines of the International Labour Organization. According to the analysis, the unemployment rate in April 2020 was almost twice as high as compared to the state before the pandemic. This means that the unemployment rate in Poland is bigger than registered by the Employment Offices. According to the study, there are already 660,000 people who have lost their jobs as a result of a pandemic. 340,000 of them are looking for a job and are ready to start a new one right away. However, 320,000 are currently not looking for work. Only about 120,000 people registered at labour offices. Others did not do it, for several reasons: i) because their notice periods are still underway; ii) because they are concerned about their own health in the event of an office visit during pandemic; iii) because they hope that after lifting the restrictions, the employer will propose a return to the previous position.

Increasing social disparities

At the same time, this rising number of unemployed people will have a direct impact on the economic situation of many families in the coming months. Currently, as many as 33% of surveyed Poles declare that their income has fallen as a result of a pandemic (layoffs, job cuts, reduced number of working hours). However, it must be honestly admitted that 13% of people say that since the beginning of the pandemic, their income has increased. This shows that the pandemic affects income inequalities, which have been increasing since the beginning of the fight against COVID-19 in Poland.

Professor Ryszard Szarfenberg, dealing with this topic, points out: “It is obvious that Poles are getting poorer. Some less and some more, but 1/3 of the population is already feeling this. These proportions may change in the near future”. According to Szarfenberg, now the government should halt this process at all costs not only by maintaining jobs at the expense of wages, but also by supplementing the “anti-crisis shield” with benefits against poverty. In all four versions of the “anti-crisis shield”, which is a government support program for entrepreneurs, there are provisions on parental benefits and family benefits, but this is not enough.

Szarfenberg explains that it is necessary to introduce the principle that unemployment benefit is at least 50% of the previous pay, but not less than 50% of the minimum wage (currently the minimum wage is PLN 2,600, so half of this amount is PLN 1,300 [EUR 586 and EUR 293 accordingly]). Periodic benefit from social assistance for unemployed persons must be paid on the basis of full equalization to the socially agreed minimum standard - currently it is only PLN 701 (EUR 157).

To counter the social inequalities resulting from the coronavirus, the government should carry out these reforms urgently, adding a three-month crisis benefit to those who have lost their jobs. In the anti-poverty strategy to be adopted this year, the government should therefore include a plan for deeper reform of the monetary and service assistance system for the unemployed.

Deteriorating situation of women

The aforementioned problem especially applies to women. Women in Poland are more likely to lose employment, they work on the front line against coronavirus (as nurses, laboratory workers, carers for the elderly and children), yet they do hard work at their homes and are increasingly victims of domestic violence. Mother-employees do not have a concessionary tariff at work, and the weakening of their professional position can last for years.

As the latest Eurofound report shows, the coronavirus restrictions introduced by the Polish government hit women the most for many reasons.

In addition to immediate and easy-to-see consequences, such as job loss, there are also many less perceptible aspects that can have long-term negative effects on women's position in the labour market. One of the most visible economic consequences is the rising unemployment among women. Eurostat data show that women have suffered more due to the pandemic in Poland. Women work much more often in industries which require the (today undesirable) face-to-face contact (as doctors, teachers, nurses, hairdressers, beauticians, etc.), and at the same time less often in those industries considered crucial for the functioning of the state, and dominated by men (transport, security, agriculture, construction, etc.).

In times of pandemics, also the burden of "invisible homework" becomes much heavier. The division of responsibilities and childcare, although slowly levelling out in Europe, has always burdened women more. In the Polish case this is evident - according to OECD data, while men devote 34% of their time for unpaid work at home, for women it is up to 59%. However, as much as 77% of Poles think that the most important role of women is taking care of home and children. This *cliché* is of great importance for the presence of women on the labour market in crisis situations. The consequences are obvious: dropping out of the profession, then a difficult return to the labour market, the risk of receiving a lower salary, a break in the career path, and consequently a small pension in the future.

Remote work introduced in recent months is also not a perfect solution. The burden of combining work, homework and childcare affects women's health, including mental health. Isolation, insecurity and tensions associated with pandemic often turn into domestic violence. The Women's Rights Center Foundation wrote in a recent letter to the Prime Minister that the level of aggression not only increases in families who have already faced violence, but also appears where there was no such problem before lockdown. The Giving Children Strength Foundation also alerts about the deteriorating situation of children. The number of reported cases and necessary interventions doubled from February to April 2020 - it was the highest in 11 years. The number of divorce mediation applications is

increasing rapidly (according to Polish law, it is the first step to terminate a marriage) - compared to previous months, the number of submitted divorce mediation applications has more than doubled.

In addition, although the consequences of a pandemic worsened the financial situation of both men and women, single mothers (32%) more often than single fathers (29%) declare that it is financially difficult for them to make ends meet. Women are less likely to have savings that give them a sense of financial security.

Conclusions

The pandemic has changed a lot when it comes to the Polish economy. Although theoretically, it seems that Poland is already succeeding, and the “anti-crisis shield” as well as entrepreneurship of Poles are bearing fruit, the social effects of the crisis are large and will not end with the complete termination of lockdown. A large group of citizens have lost their jobs, they will certainly supply the sector of unregistered persons, undertaking seasonal work. This may result in an increase in systemic poverty, which the government does not notice, hoping that additional benefits such as PLN 500 for each child or an additional 13th pension for each pensioner will solve the problem. Meanwhile, pandemic boosts income inequalities, and in the case of women, makes it more difficult for them to become professionally active, or increases emotional problems (domestic violence). These are not very popular, but important issues that the authorities will have to face in the coming months.

Romanian Social Development Outlook in the Post-Pandemic Era

Oana-Cristina Popovici

The activity is slowly resumed following relaxation measures, although the number of active cases of coronavirus started to increase again. While the medical system is under pressure under the auspices of a second wave, the labour market is dealing with a lot of changes. The number of unemployed persons is going to increase this year, working from home is envisaged by more companies, while poverty remains a problem in rural areas. Other sectors strongly affected by the crisis, such as the education system, still has to deal with major uncertainties.

The state of the alert was extended for another 30 days in mid-June in Romania, but with supplementary measures of relaxation. Among the most important, there is the opening of the churches for inside ceremonies, of shopping malls and private schools and kindergartens. Moreover, there are 17 European countries for which flights are allowed without imposing afterwards quarantine measures. However, indoor restaurants and theatres keep remaining closed, as it is considered that the risk of contagion is highest there. Therefore, people in the sectors of hospitality and entertainment are the most affected following the pandemic. At this point, the authorities cannot provide a term at which all the remaining closed activities will be resumed.

Romanians managed to respect the social distancing measures imposed during the state of emergency. The situation of infections was manageable, but this was due to the speed of introducing the needed measures and respecting the rules. However, just one month after the end of the emergency state, the upward trend in coronavirus disease returned.

Romania is thus approaching 23,000 confirmed patients, almost four months after the first case. At present, the number of active patients who are still fighting the virus is 5,200 people. There is an obvious increase in the number of cases which is distributed almost evenly in the country, which reveals the fact that the virus still has a community transmission. From the part of the authorities, this is a period of uncertainty. The prime minister called for very great vigilance and strict observance of the rules, otherwise, Romania risks facing a very significant increase in the number of cases which could force the adoption of new restrictions. Authorities recommend maintaining protective measures, from social distance to wearing a mask.

The Head of the Emergency Situation Department, in charge with managing the crisis measures, considers that the situation is still difficult, as there is not a constant decrease in the number of cases and hotspots still exists. The possibility of a second wave is high. Authorities already declared that they are preparing for such a situation, without having enough information for pointing whether it will be a stronger or a weaker one. In this respect, the stocks of medical equipment are starting to be prepared and the medical system is still carefully monitored. A modular hospital for coronavirus patients, built by a Non-Governmental Organization from donations, was recently finalized. The hospital, which worth EUR 2 million, has 38 beds and a capacity to provide intensive care or to treat patients with infectious diseases or burn injuries, which will be treated here after the crisis is over. Romania also joined the European system for the vaccine against the new coronavirus, for which a donation was made a month ago. It is possible that the health system to suffer several changes in the future. The prime minister pointed out that the hospital infrastructure is an old one, which creates problems due to the fact that very few new investments were carried out. The level of digitalization in health is extremely low, but this trend could be reversed. Digitizing the patient experience, from scheduling to receiving the final medical report, is inevitable, considers private operators in this field.

If at the beginning of the year, there was a high fear of a shortage on the labour market, once with the start of the pandemic a lot of Romanians returned home. This time, the major problem is to provide enough jobs for those unemployed. Some of them are seasonal workers in agriculture and managed to return to their working places, such as farms in Germany, once the free movement of seasonal workers was approved by the European Union. Besides them, about one million people lost their jobs due to the pandemic, taking into account suspended and terminated employment contracts at the end of May. Areas such as IT and telecom were less affected, while employees in sales, production, logistics or tourism and food industry faced challenges such as job loss, technical unemployment or pay cuts. A recent study shows that people most affected by job loss are between 45-54 years old, are from rural and middle cities or have an average and sub-average level of education. At the economic level, about 500,000 jobs will probably be lost this year, according to human resources specialists, and their estimation of the unemployment rate is around 8%; at this point, official data do not include terminated employment contracts and people who have returned from abroad. The International Monetary Fund (IMF) forecasts an explosive increase in the unemployment rate in Romania, from 3.9% in 2019, to 10.1% in 2020, followed by a decrease to 6% in 2021.

For the second half of the year, human resources experts expect a strong resumption of employment, in many cases at a level similar to last year. Those working in IT will continue to have the highest chances for being employed, similar to persons with experience in e-commerce and digital sector, retail, automation and medicine. Persons with journalistic, law, clothing and real estate background will either have to wait longer than usual to find a new job or will have to change their career path. Employers pointed out that working from home will continue to be implemented in the long term and, in some cases, even replace going to the office. 80% of a survey respondents consider that the number of companies offering working from home opportunities will increase, while 38% believe that companies' interest in turning to freelancers or project-based specialists will represent another important change in the labour market.

Another study points that one in three companies took measures to reduce wages, but with the aim of maintaining the jobs. Most companies have pledged to make efforts to keep jobs. After the economic activity slowed down, they generally opted to reduce spending that did not affect employees, such as postponing investments or adjusting operating costs. If the economic recovery is rapid, the negative effect will be greatly mitigated, implicitly on employees.

Several measures were approved by the Government for stimulating the resumption of activity on the labour market. Starting with the 1st of June, the state will provide the settlement of 41.5% of the salary of employees returning from technical unemployment and will continue to support technical unemployment in companies where the restrictions imposed by the authorities will be maintained. In addition, the state ensures the payment of half of the salaries for one year in case that the companies will employ persons over the age of 50, aged between 16-29 years old or for Romanians returning from Diaspora whose employment relationship with foreign employees has ceased for reasons not attributable to them. While the private environment is welcoming such measures, they still consider that they are not enough, as there are industries who need more help to recover and for a longer period. In addition, they request a labour legislation adapted to the actual times.

One of the consequences of the fact that almost 1.2 million Romanians returned home as a result of the reduction of economic activity in different countries is that the financial amounts sent home to their families ended. This raises the problem of poverty, already persistent, in rural areas. Recent Eurostat data indicate that the risk of poverty recorded in Romania for the entire population was higher in 2019 than in 2008. Almost one in four Romanians (23.8%) had a disposable income less than 60% of the national median. Romanians already seized a decrease in their well-being. The survey of the credit management and debt recovery company Intrum revealed that almost 7 out of 10 Romanians (67%) believe that their financial well-being has decreased in the last 6 months, mainly due to the health crisis, as compared to the EU average of 48%. The share

of people in the EU who declare that their financial well-being has decreased is the highest in Romania, along with Greece. Romanian analysts declared that, besides the obvious causes of such a situation, this decrease could also be due to the reduction of confidence in the economy.

Many uncertainties regarding the impact of the crisis in the society persists and the priority of the measures for resuming the activity is still to be decided. An important sector affected by the pandemic is education, which saw an important transformation during the lockdown months. At this point, the resumption of activity in the education sector starting with the next academic year is still unclear. The Minister of Education stated that the school infrastructure does not allow the organization of courses respecting the physical distance of two meters between people. The authorities are considering the possibility of a new wave of coronavirus and at present, a “semi-online” mode of teaching activities is envisaged for the start of the new school year. Decision are to be made in this field, also considering the experience and good practices of other European countries.

Serbian Social Life after (with) Coronavirus: Age of Uncertainty

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The Covid-19 pandemic has changed many trends, positions and perspectives around the world. The last three months already have changed the social life in Serbia, and it will certainly not return to the old way during this year. Weak economic prospects will significantly affect employment, income and the entire Serbian society. Our near future will be marked by more uncertainty, less: income and consumption, travel abroad, social events and contacts. But because of that, more: empathy, friendship, domestic tourism, domestic production.

During the full swing of the pandemic, it was often heard that nothing would be the same as before. If the look is taken at the scale of the pandemic, the number of deaths, the stagnation in economic activities, and compare all with previous natural disasters or major wars, such a claim has no objective basis. The general atmosphere of creating fear probably has completely different motives. However, certain changes have already taken place, both in the world, in the world economy, in international political relations, which all have an impact on social life in Serbia.

In our entire region, the beginning of June marked the approach of the end of the Covid-19 epidemic. The weakening of the SARS-Cov-2 virus' activity has drawn the attention of the authorities and the public to other equally important issues. Among them, the economic issue at the first place. Uncertainty of future social relations in the broadest sense is also ubiquitous. Also, the inability to predict a possible second wave of the epidemic in the fall or winter causes a certain degree of discomfort for

everyone. Whatever, a some degree of uncertainty marks all aspects of social and economic life. As many times in the past, in such objective circumstances life must go on.

The relief for the citizens was the absence of omnipresent politicians from the media, i.e. reports on their daily public appearances. The election campaign has moved from the squares and streets to electronic and local media, as well as social networks. The elections are scheduled for June 21, and their results are certain: little will change on the Serbian political scene, and the citizens are more preoccupied with their own worries than with the pre-election promises of politicians, which are never realized.

Concern for health and life was quickly replaced by concern for economic survival. The main concern of every citizen is a job and earnings, as well as their availability and stability. Fortunately, Serbia did not experience a large drop in employment during the epidemic. The Government responded quickly, as did local authorities, and helped those who had to suspend their business activities with financial or other incentives. In addition, the high share of agriculture in GDP (close to 8%), the low degree of integration of the Serbian economy into international value chains and distribution networks, have contributed to the resilience of the Serbian economy to the impact of the global economic collapse. Ironically, underdevelopment was an advantage in this case. However, a certain number of people will be affected by the decline or loss of business activities in certain sectors, primarily in parts of the service sector (travel agencies, tourism, catering, hotel business, transport). Employees in export sectors will suffer the impact of declining foreign demand. It's certain that the decline in economic activity and demand in the European Union as the main export market of the Serbian economy will negatively affect employment and income of people in the country.

During the lockdown, the social vulnerability of life in big cities became apparent. Many went to houses in the countryside, some of which were almost abandoned. Life in the countryside is not easy and requires certain conditions, equipment and skills. Also solid infrastructure, especially transport one. Increased interest in living in the countryside

could continue and positively affect the general conditions in rural areas. New settlers in the countryside would join an already solid group of younger and highly educated people who had replaced life in large cities with life and business in the countryside, usually on inherited complete farms.

Few more changes that have taken place recently and that could be sustained in the future should be pointed out. First, social distancing. Whether this term was chosen intentionally or unhappily is a question, it has become familiar. It turned out that it was not just keeping a physical distance from other people, but literally and socially distancing people. Second, remote working and remote learning. It is likely that the share of remote working will grow, depending on the assessment of employers. Remote learning did not cause enthusiasm among students, so we can doubt that it will suit them in the future. The impression of the seriousness of young pupils and students in these conditions is very pleasant. As it is hinted, in Italy, the next school year could function via the Internet. If that is the case, the question arises as to what happens to the nature and character of the university and its values. Do we need the university at all, the owners and strategists of technology companies may be wondering. Of the other remote things, we can mention payments and communication. Limited movement has increased the number of citizens who have used digital payments, so it's likely that a number of them will continue with this practice. Skype and Viber have literally enabled any communication with people abroad, helped many to overcome transportation problems, and significantly increased the number of their users.

Another interesting phenomenon manifested itself more intensely during the pandemic around the world: population monitoring, surveillance and control. Regardless of the character of the political system and the type of government, all authorities share the same affinity for controlling their population. It was the same in Serbia. This trend will strengthen and be more sophisticated. To cite one example: Huawei is installing 1,000 high-resolution cameras with automated face recognition (AFR) for the Serbian police. Certainly, this is the beginning of digital surveillance. Also, certain

democratic and legal procedures were missed, which is neither the first nor the last time in Serbia. If all sophisticated technical means are used in accordance with the law, the general level of security will be improved and the privacy of citizens will not be endangered. As in the world, a debate has developed in Serbia in a narrow circle of intellectuals about the relationship between democracy and the pandemic, ie the measures taken by the authorities during the pandemic.

It turned out that politicians cannot treat people when they are sick, which we all already knew. The health care system in Serbia has been systematically collapsing for three decades. In the last decade, the Serbian Government, with the help of European countries, has managed to renovate and improve numerous health care institutions. However, many doctors and nurses went abroad, as is the case with neighboring countries. Over the last few months, several thousand doctors and nurses have been employed, which is still not enough according to the needs of hospitals. Doctors and nurses have always enjoyed the respect of the people, which cannot be said for the state. Their working conditions and incomes have already improved to some extent, and an increase in the number of health care employees can be expected. Also, Institute of Virology, Vaccines and Sera Torlak (Belgrade), founded in 1930, will have the full support of the state for further development.

As in the whole world, the crisis headquarters was formed in Serbia at the very beginning of the pandemic. Leading politicians, although reluctantly, seemed to relinquish media primacy to doctors. However, two leading Serbian politicians were guests in each home every day for several hours on TV, while doctors became fearmongers of the people. The citizens stoically endured such a somewhat comical dramatic situation. However, what is useful for now and for the future epidemic are the advices of serious doctors and scientists that the citizens have recognized. Also, we had the opportunity to see the organization and conduct during the pandemic in neighboring and other countries, which is certainly instructive.

Let's also mention the cultural scene, which suffered great restrictions due to the nature of its activities. As might be expected, the

spirit is not easy to keep closed in a bottle. Despite the lockdown, numerous cultural events and communications were organized through digital media. We'll now have the opportunity to participate in them live.

Conclusion

Whether all the effects of this pandemic are negative is not a meaningless question. Life and economic uncertainty force us to reconsider our priorities. Necessity quickly teaches us what is important and what is not, what are the values and what are imaginary and imposed needs. This applies to individuals and to society as a whole. The age of carelessness seems to be behind us. This year will not be easy for people in Serbia, but this experience could direct social relations in a better and higher quality direction.

It can be expected that the economic difficulties facing the citizens of Serbia, as well as the uncertainty of the re-emergence and spread of the epidemic, will to some extent improve social life. We believe that people will turn to better quality social content and relationships, ignore the reality political and low-minded show by which they are bombarded by the media.

Slovakian Social Development in the Corona-Crisis: An Outlook

Kristína Baculáková

Unfortunately, even a few months after the outbreak of the coronavirus, we cannot say that we have won the fight against the pandemic. In Slovakia, however, the situation eased to such an extent that the government could gradually come up with individual phases of the release of the adopted anti-epidemiological measures. The release takes place in individual phases, while its acceleration will allow entrepreneurs, at least in part, to adapt more quickly and compensate for lost profits. In an effort to minimize the negative effects of the pandemic on human health and lives, the measures taken in Slovakia were rather radical. Closed schools, restaurants and gastronomy services, ban on cultural and sports events. All this has significantly affected the country's economy and will have a serious negative impact on these sectors.

Restaurants, cafes and patisseries traditionally represent the centre of social life in Slovakia in the spring and summer. They were one of the first to close. According to the Association of Hotels and Restaurants of Slovakia, a more than 50% year-on-year drop in sales is expected, in the amount of about EUR 560 mil. About 68,000 employees in this sector are at risk of losing their jobs. The association pointed out that none of the measures taken was specifically aimed at promoting gastronomy. On the other hand, already in the first phase of the releasing of measures, it was possible to serve packed food or to deliver it. Subsequently, the outdoor terraces were opened and, in the last phase of the release of the measures, the interiors of the restaurants. However, the mandatory spacing and distance of the tables will not allow restaurants to serve full capacity.

