

Political and Economic Impact of Covid-19 in the Western Balkans

Abdullah Keşvelioğlu

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WRITTEN BY

ABDULLAH KEŞVELİOĞLU

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DESIGN

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TRT WORLD İSTANBUL

AHMET ADNAN SAYGUN STREET NO:83 34347

ULUS, BEŞİKTAŞ

İSTANBUL / TURKEY

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4 GREAT PORTLAND STREET NO:4

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1819 L STREET NW SUITE, 700 20036

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Introduction



he Western Balkans, consisting of Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia, Albania and Montenegro, is one of the regions that have been heavily affect-

ed by the Covid-19 pandemic. Although the numbers are relatively low, the region's fragile political and economic circumstance have made it vulnerable to the pandemic.

The violent breakup of Yugoslavia after the end of the Cold War continue to affect the region's international relations and domestic politics. Western Balkan states are some of the few European countries that are still in line for European Union (EU) membership. Montenegro and Serbia are ahead of the pack in this regard, as they have been formally recognised as official candidates for EU membership since 2010 and 2012, however, attaining full membership still has a long way to go.

Ethnic tensions in Bosnia and Herzegovina has stalled the country's integration to the EU and NATO and have led to dysfunctional state institutions. Serbia and Kosovo, even two decades since the war ended, still have not found a way to normalise their relations as Belgrade refuses to recognise its former region's independence. In Montenegro, tensions are high as the rift between Milo Dukanovic's government, which has been ruling the country for three decades, and the opposition continues over the controversial law on church property introduced in December 2019.

However, there have also been positive developments in the region. North Macedonia made rapid advances after finding a middle ground with Greece over the name issue by changing its name from Macedonia to North Macedonia. Athens had been blocking Skopje's accession to the EU and the NATO by arguing that the name Macedonia

had historical and cultural ties to Greece and that it had already named a region in Greece. After resolving the name issue in 2019 North Macedonia became the latest member of the NATO in March. Along with Albania, North Macedonia also succeeded to open negotiation talks with the EU the same month.

The pandemic has also brought important political developments to the region. Serbia and North Macedonia had to postpone elections that were supposed to be held in April. In Kosovo, the newly formed government of Albin Kurti faced a vote of no confidence and fell after a dispute with its coalition partner and President Hashim Thaci over the necessity of a state of emergency. Although the Serbian Orthodox Church and opposition parties gave a pause to their month-long protests, political tension is still high in Montenegro as the government is accused of using the pandemic for political gains. The Serbian and Albanian governments have also faced similar criticisms from opposition parties. On the contrary, in Bosnia and Herzegovina, the Covid-19 pandemic led to unity and cooperation among Bosniak, Croat and Serb entities, a rare moment in a country famous for its political deadlocks.

On the economic front, the strict measures to contain the virus have had a serious effect. National and international projections show that, apart from Albania, all countries in the region are heading towards a recession in 2020. To ease the effects of the pandemic, governments in the region have turned towards international institutions such as the World Bank, International Monetary Fund (IMF) and the EU for financial assistance.

Western Balkan countries have taken serious measures to stop the spread of the virus including declaring a state of emergency, introducing curfew, closing borders, schools and businesses

and banning public gatherings. As these countries do not have sufficient health infrastructure to deal with a wide number of cases, these measures have been useful to contain the spread of the virus. The EU, Russia, China and Turkey have also sent medical equipment to these countries in an effort to help them tackle the pandemic.

This info pack aims to provide the necessary information regarding the political and economic impact of the Covid-19 pandemic in the Western Balkans. It examines the political and economic situations and the measures taken by the governments during this process in Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia, Albania and Montenegro.

Country	Population	GDP	First Case	First Death	Cases	Deaths (At the time of writing 11 May 2020)
Bosnia and Herzegovina	3.3 million	20 billion	5 March	23 March	2117	107
Serbia	7 million	51 billion	6 March	20 March	10114	213
Kosovo	1.8 million	8 billion	13 March	22 March	870	28
North Macedonia	2 million	12.6 billion	26 February	22 March	1642	91
Albania	2.8 million	15 billion	8 March	11 March	868	31
Montenegro	630 thousand	5.5 billion	17 March	23 March	324	9



A quarantine zone for international travelers in Banja Luka Bosnia and Herzegovina. (Banja Luka Municipality - Anadolu Agency)

Bosnia and Herzegovina

Bosnia and Herzegovina is both politically and socially a divided country. Memories of the war among the Bosniak, Serb and Croat entities of the country in the first half of the 1990s continues to affect Bosnia and Herzegovina. The current bureaucratic and governmental structure which divides the power among the three ethnic groups was implemented with the Dayton Agreement of 1995 that ended the war. Accordingly, the country was divided into two political entities: the Bosniak and Croat majority Federation of Bosnia and Herzegovina and Serb majority Republika Srpska. Although the Dayton Agreement was effective in putting an end to the violence, the current structure has been mostly ineffective in tackling the problems country faces.

