Peace and stability initiatives represent a decades-long cornerstone of the Friedrich-Ebert-Stiftung’s work in southeastern Europe. Recent events have only reaffirmed the centrality of Southeast European stability within the broader continental security paradigm. Both democratization and socio-economic justice are intrinsic aspects of a larger progressive peace policy in the region, but so too are consistent threat assessments and efforts to prevent conflict before it erupts. Dialogue SOE aims to broaden the discourse on peace and stability in southeastern Europe and to counter the securitization of prevalent narratives by providing regular analysis that involves a comprehensive understanding of human security, including structural sources of conflict. The briefings cover fourteen countries in southeastern Europe: the seven post-Yugoslav countries and Albania, Greece, Turkey, Cyprus, Bulgaria, Romania, and Moldova. This is a joint project between the thirteen Friedrich-Ebert-Stiftung offices in Southeast Europe and the Social Overview Service (SOS).
Regional Developments

The overall situation in Southeast Europe has been deteriorating in terms of security and political stability. This is primarily due to fallout from the 15 July attempted coup in Turkey, which has had repercussions almost everywhere in the region, but also because of a deterioration in relations between Croatia and Serbia.

Key developments

- As a result of Turkey’s presence and influence throughout the Balkans, the clash between Turkish President Recep Tayyip Erdogan and US-based Turkish leader Fethullah Gulen – both of whom have their supporters and representatives throughout the region – has had repercussions in several countries in the region. Since the post-coup clampdown in Turkey is on-going, fallout from it will continue to dominate the security and political agenda and impact relations across the region in the coming period with consequences that are difficult to predict.

- Relations between Croatia and Serbia deteriorated to hit a new low in the wake of two Croatian court rulings and an incident involving Croatian nationalists. On 22 July, Zagreb’s County Court annulled the 1946 verdict against Catholic Cardinal Alojzije Stepinac, considered by many to have been a supporter of Croatia’s pro-Nazi Ustasha regime during the Second World War, for which he had been sentenced to 16 years imprisonment and forced labour. Tensions subsequently increased on 27 July when Croatian nationalists disrupted commemoration of the anti-fascist uprising in the Second World War in Srb, a remote Serb village in Croatia. Then one day later on 28 July, Croatia’s Supreme Court ordered a re-trial for Branimir Glavas, a former Croatian Interior Ministry official and army general, quashing his 2009 verdict and ten-year sentence for war crimes committed against Croatian Serbs in the town of Osijek in 1991 and 1992. Serbia and Croatia exchanged harsh diplomatic notes, but Serbia refused to accept Croatia’s note due to ‘insulting language’ contained in it.

Next month’s prospects

The regional situation is likely to continue to deteriorate in the coming period, as the Turkish authorities continue their post-coup clampdown and the Croatian authorities prepare to commemorate on 5 August the 21st anniversary of the 1995 military operation Storm (Oluja), which Zagreb celebrates as the liberation of Croatian territory and Belgrade mourns as an exodus of Croatian Serbs.

Albania

Albania has been focused on long-overdue judicial reforms. Adoption of a reform package in July is expected to have a stabilising effect on the country and to help unlock its path to eventual EU membership. As a result, Albania is being awarded a positive outlook for this period.

Key developments

- After 18 months of negotiations and public debate, on 22 July, all 140 delegates in the Albanian Parliament unanimously approved a package of judicial reforms, including 46 constitutional amendments, which aim to curb corruption and political influence in the judicial system. The vote was followed by two days of parliamentary debates focused on how judicial bodies would be elected. The opposition had tried to slow the process, fearing that judicial reform would benefit the ruling parties. A compromise was brokered through a proposal by Victoria Nuland on July 10. On 19 July, EU Commissioner for European Neighbourhood Policy and Enlargement Johannes Hahn, together with party leaders, negotiated further details, paving the way for parliamentary adoption three days later.