The ban on holding cultural events is also gradually being eased. However, it is clear that the holding of major cultural events this year is

passé. Culture is one of the most affected sectors. The *We Stand by Culture* initiative conducted a survey from March 10 to March 27, which was attended by 269 natural and 201 legal entities operating in the cultural and creative industries. As many as 60% of the responses came from freelancers, which only points to the most vulnerable group working in the creative industries and culture. The Institute of Cultural Policy quantified the average loss for natural persons at an average of EUR 2,000, for legal persons at up to EUR 21,000. The most preferred measures that could help to overcome the crisis period are a lump sum of financial compensation through the so-called de minimis aid. More than 50% of respondents prefer this assistance. The current setting of minimum state aid does not cover all entities. Other preferred measures are the guarantee of a flat income, especially for the freelancers, and for legal entities, a one-off financial compensation for selected fixed costs or concessions in drawing subsidies. As part of the measures already taken, the government discussed the amendment to Act no. 96/1991, which includes contractual security in times of crisis, in particular:

- protection of cultural organizers in relation to sanction fees and fines;
- protection against return of entry, e.g. by extending the validity of the ticket or providing vouchers;
- suspension of 2% deductions to funds, contributions to funds on a voluntary basis;
- cultural activities can be promoted on TV as public interest announcements.

In addition, Slovak Investment Holding has prepared a so-called anti-corona guarantee - a financial instrument that SIH has prepared for the cultural and creative industries - bridging loans for entrepreneurs.

Cultural institutions, such as cultural houses, remain a significant problem in the field of culture. They recorded an average loss of up to EUR 27 000 and, as their primary activity is to organize events which have been and will be cancelled to a greater extent, they have no income. These cultural homes in the district towns are therefore in danger of extinction if the government does not take targeted measures to support them.

A similar fate befell sport in Slovakia. We assume that after the crisis, many sports clubs, especially participants in minor leagues, will have to close down. Some clubs are even no longer able to pay athletes. However, the positive outlook is that local recreational sports can experience a revival. Above all, it will be village football, which was very popular in Slovakia, but its attendance has been declining in recent years. Sport is a huge branch of the economy, which has reached the social and economic pedestal. Sport earns money not only from the sponsorship of brands that build huge marketing in this way, but also from the sale of broadcasting rights to matches. Since there are no big matches, there is also no income. Thus, after the corona-crisis, sport will probably undergo a major revitalization, which will certainly also concern financial self-reflection.

We assume that people's desire to attend cultural or sport events will grow, which could be observed already during the release of the measures. However, we must not forget that the level of attendance will be affected by the financial vitality of the people. Satisfying cultural and leisure needs, such as enjoying a glass of lemonade in a restaurant, is at the top of Maslow's pyramid, which means that if people have to tighten their belts, they will spend less. This can significantly jeopardize the functioning of these sectors.

The Ministry of Finance estimates that the current crisis will be deeper and longer than the crisis in 2009. It turns out that the current profit-oriented economic model will need to be reformed globally to become sustainable and socially secure. The current development is characterized by the highest index of uncertainty since the Second World War. According to the Ministry of Finance, the unemployment rate should climb to 8.8%, while nominal wage growth will be only about 1.6%, real wages will not increase at all. Many people could find themselves in existential distress. The government is currently working to mitigate these negative social impacts. Mothers or parents who had to stay with their child at home during quarantine measures receive so-called quarantine treatment. They will not lose this money transfer, even if they decide not to put their child in school after opening in June. In April, an amendment to the Social Insurance Act

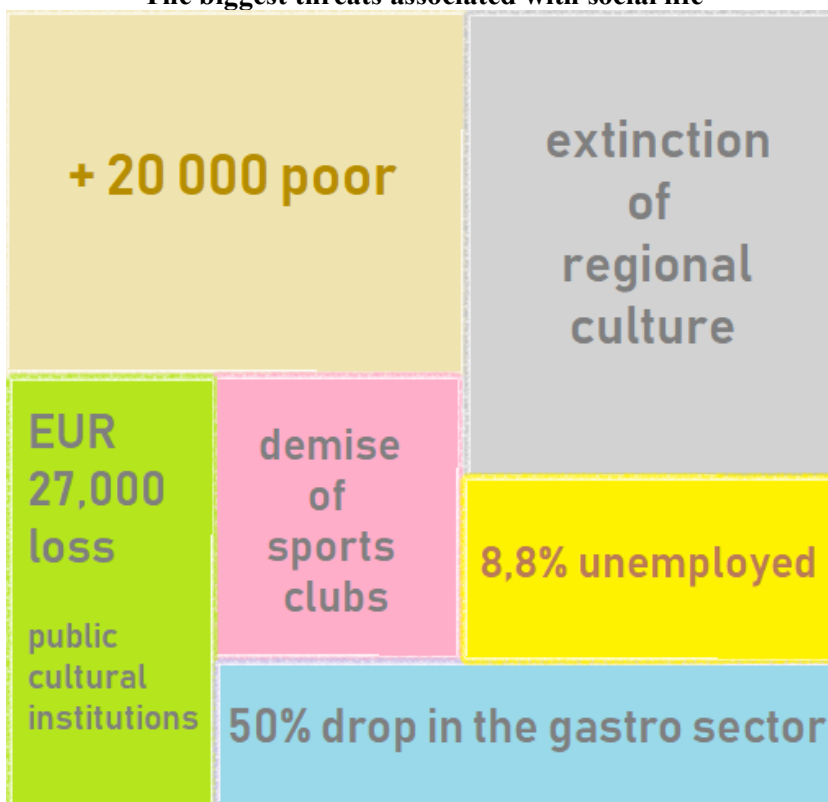
was approved, which waives the payment of social insurance premiums, including mandatory contributions to pension savings, under the conditions stipulated by law. This applies to employers and entrepreneurs who had closed for at least 15 calendar days in April.

Unfortunately, it is estimated that the current crisis will have a negative social impact. Some companies have announced redundancies, but in the larger case, redundancies are expected to take place after the measures are relaxed. The decline in sales and production will cause the closure of some operations, or the rupture of some supply chains. The redundancies will result in an increase in poverty, with around 20,000 people increase expected in Slovakia. Such materially deprived people, for example, cannot afford to eat meat or fish at least every other day, have arrears associated with mortgages, loans, electricity or rent, cannot afford a holiday outside their home once a year. At the same time, the inability to repay mortgages can ultimately seriously endanger banks, although they have also been protected in recent years by significantly limiting the maximum amount of loans granted in relation to the value of real estate. In addition, the UN estimates that the most vulnerable group in the context of a pandemic will be children, who are not directly at risk from the disease but from associated aspects of the crisis - in particular the socio-economic impacts and negative impact of postponing sustainable development goals. For example, there is a risk that the positive trend of poverty reduction in recent years may be reversed, with children who have remained at home after school closures also facing domestic violence in the family.

Thus, the pandemic affected not only human health but the economy and, ultimately, the quality of life of the population. It seems necessary to reassess some societal priorities and focus on a sustainable economy, which, in times of crisis, is proving even more necessary. The absolute reduction of environmental pollution during the slowdown in economic activity remains a positive aspect, as evidenced by measurements in Slovakia. So what humanity was not able and willing to do for the environment was ultimately provided by nature itself. It therefore remains to be hoped that we will learn from the crisis on many things, even if its consequences are

expected to be dramatic. Therefore, it will be important for governments to jointly prepare long-term strategies for boosting the economic activity, as our mutual interdependence affects our further development. All of this will have to happen at the cost of unprecedented growth in government deficits and budget deficits, which is not desirable, but even the far-right economists are now confirming the need for rapid and large-scale state intervention.

The biggest threats associated with social life



Author's own processing

Sources: Ministry of Culture of the Slovak Republic

Ministry of Finance of the Slovak Republic

Association of Hotels and Restaurants of Slovakia

Outlook for Slovenian Education during the First and Consequent Waves of the Covid-19 Pandemic

Helena Motoh

The declaration of Covid-19 epidemic on March 12 also brought the closing of all primary and secondary schools, kindergartens and universities in the country. For the next two months teaching and learning was conducted online. Despite the optimistic position of the Ministry of Education, who evaluated the distance learning to be largely successful, many participants in this process strongly disagree, what culminated especially after the results of the official survey about education during the COvid-19 epidemic were published.

Education adjustments during the epidemic

On March 12 when Slovenia officially declared Covid-19 epidemic, few schools in Slovenia already recorded cases of infection among their teaching staff. The day the epidemic was declared, the government also announced the closing of primary and secondary schools from Monday, March 16th onwards, for an initial period of 14 days. Parents were asked to keep children at home on Friday, March 13, if possible. Kindergartens were also closed from Monday 16th. Universities already stopped their lectures in the week prior to the declaration of the epidemic. In the next weeks, schools were instructed to switch to different possibilities of distance learning and most of primary and secondary schools resorted to a combination of virtual conferences and e-classrooms. As time progressed, a range of different problem also became more evident. For younger children parents had to stay home even if their jobs would require them to work during the epidemic and they received only a recompensation instead

of the full salary. Parents who were allowed to work from home, struggled to navigate the requirements of their job obligations with teaching and supervising the children. In these situations, the lack of equipment and resources also became evident with most households not having the adequate number of computers, printers, a good internet connection etc. Even more, this arrangement deepened the social divide between families, with lower income families struggling to be able to provide basic equipment and environment for their children to be able to participate in online learning. Despite the criticism coming from parents and teachers alike, the Ministry insisted on their evaluation that the distance learning is functioning well.

Schools started to reopen in late May. On May 18th, few days after the government announced the end of the epidemic measures to be scheduled for June 1st, primary schools opened again for pupils of first three grades, but still under strict safety regulations. Classes were split in half and all communication between pupils of different classes was to be prevented, while teachers had to wear protective masks at all times. Secondary schools also reopened, but only for 4th grade students who started preparing for matura exams, divided into smaller groups. Kindergartens also reopened, but children were organized in smaller groups in strict prevention measures were observed. On May 25, primary school 9th grade pupils returned to school. After lots of criticism about this partial reopening while all other lockdown measures were being lifted, the Ministry of Education announced on May 28 that 4th and 5th grade primary school pupils will return to school on June 1, while the remaining 6th, 7th and 8th grade students would follow two days later on June 3. Secondary school students would finish this school year via distance learning and would not return to school.

Evaluation of the Ministry of Education

Ministry of education was first asked to provide an evaluation of the distance learning by the parliamentary group of Marjan Šarec List (LMŠ) on April 23. On April 29 the issued a short report on the topic. The overall

assessment was that the educational system had successfully adapted to the new circumstances and the distance learning, which included all schools in the country, is progressing smoothly. They also said that the support systems for distance learning are stable. According to these three main goals have been successfully achieved: (1) providing a continuous educational process, adequately adapted to extreme circumstances, (2) prevention of wider gaps between students in learning achievements and a special care for vulnerable groups, and (3) providing appropriate tools for technical support for distance learning teachers. Optimistically, the Ministry also claimed that initial problems were overcome in first few days. The report also mentions several special measures taken to minimize the potential problems: special help system for Roma children, donations of computers and internet equipment, engaging the national TV station in preparing special educational programmes. The report also lays out standards and guidelines for grading and other types of knowledge evaluation, also announcing that the National Assessment of Knowledge (NPZ) in 6th and 9th grade of primary schools will not be conducted, while the matura exams for the 4th grade secondary school students will take place.

National survey

After the end of the official epidemic a survey about the learning during the epidemic was made by the National Education Institute. The survey was devised to evaluate the experience of teachers, pupils/students and school headmasters. For reasons not explicitly given, the experience of parents was omitted from the survey. The survey included 5990 primary school teachers (29% of all) and 1393 secondary school teachers (20%); 13% of primary school pupils and 10% of secondary school students; and 406 headmasters. Additionally, 7 focus groups were included in the survey, 37 teachers and 16 headmasters. Around 70% of teachers evaluated the distance learning as less efficient than work in class and estimated that by this type of teaching they could only achieve around 2/3 of the set teaching goals. They also evaluated this type of teaching as much more demanding and stressful, while also admitting that they were not able to adequately

provide social and emotional aspects of the teaching process. Similar estimates were given by students and pupils, who evaluated the work as more demanding and especially identified the lack of social contact as a serious shortcoming of the distance learning system. The survey received lots of criticism, for being largely inconclusive and not providing a very useful starting point for devising strategies for similar future situations. The survey was designed as an opinion poll about the satisfaction of the groups involved and does not provide applicable empirical information about how the distance learning was actually functioning. On top of that, the critics claim that there was an implicit bias which guaranteed that the results of the survey would turn out positive, namely, the pupils/students that responded, were precisely those who were successfully included in the distance learning system. Those that could not participate for social, family or technical reason and those who dropped out, were excluded from the survey, because it was conducted through the distance learning system. The experience of parents was also entirely left out of the survey. Convinced that the survey was done in an unprofessional way and might be freely interpreted for political reasons when again a model for education during the next wave of epidemic is sought, the president of the Expert Committee at the National Education Institute, Damijan Štefanc, announced his resignation in protest.

Criticism

Throughout the time of the school closure lots of criticism was directed at the Ministry for its uncritically optimistic position about the efficiency of the distance learning. Despite the initial enthusiasm in adapting to new circumstances, few weeks into the epidemic more and more reports started to appear in media and social media about parents, students and teachers progressively burning out due to the unrealistic demands of the distance learning system. Teachers, often having their own children at home as well, spent much more time than usual preparing the materials for distance learning, organizing them in not-well-coordinated online platforms and conducting videoconferences. Pupils and students

spent much more time to cope with the learning tasks on their own, while often not being able to adequately understand or grasp more complex topics, lagging behind more and more as the lessons accumulated. Parents who were working could not supervise their children's schoolwork, and those that worked from home, had to navigate performing all job tasks while also teaching their children a full school programme. Students whose parents were less educated found it harder to obtain adequate learning help from them. Psychologically and socially the distance learning also took a worrying toll, widening the income differences, different living conditions, and exposing many children from violent and problematic environments to abuse and suffering they were unable to seek refuge from in school. Many public warnings and criticisms followed from experts, teachers and parents' representatives, along with several public petitions, demanding to allow children back to school and prevent more harm from being made if the situation progresses as it did.

Conclusion: outlook for education

As the model for education in further epidemic waves is being negotiated, the positions about the success of distance learning during the first wave of epidemic are still far apart. The Ministry of Education evaluated the process as mostly successful, while many voices of teachers, parents, students and experts claim the opposite and warn about similar mistakes being repeated in the near future, especially since no adequate analysis of potentially harmful effects is being done. Scenarios for the reopening of schools in September are still being discussed both in the Ministry of Education and the National Education Institute while more and more experts and teachers warn about the negative effects of the Covid-19 related adjustments for the development and well-being of pupils and students, especially those that come from underprivileged backgrounds. With different models being tried out in other European countries that open schools before September, additional information and experience will be gathered that will also influence the decisions made for schools in Slovenia.

Part IV
OUTLOOK FOR EXTERNAL RELATIONS

Albania Foreign Policy Post-COVID: Expectations and Prospects

Marsela Musabelliu

In the beginning of this year, on this same platform, it has been argued that the blueprint of Albanian foreign policy would be some level of impact for the country in the world stage, if not in facts at least in rhetoric. 2020 was supposed to provide Prime Minister (simultaneously, Minister for Europe and Foreign Affairs) Edi Rama, with an ever-growing presence in important international panels given the presidency of Albania in the Organization for Security and Cooperation in Europe (OSCE). As PM Rama has always been striving for some limelight, this could be the year for him to showcase his causes and his convictions. However, with the spread of COVID-19, priorities of all countries affected shifted inwards and limited attentions is left to engaging in bilateral and multilateral endeavors. If the situation has changed, priorities of Albanian foreign policy haven't – it is still the path to European Union (EU) integration and the fulfilling of pre-accession criteria with Brussels that eclipses every other debate. There will be some numbers to be repeated in the months to come when dealing with external relations: 2 ambassadors, 2 crucial reforms, 15 conditions and 1 person that will delineate or even determine the outcome of all matters.

Two ambassadors

The ambassador of the United States and the ambassador of the EU in Tirana, are becoming two pivotal figures in the sense of what direction will Albania take in the near future. Mostly the US Ambassador Yuri Kim appears highly invested in the ongoing of reforms and political events in the country. The importance and the political weight of ambassador Kim is

easily perceived by many declarations of local politicians, as well as for the undivided support of the civil society in the country. One event sealed the influence of the US ambassador in Albania – all political forces in play, via their main representatives, in the beginning of June had a 9 hours meeting (the Political Council) at the private residence of ambassador Kim. The ambassadors of the United Kingdom (UK) and the EU also attended the meeting where a draft agreement on electoral reform was reached. Rama called it “*The home of a great friend*” referring to the location and the opposition was happy to comply to the outcome, even if it took some days and some theatrical public appearances. The ambassador of EU in Albania, Luigi Soreca, also reacted the day after the meeting; the message was simple, immediate expertise by all parties in the Political Council was possible and must be achieved immediately, since the Electoral Reform in line with OSCE/ODIHR recommendations. He ultimately warned that right to vote is a prerequisite for providing integration of Albania into the EU.

The two ambassadors, Kim and Soreca, will be crucial for the main events about to be displayed in the months and most importantly in the first half of 2021, during the electoral campaign. Their recommendations for the Albanian political forces on how to behave internally, as well as their reports on the respective authorities (namely the State Department and the EU Commission) will have major impact on how the Albanian Executive Branch of power will react in its international agenda. Their “blessing” is crucial for PM Rama and their declarations always resonate with the national media.

According to a distinguished Albanian diplomat, every embassy and every ambassador serving in a foreign country has a functional duty to follow closely the political developments in the host country and to inform them about the government of their country they represent. This information serves to develop bilateral or multilateral relations between countries and various international organizations. This information serves to develop bilateral or multilateral relations between countries and various international organizations. However, Albania does not seem to be a normal country in that regard yet. In Albania, it has been normal since

1991 and continue to be, to foreign ambassadors instruct on how elections should be conducted, how Members of the Parliament should be elected and how the president of the host country should behave. Albania became an independent state more than a century ago, but the Albanian political class is still completely incapable of running the country without foreign interference. (Cit. Fatos Tarifa, Dita Newspaper).

Two crucial reforms

In a normal state of affairs in any given country, crucial internal reforms are implanted and exist solely in the preview of internal/national institutions – but not in Albania. The Justice Reform and the Electoral Reform are tightly tied to the approval and endorsement (be this financial or otherwise) of the US and the EU, by all considerations this is not a negative stream, given their consolidation of the Rule of Law, it was more than appropriate to be following that type of standard and criteria. However, again in this stance there are two very important questions: which US and which EU?

Both are not monolithic internally when it comes to foreign policy and how they should project their power outside their borders. Many times contrary voices to the official policies are referred in Albania, and many times the same are used politically to defer one policy or the other. Essentially, for Albanian politicians the international factor is used very conveniently when they want to promote a certain agenda.

It is our argument that they will do the same in the months to come, when dealing with the two-abovementioned reforms. If a topic fits their agenda, political forces in Albania will cite one view or the other, depending on which is more favorable to them.

15 conditions (or not)

In the beginning of June, a special hearing was held in the Foreign Affairs Committee of the European Parliament on the situation in Albania. According to the documents released, Albania will first have to meet 15 conditions in order to advance the opening of chapters to join the EU.

Albania was granted membership negotiations on March 24th, 2020. During the virtual meeting of Ministers for Europe, it was agreed that this process for Albania would depend on the addition of conditions for completion, bringing their number to 15. The conditions as below:

1. Approval of Electoral Reform
2. Functioning of the Constitutional Court
3. Operation of the High Court
4. Finalization of the establishment of structures against organized crime and anti-corruption / Functioning of the Special Prosecution Office on Anticorruption (SPAK)
5. Strengthening the fight against corruption and organized crime, in cooperation with member states and through the Action Plan for addressing financial crime
6. Reduction of the number of asylum seekers
7. Review of the Media Law in line with the recommendations of the Venice Commission
8. Continuation of Justice Reform
9. Track Records-Initiation and completion of first instance trials of senior officials and politicians
10. Progress in Public Administration Reform
11. Implementation of Electoral Reform
12. Decision on the legality of the 2019 local election
13. Approval of bylaws of the Law on National Minorities
14. Approval of the (amended) Law of Census
15. Advancing the property registration process

As seen from the above, the diversity, the range and the depth of requirements is as intense as it can get, yet, in Albanian internal politics, the very actuality of the same was doubted. Because this was linked to another event still to be held. In the near future, there will be an intergovernmental conference after the adoption of the negotiating frameworks. However, prior to the First Intergovernmental Conference,

Albania has to implement a number of reform measures, which will influence the actual start of negotiations.