The first cases of Covid-19 have come during Bosnia and Herzegovina's [worst political crises](#) in the recent memory. In February, Serbian member of the Presidency Milorad Dodik and the Republika Srpska's government called on all the Serb civil servants to halt their work and threatened to make an 'RS-exit', signalling an intention to declare independence. The crisis came after the regional and the central government failed to reach an agreement on the ownership of unused agricultural lands.

However, the novel coronavirus pandemic has changed the political atmosphere in the country and showed that unity and cooperation are still possible even in the context of Bosnia and Herzegovina's complicated system of governance. One of the first steps taken by the central government was to [deploy military units](#) to international border crossings to setup quarantine tents for people entering the country. The Deployment of the military and tighter border regimes to control migrant flows [was previously opposed and blocked by Dodik](#), however, the Serb member of the presidency lifted his opposition to deployment of military to borders with the arrival of the pandemic to the country.

[The first case of the virus was seen in Republika Srpska](#). The first patient had come from Italy and tested

positive on 5 March. [The first case in the Federation region](#) was seen in the Bosniak majority Zenica district on 9 March. The [first death from Covid-19](#) was in the Bihac district of the Federation region on 23 March.

[Out of the nearly 2000 cases](#), around half of them are from Republika Srpska. The Serb majority region is also pulling ahead in terms of deaths with 55 per cent of reported Covid-19 related deaths coming from the region. Considering that only 40 per cent of the country's population lives in the region, rates of Covid-19 infections and deaths are far higher compared to the Federation region composed of mainly Bosniaks and Croats.

On March 17, the central government [declared a state of emergency](#) and formed a body to coordinate the fight against the pandemic in the two entities. Shortly after the first cases, schools were closed in both [Republika Srpska](#) and in the [Federation region](#). As part of the process, restaurants and bars were also closed. On 21 March, [a night curfew](#) for all and a total curfew for people aged 65 and over was declared throughout the country. The Federation government also extended the curfew to children.

An example of cooperation was [seen in the city of Mostar](#). The city is divided between Bosniaks and Croats (the two communities even have de-facto separate hospitals). With the arrival of the pandemic to the city, hospital authorities started to exchange patients and coordinate their efforts, showing unity in hard times, which may prove to be a continuing trend among Bosnian society after the pandemic.

Bosnia and Herzegovina will continue to face economic hardship after the crises end. It is expected that the country's [economy will shrink](#) five per cent this year. Bosnia and Herzegovina will be getting \$361 million emergency support package from the IMF. The EU has also stepped in to help the country recover its economy by announcing a €250 million [macro-financial assistance package](#).



*Serbian lawmakers voting in a parliamentary session on 6 May to lift the state of emergency in effect since mid-March.
(Milos Miskov - Anadolu Agency)*

Serbia

Serbia is one of the countries to put down most [strict measures against the Covid-19 pandemic](#) in Europe. Serbian President Alexander Vucic declared an open-ended state of emergency on March 15, 9 days after first Covid-19 case was seen in the country on 6 March. All schools, restaurants, bars and other places of social gathering were closed throughout the country. Other measures include a night curfew for all citizens and a full curfew for people aged 65 and over. The [first death](#) related to the virus in the country was announced on 20 March.

On 6 May Serbian parliament voted to [lift the state of emergency](#) as the number of new Covid-19 cases dropped to insignificant numbers. With the [end of the state of the emergency](#), borders and airports will be opened and the curfew will be halted. Other measures are also planned to be lifted within May.

The Serbian military was deployed to enhance efforts against the virus. [Military units were deployed](#) to its borders, hospitals and migration centres to provide security. A [fair hall was also](#) converted into a temporary 3000 thousand bed hospital by the military to raise the capacity of the health system to tackle the pandemic.