- Albanian Defence Minister Mimi Kodheli announced on 21 June that Albania’s first NATO centre of excellence would be opened by the end of the year. The centre will seek to analyse and combat the threat posed by foreign terrorist fighters.
Bosnia and Herzegovina

The situation in Bosnia and Herzegovina has continued to deteriorate. This is due to failure to agree measures both to take forward the country’s relationship with the European Union and to unlock IMF lending, an impending liquidity crisis and fall-out from the failed coup in Turkey, since both Erdogan and Gulen have their supporters in the country.

Key developments

- The war of words among Bosniak, Croat and Serb politicians continued to grow throughout June and July after state and Federation premiers Denis Zvizdic and Fadil Novalic, both from the ruling Bosniak party, the Party of Democratic Action (SDA), refused to sign the Letter of Intent, which was the final condition for a new three-year 550 million euros IMF programme to be approved by the end of July. Zvizdic and Novalic blocked the IMF standby arrangement after RS authorities rejected the results of the 2013 census, which had been published on 30 June, as well as the adaptation of country’s Stabilisation and Association Agreement (SAA) with the European Union in relation to Bosnia’s trade with Croatia, which had been negotiated by state officials and EU representatives in June. In an attempt to resolve this dispute and calm tensions, German officials announced that Germany would compensate Bosnian farmers for losses resulting from the SAA adaptation, which was the main RS concern. Following a series of meetings with German officials, RS officials accepted the SAA adaptation on 13 July, but Bosniak officials still refused to sign the IMF’s Letter of Intent, demanding that Republika Srpska also accept the proposed EU coordination mechanism, which RS officials rejected.

- In the absence of funds from the IMF standby arrangement as well as a linked World Bank loan, which have already been calculated into state and entity budgets for 2016, Bosnia is facing increased risk of a liquidity crisis. According to analysts, Republika Srpska could run out of money in two months and the Federation in four. In an attempt to raise funds from additional resources, both entities’ governments have speeded efforts to privatise some of the remaining public companies. Both entities tried to sell two public companies, but failed to attract any offers.

- Bosnia and Herzegovina’s Statistical Agency published results of the 2013 census on 30 June, the final legal deadline for their publication. However, the results have been rejected by the RS authorities, which do not agree with the methodology used for processing data. The RS government has also threatened to publish its own census results for Republika Srpska, in accordance with the methodology it approves. If it were to take this step, it would effectively render the census results useless in terms of Bosnia and Herzegovina’s EU accession process.

Next month’s prospects

Despite summer holidays, the political, economic and social situation in Bosnia and Herzegovina is expected to worsen as key political actors’ position themselves in advance of October’s local elections. As part of his election campaign, RS President Milorad Dodik is expected to finalise the legal steps required to hold an RS-wide referendum in defiance of a Constitutional Court ruling on RS National day. Despite condemnation from Bosniak political leaders and Western diplomats, the referendum is currently scheduled for September 25.

Bulgaria

Bulgarian officials and analysts fear that further instability in their country’s powerful neighbour Turkey could cause serious challenges to national security as well as to social stability. For this reason, Bulgaria has been awarded negative outlook.

Key developments

- Bulgarian authorities are concerned that the failed coup in Turkey could have a negative impact on their country, including the arrival of a new wave of migrants. Prime Minister Boyko Borissov announced that his government was preparing for a major refugee influx and Bulgarian police have increased their efforts to secure the border with Turkey.
• On 16 June, Bulgaria refused to join Romania, Turkey and Ukraine in a Black Sea naval fleet under the NATO flag, aimed at deterring Russia in the Black Sea. This has put the country at odds with Romania, the leading advocate of the fleet, and sent mixed signals to Allies on the eve of NATO’s 8 and 9 July Warsaw Summit.