PM Rama vehemently denied that these 15 conditions are constraints to be followed before the conference.

In the months to come there will be plenty of debate on the conditions, however, experts in Albania argue that this a situation witnessed many times before.

A distinguished Albanian scholar, Afrim Krasniqi, rightfully argues that such conditions have been added over the years, but in Albania now it is being discussed whether they should be met before or after the Conference, while it should be discussed *who will have to* meets those conditions. The Parliament is not doing it, the Government is not doing it, and no one is taking responsibility for it. *Moreover, when Brussels is disappointed with the non-fulfillment of the conditions, no one in Tirana is upset*, as long as the (political) parties agree and the election campaign is approaching. According to him, this is an opportunity to learn how a serious state should act, meaning setting up of a parliamentary structure to monitor the process and the deadlines.

The debate on the conditions will be present, but meeting the conditions will be a task that will not be fulfilled.

1 person: PM Edi Rama

Whatever the near future will hold for Albania as a country and a society, one element is for certain, what the direction of Albanian foreign policy will be and where the priorities will lay, are in the sole discretion of the head of the executive. If Rama will stay in power for a third term, it will be automatically deducted that a strong international support was present for him.

Finally, in the second half of 2020 and in the first half of 2021, the international factor in will be overwhelmingly present in the Albanian public discourse. Foreign representatives and envoys will be cited, invoked, praised and beseeched from political parties and main decision-making

actors for one simple reason: the elections of 2021. They are all well aware that without the endorsement, support and blessing of the international factor, (political) power cannot be reached.

BiH External Relations Outlook in Post-Pandemic Era

Zvonimir Stopić

To say that the SARS-CoV-2 coronavirus epidemics changed the general outlook of Bosnia and Herzegovina's external relations in any way would surely be an overstatement. The forces which are trying to split Bosnia and Herzegovina ever since the country itself was put together by the Dayton Accords in late 1995, were not extinguished by the coronavirus. The short period from mid-April to mid-May, during which all parties more or less jointly turned to solving of the coronavirus crisis, ended up being only a surface-like short break from the usual internal machinations and calculations with the international actors. The temporary praises coming from the international community regarding the effective curbing of the spread of coronavirus in Bosnia and Herzegovina, all but evaporated with the emergence of the several affairs which indicated the widespread mishandling of the public money and the new issues regarding the historical revisionism that created new national issues. All in all, the same problems continue, which won't change in the near future. The only difference is that now, when the international supporters of Bosnia and Herzegovina's unity are pressed with their own issues regarding the struggle of coronavirus and the subsequent economic decline, are showing signs losing patience with Bosnia and Herzegovina's disfunction, disunity, inability to make any progress on their own and indications of never ending corruption.

The dropdown of coronavirus cases in late May initially created an overall feeling of relief. With the relaxation of many of the restrictions designed to stop the spread of the coronavirus, many felt that Bosnia and

Herzegovina will be able to get back to its usual reality. One of the more important restrictions many awaited to be relaxed was the closing down of borders. Multinational Bosnia and Herzegovina, with its nations spilling over its borders and its delicate economy depending on neighboring markets, cannot maintain itself without the free (as much as it is possible) flow of goods and people between Bosnia and Herzegovina and neighboring countries. Therefore, the opening of the borders with Croatia, Serbia and Montenegro, announced on June 1st, was received with joyful relief. Border crossings in both ways, had to be justified with business or reasons of personal nature, and all each passenger had to have was the proof of a negative test for the coronavirus, not older than 48 hours, and was obliged to contact the competent health institution in the municipality they were visiting. Although all agree that the tourist season in Bosnia and Herzegovina for this year is completely lost, the initial border crossing relaxation measure did infuse some optimism. If not for tourism, then at least for other sectors. This optimism, however, quickly dried out. The new cases of coronavirus, which began to increase all over the region at the end of June, turned the winds in completely different direction. Panicking about saving its own tourist season, Croatia once more unilaterally closed its borders with Bosnia and Herzegovina and Serbia on June 24th, implementing the mandatory 14 days of quarantine for each traveler. Croatia's decision was guided by both the wish to eliminate the possibility of imports of new coronavirus cases from Bosnia and Herzegovina and Serbia, and by the fact that these two countries, when compared to the countries from the European Union, are of considerably lower economic standard. When taken into consideration that the rise of coronavirus cases are far from being an isolated cases specific for Serbia and Bosnia and Herzegovina, and that Croatia is at the moment going through the very same thing, Croatia not only added fuel to always kindling national tensions, but also inadvertently may have sent a clumsy message that "rich" guests from western Europe will always have the advantage over their eastern neighbors. Even though approximately little less than half of million Croats live in one of those two countries. On the other hand,

speaking on behalf of Croatia, recent affairs in Bosnia and Herzegovina and overall mistrust in anything that is happening in Serbia may have added to the Croatia's mistrust in Bosnia and Herzegovina's and Serbia's ability to curb this new eruption of the coronavirus.

Whatever the decision means, Croatia's recent actions came as a cold shower to Bosnia and Herzegovina. More so because not long has past since numerous messages publicly supporting the Bosnia and Herzegovina's road to the European Union came directly from Zagreb. Following previous summits in Sofia and Bruxelles, held in May 2018 and February 2020, respectively, a new coronavirus oriented high-level "European Union and Western Balkans" video-summit took place in Zagreb on 6th of May. Comments, ideas and vision, nestled at the top of the announcement of the € 3.3 billion (in total) of help to the countries of the Western Balkans in their fight against the coronavirus, at the time were quite optimistic and favorable when it came to all Western Balkan countries, including Bosnia and Herzegovina. "The Western Balkans belong to the European Union, there is no question, and that is why I firmly believe that the European Union has a special responsibility towards its partners in the region", were the words spoken by the President of the European Commission Ursula von der Leyen. The final declaration, issued in Zagreb, stated that "the European Union and the Western Balkans partners share the objective of a peaceful, strong, stable and united Europe, underpinned by our historical, cultural and geographical ties and by our mutual political, security and economic interests," which, as the media reported, made all leaders of the "Western Balkan" countries, including the Bosnia and Herzegovina Presidency Chairman Šefik Džaferović, quite pleased.

Coronavirus-colored reality, unfortunately, cracked some of these generally good intentions signaled from the European Union. The Croatian Prime Minister Andrej Plenković's European Person of the Year award for advocating of the European path of Bosnia and Herzegovina and other Southeast European countries neighboring Croatia, awarded at the

beginning of June, was somewhat tainted with the problematic decision of the Croatian Government to cut off Bosnia and Serbia from the Croatian coast made at the end of June. However, definitely the largest blow to the future progress of Bosnia and Herzegovina came with the European Commission's warning to the High Judicial and Prosecutorial Council of Bosnia and Herzegovina that it could suspend further funding for judicial reform in Bosnia and Herzegovina. The reason the European Commission cited was the "the worryingly limited results in achieving the goals of judicial reform in recent years, especially in the area of integrity". If we remember all the issues Bosnia and Herzegovina's judiciary system has at this moment, this news, despite not being analyzed in the media as it should, is a worrying occurrence to say the least.

Alida Vračić, a political scientist specialized in European integration and an associate of the Institute of Humanities (IWM) in Vienna, in an interview for the Radio Free Europe, recently gave an overview of Bosnia and Herzegovina's current state of affairs, taking a special focus on the Bosnia and Herzegovina's path to the European Union. What she identified as the largest problem for Bosnia and Herzegovina today is the general understanding of its citizens that they have no rights, no way to change the current situation, that they are completely invisible, that they are forced to follow politicians without vision, without knowledge and desire for progress. The European integration itself, Vračić states, is clearly not a strategic commitment for politicians in Bosnia and Herzegovina at all. In the same interview, Vračić even made a bold but also probably quite truthful statement that perhaps "Bosnia and Herzegovina was closer to the membership ten years ago than it is now."

Conclusion

How will the Bosnia and Herzegovina's external relations look after the SARS-CoV-2 coronavirus epidemics is not a question difficult to answer. When it comes to pure diplomacy and Bosnia and Herzegovina's international orientation, the overall circumstances will be, declaratively at least, more or less the same. While the Federation of Bosnia and

Herzegovina will continue to rely on European Union and the United States, the Republika Srpska will continue to find support in the direction of Serbia and Russian Federation. The dynamics of the relations might be somewhat different, however. The various challenges the European Union and the United States are facing at the moment might in the near future force them to pay less attention to Bosnia and Herzegovina as a whole. These fine shifts, combined with the economic, national, administrative and political issues Bosnia and Herzegovina is facing at the moment could provide a long sought opportunities for certain political actors. Whatever happens, it surely will be interesting to follow how the post-SARS-CoV-2 coronavirus epidemics reality will evolve in Bosnia and Herzegovina.

Outlook for the Bulgarian International Relations in Post-Pandemic Era

Evgeniy Kandilarov

The global coronavirus pandemic has led to major changes in international relations and the global geopolitical balance. Global international order – from trade to security – has been challenged. The world is facing an equation with many unknowns. The American global leadership has faded. Relations between the two global giants, the United States and China, are entering a new, even more tense phase. In this situation, the United States is launching a massive campaign against the PRC. A large-scale psychological war is unfolding in order to transfer the negatives of the current crisis to China. Accusations that China is fully responsible for the pandemic are heard at the highest level on a daily basis. In this situation Europe is looking hard for its place in the new geopolitical configuration. The political distance with the United States is widening, and to some extent with China. The EC is investing in the future through an unprecedented expression of European solidarity. But unfortunately Europe is becoming a kind of a hostage in the confrontation between the United States and China.

Where is Bulgaria in this increasingly complicated international situation?

Actually Bulgarian main foreign policy priorities didn't change that much and basically remain the same. In essence, they are mainly related to the country's membership in the European Union and NATO. This leads to priority foreign policy relations mainly with the United States and the leading Western European countries in the EU, among which Germany ranks first in Bulgarian foreign policy.

On the first place crucial role in Bulgarian foreign policy plays **United States**. Its geopolitical interest in the region in which Bulgaria is located has both economic and military-political and strategic dimensions. US interests in the region are clearly linked to two main strategic goals against Russia on the one hand and the PRC on the other. From this point of view, Bulgaria is a key country that is definitely part of the US strategic plans. One of the tools that America uses to influence Bulgaria is the country's membership in NATO and the partnership obligations that the country has in relation to this membership. It seems that Bulgaria will continue to be one of the most important US military and political allies in Southeast Europe and the Black Sea region. Particularly very indicative to the more serious military ties between the two countries were the deal for modernization of the Bulgarian army by purchasing F16 aircraft from the USA. Two weeks ago, the first Bulgarian pilots who will fly the newly purchased planes went to specialize in the United States, and according to the agreement signed between the governments of Bulgaria and the United States, the training of 65 engineering and technical staff is also envisaged.

At the same time, the United States is putting pressure on the Bulgarian government to engage the country in regional initiatives that have both economic and political functions. The most significant example of this is the so called “Three Seas Initiative”. Bulgaria and the United States have wide range cooperation in the field of liquefied natural gas. According to Bulgarian Minister of Energetics Temenushka Petkova, 50% of the country's natural gas consumption will be diversified by the end of this year. In June last year, Bulgaria received its first supplies of American liquefied natural gas. Last year, the supply of liquefied natural gas to Bulgaria from USA amounted nearly half a billion cubic meters. Bulgarian government is trying to develop the overall concept for the Balkan gas hub, which envisages connecting the natural gas markets of the member states in Central and Eastern Europe by building and developing the necessary gas transmission infrastructure. In this regard one of the key infrastructure projects for Bulgaria is the construction of an interconnection gas connector Greece-Bulgaria. Bulgarian government is highly committed that It is of

strategic importance to preserve Bulgaria's key role on the gas map of Europe. Speaking of the Three Seas initiative, Bulgaria has already invested more than BGN 1 billion, Prime Minister Boyko Borissov announced.

In any case, the “Three sees” initiative is not simply a project for greater economic, infrastructural and energy connectivity in Eastern Europe, as the Bulgarian media innocently present it. This is, above all, Bulgarian inclusion in a frankly anti-Russian pact, the main purpose of which is to suffocate Moscow and create a sanitary cordon between it and Berlin.

The Initiative pursues several strategic and tactical goals. First, the creation of a large militarized space in Eastern Europe, which could create tensions on Russia's borders and, if necessary, provide a large human resource for war against Russia. Second, the obstruction and failure of all Russian energy and economic projects by Russia with Germany, such as Balkan Stream and Nord Stream, which ultimately not only compete with US liquefied natural gas but also bring significant revenue to the Russian treasury, which can be used for the Armed Forces of the Federation. Third, the diminishing influence of Western European powers such as France and Germany in Eastern Europe, after they showed a willingness to cooperate with Russia and did not in the least share American enthusiasm for confrontation with it, or even less with China. A number of facts can definitely be listed here, both about the economic ties between Berlin and Moscow, and about the Kremlin's relations with the France. Fourth, creating disunity in the European Union and this has great economic, demographic and technological potential to compete with the United States.

One is clear and it is that Bulgaria and the United States are allies and strategic partners linked by a shared interest in ideology and economic opportunities. In this regard both countries hold discussions on a wide range of issues of importance for both countries, with a tendency to deepen further their relations, not only on a bilateral basis, but also within NATO and the EU-US.

Going back to the priorities of the Bulgarian foreign policy on the second place, Bulgaria's foreign policy interests are undoubtedly related to **European Union** membership. Undoubtedly, we should note here that in 2020 the Bulgarian government aims at one of the most important political and foreign economic goals for the country, which will have a significant impact on the economic situation in Bulgaria. It is about joining the European Banking Union and the so-called Exchange Rate Mechanism (ERM2). Bulgaria could join the so called “waiting room” to adopt the euro until the end of 2020, European Central Bank board member Fabio Panetta said in an interview for Le Monde. In this regard Bulgarian government takes bold measures to converge and if the process is completed successfully it could join ERM-2 by the end of the year.

Thirdly, an extremely important and priority foreign policy direction, which the Bulgarian government invariably pursues, is the policy of rapprochement with neighboring **Balkan countries**. The goal of Bulgarian government is to emerge as a strong regional factor for stability and Balkan solidarity and cooperation. From this point of view, undoubtedly in 2020 one of the most important foreign policy priorities of Bulgaria will be related to providing support for the process of accession of the Western Balkans to the European Union.

Lastly, in terms of foreign policy, the place and role of **Russia** in Bulgarian foreign policy should be noted. It must be said here that despite the strong pro-American foreign policy of the country, the Bulgarian government is trying to balance and not take extreme positions towards Russia as a factor in the region. This is necessary for at least two reasons. In the first place, the still quite strong pro-Russian attitude of a large part of the Bulgarian population. This is mainly due to the strong historical and cultural-traditional connection between the two peoples. Secondly, Bulgaria cannot ignore the country's huge dependence on Russian energy supplies. Interesting here is the fact that despite Bulgaria's allied relations with the United States and the participation of initiatives such as the "Three Seas", the Bulgarian government is taking advantage of the opportunity to participate in the construction of another strategically important energy

project. It is about the construction of the gas pipeline known as "Turkish Stream" which will carry Russian natural gas to southern Europe through Turkey, part of Moscow's efforts to reduce shipments via Ukraine. The pipeline project, also known as "Turk Stream", stretching 930 km across the Black Sea, reinforces strong energy ties between Moscow and Ankara, which have also increased defense cooperation after Turkey bought advanced Russian missile defenses last year. The Bulgarian government seems highly motivated to participate in the project, building up the part from the Bulgarian-Turkish border to Serbia. Bulgaria is calling the project "Balkan Stream". The project is of colossal importance - its full launch will allow Russia to strengthen its energy presence in the region, open opportunities for diversification of supplies in the Balkans and allow the creation of additional transit capacity. According to a number of foreign policy experts, this is a risky foreign policy game for Bulgaria, which is trying to balance the political pressure of Russia and the United States in this apparently much larger geopolitical and geoeconomic race involving the Balkans and the Black Sea region.

Finally, we must note the role of **China** in Bulgaria's foreign policy. It seems that the Bulgarian government will continue to pursue a not very active, but rather cautious policy towards China within the framework of the "17 + 1" initiative and on the basis of the general framework of EU-China relations. This means rather passivity and cautious following of the most conservative guidelines coming from Western Europe towards China. How Bulgaria will behave also depends on how and to what extent the pressure from the USA will affect Europe. Indicative of this is one of the last statements of US Secretary of State Mike Pompeo, who called on Europe to choose: "Freedom or Chinese tyranny."

However, a good indication for the future development of relations between Bulgaria and China is the formation of a joint team to establish a Bulgarian-Chinese innovation center in Sofia, discussed two weeks ago at a meeting with President Rumen Radev. Establishment of such center was agreed during the visit of Bulgarian head of state in the PRC and his meeting with President Xi Jinping last year. The official position of the

Bulgarian President today is that raising the relations between Bulgaria and China at the level of strategic partnership has significant potential for development in the field of innovation, research and development and high technology.

In conclusion we have to say that the priority axis in Bulgarian foreign policy has been fundamentally unchanged for more than fifteen years and the global pandemic has not significantly changed the picture in terms of Bulgarian foreign policy priorities. The only difference is coming from the fact that some of the previously observed trends are likely to intensify at the expense of others, which will obviously slow down their dynamics. This is explained by the fact that traditionally Bulgarian foreign policy is highly dependent on the influence exerted on the Bulgarian government by countries with traditionally strong geopolitical interests in the region of Southeast Europe and the Black Sea.

The Next Steps in Croatian Foreign Policy after the COVID-19 Relief

Benjamin Petrović

With the dwindling numbers of the COVID-19 infected population in Croatia, the country looks towards reverting most of the established activities and processes back to the previous state. As the presiding of the Council of the European Union is in its final month, it is important to look at the current position, results achieved and goals to strive for. With the European Union confronting constant turmoil when it comes to reaching agreement on the Multiannual Financial Framework and its conditions, Croatia is faced with a challenge of receiving its “piece of the pie” by stating its national interests and at the same time preserving its position and established relations in the international sphere.

Moving the Multiannual Financial Framework forward with Next Generation EU

One of the key elements of Croatian presiding over the Council of the European Union in the first six months of 2020, was reaching the agreement over the Multiannual Financial Framework 2021 – 2027, and using such opportunity to position Croatia as a member state whose interests would be accommodated, both in economic and political regards. But, as the COVID-19 pandemic grew in its scope, the main EU institutions and their initiatives were somewhat paralysed, facing a challenge that touched upon not only the health-care portfolio, but also social care, national economies, global market and political relations. In attempting to respond to the variety of challenges through measures of financial aid and moral support, Ursula von den Leyen’s Commission directed its strengths

towards the development of a proposal to help speed up EU's economic recovery.

The proposal, called Next Generation EU, is designed as a supportive tool to the Multiannual Financial Framework worth 750 billion euro. Such increase in the means for various recovery programmes and investment potential is a much-needed mechanism considering the economic crisis that the EU is facing. Nevertheless, the carrying out of the European Union's financial and economic foundation proved to be a tall order in the first six months of 2020. On the one hand, political groups in the European Parliament have voiced their displeasure over the potential introduction of common tax policy obligations, while on the other, member states such as Sweden, Holland, Denmark and Austria still oppose the idea of providing recovery grants in the form of non-refundable means instead of loans.

With the obvious disagreements among the member states and the actors within the European Parliament, the position of Croatia is yet to be determined as the conversations and discussions on the institutional level keep unfolding. Croatian presiding over the Council of the EU, considering the COVID-19 crisis, internal troubles such as the earthquake in capital city of Zagreb, day to day political squabbles and parliamentary election preparation, was a moderate success, especially on the functionality level. But, from the national interest point of view, any tangible effect is still to be seen. According to Prime Minister Andrej Plenković, the expectation is that if the Next Generation EU proposal is accepted, Croatia will receive around 10 billion euro, of which 7.5 billion in the form of grants. Of course, the amount of provided funds will depend on the damage assessment criteria conducted by the Commission, and Prime Minister Plenković is assured of a positive position of Croatia within the EU member state establishment. Furthermore, as Germany, usually a close ally of Croatia, is the successor in the cycle of presiding over the Council of the European Union, another area where close relations and mutual interests can be mutually beneficial is open for the coming period of dealing with the asymmetrical economic crisis caused by the pandemic and various ripple effects.