The biggest political impact of Covid-19 in Serbia has been the postponement of the parliamentary and local elections. Due to the pandemic, elections that were supposed to be held on 26 April were postponed to a later date.

Although the opposition parties supported the postponement of the elections, [they are accusing](#) the government and President Vucic of using the state of emergency for political purposes and tightening

governmental control over society. In recent years, the political atmosphere in the country has been highly polarised. The opposition has consistently accused President Alexander Vucic of authoritarianism and distancing the country from the European Union membership.

The pandemic has also affected Serbia's international relations. Serbian President Alexander Vucic criticised the EU for not showing solidarity with his country in tackling the pandemic. In a statement, [Vucic said](#) "European solidarity does not exist, it was a fairy tale". On the other hand, Beijing's and Moscow's aid diplomacy has moved Serbia closer to [China](#) and [Russia](#). Both China and Russia sent medical equipment and medical teams, including doctors, to help Serbia fight the pandemic as well as expand their influence.

The EU also announced that it would provide up to €15 million to Serbia for its immediate medical needs. However, the EU [did not include](#) Serbia in its macro-financial assistance plan, a €3 billion package to ten enlargement and neighbouring partners. The IMF estimates that the Serbian economy [will contract by 3%](#) in 2020 due to the pandemic.

The [Serbian government announced](#) that it has enough financial reserves and that it would not apply to IMF financial aid program. On the other hand, [Serbia is in talks](#) with the World Bank for a \$100 million and Council of Europe Development Bank for a €200 million loan. The [government announced](#) a €5.1 billion assistance program to businesses effected from the pandemic and will make a €100 one-time payment to all citizens aged 18 and over.

Kosovo

The arrival of Covid-19 to Kosovo brought with it [political turmoil](#). The Prime Minister and the leader of Self-Determination Party, Albin Kurti, had a difference of opinion with his coalition partner, the Democratic League of Kosovo, and the country's President Hashim Thaci over whether to announce a state of emergency after the [first case of Covid-19](#) arrived on 13 March. Kurti opposed the state of emergency as such a move would grant most of the executive power to the president and ousted the Minister of Interior who supported Thaci's proposals. The removal of the Minister of Interior led to the government's collapse as the coalition partner Democratic League of Kosovo called for a vote of no confidence, which passed in the parliament on 25 March.

The Covid-19 pandemic has prevented an early election for the time being as measures have been implemented to stop the spread of the virus. Two days before the first confirmed Covid-19 case on 11 March, the government [closed all schools](#) throughout the country. Restaurants and bars have also been [closed in the](#)

[process](#) and a ban has been put in place for public gatherings. Kosovo also closed its borders due to the pandemic, in line with other countries in the region.

The [First Covid-19 fatality](#) was confirmed on 22 March. In May, Kosovar authorities [gradually started to ease](#) the measures against the pandemic and hope to end all restrictions in June.

One of the important developments during this process has been Kosovo's decision to [lift the 100% tariff on Serbian goods](#). The high tariffs were put into place in November 2018 after the Serbian government launched an international campaign against recognition of Kosovo's independence. The EU and the US have been urging both sides to normalise their relations since Kosovo's unilateral independence declaration in 2008. The two countries are expected to re-launch dialogue after the pandemic as the US has [augmented its pressure](#) on both sides to find a solution to the decades-long issue.

Kosovo is one of the poorest European countries and its economy is [expected to shrink](#) between 2 and 4 per cent in 2020 as a result of the pandemic. The government announced a €170 million assistance program to reduce the effect of the virus on the economy. On the other hand, Kosovo will be benefiting from international financial assistance. The Millennium Chal-

lenge Corporation of the US [allocated \\$50 million](#) to its programs in Kosovo. Moreover, the [IMF allocated \\$57 million](#) to Pristina under the framework of pandemic emergency support. Kosovo will also be receiving up to €100 million from [the EU's macro-financial assistance package](#).

North Macedonia

North Macedonia's first case of Covid-19 was confirmed on 26 February in Skopje in a woman returning from Italy. Nearly one month later, the first death was reported on [22 March](#).

All the schools, restaurants and bars in the country have been [closed since 10 March](#). On 16 March, [borders were also closed](#) to stop the spread of the virus. Moreover, a state of emergency was declared on 18 March for a 30 day period and was [subsequently extended](#) by President Stevo Pendarovski for another 30 days on 17 April.