• The International Court of Arbitration ordered Bulgaria on 16 June to pay compensation of 550 million euros to Russian nuclear firm Atomstroyexport for equipment produced for the construction of a nuclear power plant in the town of Belene, a project that was halted in 2012. The damages awarded by the Paris-based Court represent more than 1 percent of Bulgaria’s GDP.

Next month’s prospects

Bulgarian Prime Minister Borissov and Turkish President Erdogan are scheduled to meet in August, thereby providing the leaders with an opportunity to reaffirm that relations between the two countries would remain stable.

Croatia

The country’s year-long political crisis has entered a new phase after change at the top of the main right-wing political party, the Croatian Democratic Union (HDZ). The latest polls suggest, however, that new elections will fail to resolve the crisis.

Key developments

• The Croatian Parliament dissolved on 16 July. Prime Minister Tihomir Orešković lost a confidence vote on June 16, leading to the collapse of the coalition between MOST (Bridge of Independent Lists) and the Croatian Democratic Union (HDZ). Croatian President Kolinda Grabar-Kitarovic announced that new elections would be held on 11 September, less than a year after the most recent legislative elections as a result.

• Croatia’s main conservative party, the HDZ, has changed its leader, which may have a significant impact on the September elections. Former party president, Tomislav Karamarko, resigned on 15 June from his position of Deputy Prime Minister after failing to achieve the cabinet reshuffle he had promised. And on 21 June, he resigned from his position of HDZ president after an independent commission ruled that he had been in a conflict of interest as a result of his wife’s business activities. After a short internal debate, the HDZ elected on 18 July the young and moderate former diplomat and member of the EU Parliament Andrej Plenkovic as its new president. Analysts have interpreted his selection as an attempt by the party to rapidly regain the popularity that it had lost in the recent past. Moreover, the first polls carried out with Plenkovic at the head of the HDZ, indicate that the party has very similar support to its main rival, the Social Democratic Party (SDP). This suggests that the September elections will not be decisive and that the current standoff between HDZ and SDP will continue.

• The current Minister of Culture Zlatko Hasanbegović continues his crackdown on civil society organizations in Croatia, with fund-cutting. Representatives from 435 civil society organization appealed to the Croatian Parliament to maintain the model of support for civil society.

Next month’s prospects

Political and security prospects are expected to remain negative as a result of preparations for the 5 August anniversary of the 1995 military operation Storm (Oluja). This event raises tension in the region, as Zagreb celebrates the operation as the liberation of Croatian territory and Belgrade mourns it as an exodus of Croatian Serbs.

Cyprus

The main theme in this period has been the resumption of talks aimed at resolving decades-long disputes and finding a long-term solution for the divided country. Initial optimism for a breakthrough has subsided, however, and the environment has become more tense following the failed coup in Turkey. For this reason, the outlook is considered negative.
Key developments

- As previously agreed, on 17 June, leaders of Greek and Turkish Cypriots began a new phase of intense negotiations aimed at reunifying the country. Under UN auspices, the two leaders, Nicos Anastasiades and Mustafa Akıncı, met on several occasions in June and July to discuss political, administrative, property and economic issues. While early optimism has subsided, the two leaders publicly stated that they hoped a solution could be found this year, stressing that the talks should not be burdened by deadlines. Local officials told media on 13 July that the negotiators had asked for US assistance to help them find a compromise amid “substantial disagreement” on power-sharing arrangements in an envisioned federation.

- Prospects for a breakthrough diminished and tensions in Cyprus increased following the failed coup in Turkey and statements from some senior Turkish officials. Turkey’s Prime Minister Binali Yildirim was reported saying on 26 June that Turkey wants UN-backed reunification talks on Cyprus to continue but warned that this round of negotiations was the last chance for Greek Cypriots to reach agreement. Speaking in Ankara at a news conference with his Turkish Cypriot counterpart, Huseyin Ozgurgun, Yildirim said the situation in Cyprus was “not something that could be sustained forever” and that Turkish Cypriots had been ignored for years while only Greek Cypriots had enjoyed the opportunities provided by the country’s EU membership.