Establishing national interest within defence and security framework

An interesting aspect of European Union's policymaking procedures in the past and in the coming future is the process of shaping a stable and clear defence and security policy. Such element is of great significance in achieving EU's ambition of establishing independence from NATO and USA regarding its security policies and mechanisms. Croatia, whose Armed Forces are taking a significant part in the international missions of the UN, NATO and European Union, has a plethora of contributing factors that declare it as a valuable actor on the field of European defence. From the specific strategic position in South-east Europe, to its developing military industry, Croatia is required to develop precise goals and interests when it comes to European Union's future in defence and security.

Within the EU's Common Security and Defence Policy programmes and initiatives such as Permanent Structured Cooperation (PESCO) and Coordinated Annual Review on Defence (CARD), European Union is attempting to develop various security capacities such as the development of mobility and transferability potentials of armed forces, improvements in logistics mechanisms, further development of communication and coordination tools. Nevertheless, the COVID-19 pandemic caused most of the plans and investment ideas to be put on hold, in order to direct efforts towards the successful mitigation of economic consequences of the outbreak. Realizing the significance of an established defence and security policy in the period encompassed by the future financial framework, Josep Borell, High Representative of the Union for Foreign Affairs and Security Policy, called for additional recognition of the security segment within the coming financial framework.

In line with that, the new framework proposal in the month of May 2020, brought forward financial concepts such as Resilience, Defence and Security, with a potential budget of 29.1 billion euro. A notable raise of funds was directed towards Resilience and Crisis Response item, which proved to be of dire need of investment and development for the mitigation of potential future crises. For the development of common civil protection

platform, RescEU, in which Croatian capacities are significantly engaged, 3.1 billion euro are suggested. When it comes to the vital aspect of migrant crisis, in which Croatia is playing a key role in protecting the border of the European Union and the Schengen Area, within which is still not participating, 22 billion euro are to be available within the Multiannual Financial Framework. All of the listed concepts and proposals are to be discussed during late June, early July meetings. In parallel with the transfer of presidency over the Council of the EU to Germany, Croatia will face a challenge of addressing its key defence and security interests on the European stage.

The first post COVID-19 bilateral meetings of President Zoran Milanović and the Three Seas Initiative

As the travel conditions are being relaxed with the reduction of the COVID-19 diseased population, heads of states are now allowed to travel and organize bilateral meetings. According to that, Croatian President Zoran Milanović has arranged a two-week tour, which will present his first in-person activities since the travel lock-down caused by the pandemic. His first official visit on the tour will be to Montenegro, the newest member of the NATO alliance. Symbolising Croatian support, Milanović will travel to Montenegro in a Croatian Navy warship. It is reported how the bilateral meeting with Milo Đukanović, the president of Montenegro, will serve to show Croatian backing of Montenegro's way towards the European Union integration. Moreover, the relations with Russia will be addressed as Milanović participates in the Victory Day parade in Moscow, seventy years after the surrender of Nazi Germany in 1945. The planned meeting with Russian President Vladimir Putin would provide an opportunity for Milanović to discuss important investment potential in the Croatian energy sector. Following Russia, President Milanović will visit Bulgaria and Austria, further establishing positive communication with countries in the region developing collaboration opportunities.

Finally, in October 2020, the Three Seas Initiative will hold its next summit in Estonia. A platform developed with cooperation in the area of

economy, energy, transport and infrastructure in mind, the Three Seas Initiative quickly became controversial. Consisting of countries of the Europe's East, which are, on different areas and levels, less developed and somewhat lagging in the decision-making procedures within the European Union, the named initiative is considered a certain renegades block, opposing the EU member states on the West, not only because of economic potential, but because of ideological differences and different stances on matters shaping internal policies. Furthermore, as the Three Seas Initiative looks towards development of both traffics and energy infrastructure, such as liquefied natural gas terminals in Poland and Croatia, countries like Germany, with a goal to finish the development of Nord Stream 2 natural gas pipeline, connecting it to Russia, are concerned about crossing paths with interests coming from the Initiative. Another reason for EU actors to be worried is the increasing interest of the United States towards the Three Seas Initiative. With the US President Donald Trump taking part on the second summit in Warsaw, and the Secretary of State Mike Pompeo declaring high-level investments to be directed to the Initiative's energy infrastructure development, the European Union has a reason to be afraid of losing a portion of its economic independence.

Conclusion

With the consequences of the COVID-19 outbreak on the global economy still to be fully revealed, Croatia is very much dependent on the global actors such as the European Union when it comes to establishing the further steps in the international relations arena. As the Multiannual Financial Framework, which will shape the decision-making processes of all EU member states, has not yet been agreed upon, Croatia needs to persevere in its declared interests and goals. At the same time, bilateral meetings and participation in international organizations and initiatives must not be neglected for their power in addressing significant issues and making the ideas and stances on variety of matters clear and resolute to all the surrounding actors.

Czech External Relations Outlook for the Post-Crisis Period

Ladislav Zemánek

The following months will likely to be characterised by deterioration in relations between the Czech Republic on one hand and China as well as Russia on the other. This negative tendency might be already observed in the course of the last months. In this analysis, I will inquire into prospects of relations with these two powers, taking a broader domestic and international context into consideration, as both China and Russia have been one of the most prominent topics in the current Czech political discourse.

Czech-Russian relations: deepening animosity

The Czech-Russian relationship has been damaged by several affairs, inappropriate statements and missteps made by both sides. The ties have deteriorated especially after the crisis in Ukraine and the annexation of Crimea. The Czech Republic has supported the Western sanctions imposed on Russia, thus following the common EU policy. Nevertheless, there are some political actors or businessmen who criticise the sanctions as they have damaged the Czech exporters. In addition, the sanctions are not abided by strictly in many cases by different European countries. The ongoing construction of the Nord Stream gas pipelines, which are to connect Russia with Germany, is the most prominent example. The sanctions as such have thus turned into hypocrisy, anachronism and obstacle on the path towards further development of the complex and multi-layered European-Russian relations. Given the fact that the Czech economy belongs to the most affected ones in consequence of the coronavirus crisis, it is quite possible

that the number of Czech politicians and entrepreneurs pushing the lifting or releasing of the sanction regime may be increasing as it is beyond any doubts that the Czech enterprises have suffered, losing multiple business opportunities and their position on the Russian market.

At the same time, efforts to improve relations at the political level should be made. In general (applying to both the Czech Republic and the EU as a whole), the point is that the major hindrances lie in politics and broader geopolitical motives, whereas the economic actors act more pragmatically, supporting ties with Russia in a much higher degree. Therefore, different political, geopolitical and ideological factors should be put aside as far as possible, creating space for mutually beneficial economic cooperation and interaction. Closer economic ties could gradually bring about a reversal in the political ones, contributing to a rise in mutual trust. The anti-Russian sanctions have been repeatedly subjected to criticism by President Miloš Zeman who is one of the most influential movers of the Czech Republic's external politics. Taking his position on the Czech political scene into account, one can expect that these critical attitudes will be adopted by other actors. So far, sceptical stances have been held especially by the Communist Party of Bohemia and Moravia, and populist, anti-EU Freedom and Direct Democracy movement. However, it will be crucial that the criticism would be shared by the dominant ANO movement headed by Prime Minister Andrej Babiš. Notwithstanding his frequently independent behaviour and policy at the EU level, he has not opposed the sanctions openly yet. Differences between individual departments and ministries are observed in this regard, and is highly probable that such ambiguousness will continue. While a discourse followed by the Ministry of Foreign Affairs has been typical of strong pro-European orientation, idealism and emphasis on the human rights agenda complicating deeper cooperation with China or Russia, activities carried out by the Ministry of Industry and Trade are characterised by pragmatism and interest in developing mutual relations and business irrespective of politically motivated struggles. This difference is in accordance with the thesis presented above that the economic sector and its actors are in favour of

interactions which are – on the contrary – restricted and hindered by the political actors.

In any case, it has to be stressed that the official Czech Republic's policy is neither anti-Russian nor anti-Chinese in its essence. The biggest obstacle is the excessive dependency on the US and NATO policies together with activities conducted by some domestic political forces and NGOs which push this unconstructive, even deleterious agenda. The most prominent examples of the last months are removal of the statue of the Soviet marshal Ivan Konev in one of the Prague districts, unveiling of a memorial dedicated to the anti-Soviet Russian Liberation Army, renaming Prague streets and squares with obvious anti-Russian motives or media disinformation creating a story about the alleged Russian spy who arrived in Prague to assassinate Czech local representatives.¹ Unfortunately, it seems that problems and controversies between our two countries will continue in the following period. Paradoxically, the 75th anniversary of the end of the Second World War arouses disagreement in public as well as political discourses instead of contributing to a general consensus. The main reasons are politicising of the history in relation to the present-day problems, divergent historical experiences connected with the Soviet triumph in different European countries (even within the CEE region) or consequent social, economic and political development of the nations liberated by the Soviet forces, which was characterised by dependency on Moscow and controversial social experiment following a pattern of the Soviet Union without regard to local particularities and needs. Therefore, it is crucial to suppress radical attitudes on both sides, endeavouring to seek after common interests and topics regardless of the past injustices and conflicts.

Theoretically, an important role in building ties with Russia could be played by the Visegrád Group which has been increasingly active and effective, its members being closer and closer to each other. Stances

¹ The affair is already over. In June, it ended up with mutual expulsion of diplomats which has deepened mutual mistrust and animosity. For greater detail see <https://tass.com/politics/1164583>.

adopted by individual participants are, nevertheless, still very different. Whereas the Polish external policy is openly anti-Russian traditionally, the Hungarian one is – by contrast – friendly and open to cooperation with this Eurasian power. The Czech Republic is placed somewhere in the middle. The Polish position will remain the main obstacle to developing deeper V4-Russian ties. This year's 75th anniversary has strengthened anti-Russian moods among the political elite in Poland so a reversal cannot be expected in the short-term perspective in this regard. It seems therefore that V4 as a whole will not contribute to the normalisation of the European-Russian relations in the foreseeable future. Such normalisation will be rather dependent on the willingness of Germany or France. But when a positive turn happens, the Czech Republic cannot afford to be falling behind.

Czech-Chinese relations: attempts to undermine the partnership

As for the Czech-Chinese relations, they have been affected negatively by several controversies and diplomatic splits during the last months. One can mention annulment of a friendship agreement between the capital cities of Prague and Beijing, initiated by the current Prague's leadership, or media campaign revolving around a document elaborated by the Embassy of the People's Republic of China in the Czech Republic and submitted to the then Senate Chairman Jaroslav Kubera in which the Chinese side rightly warns against the Kubera's planned visit to Taiwan. Some commentators and politicians have even related his unexpected passing with an alleged pressure exerted by the Chinese diplomats on him, thus accusing China of the death of the second-highest constitutional representative of the country indirectly.¹ This internal political and ideological struggle will have a negative impact on mutual relations inevitably.

All the more that Jaroslav Kubera's successor Miloš Vystrčil has adopted anti-Chinese agenda announcing his firm decision to pay an

¹ For more information about the life and work of Jaroslav Kubera see the March political briefing: <https://china-cee.eu/2020/03/25/czech-republic-political-briefing-an-unexpected-end-of-one-life-and-political-story/>.

official visit to Taiwan at the turn of August and September. Such a visit will be unprecedented in terms of both the Czech Republic and the European Union, being in breach of the official Czech Republic's policy towards China respecting One China principle. Vystrčil's conduct will meddle in China's internal affairs, infringe sovereignty and territorial integrity of the PRC as well as basic norms and conventions of the international relations just as bilateral commitments. Unfortunately, the second-highest Czech Republic's representative has consented to play anti-Chinese card and advance particular interests of those groupings which have made efforts to undermine Czech-Chinese cooperation and friendship over a long period. The Senate Chairman reported his decision to the public on the 9th of June. His speech resembled pre-election campaign, being affected, aggressive (labelling the novel coronavirus "Chinese flu" demagogically) and reproducing key nodes of the discourse of Havlism such as the need for protecting liberal democracy and human rights, defending and promoting the "right" values disregarding Realpolitik, radical pro-Western orientation or elitism.¹ The planned visit to Taiwan is probably an attempt to take the lead of the Havlist camp and become their presidential candidate in 2023. It is thus of the utmost importance to stress that such behaviour of some political actors does not and will not represent the official Czech position, being criticised by both the President Miloš Zeman and the PM Andrej Babiš.

¹ The main figure of this movement is the first Czech Republic's President Václav Havel (1936–2011).

External Relations Outlook after the Pandemic: A New Beginning?

E-MAP Foundation MTÜ

The perceived end of the pandemic's first wave (how many more to come?) was figuratively wrapped up by the issuance of a notable international survey – on how peaceful (or not so) the planet has become during the challenging 2019-2020 period. In June, the *Institute for Economics and Peace* (its headquarters are in Sydney, Australia), via their programme Vision of Humanity, issued the *Global Peace Index* for 2020¹. Out of 163 countries in the list, the Republic of Estonia was ranked on the 30th place, having jumped three places since the last year's rating and leaving, for example, Latvia and Lithuania behind (correspondingly, 34th and 36th places)². The survey's results, in academic terms, could be considered comprehensive, since the study is based on 23 indicators, such as domestic violence and crime, foreign policy-related factors, defence spending *et cetera*. In a way, the *Index* confirmed the prime place for Iceland in the list, while some other nations (for example, New Zealand, Portugal, Austria, Denmark and others) are also justifiably among the world's most peaceful places³. In the context of the pandemic, the survey showed a very clear point of 'arrival' for many countries as well as the whole world – the more peace-oriented the international system is, the more effective the world's common response to all sorts of crises will be. So far, it is, arguably, not the case.

¹ 'Global Peace Index 2020' in *Institute for Economics and Peace*. Available from [<http://visionofhumanity.org/indexes/global-peace-index/>].

² 'Estonia ranked 30th in 2020 Global Peace Index' in *ERR*, 13 June 2020. Available from [<https://news.err.ee/1101840/estonia-ranked-30th-in-2020-global-peace-index>].

³ 'Global Peace Index 2020'.

On the Estonian side, the main concern regarding foreign policy perspectives is directly associated with the Russian Federation and the Kremlin's hardening rhetoric on the past and the present. On 18 June, the Estonian Ministry of Foreign Affairs called the Ambassador of Russia to Estonia "to account for a recent legal initiative in the Russian State Duma which will revoke the resolution adopted by the Congress of People's Deputies of the Soviet Union on 24 December 1989 unanimously condemning the Molotov-Ribbentrop Pact and its secret protocols which divided Europe into spheres of influence in 1939"¹. Urmas Reinsalu, the country's Minister of Foreign Affairs, clarified the fact of summoning the Russian Ambassador:

We express our discontent at the legal initiative being considered in the State Duma. [The international community has repeatedly condemned the Molotov-Ribbentrop Pact in the strongest terms. The pact and its secret protocols led directly to the cynical dividing of the world by two totalitarian regimes and paved the way for World War II, one of the most terrible chapters in our shared history.²

Indeed, in June 1989, when the First Congress of People's Deputies of the USSR³, responding to a range of strong societal calls coming from some of the then titular republics (predominantly, from Estonia and Latvia), decided to establish its Commission for Historical and Legal Estimation of the Soviet–German Non-aggression Pact of 1939, it was not quite clear where the process of truth-searching would lead the Commission to. There

¹ 'Russian ambassador summoned regarding State Duma initiative on MRP' in *ERR*, 18 June 2020. Available from [<https://news.err.ee/1103948/russian-ambassador-summoned-regarding-state-duma-initiative-on-mrp>].

² Urmas Reinsalu as cited in 'Russian ambassador summoned regarding State Duma initiative on MRP'.

³ Depending on an analytical standpoint, the only Congress of People's Deputies of the USSR (Mat 1989 – September 1991) could be treated as consisting of five consecutive sessions within the same Congress or five different Congresses under the 'umbrella' of the Congress.

was also a big factor related to Mikhail Gorbachev's alleged and, most probably, actual reluctance to proceed as far as possible with disclosing the absolute truth on the Secret Protocol, which, on the Soviet Union's initiative, was signed between the USSR and the Nazi Third Reich on 23 August 1939¹. At the same time, by December 1989, as reported by *The New York Times*, the Commission had no choice but to acknowledge the fact that the Soviet Union and Nazi Germany "had illegally conspired to divide Eastern Europe into spheres of influence before World War II", declaring that Joseph Stalin and Adolf Hitler "violated 'the sovereignty and independence' of other nations" and that the Protocol was "legally untenable and invalid from the moment they were signed"². From that particular historic point, the Soviet Union had a bit less than two years to live, and the 'Molotov-Ribbentrop case' seemed to be closed forever.

In principle, on the Estonian side, it was mission accomplished, and there was not much else to discuss, let alone try to justify what both the Soviet Union and Nazi Germany did to country, which had to experience multiple occupations, deportations and significant territorial losses in the next five years since Vyacheslav Molotov and Joachim von Ribbentrop had put their signatures on the aforementioned Protocol.

Therefore, for Estonia, it was somewhat surprising when, on 18 June 2020, Russian President Vladimir Putin claimed that "[i]n autumn 1939, the Soviet Union, pursuing its strategic military and defensive goals, started the process of the incorporation of Latvia, Lithuania and Estonia", while arguing that "[t]heir accession to the USSR was implemented on a contractual basis, with the consent of the elected authorities"³. With respect

¹ Heiki Lindpere, *Molotov-Ribbentrop Pact: Challenging Soviet History* (Tallinn: EESTI VÄLISPOLIITIKA INSTITUUT, 2009).

² Esther B. Fein, 'Upheaval in the East; Soviet Congress Condemns '39 Pact That Led to Annexation of Baltics' in *The New York Times*, 25 December 1989. Available from [<https://www.nytimes.com/1989/12/25/world/upheaval-east-soviet-congress-condemns-39-pact-that-led-annexation-baltics.html>].

³ Vladimir Putin, 'The Real Lessons of the 75th Anniversary of World War II' in *The National Interest*, 18 June 2020. Available from [<https://nationalinterest.org/feature/vladimir-putin-real-lessons-75th-anniversary-world-war-ii-162982?page=0%2C2>].

to the Russian Federation's size and military might, arguably, Russia is no Soviet Union, be it geo-strategically, economically, politically, and, what is no less important, ideologically. On paper and in reality, it is a completely different country, one of many nations, which appeared or re-appeared on the political map after the Soviet Union had collapsed in 1991. Moreover, the Russian Federation was one of the first titular republics of the former USSR that declared its sovereignty (on 12 June 1990)¹ when the Soviet Union was still in existence.

Certainly, there are plenty of nuances in this particular debate², but when the Russian State Duma plans to revoke a Soviet Congress of People's Deputies' resolution (whatever the document would be focused on), it is generally understood in Estonia as something that lies outside of the Russian parliament's legal and moral capacities. Speaking about President Putin's most recent elaborations on what happened in the first half of the XX century, Marko Mihkelson (*Reform Party*), Deputy Chairman of the Foreign Affairs Committee of the *Riigikogu*, noted that

[a]ll the facts, clues, and nuances that [Vladimir Putin] introduces [...] are in order to continue to wash away the Soviet Union's responsibility for unleashing World War II. [...] It [i]s about defending the Stalinist narrative and how to justify its current aggressive, expansionist foreign policy.³

Apparently, the two countries' 'debate' on the issue has not yet been finalised with any agreement. Thereto, as reported, the Estonian Ministry of Foreign Affairs as well as the Office of the country's President did not

¹ 'Russia Republic Votes Sovereignty' in *The Los Angeles Times*, 12 June 1990. Available from [<https://www.latimes.com/archives/la-xpm-1990-06-12-mn-420-story.html>].

² Владимир Юшкин, 'Июньские тезисы Путина' in *Postimees*, 8 July 2020. Available from [<https://rus.postimees.ee/7013142/iyunskie-tezisy-putina>].