The pandemic came to North Macedonia in the wake of highly important political events. The EU decided to [open negotiation talks](#) with North Macedonia and Albania on 24 March. Both North Macedonia and Albania had been waiting for talks to commence for nearly two years after the European Commission recommended that the two countries were ready to start negotiations in 2018. However, French President Emmanuel Macron blocked the process until 2020, claiming that these two countries were not yet ready.

[North Macedonia also became](#) the 30th NATO member on 27 March after a wait of 21 years following its initial application in 1999. Although these important events have been overshadowed by the pandemic, they represent solid steps in the country's long-desired integration into Western international organisations.

The biggest effect of the Covid-19 pandemic on the domestic politics of North Macedonia has been the [postponement of the parliamentary elections](#), which were supposed to be held on 12 April. However, this situation has not caused much political turmoil as the decision was taken in coordination with opposition parties.

Although the North Macedonian government has demonstrated effective governance during the pandemic, its [decision to permit](#) Church gatherings for Easter on 19 April has sparked criticism. During the communion, worshippers practised the traditions of sharing a spoon and kissing icons, something which may have led to the spreading of the virus to hundreds of people.

[On the economic front](#), the government announced that it would pay minimum salaries to those who lost their jobs as a result of the pandemic. The Development Bank of North Macedonia also introduced a series of interest-free loans to small and medium businesses to soften the pandemic's impact. The toll of the pandemic on the economy is projected to result in a 0.4% recession. The IMF and the EU have stepped in to help North Macedonia with financial assistance. Skopje will receive [\\$191.8 million from the IMF](#) and [€160 million from the EU](#).

Albania

Albania is one of the countries to issue strict measures to curb the pandemic. [First Covid-19](#) case was seen on 8 March in a father and son who had returned from Italy and [the first virus-related death](#) was confirmed on 11 March.

The Albanian government started to take a series of measures to limit the contamination of the virus during the pandemic. [A day after](#) the arrival of the first Covid-19 case on 9 March schools were closed and flights to Italy were halted. As part of the [process](#), borders were closed, internal travel was restricted, restaurants and bars were closed, social gatherings were banned, and shopping was limited to one person per family. Moreover, on 25 March, the [country declared](#) a 30-day state of emergency. On 23 April, the Albanian authorities [extended the state of emergency](#) for 2 months until 23 June.

Although Covid-19 cases are relatively low in the country, lack of adequate health infrastructure has led authorities to take strong measures to slow the spread of the virus. These measures have proven to be successful, as the number of confirmed cases are lower than a thousand 2 months after the first case was seen. On 18 April, life started to return to normal as the [government allowed](#) some business sectors such as farming, mining and production to resume their activities.

As stated above, the EU finally decided to open negotiation talks on 24 March, nearly a decade after Albania applied for membership. Although this development was overshadowed by the pandemic, the start of the negotiations and integration to the EU will be the foremost important agenda of the country once the pandemic is over. The EU has already [provided €50 million](#) for the country's health sector. On the other hand, Albania also showed solidarity with Europe by sending 30 doctors to neighbouring Italy.

Albanian authorities reduced their 2020 [growth rate prediction](#) to 2%. Although this rate is half of the prior 3.9% projection, if the country succeeds to meet this target, it will be one of the few countries on the continent to continue growing as most countries are expected to experience a recession this year.