Next month’s prospects

Cyprus is expected to be preoccupied with the aftermath of the failed Turkish coup and its potential impact on Turkish Cypriots and the prospects for reunification of the island. Given developments in Turkey, the situation in Cyprus is becoming highly unpredictable with the prospects of resolution of the decades-long conflict ever more distant.

Greece

The situation remains dominated by on-going economic and social hardship as well as fall-out from failed coup in Turkey.

Key developments

- In early June, the Greek government rushed to meet conditions for the most recent sub-tranche of 7.5 billion euros of bailout loans, which included large-scale privatisations. In this way, sales of the Ellinikon airport complex and the state railway company were finalised.

- Moreover, Chinese shipping corporation Cosco signed an agreement to purchase 51 per cent of the Port of Piraeus during Greek Prime Minister Alexis Tsipras’ visit to China in early July. The trip also marked Tsipras’ hope for a ‘strategic partnership’ with China.

- Domestic politics was dominated by proposed reforms to the electoral system and revelations about former Finance Minister Yanis Varoufakis’ contingency plan for Greece to move to a parallel banking system last year. The opposition argued that the electoral reforms were designed to prevent the New Democracy Party, which is leading in the polls, from forming a majority government after the next elections. The government succeeded in lowering the voting age to 17, but could not gather sufficient support to abolish the current system of awarding bonus seats to the party that wins the most votes in time for the next elections. The opposition argued that proportional representation would create further instability. Details of Varoufakis’ “Plan B” were made public by US economist James Galbraith who would have been responsible for coordinating the plan. While Galbraith defended it as a necessary contingency, the opposition called for a parliamentary enquiry into the circumstances surrounding the third bailout that was agreed last year.

- While it is still too early properly to assess the impact of the failed Turkish coup on Greece, the country is already having to deal with the fall-out. On the night of the coup attempt, for example, eight Turkish officers flew to Greece aboard a military helicopter, seeking asylum and claiming they would be in danger if they were to return home. The Turkish Ambassador in Athens has said that they would receive fair treatment in Turkey, although the Foreign Minister has referred to them as “traitors”. They have been convicted
in Greece for illegal entry and given a suspended two-month prison sentence, while their asylum request is processed.

Next month’s prospects

The economic and social situation will remain in the public focus in the coming period, since Greece’s creditors are expecting additional deadlines to be met by early August, including the adoption of laws on collective labour and further privatisation. Greece is also expected to follow developments in Turkey closely, with a particular focus on the situation relating to migrants and the Cyprus peace talks.

Kosovo

The border demarcation dispute with Montenegro has dominated the political agenda in Kosovo during the reporting period. This issue is considered important also for Kosovo’s eventual visa liberalisation process.

Key developments

• The Kosovo government remains troubled by the problem with the demarcation with Montenegro. Kosovo and Montenegro reached and signed a border demarcation agreement in August 2015. While the Montenegrin Parliament ratified the agreement at the end of 2015, the Kosovo Assembly remains divided on the issue, mostly because the opposition parties and residents of border regions claim the agreement would potentially rob Kosovo of several thousand hectares of land. The issue was discussed on 7 July in the European Parliament’s Foreign Affairs Committee whose members voted to lift visa restrictions for Kosovo citizens, but also expected ratification of the border demarcation agreement for the visa liberalisation process to be completed. The Kosovo Assembly agreed to hold a debate on the issue on 3 August.

• On 17 June, the Kosovo Assembly extended the EU Rule of Law Mission (EULEX) in Kosovo for two years until June 2018. More than two-thirds of delegates voted in favour of the extension. During the next two years, EULEX will continue to work on on-going cases, but, in line with the agreement reached between Kosovo and EU officials, its mandate will be reduced so that it will only take on new cases in exceptional circumstances and with the approval of the Kosovo judiciary.