³ Marko Mihkelson as cited in 'Reinsalu condemns Putin's vision of Baltic occupation', *ERR*, 19 June 2020. Available from [<https://news.err.ee/1104280/reinsalu-condemns-putin-s-vision-of-baltic-occupation>].

receive any invitations from the Kremlin to participate in the traditional Victory Day parade¹. This year, the event was dedicated to the 75th Victory Day, and due to the pandemic, it had to be rescheduled from 9 May to be held on 24 June. Out of all the countries, which had been directly associated with the former Soviet Union as the entity's titular republics, only the leaders of Belarus, Kazakhstan and Moldova visited the actual parade. In 2019, Estonia was invited to the event, and Ambassador Margus Laidre visited Red Square on the day². These days, when the Russian Federation's newly revised Constitution has just been adopted³, the world's largest country is evidently in the process of redesigning its strategic narratives in the most comprehensive way. For Estonia, the 'refurbished' Russian political regime represents an additional factor that, with necessity, can lead to further destabilisation of the socio-political 'equilibrium' in the Central-Eastern Europe. The 'echo' of 'Molotov-Ribbentrop', which was clearly perceived as firmly belonging to history, has all over sudden become very sounding and real. The *2021 Global Peace Index*... What is it going to look like?

¹ 'Estonia has not received invitation to attend Victory Day Parade in Moscow' in *ERR*, 19 June 2020. Available from [<https://news.err.ee/1104318/estonia-has-not-received-invitation-to-attend-victory-day-parade-in-moscow>].

² 'Estonia has not received invitation to attend Victory Day Parade in Moscow'.

³ 'Russian citizens in Estonia vote on reforms extending Putin's rule to 2036' in *ERR*, 2 July 2020. Available from [<https://news.err.ee/1108132/russian-citizens-in-estonia-vote-on-reforms-extending-putin-s-rule-to-2036>].

Greek-Turkish Relations and the Risk of a Military Accident

George N. Tzogopoulos

After many years, Greek-Turkish relations are strained to a worrying level. The risk of a military accident is high. Ankara has announced it would proceed to drillings in maritime zones which it believes constitute part of its own continental shelf – in line with an accord in signed with Tripoli in November 2019. In such a scenario Greece will have no alternative but to react and stop the operation of Turkish vessels. The role of the US will be critical in that regard. Although the Greek government plays the American card, Washington counts on Ankara while historical experience suggests that Greece should not be particularly optimistic. More importantly, American priorities vis-à-vis Russia and China are rather different from Greece's foreign policy dilemmas regarding Turkey. The remaining months of 2020 will be difficult and highly significant for Greek-Turkish relations.

The evolution of relations with Turkey will be the most challenging theme for Greek foreign policy in the remaining part of 2020. The Turkish government has already announced it would start drillings in maritime zones of the Aegean or in the southern part of Crete that it regards as part of its own continental-shelf. Greece disagrees with the Turkish designations, has condemned the relevant MoU signed between Turkey and Libya in November 2019 and is determined to protect its sovereign rights. Having said that, the risk of a military accident is not excluded. It remains unclear how Athens will react should Ankara sends research ships indeed. But some statements are strong. Head of the Hellenic National Defense

General Staff (GEETHA), Konstantinos Floros, has warned that Greece would not tolerate a violation of its sovereign rights.

Ambassador of Turkey to Greece Burak Ozugergin has given an interview in *Kathimerini* newspaper in which he says that Ankara has already informed Athens about its intention. His words are: ‘You don’t need to read between the lines. Our messages at every level are always open and straightforward. We do not like *fait accomplis* against us and we do not act in this manner either. We say what we do, and we do what we say.’ Greek Minister of Defense has underlined that the presence of Turkish drill ships in Greek waters would be a violation of Greece’s national sovereignty and the country will not allow it. Public comments do not generate much optimism about future developments. But diplomacy is not being always exerted publicly.

On 26 June, Prime Minister Kyriakos Mitsotakis and President Tayyip Erdogan held a phone conversation. This phone conversation has been considered an initial indication of their potential will to establish a channel communication in difficult times. The two leaders had met in December 2019 in London on the sidelines of the NATO summit. Their meeting was not particularly successful because of their serious disagreement on the Turkish-Libyan MoU. It has to be seen whether Mitsotakis and Erdogan will be able to prevent a military accident from happening. Although it is certainly positive that they spoke on the phone in a period of high tensions, it is difficult for the differences to be bridged. The question what will happen in the case of the navigation of Turkish vessels in alleged maritime zones, remains unanswered.

Obviously, the role of the US is highly important when Greek-Turkish relations are being examined. While Greek-American relations are currently flourishing, Turkey remains a critical strategic ally for the US – and of higher geopolitical significance. According to historical experience, Greece should not count on American support. Washington has not assisted Greece in its fair claim against the Turkish-Libyan MoU. When Mitsotakis visited US President Donald Trump last January, he failed to obtain the latter’s support who is a regular interlocutor of Erdogan on several

international affairs. It seems that Trump and Erdogan have agreed, among other things, for Turkey to take the US role in Syria. Additionally, the diplomatic language of the Department of State regarding the Turkish-Libyan maritime accord has been very careful. The word ‘illegal’ has not been used.

US Ambassador to Greece Geoffrey Pyatt has been publicly asked by journalists on how his country would act to respond to Turkish provocations. In an interview he gave to *Mega TV* on 27 May, for example, he said that it was unacceptable for NATO allies ‘to engage in activities that can produce a military clash, accidental or otherwise, between two important NATO allies in a geopolitically important region’. He also explained that he was in regular contact with his counterpart in Ankara David Satterfield. And he went further by suggesting that ‘if there were to be any sort of escalation, [...] the winner is Vladimir Putin’. The Embassy of Russia in Greece reacted to the last comment. An official tweet read: ‘It is unacceptable that a foreign diplomat should allow himself something like that. The Ambassador clearly adopted this unacceptable attitude during his stint in Ukraine. The US is known for its chronic inability to solve differences between NATO members, which Moscow has no intention of exploiting. Contrary to the US, Russia has always been a factor of stability and peace in the region’.

In mid-June Mitsotakis travelled to Israel in his first visit to a foreign country after the novel coronavirus adventure. Greece hopes that Israel might be prepared to take its side in relations with Turkey. National security advisor Alexandros Diakopoulos gave an interview *i24News* and said: ‘if Greece capitulates, if they manage to corner us and to put us out of the picture, then Israel at some point will suffer [because] Turkey will become a threat for [it], bigger than Iran’. But for Greece to believe that another country – in this case, Israel – will solve its foreign policy problems is rather an illusion. Greece is not interested in joining Israel against the Palestinians or against Iran. And Israel is not interested in joining Greece against Turkey. The comment of Admiral Diakopoulos also reflects a weakness in understanding regional dynamics. Israel and Turkey are

making some steps to restore their ties. Energy, trade and security in Syria are top on the agenda of bilateral talks.

From another perspective, the impact of COVID-19 on energy calculations cannot be ignored. The construction of the East-Med pipeline becomes very difficult. Energy companies – already hesitant in financing the project – will certainly refrain from doing so under current circumstances. Furthermore, the American support to the cooperation scheme of Greece, Israel and Turkey (3+1) has not materialized into concrete actions. Should the idea of the East-Med pipeline is abandoned, other options – including the potential construction of a pipeline connecting the Levantine Basin to Turkey – will gain ground. On the whole, the US believes that the East Med Gas Forum, where Greece, Israel, Cyprus, Egypt, Italy, the Palestinian Authority and Jordan participate, should be more inclusive and also welcome Turkey. Of course, the terms of dialogue for this to happen have not yet been clarified. Turkey pushes for talks with Greece insisting on its muscular approach and whereas Greece is prepared to concentrate only on the issue of the continental shelf. Obviously, the Cyprus Question is another thorn.

Greece also fails to efficiently interpret American foreign policy. Greek-Turkish relations are not a priority for Washington – as Athens wrongly estimates. By contrast, Washington sees Greece by focusing on Russia, and recently China, while Greece needs foreign investments. In so doing the US is expected to draw on the International Development Finance Corporation (DFC) that a few days ago expressed an interest in the Elefsina Shipyards. The DFC is America's development bank and partners with the private sector to do business.

Conclusion

Two NATO member-states, Greece and Turkey, cannot solve their problems and the risk of a military accident is high in the coming months. The US wants to mediate and reduce tensions but it is unclear whether this diplomatic effort will produce results and if Turkish muscular foreign policy approach in the Eastern Mediterranean will be vindicated. The

option of dialogue is open but Athens and Ankara even disagree on what to discuss. The impact of COVID-19 on energy calculations rather favors Turkey because the construction of the East-Med pipeline becomes even more difficult. Washington is right in proposing the East Med Gas Forum to become more inclusive but terms on how this might be achieved in the future remain unclear. In the interim, Greece should be prepared for the worse-case in the Aegean without relying on wishful thinking. Comments made by Greek politicians and military officials aim at showing a degree of preparedness for a potential violation of the country's sovereign rights by Turkey.

Hungarian Foreign Policy Outlook in the Aftermath of the COVID-19 Pandemic

Csaba Moldicz

The Covid-19 pandemic has heightened already existing tensions in the global political order in recent months. The most obvious sign of these changes is a new period in the US-China relations which seems to be tenser than ever before. The other challenge must be focused on by Hungary is the EU recovery plan. EU members still cannot agree on the ways of how to react to the devastating economic impact of the pandemic and – which is more worrying – the EU doesn't seem to have a clear strategy regarding the growing political and economic tensions in the world.

This briefing gives an attempt to investigate the main foreign policy challenges from a Hungarian point of view, it first centers on the nature of the Hungarian foreign policy responses during the last three months, then the main challenges lying ahead. In recent months, the pressure to take sides in the US-China debate everywhere in Europe seemed to be growing on European countries. In our understanding, the only way not to get involved in these debates is to focus on core national interests in an unbiased way, where ideology-free, business-oriented approach helps to make the right decisions and avoid wishful thinking.¹

1. The rational foreign policy

As we pointed out earlier, the Hungarian foreign policy embarked on a new path after 2010, this 'new' foreign policy has focused on the protection and enforcement of core interests of Hungary over recent years. This policy has often been contrasted to the so-called value-based foreign

¹ In recent months, voices arguing for redesigning global supply chains and bringing supply chains home or to other Asian nations became lauder. This approach lacks rationality since this would not only involve one firm but a cluster of firms.

policy implemented by democratic countries in the West, and that is why the Hungarian foreign policy ignited several debates where the Hungarian foreign policy was targeted and attacked by the media and the government was forced to explain or argue for its policy, which is not mainstream, though a rational policy. Like the previous years, the Hungarian foreign policy used the guiding principle of rationality in its responses to challenges in the aftermath of the Covid-19 Pandemic.

— When it came to lockdowns and border closures due to the spread of the coronavirus, the Hungarian foreign policymakers negotiated these issues on a bilateral basis with the neighboring countries. (The same bilateral approach was adopted in other EU members, the European Commission just assisted to the decisions.)

— When it came to necessary medical supplies, the country basically focused on the core interests of the country first, and it found solutions relying on its broad network of relations and chose the most logical answers. In this case, Hungary purchased a bulk of the medical supplies from China, while it also accepted aid in times when medical supplies seemed to be most urgent. Later on, Hungary significantly contributed to ensuring medical supplies in the Balkans too.

— When it came to finding the right solutions and practical answers to the pandemic, the Hungarian government introduced the state of emergency and adopted, implemented the so-called emergency law which sparked heavy criticism in the European Union. (See our earlier briefings on this topic!) Looking at the details of the emergency law, criticism turned out to be unfounded and the main argument that the Hungarian government would not withdraw the law when the crisis was over, clearly proved to be wrong when the state of emergency was lifted on 18th June 2020.

In our understanding, there are no reasons that would impel the Hungarian foreign policymakers to significantly alter the course of the pursued foreign policy. The obvious tensions in the world order or the European Union are not new, they do not represent new fault-lines in our

understanding, however, they reflect growing tensions. The government regulation on the Hungarian National Security Strategy (1163/2020, IV.21.) was adopted in April 2020, it shows that the main pillars of the Hungarian security strategy are not going to be altered. Based on this strategy, ministries must prepare their own ‘sectoral’ strategies until the end of this year.

2. Foreign Policy Challenges Ahead

One of the main foreign policy challenges to be dealt with soon, is the series of negotiations on the EU recovery plans. The meeting will be taking place next week, and the European Council video meeting scheduled on Friday will be crucial in this process. Preparing for these meetings, the leaders of the Visegrad Four met in Chechia this week to coordinate their positions ahead of the European Council meeting. The Hungarian Prime Minister made it clear that the recovery plan is problematic on both the borrowing and the distribution side. He highlighted that usually EU funds originating from countries are redistributed in the EU and not funds borrowed from the international market. The concern behind the funding method is that the common borrowing of EU countries would further push the EU members on a path of integration whether they like or not. This kind of integration does not seem to be the principal goal of the Hungarian foreign policy. The Prime Minister also added that Hungary does not reject the EU recovery plan, but it will need significant amendments. He also disapproved of the proposed distribution of the funds, which favors wealthier nations. Similar to this approach, the Polish Prime Minister emphasized that wealthier countries must pay more in the EU budget, and the Czech Prime Minister underscored that the decline in the GDP of the countries must be the main aspect when allocating the funds. In our understanding, the common platform of the Visegrad Four countries is an extremely useful foreign policy tool to these countries to enforce their political and foreign policy agenda. That had been much more difficult for them before when uttering their doubts on EU policy proposals.

The less urgent but extremely important task seems to be the efficient communication of the Hungarian foreign policy goals regarding China. On the one hand, the EU foreign affairs chief, J. Borrell said after a video discussion with the Chinese Foreign Minister that China is not a threat to world peace, though it might be a systematic rival. This statement reflects a more reasonable policy than the hawkish approach of the former European Commission. This interpretation of China's role in world politics goes against the main pillars of American foreign policy. The new approach of the Commission seems to be in line with the Hungarian foreign policy that underlines the importance of cooperative foreign policy regarding China and at the same time, it adheres to the obligations deriving from the NATO and EU membership of Hungary.

It is extremely important to understand that the EU does no real competence in areas such as 5G, AI, and so on, the area where it can intervene is the Single Market. According to the existing rules, state aid and state-owned enterprises are watched over by the European Commission since the lack of state aid rules would distort the Single Market. That is the reason why the EU competition policy was one of the first common policies in the EU. Back then, it was less typical that foreign state-owned firms or enterprises with significant state support (favorable loans, capital, or guarantees) would enter the Single Market. However, a significant rise in the number of transactions involving foreign state-owned or backed firms created a new situation in recent years, thus the European Commission reacted to this problem by adopting a White Paper on 17 June 2020. The White Paper launched a public consultation on this matter until 23 September 2020. The proposal focuses on three key areas: (1) on the Single Market in general, (2) the acquisition of EU members facilitated by foreign subsidies, and (3) foreign subsidies in EU public procurement procedures. In our understanding, it makes sense to redesign the existing rules and adjust them to the new environment, whereas it should not be forgotten that national economic development interests may significantly differ in each EU member, thus a uniform, all-biding regulation would not lay in the

interests of Hungary. In our understanding, the communication of Hungarian interests will be a challenging task of this year.

3. Summary

Besides the negotiations on the EU recovery plan and the consultation on the foreign owned enterprises, the Hungarian foreign policy faces many challenges this year. The debate around the emergency law seems to be abating at this point, however, we would not be surprised if other debates would arise in the next months. The never-ending debate around migration seems to be a ‘good candidate’ for discussions, at the same time there are many practical daily issues caused by the Covid-19 pandemic that must be managed too. For Hungary, the pursuit of a core national interest in the foreign policy has been the guiding principle until now, and in our understanding, it must be kept this way since that is the only way to avoid being dragged down in the growing tensions of world politics.

Latvia and Its Integration in Baltics and EU in the Post-Pandemic Era

Linde Nina

As Latvia is a relatively small economy the external cooperation between Baltic countries and European Union has been crucial for the recovery after economic and social consequences caused by the Covid-19 crisis. Because of that it is seen that within the upcoming months Latvia's cooperation with both members of Baltic countries and European Union will continue to increase and Latvia will integrate even further within the European Union.

Latvia could become more integrated in European Union

Evaluating the European Commission proposals to the European Union Council for the European Reconstruction Fund and the Multiannual Budget it can be seen that the overall amount that Latvia could receive as a support aid, the main criterion for the distribution of money being the severity of the economic shock, according to the Fiscal Discipline Council it is seen that Latvia could receive 2.9 billion Euros in grants and 1.6 billion in loans. These proposals for financial instruments have yet to be agreed by EU Member States, so the total amount of funding earmarked and its distribution among Member States is considered as indicative.

Although the macroeconomic impact of these EU financial instruments will be relatively small (around 1.5% of EU GDP against the current 1%), it is significant that part of the financing is planned to be obtained through European Commission maturing bonds in 2027 and 2028 and increased revenues from the European Unions's own resources, all this can be seen as a step towards fiscal union, which is essential for the stabilization and more balanced economic development of the euro area.

Because of that it can be seen that Latvia will become more integrated into Euro zone.

Although the governments of the member states have become the main reference point in the conditions of the pandemic and the previous closure of the borders has been a strictly national measure, the European Union will be even more important for Latvia after the post-Covid crisis. Latvia's economic growth in recent years has been based on the openness of the Latvian economy, active exports and the fact that the environment of Latvia has opened opportunity of tourism. For this reason, countless small companies have developed that provide catering, beauty, health, cultural and many other services. In the post-Covid conditions, Latvia's ability to join the wave of economic recovery of the entire European Union will be very important. If the crisis caused by Covid-19 is symmetrical - everyone is equally affected, the recovery from it will be asymmetric - those with more resources and smarter management will recover faster. For that reason, it can be seen that Latvia will follow more to the guidelines of EU to ensure stable recovery from the Covid-19 crisis.

Currently more focus has been put on European Recovery Instrument regarding envisaged proposal of grants and loans that Latvia will receive to mitigate the consequences of Covid-19 crisis rather than assessing Latvia's potential contribution to the recovery funds.

The cooperation within the Baltic countries and Poland will be increasing

The outbreak of Coronavirus in 2020 has strengthened the cooperation between the Baltic countries. With the current political developments, it is seen that within the upcoming months the links between the Baltic countries will be even closer.

The Covid-19 crisis had marked similar challenges and situation in all three Baltic countries. The unprecedented prevalence of Covid-19 in all countries has created challenges that will affect their economies and societies in the foreseeable future. In addition, in recent months, national measures of all three Baltic countries have made undeniable progress in

curbing the spread of Covid-19 and a gradual easing of restrictive measures has begun. The great achievements with Covid-19 crisis prevention in the health sector and noting the need to restore regular cross-border passenger traffic by road, rail, air and sea between the Baltic States in order to reduce the economic and social impact of the restrictions imposed to stop the spread of Covid-19 and to ensure the free movement of persons across borders, Baltic countries were one of the first European Union member states, which partially re-opened the borders by not enforcing the 14 days quarantine.

The early re-opening of the borders came with additional challenges. Such as considering that, as Covid-19 continues to spread, the resumption of regular passenger traffic between the Baltic States without strong safety measures may increase the prevalence of Covid-19 due to increased travel intensity. Furthermore, noting that the promotion of regular cross-border passenger traffic during the Covid-19 pandemic may require, in the interests of public health, the collection of information to ensure the protection of public health from serious cross-border health threats related to the spread of Covid-19.

These and other previously mentioned aspects served for the reason for closing Memorandum of Understanding between the Baltic member states about abolition of travel restrictions between Latvia, Estonia and Lithuania for road transport, rail, air and maritime transport and cooperation in this field during the Covid-19 crisis.¹

The Memorandum provides that the Baltic countries will encourage the establishment of communication systems or the use of existing systems by the competent authorities of Latvia, Estonia and Lithuania to collect, process and transmit information confirming that a person is aware of the Covid-19 restriction conditions in place to protect against cross-border health threats. According to the Memorandum of Understanding Latvia, Lithuania and Estonia will continue to contribute to the Baltic countries cooperation by facilitating consultations between the responsible

¹ <https://www.mfa.gov.lv/aktualitates/zinas/66002-saprasanas-memorands>

authorities on measures affecting cross-border movements, including, but not limited to, plans to facilitate border controls with other countries, exchange of information on flights and maritime routes to be detected, while active operations and measures to combat the Covid-19 crisis in Latvia, Estonia and Lithuania remain.

During the June of 2020 Baltic countries together with Poland marked the priorities regarding the partnership between the countries. One of the main priorities still remains strengthening security in the region.¹ In addition, the need to further develop NATO's defense capabilities in the Baltic and Polish region is emphasized, including through training, maneuvers and increasing the interoperability of the four NATO multinational battle groups and enhancing the region's air defense capabilities. An agreement was reached to expand work to build resilience to cyber and hybrid threats, thus contributing to EU and NATO action in this area. Representatives of the Baltic and Polish countries have emphasized the urgent need to make appropriate investments in the development of military mobility infrastructure and procedures. The foreign ministries of all four countries have noted that the United States' expanded military presence in the region is an essential component of security. In addition, a target has been set to improve the security of communications between countries, including 5G.