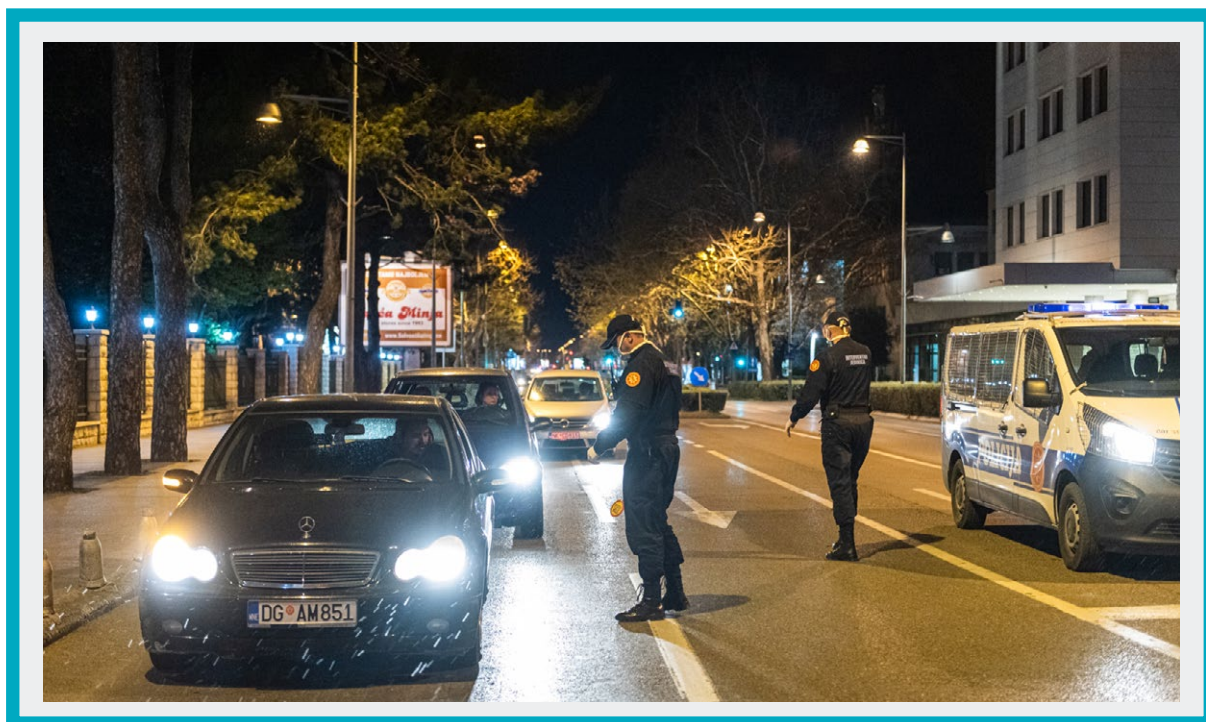
The Albanian government offered a three-month pause to all business and personal credit loans to banks to ease the effects of the pandemic on the society. Albania will receive [€170 million financial assistance from the IMF](#) under the Rapid Financing Instrument. The EU also included Albania in its macro-financial assistance package. Tirana will receive up to [€180 million from Brussels](#).

Montenegro

[Montenegro](#) was the last country in Europe to confirm the presence of Covid-19. The smallest of the Balkan nations, with a population of 630 thousand, [confirmed the first case of novel coronavirus](#) on 17 March. Nearly one week after, on 23 March, its [first death](#) was reported.

As an [early precaution](#), four days before the first Covid-19 case, on 13 March, all schools, restaurants and

bars were closed, and social gatherings were banned in the country. A night curfew was also [put in place](#) throughout the country. The Montenegrin government was satisfied with these measures and did not declare a state of emergency. From early May, the authorities [started to ease the restriction measures](#) taken against the pandemic as the number of new cases began to drop.



Police officers check vehicles in Podgorica as the Montenegrin government announced a nationwide curfew from 7 pm to 5 am in an effort to stop the spread of the Covid-19 in Montenegro. (Milos Vujovic - Anadolu Agency)

Since December 2019, tensions in between the government and the opposition have been high. The Serbian Orthodox Church in Montenegro was holding weekly protests with the support of the opposition parties against a [law on religion](#), which poses the risk of loss of most of Serbian Orthodox Church's property throughout the country. The Church and its followers argue that the law was passed on to eradicate the Serbian Church, which is the most widely followed Church in the country and empower the Montenegrin Orthodox Church established in 1993 after the breakup of Yugoslavia.

The Church [halted its protests temporarily](#) amid the pandemic crisis, however, the political atmosphere in the country is far from tranquil. [State authorities summoned](#) the top bishop of the Serbian Orthodox Church in the country and an opposition MP for breaking government ban and participating in a funeral. This move drew widespread criticism and added another dimension to the tensions. [According to the opposition](#) the government has also been using the pandemic to

bypass the parliament on its decisions on crucial matters, thereby violating the constitution.

One of the measures against the pandemic in Montenegro was the closure of all borders including the ports and marinas for the cruise ships, striking a blow to the countries tourism industry, [which makes up 20 per cent of its GDP](#). Like most countries in the region, Montenegro's economy will be heavily impacted by the novel coronavirus pandemic.

Montenegro, which is a candidate country for the EU, will receive a €60 million from Brussels as part of the EU's [macro-financial assistance package](#) and may have to apply for IMF loans. The [government decided](#) to postpone credit payments of businesses and individuals to the banks for three-months. Low-interest credits will also be provided to enterprises.