Macedonia

The situation has improved a little after Macedonian President Gjorge Ivanov revoked the pardons of senior politicians from criminal investigations and EU and US diplomats brokered an agreement to end the political crisis caused by the 2015 illegal wiretapping scandal. Because of this breakthrough, Macedonia is awarded a positive outlook.

Key developments

• On 20 July, EU and US diplomats in Macedonia brokered an agreement among the country’s four leading parties to end the political crisis caused by the 2015 illegal wiretapping scandal. The agreement requires the parties to clean up the electoral rolls, to ensure balanced media reporting for the upcoming elections and to support the work of the Special Prosecutor. If these conditions are met by a 31 August deadline, parties should then agree a date for elections and form a new interim government 100 days before it.

• Macedonian citizens and representatives of civil society launched on 20 June a series of anti-governmental protests, dubbed the “colourful revolution” in the capital of Skopje. Protestors called for guarantees that Macedonia’s Constitutional Court would not scrap the Special Prosecution; creation of a Special Court; and formation of a transitional government to carry out reforms to ensure the holding of free elections. They also demanded that their representatives be included in negotiations with foreign diplomats over how to overcome the current crisis.

• On 6 June, Macedonian President Gjorge Ivanov withdrew all 56 controversial pardons of senior politicians and their associates who had been facing criminal investigations from the Special Prosecution over illegal wiretapping. Ivanov’s 12 April decision to pardon the officials sparked mass protests and was condemned by EU and US envoys.
Next month’s prospects

August is a key month for political parties to fulfil the requirements of the EU-US brokered agreement regarding electoral rolls and media independence.

Moldova

Moldovan officials have renewed calls for the closure of the Russian peacekeeping mission in the breakaway territory of Transnistria.

Key developments

- In preparation for NATO’s 8 and 9 July Warsaw Summit, the Moldovan government sought Alliance support for closure of the Russian peacekeeping mission in Transnistria, which has been there since its declaration of independence in 1992. Speaking at the NATO summit, pro-Western Moldovan Defence Minister Anatol Şalaru called for the establishment of an international “civilian mission” in its place. NATO leaders did not, however, publicly support this initiative. In the wake of the Summit, German Foreign Minister and OSCE Chairperson-in-Office Frank-Walter Steinmeier visited Chisinau and Tiraspol on 27 and 28 July and was reported saying that the dispute between Moldova and Transnistria should be settled by addressing and resolving minor issues first.

- Between 5 and 15 July the IMF conducted a second expert mission to Moldova. This followed a first expert mission in May. In the wake of the visit, the IMF said that if Moldovan government fulfils all agreed conditions in the following months, it would approve a new three-year standby arrangement for the country worth $179 million. And on 22 July the Moldovan Parliament adopted two draft laws related to the country’s banking and financial system.

Montenegro

The situation appears to be settling after the announcement of elections.

Key developments

- Montenegrin President Filip Vujanovic announced on 11 July that parliamentary elections would take place on 16 October. These polls are regarded as crucial for his country’s prospects of joining the European Union and NATO. The smallest of the former Yugoslav republics, Montenegro opened accession talks with the European Union in 2011 and was invited to join NATO in December. To progress on both fronts, however, it needs to step up the fight against corruption and demonstrate that its electoral process is transparent and fair.

- Vice President and Prime Minister of the United Arab Emirates (UAE) and ruler of Dubai, Sheikh Mohammed bin Rashid Al Maktoum, met with Montenegrin Prime Minister Milo Dukanovic on 25 July in Montenegro. In May, the UAE’s state investment fund, the Investment Corporation of Dubai (ICD) purchased the luxurious nautical-tourist complex and mega-yacht marina Porto Montenegro in Tivat for an undisclosed amount.

Romania

The period was dominated by NATO’s Warsaw Summit at which Bucharest sought to establish itself as a key regional actor for maintaining security and stability in the Black Sea area.