An important aspect of increasing security is the emphasis on the development of regional connectivity, the implementation of strategic regional energy and transport infrastructure projects, including in the framework of the Three Seas Initiative, and the implementation of the European Union's digital agenda. More modern and developed connections are important to expand the economic potential of the whole region. The synchronization of the electricity systems of the Baltic States with the European networks through Poland remains essential for the energy security of Baltics and Poland. Given the economic difficulties caused by

¹ <https://www.mfa.gov.lv/aktualitates/zinas/66061-baltijas-valstu-un-polijas-arlietu-ministru-kopigs-pazinojums-pec-tikšanas-tallina-2020-gada-2-junija>

Covid-19, sufficient European Union funding is crucial for the successful conclusion of this project. In addition, strengthening the region's economy, together with the EU-level economic recovery plan, will contribute to the economic growth and job creation of the Baltic and Polish economies, also exploiting the potential of the European Union's transition to a green economy. Economic cooperation at regional and European Union level must be pursued in a coherent and effective way in various directions, including in order to strengthen and support the European Union's joint market. Global efforts must be continued to work together to maintain open and flexible international trade and transport opportunities, thus minimizing the already huge impact on the regional economies.

Conclusion

The role of both European Union and Baltic member states has played significant role for mitigating the consequences of Covid-19 crisis. It is seen that because of the increased cooperation due to the outbreak of Coronavirus Latvia will become more integrated in the European Union. Evaluating the European Commission proposals to the European Union Council for the European Reconstruction Fund and the Multiannual Budget it can be seen that the overall amount that Latvia could receive as a support aid, is approximately about 2.9 billion Euros in grants and 1.6 billion in loans. As the Latvia's economic growth in recent years has been based on the openness of the Latvian economy, active exports and the fact that the environment of Latvia has opened opportunity of tourism, with the current Covid-19 crisis the European Union will be even more important for Latvia. The recently closed Memorandum of Understanding between the Baltic countries aims to strengthen the cooperation to prevent the health system threats due to the Covid-19. As for the Baltic countries and Poland the main priority within the upcoming period will remain safety of the region.

Outlook of Lithuania's Foreign Policy Directions after the COVID-19 Crisis

Linas Eriksonas

A new pan-European survey conducted by the European Council on Foreign Relations (ECFR), a London-based think-tank which analyses the EU foreign and security policies, shows that, after the onset of the COVID-19 crisis, “there has been a rise in public support for unified EU action to tackle global threats”. Two types of threats have been perceived across Europe as being the direct or indirect results of the coronavirus crisis. First, a widely perceived health security threat which is now seen as a clear security issue which should be addressed as part of the overall defence and security policies by the intelligence community and the defence.

Second, it is a threat of the looming economic crisis across the continent, which calls to explore new sources of growth inside Europe. Though in June the Economic Sentiment Indicator (based on business and consumer survey results) has slightly recovered, yet it is on the level similar to the period of 2008-2009, the crisis period. It is a growing understanding that Europe can find additional sources for economy renewal by jointly fulfilling climate change commitments through the concerted efforts to increase the EU's resilience to climate change.

Below is an overview of the responses of Lithuania to the above threats, discussing the ongoing initiatives (both diplomatic and political) that not only respond to the new security and defence agendas by broadening them to encompass the issues of public health and the economy but also help to define them. It will try to identify the drivers which could make a long-term place for these new directions in Lithuania's foreign policy.

The defence and security arrangements that safeguard the balance of powers in the region are based on the level of the deterrent effect of NATO forces in Poland, Lithuania, Latvia, Estonia and the additional measures that aim to maintain the credibility of its posture, as maintained in the recent policy document by the International Centre for Defence and Security analysing deterrent, security and stability in the Baltic region.

One of the critical aspects in strengthening these defence and security arrangements, as noted by the report above, is a societal resilience against the spread of panic during the periods characterised by higher levels of uncertainty (such became apparent during the coronavirus crisis) through disinformation and malicious cyber-attacks. At the same time, as suggested by the defence and security analysts, the NATO Forward Presence in the region should be consolidated and enhanced by supplementing it with additional US troops, most probably, relocated from other parts of Europe. Thus, Lithuania's and its allies' main response to the health security threats and the broader defence and security threats in the region is to create and maintain the enhanced security territory stretching from Poland to Estonia.

Hence, Lithuania along with Poland have been making the coordinated efforts to agree on the defence arrangements with the United States to increase the US military presence on the Eastern flank of NATO. The announcement made by the US President Donald Trump at the beginning of June about the withdrawal of part of its troops from Germany has created additional urgency. Between 2005 and 2020, the US overall footprint in Europe shrank by over a third. The US military presence in Germany decreased from 72400 in 2006 to 33250 in 2018. Germany has been the primary location for the US troops stationed in Europe after the Second World War, also serving as the location for the US European Command headquarters in Stuttgart.

Since 2017 Germany has been the lead nation of the NATO Enhanced Forward Presence in Lithuania. In June Lithuania concluded a military arrangement with Germany, covering the areas of cooperation which fall outside the remit of NATO, such as related to telecommunication procedures, environmental protection. On 30 June Lithuania and Germany

signed what was referred to by both parties to the agreement as a landmark military agreement regulating the temporary presence of troops on each other's territory. The agreement covers environmental protection, telecommunication procedures such as the limitations on radio frequencies used for jamming, and defines terms for humanitarian assistance and rescue operations. The agreement comes at the time when the NATO endorsed the updated defence plan for Poland, Lithuania, Latvia, Estonia (known under the name of "Eagle Defender"), after the withdrawal of the blocking vote by Turkey which, as reported in the media, initially used it as a bargaining chip for the involvement of the Alliance in supporting the Turkey-backed Kurdish militaries in northern Syria against the current regime in Damascus.

Apart from Germany, Poland has become another vital partner for Lithuania. Since 2019 Poland has become the main military ally of the US in the region providing the vital support for the defence plans of Suwalki corridor, a 65-kilometre long stretch of land between Belarus and Kaliningrad providing a physical link between the NATO troops stationed in Lithuania, Latvia, Estonia and the rest of Europe. On 24 June the Polish President Andrzej Duda went to Washington to discuss with President Trump the need to increase the number of the US troops in Poland, following the announced withdrawal of some US troops from Germany.

Before the meeting of President Duda with President Trump, Lithuania's President Gitanas Nausėda spoke with President Duda asking to represent at the meeting also the interests of Lithuania which are closely aligned with those of Poland concerning the security and defence arrangements of the region. "We have stressed numerous times that the Baltic states and Poland are one territory, if we speak about the defence logic and NATO defence planning, therefore, we find it directly important in the national sense what is happening in Poland," – Lithuania's Minister of Foreign Affairs Linas Linkevičius said prior to Duda's meeting.

The tentative agreement was announced to increase the number of US troops by 1000 to 2000, probably by relocating some troops from Germany. In a joint declaration, the Presidents of Poland and the US confirmed the commitment of the US and Poland to invest in defence

capabilities and to effective deterrence and defence of NATO's Eastern flank, their commitment to the global fight of COVID-19 and the cooperation in the deployment of 5G network.

The cooperation with Poland, Germany and the US as the main international state actors in maintaining the security and defence arrangements that are vital for Lithuania has been pursued in parallel with the regional economic initiatives. During the post-COVID period, the safety for conducting economic activities have become the precondition for restoring consumer confidence. Lithuania has been instrumental in creating the so-called Baltic "travel bubble", the territory where a free movement of people is allowed without the need of undergoing a required 14-day quarantine. In June the Baltic "travel bubble" was extended to Poland and Finland. These arrangements indicate a potentially deeper integration of the economic activities across the Eastern Baltic region. By addressing the challenges of the coronavirus and the need to increase the public health safety, Lithuania and its allies on the Baltic littoral have been in fact re-defining the Baltic region from the territory of three Baltic countries into the territory of five countries sharing the Eastern Baltic littoral.

Lithuania's Presidency of the Council of the Baltic Sea States in 2020-2021 which has started as of 1 July would be used to strengthen further this strategic direction of the enlarged Baltic littoral region. The priorities of Lithuania's Presidency are directly related to the strengthening of societal resilience and the economy in the post-COVID period. They cover such objectives as civil protection in the region, strengthening resilience in the region against major emergencies and disasters, sustainable development, especially in the field of developing green industry.

These efforts well interplay and compliment with a broader EU agenda to use climate change and the Green deal measures for the economic revival in the post-COVID period. Lithuania's delegated EU Commissioner for Environment, Oceans and Fisheries Virginijus Sinkevičius has initiated a plan for reducing pollution in the Baltic Sea with the contribution from the EU and the Member States concerned. If gained

the approval, the plan could become precedence, since the environmental issues are the national prerogative and such cooperation would enhance the regional dimension of the realization of the EU policies within the economic, geographically defined, territories with shared natural resources and the common interests in public safety.

“A declaration setting out obligations to take specific measures to reduce pollution of the Baltic Sea is now being harmonised with the environment and agriculture ministers,” - said Sinkevičius. It is expected that Lithuania, Latvia, Estonia, Poland, Germany, Denmark, Sweden and Finland will become the signatories of the joint declaration to be signed in September, opening the way for the planning of the concrete actions.

The increased emphasis on environmental policies as part of the response to the coronavirus crisis can also help to increase further political and diplomatic pressure concerning the Ostravets Nuclear Power Plant (NPP) which was built by Belarus within ca. 50km from the capital city of Lithuania, raising many concerns in Lithuania about safety and stress tests. During the meeting with Commissioner Sinkevičius Lithuania's President used the opportunity to emphasize the issues of the Belarusian NPP yet again. The President said that the conclusions of the European Council meeting of December 2019 had to be implemented, according to which all the installations in the third countries had to meet the highest environmental and nuclear safety standards, and electricity generated by unsafe power plants should not enter the internal markets of the EU.

The further development of Lithuania's foreign policy might see a complex approach in using public health and the economic initiatives to address the safety and defence issues within the enlarged Baltic security zone.

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Montenegro External Relations Outlook

Milika Mirkovic

In 2020, the fulfilment of the criteria for EU membership and the implementation of the EU integration policy can be expected to continue. The previous year was characterized by a slowdown in the negotiation process, but in the first half of 2020 the last negotiation chapter was opened. Also, the improvement of relations between Montenegro and the region will continue to be the focus of external relation policy. Certainly the biggest challenge is the political relations with Serbia, which has deteriorated over the past six months. At the same time, Montenegro will continue with improvement of bilateral relations with non-European countries and active participation in international events.

Focus on EU integration of Montenegro

One of the most important issues in Montenegrin foreign policy is EU integration. This process was slowed down during the previous year. There were disagreements within the EU leaders around the EU integration of Western Balkan countries. Therefore, at the beginning of the year, European Commission adopted new – revised enlargement methodology in order to improve the whole process of EU enlargement. Although the adoption of a new methodology significantly does not affect the integration process of Montenegro, since the process is at an advanced stage, Montenegro has accepted the new methodology. The negotiation process continues under the same conditions and rules that were previously in force. However, acceptance of the new rules can improve the process of integration towards the deepening of reforms and enhance cooperation and communication with EU countries. Also, in the coming period, according to the new methodology, could be expected greater involvement of EU country members in all phases of negotiations, greater communication of

Montenegro with EU countries through participation in various summits, more frequent contacts and events and conferences.

During previous half a year and Croatian presidency of the Council of the EU, Montenegro received very significant support for the integration process. Enlargement policy was one of the important issues on which the Croatian presidency focused which led to the acceleration and dynamization of this process. In June, Montenegro opened the last negotiation chapter 8: Competitiveness, which was an important step in the EU integration process.

From July, Germany will assume the presidency of the Council of the European Union. How will the German presidency influence further enlargement policy? Taking into account Germany's commitment to the implementation of the EU enlargement policy during previous period, in the following six-month period, the commitment to this policy can be expected to continue. Since that Germany has previously supported Montenegro in implementing the EU integration policy, support can be expected also in the coming half-year period. In the Program for Germany's Presidency of the Council of the European Union, Germany emphasized the EU's orientation towards the Western Balkan countries, pointing to the mutual interest in the integration of the Western Balkan countries into the EU. However, enlargement policy cannot be expected to be among the priorities on the agenda due to the spread of the COVID-19 virus pandemic and the need to combat the effects of a pandemic.

Certainly, in the coming period, Montenegro have to take significant steps in the reform process and activities aimed at closing the negotiation chapters. During this year, no major progress is expected in the direction of closing the chapter, but it represents a period for the implementation of many activities in the direction of meeting the criteria. Looking at the second half of the year, German Ambassador to Montenegro stated that Montenegro needs more concrete steps forward in the areas of democracy, rule of law and freedom of the media in order to create conditions for the beginning of the preliminary closing of additional chapters.

Cooperation with regional and non-EU countries

One of the important areas external relation policy of Montenegro are good relations with neighbouring countries. Maintaining good relations and cooperation with other Western Balkan countries is also important because of the joint action in the EU integration process. Montenegro does not have open and complicated relations with the countries of the region. In general, relations with all countries are good, although in the previous half of the year, political relations with Serbia have been disrupted.

One of then important issues that has been raised at the end of 2019 and was emphasised in the first half of 2020 is relation with Serbia. An adoption of the Law on Freedom of Religion in Montenegro was a driver of disagreement between the two countries. Since the beginning of the year citizens in Montenegro who oppose the Law have organised mass protests. These protests were organised by Serbian Orthodox Church. They accuse the Montenegrin authorities of endangering church property of the Serbian Orthodox Church. The exchange of accusatory comments and opinions on behalf of the other side contributed to the relations between Montenegrin and Serbian officials significantly sharpened.

Relations deteriorated due to disagreements over the import of medical equipment during the corona virus pandemic, culminating in June when Montenegro banned Serbian citizens from entering due to the unfavourable epidemiological situation in Serbia, which led to the exchange of conflicting comments from both sides. On the political scene, it can be expected the continuation of such or similar disagreements in the coming months. A possible easing of tensions and debate is expected after the summer and the elections in Serbia and Montenegro. Elections were held in Serbia in June, while in Montenegro they will be held at the end of August.

However, although there has been destabilization in relations, it is not expected that the relations between Montenegro and Serbia will endangered or aggravated in other areas (e.g. economic relations) in the coming period. Certainly, divided opinions on the Law on Freedom of Religion, as well as discussion about methodology for counting infected

and recovered patients and deaths by COVID-19 virus, medical equipment and health systems capacities should not be an obstacle and a limiting factor in the relations between the two countries. On the contrary, just at the time of the spread of the infection, the two countries have very intensive cooperation. On the contrary, in the period of spreading the infection, the two countries should have very intensive cooperation. On the other side, economic relation economic relations cannot be neglected. Namely, Serbia is one of the most important economic partners of Montenegro. In 2019, more than a quarter of total export of goods (26%) are exported to Serbia, while 21.4% of total foreign overnight stays are realized by tourists from Serbia. On the other hand, Serbia accounts for about a fifth of total import of goods of Montenegro. A large number of seasonal workers who have employment in Montenegro are from Serbia. There is a very good traffic connection between these two countries, with a large number of daily border crossings, not only during the summer season, but also throughout the year. Given the strong economic relations, there is strong and significant traditional and family links between the citizens of these countries. Therefore, no reduction in the intensity of collaboration should be expected. Due to the pandemic, there will be a significantly smaller number of tourists from Serbia, but despite the negative campaign against Montenegrin tourism that was present during the previous period in Serbia, no strong reduction in the number is expected in the period after the opening of borders or pandemic.

In addition to regional co-operation, it is expected that Montenegro will continue co-operation with non-European countries, which have been very important economic partners in recent years (such as Turkey and China). The pandemic showed, among other things, an excellent relationship between Montenegro and China. China was among the first countries to send aid, consisting of medical equipment and medical supplies. Also, individual donations and aid sent confirmed the friendly relations between the two nations. China's support in the fight against the pandemic can be expected in the next period as well. In addition, the improvement and intensification of economic relations can also be

expected in the coming period. Montenegro's participation in the 2020 China International Import Expo, which will be held in November in Shanghai, was previously announced.

Participation in this event can contribute to greater economic cooperation between Montenegro and China. This is of great importance Montenegro considering the large Chinese market and the fact that Montenegrin companies could place some of the traditional products on the Chinese market. Therefore, this fair could be a very important platform for increasing exports, since that Montenegro's export-import ratio is very low (export-import ratio amounts to around 15) and imports of goods are 6.4 times higher than exports of goods, the placement of domestic products at Chinese market would represent a significant impulse for economic growth. Participation in this fair represents a good opportunity to improve the export-import ratio between Montenegro and China, too. In addition to the export of goods, Montenegro has great potential for exporting services, as there has been a recent increase in tourists from China.

Additionally, in order to strengthen its position on the international scene and increase Montenegro's visibility in the world, it is expected to be present at events aimed at security, stability and promoting cooperation between countries.

Germany's Presidency of the Council of the EU: Implications for EU-Macedonian Relations in Times of Covid-19

Gjorgjioska M.Adela

Amidst the continuing Covid 19 pandemic, Germany will be taking over the six-month presidency of the Council of the EU on July 1st. The immediate management of the pandemic and the recovery will be at the heart of its programme for the Presidency. It will also lay the groundwork and the concrete steps that Germany will need to take in order to push forward its strategy for a European Union which takes more global responsibility and strengthens its role in the world. In line with this vision, it is likely that the Presidency will be consequential also for the Western Balkans region in general, and North Macedonia (hereinafter Macedonia) in particular. In turn it will impact on the country's handling of the pandemic and the recovery, its progress in terms of EU accession negotiations, as well as its regional relations.

German-Macedonian bilateral relations

German-Macedonian bilateral relations are strongly interconnected on an economic, social as well as political and diplomatic level. Annual bilateral trade is around EUR 3 billion, recording continuous growth. With 50% of Macedonian exports (\$3.27B in 2018) going to the German market and 14,3% of imports (\$1.37B in 2018) coming from Germany, the country is Macedonia's biggest trading partner. More than 200 companies with German capital operate in the country, employing some 20,000 people, at the same time attaching the Macedonian economy to the German supply chains.¹ In this context, any severe corona-aftershocks to the German economy are likely to cause negative and immediate shocks to the

¹ <https://china-cee.eu/wp-content/uploads/2019/07/2019e0570%EF%BC%882-North-Macedonia.pdf>

Macedonian economy. In addition to economic connections, close links exist on a socio-economic level. 100,000 Macedonian nationals live in Germany, making it one of the most important countries of origin for remittances. As the ongoing pandemic affects the domestic German economy, it is likely to also result in the shrinking of the incomes of Macedonian migrants in Germany, affecting the remittances and the disposable income of recipient households, putting an upward pressure on the poverty rate.

On a political and diplomatic level, relations have intensified in recent years. In the past 3 years, German support for the country's integration into Euro-Atlantic structures has translated into several top-level visits. In September 2018, Angela Merkel paid the first ever official visit by a German chancellor to the country. German Minister of Foreign Affairs Heiko Maas, has paid two official visits, one in September 2018 and another in November 2019. On the occasion of the second meeting, which took place shortly after the European Council "failed to agree on opening accession negotiations with N. Macedonia"¹, the German Foreign Office issued the following statement: "Germany supports an EU perspective for the country and will canvass intensively among its EU partners for an imminent decision to open the accession process."² Macedonian Minister of Foreign Affairs, Nikola Dimitrov, has maintained close contact and has held numerous official and working meetings with top level German officials, including MFA Heiko Maas and German Minister of State for Europe, Michael Roth.

German Presidency of the Council of the EU

Under the motto "Together for Europe's recovery", the German presidency of the Council of the EU will focus directly on overcoming the COVID-19 pandemic. Germany has established the focus areas: overcoming the consequences of the COVID-19 crisis for the long-term as

¹ https://www.europarl.europa.eu/doceo/document/CRE-9-2019-10-23-ITM-019_EN.html

² <https://www.auswaertiges-amt.de/en/aussenpolitik/maas-skopje/2268940>

well as economic and social recovery; a stronger and more innovative Europe; a fair Europe; a sustainable Europe; a Europe of security and common values; and a strong Europe in the world.¹ Enlargement is not listed as one of the key objectives of the Presidency. Instead the Programme for the Presidency mentions it in the subsection titled “other key projects”, stating: “We are calling for a credible prospect of EU accession for the countries of the Western Balkans. Drawing them closer to the European Union is in both the Western Balkans’ interests and the EU’s own strategic interest. Against this backdrop, we are actively flanking the ongoing accession negotiations with Serbia and Montenegro and preparing for the commencement of accession negotiations with Albania and North Macedonia by drafting the negotiating framework for these two countries, taking into account the new enlargement methodology.”²

The EU Corona economic-recovery support

The impact of the coronavirus on the European economy, and the extent to which the EU German Presidency will be able to stabilize it or least mitigate its consequences, will have severe repercussions on the macedonian economy. Moreover, the support which the EU will be able to provide to the country will play an important role towards the containment and recovery efforts taken in the second half of 2020 and 2021. So far, the EU has pledged EUR 4 million of immediate support for the Macedonian health sector and EUR 62 million of support for social and economic recovery. As an EU candidate country, Macedonia is also eligible to use the EU Solidarity Fund (of approximately EUR 800 million), which was extended to support COVID19 responses in April 2020. Any decisions for granting additional financial support for the country will be strongly dependent on Germany’s assessment and influence as part of its EU Presidency.

¹<https://www.consilium.europa.eu/en/council-eu/presidency-council-eu/>

²<https://www.eu2020.de/blob/2360248/e0312c50f910931819ab67f630d15b2f/pdf-programm-en-data.pdf>

EU negotiations framework

On July 1st, the day when Germany assumed the presidency of the EU, the European Commission also presented to the Council the “draft negotiating frameworks for North Macedonia (and Albania), laying out the guidelines and principles for their accession talks.” Commissioner for Neighbourhood and Enlargement Olivér Várhelyi commented: “Our proposals build on the revised enlargement methodology we put forward in February to make the accession process more credible, with a stronger political steer, more dynamic and predictable. I look forward to the discussions with Member States and to holding as soon as possible the first intergovernmental conferences.”¹ On the same occasion, Macedonian Minister of Foreign Affairs has stated: “I think there is beautiful symbolism that the EC completed its task based on the decision of March on 1 July specifically, the day when Berlin takes over the presidency with the Council of the EU, and I am convinced that in the same manner that the Croatian presidency was historic for us, German presidency will be as well as well, and that with German support we will open the first Intergovernmental Conference in the following months”.²

The established procedures for adopting the final negotiation frameworks require the approval of all member states. Only then can the rotating Presidency of the Council of the EU finalize the frameworks and the first intergovernmental conference can be held marking the formal start of the accession negotiations. German support may prove to be decisive in whether or not the first Intergovernmental Conference, which marks the official start of EU negotiations, will take place before the end of 2020. In addition to the broader challenge posed by the pandemic, a significant obstacle on this path will be the reservations held by Bulgaria. The country has threatened to block the first intergovernmental conference, “if it fails

¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1021

² <https://mfa.gov.mk/en/page/1699/post/2318/dimitrov-%E2%80%9Ctoday-we-mark-an-important-step-forward-%E2%80%93-the-european-commission-adopted-the-draft-negotiating-framework-and-as-of-today-the-document-is-in-the-hands-of-the-member-states-good-luck-to-all-of-us%E2%80%9D>

to see “real progress” by North Macedonia in implementing their 2017 bilateral friendship treaty”.¹ In addition to the Presidency, Germany will have the Berlin Process as a platform that it can use to mediate in the relations between Bulgaria and Macedonia. Launched by Chancellor Merkel in 2014, the Berlin Process is an initiative aimed at stepping up regional cooperation in the Western Balkans and aiding the integration of these countries into the EU. In 2020, the Presidency of the Berlin Process is held jointly by the Republic of Bulgaria and the Republic of North Macedonia. The Berlin Process Summit, the main event in the Calendar for the Process, is expected to take place in autumn 2020. It is likely to serve as an important platform for Germany to influence macedonian-bulgairan bilateral relations in the context of EU negotiations, but also to offer new financial and support mechanisms for the region as it battles the Covid 19 pandemic. Finally, in light of the regional and geopolitical consequences which the Pristina-Belgrade dialogue is likely to have, it is expected that Germany will also play a pivotal role in this process.²

The German Presidency of the EU Council is likely to translate into an even more active and dynamic German presence in the Western Balkan region during the autumn and winter period. The trajectory of close Macedonian-German relations will continue under the framework of the German Presidency of the Council of the EU. In turn it is likely that it will be consequential towards key aspects of EU-Macedonian relations: its negotiations framework with the EU, the economic support that the country will receive as part of the broader EU Covid 19 recovery support mechanism, as well as its regional relations. Finally, Germany is likely to play an important role in the way in which the Kosovo-Serbia dialogue plays out and the regional implications it will have, as another one in the series of complex international and regional developments taking place against the backdrop of the pandemic.

¹ <https://balkaninsight.com/2019/10/10/bulgaria-sets-tough-terms-for-north-macedonias-eu-progress/>

² https://europeanwesternbalkans.com/infographic_dialogue/

Polish Foreign Policy after the Coronavirus

Joanna Ciesielska-Klikowska

Every year in mid-March, the Polish Minister of Foreign Affairs presents his exposé in which he discusses in detail the foreign policy tasks planned for a given year. This year's speech in the parliament forum was similarly planned. However, the pandemic changed the schedule of the Sejm's deliberations and the priorities of the state's policy. Although to this day Minister Jacek Czaputowicz has not delivered his speech, it does not mean that Poland is not implementing its foreign policy. On the contrary - yet, its priorities have been somewhat reoriented. Although foreign policy directions remain unchanged, the significance of individual directions – the United States, the European Union, the Visegrad Group - will probably change.

Relations with the United States

As for Poland's main international partner, it will remain the United States. Polish-American affairs over the past few months have been elevated to a whole new level. The meetings of President Andrzej Duda with President Donald Trump and the visits of Polish government representatives to the USA clearly contributed to upgrading the quality of bilateral relations. In addition, increasing the size of US troops in Poland, US support for Poland in terms of energy security and technology development, as well as the abolition of visas for Poles, which was considered a symbolic expression of the improvement in relations between the two countries, was of key importance.

The United Right government and President Duda - who is seeking re-election and has a good chance of winning - wants to continue this course in post-pandemic times as well. In a recent statement, the Ministry of Foreign Affairs - referring to the revelation of the "Wall Street Journal", which wrote that Donald Trump ordered the Pentagon to withdraw 9.500

American soldiers from Germany by September 2020 – wrote, that: “Poland is a strong advocate of the American presence in Europe, including Poland; in cooperation with the US we are pursuing this goal and are constantly improving our defence capabilities. (...) The political and military involvement of the USA in Europe is of key importance for the security of our continent and the entire Euro-Atlantic area. Poland is a strong advocate of the American presence in Europe, including Poland.” Currently, the Polish side is already making efforts to direct the soldiers withdrawn from Germany to Poland and other US allies in the region.

If the action of “moving” American soldiers and bases ends successfully, it would be the undoubted success of the ruling camp and an indicator of the closeness of Polish-American relations. This would not only influence rapprochement in political relations, but probably also economic ones. Today, the United States occupies the eighth position in the structure of Polish trade. The prospect of developing Polish-American relations is, however, large. Since the 1990s, Poland has been reducing the deficit in relations with the United States - the situation is much better in services, but what is important, the share of Polish exports and imports in relations with the USA is also increasing steadily. Significantly, this cooperation does not show any negative effects in the situation of disturbances appearing on global markets, which is a proof of its stability. In the near future, it will be crucial to cooperate within advanced technologies, vehicles, apparatus devices, chemical industry, raw materials issues (which stabilize and guarantee the security of Polish economy) and science - including by developing an effective coronavirus vaccine.

On the other hand, it should be emphasized that this change in the place of stationing of American soldiers could have a very negative impact on Polish-German relations, or lead to a serious crisis in Poland-USA-Germany triangle. This would be a huge challenge, given that Germany has been Poland’s most important trade partner for last 30 years. Since money likes peace, not political turbulence, one would expect withdrawing German investments in Poland and transferring them to other countries, e.g. V4 countries.

Relations with the European Union

Such deterioration of relations with Germany - in both political and economic terms - would certainly also translate into Polish position in the European Union. Already in recent years, Polish diplomacy has been characterized by passivity and low effectiveness in relations with the EU. In fact, Poland has ceased to actively co-shape European policy. The crucial role in Poland's relations with EU institutions and member states played the changes introduced in the Polish judiciary system and their defence in the European forum. So Poland had to use most of its political capital to explain its internal policy.

Yet, Poland is the sixth largest country in the EU in terms of population. Therefore, it should play the role of an important player in the decision-making process. Disputes over the rule of law, though, reduced Poland's political position, and so it became an increasingly less attractive partner for the creation of intra-EU coalitions. In the coming months, Poland may also feel the direct negative financial effects of disputes with EU institutions. The pandemic situation will not change much about this. Currently, Poland is not involved in any major EU cooperation initiatives in the fight against COVID-19 and the development of an effective drug.

Poland's position in the EU will also be aggravated by the lack of coordination of European policy within the power camp, in which several centres compete for influence. During Law and Justice (Prawo i Sprawiedliwosc, PiS) rule, the role of the Minister of Foreign Affairs in European affairs diminished. The decision-making centre on EU matters became the Prime Minister, and functionally his office. The liaison and coordinator between the two centres should be the secretary of state for European affairs at the MFA, but his position has recently been limited. A certain importance - assuming that Andrzej Duda will win the presidential election again - will also be maintained by the presidential centre, with the head of the presidential cabinet, Krzysztof Szczerski, former Undersecretary of State in the MFA and in the Office of the Committee for European Integration.

A clear expression of Poland's weakening position is the proposal for a new EU financial perspective 2021-2027. It assumes a reduction of funds for Poland by 23% compared to the current perspective (EUR 64.4 billion instead of 83.9). This plan includes cuts in EU cohesion policy and agriculture, the emergence of new priorities and new criteria for the distribution of money.

Therefore, in the coming months, it will be crucial to negotiate a good budget for the entire Community, and for the Polish authorities to negotiate the largest possible funds. This can be extremely difficult, because the draft prepared by the European Commission contains a proposal to adopt a regulation on the protection of the EU budget against violations of the rule of law. Commission Vice-President, Věra Jourova, recently stated that: "in the new multiannual EU budget, the payment of EU funds should be conditional on compliance with the rule of law". She added moreover that these provisions are firm. Yet, if such requirements are adopted, Poland may enter the path of a serious conflict with the EU institutions. Already today analysts are seriously considering scenarios of so-called Polestix, which could occur due to non-compliance with EU rules.

Relations within the Visegrad Group

However, the Polish Presidency of the Visegrad Group, which will start on July 1, may become a chance to combine what is European, Polish and (to some extent) American. The Polish presidency will run under the slogan "Back on track". Thus, the Visegrad cooperation will focus not only on post-pandemic economic reconstruction, but also on giving impetus to regional cooperation (including building a larger platform for cooperation with the US), its improvement and supporting interpersonal contacts between the societies of the four countries after lifting pandemic restrictions. However, the European Union will remain the key platform for V4 involvement. Hence, V4 under Polish leadership will focus in its work on the current European agenda.

In this context, the priorities will include cooperation and coordination in connection with the negotiations of the Multiannual

Financial Framework and the European Instrument for Reconstruction. In addition, V4 will focus, among others on deepening cooperation in the digital sector, cooperation in the field of security, infrastructure development and international agenda, e.g. supporting the pro-integration aspirations of the countries of the Western Balkans, as well as the development of the Eastern Partnership.

Conclusions

The tasks of Polish foreign policy have not been radically remodelled due to pandemic. Though, undoubtedly the COVID-19 expansion has shown for which partners the Polish authorities care the most. Certainly, transatlantic relations are promoted - the epidemic only strengthened this relationship, which was exemplified by the visit of President Duda (as the first political leader during pandemic) to the White House on June 25. Meanwhile, much less time is devoted to European issues, pointing mainly to the financial pros and cons of membership in the EU. The Union currently has no good press in Poland, although public support for membership in this organization is still very high (84%). Will the presidency within the Visegrad Group be the chance to improve Poland's image in the Community, since basic point on the agenda is "strong V4 in a strong Europe" and coordination of the activities of the V4 countries in the EU? The next few months will show.

Outlook for Romanian External Relations

Oana-Cristina Popovici

Despite the harsh impact of the COVID pandemic, Romania's foreign policy options did not change for the second half of 2020. Romania's major directions are focused on deepening the collaboration with the EU and NATO and enhancing the Strategic Partnership with the USA. One of the main interests remain the recovery of the economy, in the view of the final discussions related to the EU Multiannual Financial Framework. In addition, a new National Defence Strategy is on the point of being adopted in the Parliament, proposing the idea of a Strategic Reflection Group. Romania is also involved in a large international assistance project, named Team Europe, and intends to act in providing support to developing or underdeveloped countries experiencing difficulties in combating the COVID-19 pandemic.

The major lines of the external policy are going to be continued in the second half of this year, as previously established at the beginning of 2020. Romania has three major coordinates for the external policy: being an active member of the EU and NATO and developing the strategic partnership with the USA. However, the second semester of 2020 will be more focused on the efforts for recovering the economy, even in relationship with the main external partners.

The Multiannual Financial Framework of the EU should be politically agreed by July, and will be approved only in early autumn, when the final amounts of money incumbent upon each country will be finally established. In the meantime, President Klaus Iohannis insisted that the allocations for Romania be as consistent as possible with both cohesion policy and agriculture, especially in the current difficult economic context. For Romania, these policies are needed for stimulating long-term investments and are considered relevant for reducing the development gaps

between the EU Member States. In a recent discussion with the European Council President Charles Michel, the President of Romania supported the increase of transfers between the different funds which would allow for a focus of the money on the real needs in the country, accentuated the need for maintaining the co-financing and pre-financing rates from the current programming period 2014-2020, as well as keeping the current rule of disengagement of European funds which allows a three-year extension for absorbing the money. President Klaus Iohannis called for the supplementation of rural development allocations for Romania under the Common Agricultural Policy and the convergence of the direct payments between the Romanian farmers and those from the Western European states. Regarding the new program dedicated to health, EU4Health, the President insisted on ensuring geographical balance in terms of implementation framework, based on the principles of cooperation and inclusion.

The EU's economic recovery plan provides funds based on two major financial instruments. The first one is the Next Generation Plan, which covers the post-COVID-19 economic recovery plan, while the second one is the Multiannual Financial Framework 2021-2027. In addition, there is a special energy transition fund for a greener economy. While for some of the funds, the geographical criteria in the distribution of money is still prevalent, for the general plan such a criterion is excluded and the allocation depends on the capacity of the countries in building national plans for recovery. The EU, Member States' parliaments and governments have to decide on long-term structural reforms of national economies, allowing a greater degree of freedom in directing the money. Moreover, beyond the economic criteria, the Commission proposals make clear references to respecting the standards of the rule of law. Political debates and the approval of national programs must be concluded by the end of July so that national parliaments have the time needed to ratify the decisions taken in the Council and the European Parliament, therefore measures in this direction are expected.

Romania also has to pay attention to the development options in collaboration with other countries during this period, which could lead to

attracting new investments. For example, the Vienna Institute for Economic Studies is proposing a EUR 2 billion investment plan, which could be implemented in the next ten years, with the support of the Economic Recovery Fund. The projects would be focused on public health, transport infrastructure and energy and carbon reduction. Romania could be one of the biggest beneficiaries of such a plan, being on the map of the main infrastructure projects proposed by the institute. The major projects include the built of ultra-rapid train network, new highways, seaports and airports, which could set new European mobility standards. Moreover, there are chances for enhancing the bilateral cooperation. Romania and Bulgaria recently had a discussion aiming to the preparation of a new cross-border cooperation program between the two neighbouring countries, which will be focused on the economic development of border regions and on growth and assistance measures for small and medium-sized enterprises. Two strategic projects are being prepared. One refers to a feasibility study for new bridges and port facilities along the Romanian-Bulgarian part of the Danube. The other project aims to develop the EuroVelo 6 cycling route, which is supported by municipalities along the river.

Romania is also envisaging the strengthening of the collaboration with NATO, by hosting a new NATO command for leading forces deployed by the Alliance for missions in the Black Sea area. In connection with the NATO action plan in the event of a second wave of COVID-19 infections, the common stock of medical equipment and the financial resources to be used for the purchase of essential medical products will be fed voluntarily, through the donations of the member states. Romania is among the countries that have offered to host some of these stocks.

In addition, the draft National Defence Strategy of Romania, a document still under debate in Parliament, is in line with the strategic positions of Romania's foreign and security policy so far. The draft strategy aims at clarifying the new international conditions, due to the fact that it was released in the context of the pandemic, which affected power relations between global actors. According to the NATO Deputy Secretary-General Mircea Geoana, the new coronavirus pandemic did not eliminate, but

amplified the already existing security risks, therefore it is important to be further monitored. Therefore, the Strategy is emphasising integrated risk and threat management, which means that institutions need to work together and complement each other. There is the idea of establishing a Strategic Reflection Group, which would analyse the changes in the international environment, similar to the NATO initiative which brought together a group of experts who in a year's time make recommendations on the Alliance's strategic action for the coming years. The Strategic Reflection Group would have similar duties, suggesting measures of action related to Romania's activities.

Romania celebrated, in June, 140 years since the establishment of diplomatic relations with the USA. Both Romanian and US representatives expressed their confidence in further continuing the efforts for deepening and developing the Strategic Partnership and increasing cooperation at as many levels as possible, including security, trade and investment, energy, cyberspace and the rule of law. The two countries have already shown mutual commitment during the current pandemic, which tested the resilience of the health system. Romania and the United States have supported each other, through repatriation of their citizens in difficult situations, through exchange of experience and support by moving a Romanian military medical team in the USA, or by the emergency transport, with the support of the United States, of a considerable amount of medical protective equipment. Such support and cooperation are envisaged and desirable in the future, doubled by an intense political dialogue. President Iohannis transmitted that he is deeply committed to the deepening and further development of the Romanian-American Strategic Partnership and the transatlantic partnership. The privileged relationship within the Strategic Partnership is seen as a solid benchmark in the context of a world in a profound and rapid change, dominated by many security challenges, to which was added, this year, the struggle on the COVID-19 pandemic.

In addition, Romania is involved in Team Europe, one of the most ambitious international assistance projects launched by the EU following the United Nations' call, designed to provide support to developing or

underdeveloped countries experiencing difficulties in combating the COVID-19 pandemic. As part of the Team Europe project, Romania has reconfigured more than half of its humanitarian and assistance projects for this year managed by the Ministry of Foreign Affairs. There are two criteria in allocating these programs: in the short term, helping vulnerable states in the current context; in the medium term, addressing the consequences of the pandemic, where health or economic systems are outdated. According to the commitments made, Romania will continue to provide development assistance to neighbouring regions, such as the Western Balkans, the Eastern Partnership countries and Africa, especially sub-Saharan Africa. Romania's funding priorities, within the Team Europe initiative, include strengthening the institutional capacity of health systems, ensuring food security, sustainable management of water resources, combating false news in the context of the pandemic. Another means of assistance is education, where, compared to the academic year 2019-2020, Romania has doubled the number of scholarships awarded to young people in African countries.

Serbian Foreign Policy Outlook in the Post-Pandemic Era

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At the beginning of 2020, few had expected that COVID-19 could impact the world to such an extent. The black swan that was the novel coronavirus took the world by storm, and was “successful” in bringing into question policies and strategies of virtually every state in the world. In essence that is the nature of black swan events. With the combination of lack of predictability and high impact, these events are able to shake even the short term policy plans, forcing states to place the imperative of crisis management ahead of any strategic action. Therefore, it is also not surprising that many forecasts, including our own, were to a certain degree wrong.

Following major outbreaks in the West, many states fortified their national boundaries, retrenching and focusing almost exclusively on the problems within their own territory. Yet, when the situation relatively stabilized in late May-early June, many actors outside the Balkan region returned with added vigor. What had been lost due to managing the pandemic has returned with added haste, threatening to put additional stress on the ability of Serbia to conduct its foreign policy along its desires. While some actions can be said that can lean turn in favor of Serbia, this is far from being set in stone, and the rest of the year will prove quite challenging for Serbian national interests.