Key developments

- Romanian President Klaus Iohannis was reported saying that NATO’s 8 and 9 July Warsaw Summit had been a success for Romania with all topics of interest included in its final documents. However, Bulgaria’s refusal to join a Black Sea NATO fleet together with Romania, Turkey and Ukraine – an initiative proposed by Iohannis on 16 June – has highlighted differences in the security priorities of neighbouring countries. Bulgarian parliamentarians’ rejection of the proposal caught
Iohannis unprepared and has exposed him to criticism at home. In addition, instability in Turkey in the wake of the failed military coup has exposed the entire region to security risks.

- The left-wing Social Democrat Party (PSD) achieved victory in 5 June local elections winning 37.5 per cent of the votes, followed by the right-wing National Liberal Party (PNL) with 28 per cent. The results may be a pointer to the likely results of parliamentary elections, which are scheduled for the end of the year. However, only 48.4 per cent of Romania’s 18 million registered voters cast ballots, highlighting the lack of public trust in the political system.

**Turkey**

The situation in Turkey has continued to deteriorate in the wake of the failed coup of 15 July and a major clampdown against the opposition.

**Key developments**

- A group of army officers calling themselves the “Peace Council” attempted a coup against President Recep Tayyip Erdogan and his government on 15 July saying it wanted to restore the constitutional order, democracy, human rights and freedoms. In the early hours of the coup the plotters appeared to have taken control in Istanbul and Ankara. However, the government was able to restore its control over the entire country within a day with the support of loyal generals. Erdogan accused US-based cleric Fettullah Gulen, a former ally, and his organisation of instigating the coup and having created a “parallel state” by having his supporters infiltrate the army and other state institutions. Gulen rejected the accusations and called for the creation of an international commission to investigate the failed coup. He also said he would accept the commission’s verdict whatever it might be.

- Almost immediately after the coup, in which more than 250 people died and several thousand were wounded, was foiled, Erdogan and his government began taking measures against “the parallel state”, imposing a three-month state of emergency. Many experts warn that Erdogan is using the failed coup to root out all opposition sympathisers in the army, judiciary and administration so as to expand his power. By the end of July, the government had suspended and arrested more than 60,000 people in the army, police, judiciary, administration and media. More than 15,000 people were detained in internment camps. This included 119 army generals, a quarter of the total; 30 provincial governors; three members of the Constitutional Court; more than 2,000 judges and prosecutors; 42 journalists; 20,000 teachers; and more
than 10,000 army and police officers. The government has also closed 15 universities, 1,220 schools and 1,289 non-governmental organisations and 1,220 schools under the state of emergency.

Next month’s prospects

The situation in Turkey is expected to continue to deteriorate in the wake of the failed coup and the on-going state of emergency.
The Friedrich-Ebert-Stiftung in Southeast Europe

After more than two decades of engagement in southeastern Europe, the FES appreciates that the challenges and problems still facing this region can best be resolved through a shared regional framework. Our commitment to advancing our core interests in democratic consolidation, social and economic justice and peace through regional cooperation, has since 2015 been strengthened by establishing an infrastructure to coordinate the FES’ regional work out of Sarajevo, Bosnia and Herzegovina: the Regional Dialogue Southeast Europe (Dialogue SOE).

Dialogue SOE provides analysis of shared challenges in the region and develops suitable regional programs and activities in close cooperation with the twelve FES country offices across Southeast Europe. Furthermore, we integrate our regional work into joint initiatives with our colleagues in Berlin and Brussels. We aim to inform and be informed by the efforts of both local and international organizations in order to further our work in southeastern Europe as effectively as possible.

Our regional initiatives are advanced through three broad working lines:
• Social Democratic Politics and Values
• Social and Economic Justice
• Progressive Peace Policy

Our website provides information about individual projects within each of these working lines, past events, and future initiatives: http://www.fes-southeasteurope.org