On the domestic front, the complexity of parliamentary elections in Serbia we spoke of in the prior foreign policy outlook had been postponed to late June, therefore prolonging the period of government stabilization needed for conducting effective foreign policy. Likewise, the economic

impact of the pandemic, which is yet to show its full effect, will provide additional internal constraints for Serbian foreign policy. Not only on the external, but also on the domestic front, the constraints at least partially produced by the pandemic provide further constraints.

CONSTANTS STILL REMAIN

The strength of constants in Serbian foreign policy had not been undermined to a large extent by the pandemic. The four constants of Serbian foreign policy which were highlighted in the pre-pandemic outlook remain central. But although Serbian interests remain firm, situation in some has changed. While strive for furthering *Economic Cooperation and Continued Military Neutrality* had not altered much, *Serbia-Kosovo** *Relations* and *EU Enlargement Process* did to a certain extent.

Political turbulence in Priština which led to the deposition of Prime Minister Albin Kurti, leader of Vetevendosje Party, did lead to some changes. Tariffs introduced by Priština for goods coming from Central Serbia have been dropped by the new Prime Minister Avdullah Hoti, which allowed for the continuation of talks between Belgrade and Priština. Contrary to the previous years, it was the United States, not the European Union, which has led an effort for talks between the two to continue. Yet, in late June, information came that two powerful figureheads, Hashim Thaçi and Kadri Veseli are to be indicted for war crimes, the expected continuation of talks set to occur in Washington were suspended. Therefore, *status quo* remains albeit in different circumstances, and any change in those circumstances are currently in Priština backyard.

On the other hand EU Enlargement Process hit a standstill. Expected opening of two enlargement chapters did not occur during president Vučić's visit to Brussels in late June. Furthermore, German presidency over EU in the second part of 2020 will likely see firm stance from the Union regarding deepening of Serbian accession process. Likewise, it is still somewhat ambiguous whether and how French modifications to the accession process will affect Serbian position in the process. Still, Serbia remains nominally firmly determined to join the Union, with Serbian

President stating that his expectations of entering EU by 2026, a year later than previously stated.

External Changes

Driving Serbian Foreign Policy

The stated haste and vigor of external action towards Serbia, following the relative stabilization from COVID-19 struggle, is exemplified primarily in the *problematic* of Serbia-Kosovo* Relations. If it were not for the indictments against Hashim Thaçi and Kadri Veseli, the two sides could have met in Washington and thus resume their dialogue after years of pause. While Washington instead of Brussels may come as a surprise to some, there are US interests for entry into this dialogue. Because the US is in its election year, a potential resolution for the decade long problem could be a foreign policy win Donald Trump desperately needs, following both the protests in the US and the failure of both processes between the two Koreas and Israel-Palestine. Although the agreed upon meeting in Washington, scheduled for 27th of June failed, the US seem determined to continue being active and to mediate between the two sides in the near future. Also, the EU stepped up their efforts as well, having named Slovak politician Miroslav Lajčák as the EU Special Representative for the Serbia-Kosovo* Dialogue. In mid-June Lajčák visited both Priština and Belgrade, stating his expectations for the dialogue to continue under the EU auspices and even to achieve an agreement.

It seems that the greater US involvement led to prompt response from other major actors. Like the EU, Russia also increased their activity, with both a visit from Russian Minister of Foreign Affairs, Sergey Lavrov and Serbian President's meeting with Vladimir Putin, happening in the wake of the ill-fated Washington meeting. The current position of Serbia is thus best exemplified in the situation a week following the parliamentary elections, when Serbian President went to Moscow, Brussels and was scheduled to visit Washington. All three sides have shown increased interest and initiative in this question, and will surely impact Serbian foreign policy. Insofar China remains on the sidelines regarding this increase in activity,

but this might change if Chinese president Xi Jinping visits Serbia as it was announced prior.

Furthermore, many issues which Serbian foreign policy was facing prior to the pandemic quickly returned. This mostly relates to Montenegro and the protests against the [Law on freedom of religion](#) which have continued as soon as the epidemiological situation normalized. Furthermore, the clashes between government and opposition parties on the local level in the popular tourist city of [Budva](#), although largely political, are interpreted as some as the continuation of tensions between those supporting the Serbian Orthodox Church and those supporting the government. In regards to events in Montenegro, Serbian public is getting more and more involved in following them, with a possibility of Serbian foreign policy being directed towards taking a more active role in these events. Luck has it that the pandemic did not increase instability in Bosnia and Herzegovina, rather at certain times quite improved relations between ethnic groups, because those events could further complicate Serbian position.

Internal Changes

Driving Serbian Foreign Policy

The aforementioned parliamentary elections took place in late June and saw an overwhelming victory by the Serbian Progressive Party (SNS). Although SNS had a strong support in the prior parliamentary assembly, with the boycott by some opposition parties and only two more non-minority parties entering the assembly, they now have absolute control over Serbian legislative and therefore executive branch. For Serbian foreign policy this can be seen as a double edged sword. On the one hand, foreign policy executive now has a unified voice which has strong legitimacy behind it. On the other, expecting around 70% of parliamentary seats, SNS is in a position in which parties in democratic systems rarely are. Therefore, although this could lead towards solving some of the issues Serbia faces in the foreign policy realm, it could also be seen as an autocratic turn, demanding much consideration before any decision has been made.

Likewise, the economic effects of the pandemic are yet to show their full impact. Although economic measures were taken, economic impact of the virus on Serbia will be relatively severe with projected 3% GDP drop. Such an impact of COVID-19 pandemic on Serbian economy will surely impact not only the state's ability to act internationally, but will also move focus from external ambient towards internal social and economic issues.

What Lies Ahead for Serbia?

If the conclusion of our prior foreign policy outlook, for Serbia in 2020 looked somewhat grim, COVID-19 seems to have only escalated the tempo of events and raised challenges ahead. Instead of a gradual restart of Serbia-Kosovo* dialogue both US and EU seemed to have raised their expectations, thus creating an environment of haste, which will put Serbia into a difficult position. Not only will this turn of events demand thought and quick foreign policy choices, the internal environment will require much consideration in order not to create problems within Serbia as well. Although this haste could also turn towards a more favorable negotiating position for Serbia, this seems farfetched having in mind both the US and EU support for Kosovo independence. It is likely that, in this regard, Serbia will try to seem quite open for any type of dialogue but unwilling to make any important decision. Political situation in Kosovo* thus seem to go into Serbian favor, giving them time to consolidate the new internal *status quo* and to try to present themselves as in a better light towards major powers.

On the other hand, the situation in Montenegro seems to be deteriorating quickly and might lead to a greater Serbian involvement. With the peril of meddling in internal affairs of Montenegro looming over such a decision, the pressures coming from inside Serbia could force action which could not only be negative with regards to the situation in Montenegro, but for other aspects of Serbian foreign policy as well. The notion than any cooperation with Montenegro with regards to 'Mini-Schengen' now seems unlikely to materialize, or even to be attempted.

In the second part of 2020, Serbian foreign policy will be severely constrained, both externally and internally, and it seems quite plausible that

significant efforts within the foreign policy aspect for Serbia will be to avoid as much as possible any major action or event which could further complicate their position. If this proves successful and (primarily internal) situation stabilizes and improves, 2021 could prove to be not only more active but significantly more effective in foreign policy aspect than 2020.

Slovakian External Relations Development Outlook after the Coronavirus Pandemic

Juraj Ondriaš

While the COVID-19 pandemic shifted the priorities of Slovak foreign policy in 2020, it did not result in any dramatic rethinking of the goal and methods of this foreign policy. Rather it merely affirmed the necessity to focus on a few basic pillars of Slovak diplomacy.

First among these pillars is a focus on the EU as the main avenue of the expression and fulfillment of Slovak national interests, as well as a “force multiplier” of these interests. For this to be effective however, the interests of the EU and those of Slovakia have to be aligned. For this reason, both before and after the pandemic, Slovakia’s goal has been to strengthen its negotiating position within the EU.

One of the main specific objectives (apart from influencing the various EU policies and increasing personal representation in the staff of EU institutions) is to obtain as much aid from EU funding as possible. Since 2020 is the year when the multiannual financial framework (MFF), i.e. the framework for the seven-year budget of the EU for the years 2021-2027 is to be decided, this goal was already a top priority for Slovak diplomacy, with the pandemic merely adding a sense of urgency and expanding the available funds to include extraordinary aid (as well as discussions on EU-wide debt sharing through the so-called coronabonds). According to the Slovak Ministry of Finance, Slovakia is willing to discuss the issuing of coronabonds, since they may be advantageous for such a small and open economy as Slovakia.

A more important issue for Slovakia will be the volume and distribution of EU funding in the new MFF. It is clear that much of the funding in the EU budget will be focused on helping combat the pandemic

and the economic crisis resulting from it. As one of the less developed countries of the former Eastern bloc, Slovakia has a strong interest in maintaining a strong cohesion policy at the EU level, to aid in its catching up to the more developed Western EU members. In this Slovakia and the other member states of the region are pitted against not only the Western and Northern EU member states which suggest decreasing EU funding of cohesion projects, but also the Southern members of the EU, which are rivals for EU funding. Being a constructive player on the coronavirus issue may thus help in building a stronger consensus between Eastern and Southern members in ensuring the continuation of a strong cohesion policy.

One aspect of how the pandemic strengthened the already existing priorities of Slovak foreign policy is seen in the Slovak offer of aid (disinfectant, blankets, face masks, and other personal protective equipment) to Ukraine within the EU coordination mechanism on pandemic aid. Ukraine is a neighbor of Slovakia and one of the long-term priority countries for Slovak foreign aid, showing that the pandemic did not disrupt Slovakia's diplomatic priorities, but rather added a new layer to them. The same approach could be seen in the case of Moldova, also a priority country for Slovak foreign aid. There, Slovakia financed 4 projects and gave a direct financial contribution to Moldovan hospitals and healthcare centers in a total of 90 000 Euros to combat the consequences of the pandemic. This aid is to continue in the future, with 5 more projects planned, at a sum of 47 500 Euros. Another priority country is Kenya, which also received a strong focus of Slovak development aid, which amounted to 50 000 diagnostic tests developed by Slovak scientists, 20 000 FFP2 respirators, 1 800 liter of disinfectant concentrate, and more.

Linked to the question of aid and the role of the EU is the role of China as a partner in Slovak foreign policy, due to the public perception of the role of China versus the EU in providing aid to Slovakia during the pandemic. At first, China had a positive image in Slovakia thanks to media reports on the material aid that China sent to Slovakia. In comparison, the response of the EU was seen as abdicating its responsibility, both in formulating a plan to combat the spread of the virus and in providing

medical aid. This left the Slovakia (same as with other EU member states) with a perception that it must take care of itself by closing borders and sourcing aid from wherever it can, notably from China. This perception was lead to a reaction by the political establishment in which the positive role of the EU was emphasized and a few aspects of the narrative about EU failure and Chinese help were declared to be a myth – for example, much of the aid from China was said to be a business transaction rather than an altruistic gift. There has also been a rumor in the media that China is using forced labor from Uyghurs to manufacture personal protective equipment such as face masks, which may then be exported to the EU. Attention has also been given to the attempts by China to get its message across on and alternative media outlets as well as social media platforms such as Twitter and Facebook. These actions were described in the mainstream media as Chinese attempts to spread fake news through a campaign of disinformation. Such a discourse could ultimately have an effect on both public and official opinion on other issues in the Slovak relationship with China, whether bilateral or on the level of the EU, such as Chinese involvement in building the 5G network in Slovakia, the debate on screening investment from China, or the relationship with Hong Kong or Taiwan. At the same time, a similar debate but/though on a smaller scale took place about the aid from Russia, which was however much smaller in amount than Chinese aid. This also mirrors long-term

Another pillar of Slovakia’s diplomacy which was strengthened due to the development of the national response to the pandemic is a reliance on regional coalitions of countries such as the Visegrád Four (V4) group. This is a natural part of the Slovak “grand strategy” in the EU to increase the country’s chances of success in fulfilling its national interests on the EU level, as Slovakia is a small country without much influence on its own. But during the pandemic, this orientation on regional cooperation took on a new importance, since the EU as a whole could not provide the necessary leadership and coordination until a few months after the pandemic hit the continent. This left the member states to coordinate border regimes with their neighbors while otherwise leaving their borders closed to other EU

members. Such developments were often to the displeasure of the EU elites and institutions, which advocated for a common response so as to keep internal borders as open as possible. The fact that member states chose to ignore this approach in favor of various regional border regimes shows the current limits of the EU as well as the role of regional cooperation in filling up this vacuum, whether as an addition to the EU or as an alternative to it. As an example, Slovakia joined the Czech Republic and Austria, a trilateral grouping known as the Austerlitz or Slavkov Format, in coordinating the border regime between them. Slovakia also negotiated a similar regime with Hungary. Slovakia had a strong orientation on its neighbors before the pandemic because of the above-mentioned need for coalition building in the EU, and the pandemic will probably strengthen this tendency. Though such regionalization is frowned upon in the EU as dividing the bloc, future developments will show whether the EU can provide an alternative to such initiatives, if for instance a second wave of the pandemic should hit the continent.

As can be seen, the COVID-19 pandemic did not shift the main strategic pillars of Slovak foreign policy, such as a focus on the EU (specifically attempts to increase its influence in EU decision making) and on regional cooperation in Central Europe, nor did it result in a shift in its subordinate programs such as development aid. The pandemic only led to the appearance of new priorities within these pillars, as well as a further rationale in remaining committed to these pillars. One area in which the pandemic could have played a role is in expanding ties with alternative centers of power such as China, which however did not happen because of the strong pro-Western stance of the new center-right government and the mainstream media.

Slovenia and Reopening Europe's Internal Borders: An Outlook

Tina Čok

With an improved epidemiological situation in Europe, countries are slowly reopening their borders, but opening the borders seems to be far more difficult than closing them, and the restoration of the Schengen area requires challenging bilateral agreements. What seems to be the most incentive reason for countries to open their borders is the imminent summer tourist season and the economic benefits it brings.

Unclear instructions for crossing the Slovenian border

After the Slovenian government announced the complete opening of all borders at the end of May, it revoked this decision and again tightened the conditions for entry into Slovenia. Border crossing will now be gradual again, depending on the epidemiological situation and bilateral agreements reached with neighbours or other EU and Schengen countries.

After the European Commission published the guidelines for the gradual opening of Europe's internal borders and the revival of tourism, German Foreign Minister Heiko Maas hosted foreign ministers of Austria, Slovenia, Croatia, Bulgaria, Greece, Italy, Portugal, Spain, Cyprus and Malta.

The aim of the meeting of the ten countries where most German tourists spend their holidays was to finalize the details of border crossing and security at the destinations.

It turned out, however, that opening the borders would not be as easy as closing them. The ministers were not yet able to agree on the border crossing regime, but they called for the borders to be opened as soon as

possible. At the meeting, where all ministers presented the epidemiological picture of their countries and the easing of measures, they agreed that it would be best if experts from all countries defined clearer criteria for opening the borders.

The ministers, including Slovenian Foreign Minister Anže Logar, called for a gradual opening of the borders. They attached great importance to the health safety of passengers who will go on holiday abroad and then return home. Additional coordination at expert level will be however required with regard to the opening of the borders. In the next days experts will also try to reach an agreement on the exit arrangements in each country and the way in which passengers will return to their country after their holidays.

When the borders are opened, quarantine must also be abolished

The pressure from travel agencies and destination countries to open their borders has increased in recent days, as has the pressure from citizens to spend their holidays abroad. For the time being, the border regimes are being relaxed, especially between neighbouring countries. For example, Germany has reopened its border with Luxembourg following the creation of a travel bubble between the Baltic states.

However, the question arises of how to create a travel corridor from northern Europe to the south and then from tourist destinations back home. The foreign ministers also discussed the possibility of lifting quarantines in the tourist destinations and countries of destination. Maas noted that the freedom of movement across borders would not do much good for tourists if they had to stay in quarantine for the first two weeks. Countries are also considering the use of applications that could track whether a person has come into contact with an infected person and should therefore be in self-isolation. It is hard to predict when the ten countries would eventually be able to achieve a common border crossing regime, they will however try to define common criteria as soon as possible, and the border crossing regimes could be different.

Slovenia's response to the closure of Austria's borders with Slovenia

In view of the discussions on the coordinated opening of the borders and the launch of tourism, it is interesting the change in position of the Slovenian government, which last week approved the opening of all borders to all EU citizens and abolished quarantine. However, after Austria did not open its border with Slovenia, the government stepped back and responded that Austrian citizens who do not reside in Slovenia or do not have real estate here and do not travel only through Slovenia will have to present a reason for their visit.

The amendment to the regulation affected not only Austrians, but all EU citizens or the Schengen area. Free border crossing into Slovenia, without quarantine, was for a short time only possible for Slovenian citizens and foreigners with permanent or temporary residence in Slovenia. It was predictable, however, that the tightening up of this regulation was primarily directed against Austria, although the government was otherwise trying to conclude bilateral agreements with neighbouring and other EU countries or the Schengen area.

There has been clearly some unease in the government for several weeks because Austria was trying to overlook the favourable epidemiological picture in Slovenia. The reason for appeared to be lying in economic interests. In this year's summer tourist season the Austrians want to keep as many local and German tourists as possible on their side of the Alps. During the summer season German tourists are more important guests in Austria than locals. They make up to six million overnight stays more.

Reasons for Austria's reservations regarding the border with Slovenia

According to Foreign Minister Anže Logar, the opening of borders with neighbouring countries depends on the epidemiological situation. With regard to the opening of the border with Austria, he said that

negotiations with the authorities there were being held on a regime that would best reflect the actual epidemiological situation. He assured that Slovenia would do everything in its power to normalize the regime at the borders with neighbouring countries by 1 June.

The State Secretary at the Ministry of the Economy Simon Zajc, who attended a meeting of EU ministers responsible for tourism at the end of May, believes that part of the Austrian concern in the decision to open the border with Slovenia is Slovenia's border with Italy. Slovenia will treat the Austrian side in the same way as the Croatian side and the experts will finalize the protocol, Secretary of State Zajc said, expressing the wish that this border be opened as soon as possible.

According to the Secretary of State, it was pointed out at the meeting that there should be no selection when opening borders, that when opening a border, the rules should be the same for everyone, not depending on which country a person comes from. If someone from Germany wants to go to Croatia he must know whether he can reach his destination, he illustrated.

The regime on the borders with neighbouring countries will return to normal on 15 June at the latest

Austria, which had initially announced that it would open its borders with the Czech Republic, Hungary and Slovenia on 15th June, also allowing to travel freely to Croatia, eventually opened its borders to all neighbouring countries except Italy on 4th June. Austrian Foreign Minister Alexander Schallenberg announced that Vienna was abolishing border and health controls on its borders with Germany, Liechtenstein, Switzerland, Slovakia, Slovenia, Czech Republic and Hungary. When entering Austria, mandatory quarantine or certificate of non-infection with the new coronavirus will no longer be required. Restrictions will remain in place at the border with Italy, but the situation will be reassessed in the coming weeks. The aim is to open the border with Italy as soon as the figures allow it.

In response to Austria's decision, the European Commission said it does not comment on country-specific measures in general. They recalled

the guidelines according to which there should be no discrimination on grounds of nationality on the part of members, and the constant calls for coordination and mutual information between members, especially neighbours. With regard to the case of Austria and Italy, on which they did not wish to comment explicitly, they pointed out that as long as decisions were based on epidemiological criteria and the aforementioned guidelines, they would not consider them to be controversial.

At the EU level, a further opening of the borders is planned for 15 June, and even before that date, there are agreements between individual countries with a similar epidemiological picture. Slovenia, for example, has already reached agreements with its neighbours, and Greece has compiled a list of countries from which it receives tourists.

As part of the easing of measures to contain the new coronavirus, Italy lifted restrictions on citizens of other European Union countries at its borders on 3 June, and Italians can once again travel between regions. From 3 June, EU citizens will no longer have to undergo a 14-day quarantine when entering Italy.

Conclusion

A relaxation of the rules does not mean that things have completely returned to the pre-corona times. There are still control patrols at the borders, and designated international border crossings must be used to cross them. Things are also constantly changing, and passengers must keep a close eye on the changing situation on the lists of epidemiologically safe countries. With the colder months ahead, the forecasts for new outbreaks of the virus are even less optimistic and the situation at border crossings could change very quickly with regard to the introduction of quarantine at entrances, but EU countries agree that they do not want to repeat the deadlock scenario of March and April, which has had a strong impact on tourism revenues.

