

NEW GOVERNMENT SIGNALS CONTINUITY OF SERBIA'S BALANCING ACT

Implications of the country's newly appointed government for international investors

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Seven months after general elections were held in Serbia, the country's National Assembly appointed a new government on 26th October. Led by Ana Brnabić as Prime Minister, the new cabinet represents a continuity of the decade-long rule by the Serbian Progressive Party (SNS) of President Aleksandar Vučić, with support of its coalition partner, the Socialist Party of Serbia (SPS). By forming her third government, Brnabić has become the longest-standing Prime Minister in Serbia's modern history.

Over the past seven months, observers have anticipated the formation of this government as a key indicator to the direction Serbia would be taking in relation to the war in Ukraine, and in assessing the longevity and effectiveness of Vučić's balancing act between the EU and Russia. Despite the continuity, a number of high profile and controversial ministerial changes have prompted speculation that Serbia's foreign policy might be changing course. In reality, though, the changes were carefully calculated so as not to alienate either of Serbia's foreign partners, and are a strong sign that this new government will also attempt to navigate down an ever-contracting neutral path.

Below, Aretera takes a deeper look at the composition of Serbia's incoming government and the implications it holds for international investors.

This memo will cover:

-  an introduction into Serbia's post-election landscape,
-  the composition of Serbia's incoming government and its priorities,
-  Russia's war on Ukraine and its crucial impact on the country's politics,
-  a short-term outlook on the country's political future.

ELECTION RECAP

Serbia's general election, held on 3rd April¹, formally resulted in victory for the ruling SNS party at all levels, including a landslide re-election of its leader, Aleksandar Vučić, as President. However, the SNS-led Together We Can Do Everything coalition fell short of an absolute majority in the country's National Assembly, receiving 42.9% of the popular vote and securing 120 of the 250 parliamentary seats. Their long-standing coalition partners, the Socialist Party of Serbia (SPS), ran separately and secured 32 seats. The elections were held in the shadow of Russia's war against Ukraine, at a time when pro-Russian sentiment peaked on the streets of Belgrade through mass protests.

SNS' pre-election campaign slogan 'Peace, Stability, Vučić' echoed the President's pledge that "Serbia will reject pressures from both east and west" and embark on a precarious balancing act between both factions. However, voters seemingly punished SNS for this indecisiveness. Out of the seven parties which passed the 3% threshold, only one, Moramo, is considered left-of-centre with a clear pro-Western position on the Ukraine war. It became clear that the new government will be under intense pressure as two far-right parties, Dveri and the Serbian Oathkeepers, have entered parliament, and are joined by the National Democratic Alliance (NADA), the centre-right People's Party (NS), and SPS, all of which harbour strong pro-Russian views within their ranks.

Serbia, along with Belarus and Bosnia & Herzegovina (because of its Serb entity), are the only European countries not to have introduced sanctions on Russia. As such, President Vučić has been forced to juggle between growing international pressures to align with the EU's position (Serbia is a frontrunner for EU accession) with a domestic electorate, which a most [recent poll](#) found is 84% against sanctions on Russia.

Given SNS houses a broad range of ideologically opposed figures, and difficult talks awaited with pro-Russian coalition partners SPS even before ballots closed, it was clear that Vučić would aim to buy time in naming the formation and future course of the new government. The legal limit for forming a government is 90 days, however due to some minor voter irregularities, the final election result was not declared until 1st August, pushing the deadline to 29th October.

INS AND OUTS IN THE NEW FORMATION

The new government will have 25 ministries, four more than in its previous mandate, and three Ministers without portfolio. A number of previous Ministers retained their position, not least Minister of Finance Siniša Mali and Prime Minister Brnabić. For the most part, though, the new government, which set investments in energy infrastructure and membership in the EU as its priorities, represents a light reshuffle of its previous formation, with a few significant additions and omissions.

Notably, the two most vocal advocates of both the US and Russia in the Serbian government were removed. Pro-Russian former ex-Interior and Defence Minister Aleksandar Vulin and former Deputy Prime Minister Zorana Mihajlović, who led energy and infrastructure ministries and is seen as a leading pro-Western voice in SNS, both lost their long-standing positions in government. As a vocal Kremlin supporter, Vulin became somewhat of a nuisance for the ruling party, stating provocatively in July that "he hoped Vučić would not allow foreign embassies to dictate the formation of the new government."

¹ See [here](#) for Aretera's overview of the Serbian general elections from 3 April, 2022

However, Vulin is also a widely unpopular figure and it is debatable whether his support for Russia is reciprocal, or whether the Kremlin has more trusted allies on the ground, not least SPS leader Ivica Dačić. It remains to be seen whether Vulin will be appeased with a non-ministerial role; at the time of writing speculation is rife that he might be offered the leadership of the security agency (BIA), but such an appointment would almost certainly sever ties between Serbian and Western intelligence agencies and a clear departure from Serbia's current neutral status. Another Kremlin ally, former Minister of Innovation and Technological Development Nenad Popović, who was responsible for introducing a number of Russian businesses to Serbia, also lost his position.

Rumours of Deputy Prime Minister Mihajlović's ousting appeared in the days leading up to the announcement of the new government, and many viewed it as a fit-for-tat gesture to compensate for Vulin's departure. However, unlike Vulin, Mihajlović is seen as the US' key ally in the Serbian government, with substantial political and economic capital. Immediately after the new government was announced, Mihajlović called a press conference during which she claimed she "did not accept to be anyone's pawn" and that it would "be easier for the party to govern, now that they will not have to content with opposing views". She concluded that she did not feel the government was pro-EU and that she would consider her place in the party going forward.

Following the elections, it was also unclear what role SPS and its leader Dačić would have in the new government. Having lost its majority, SNS had to turn to others to form a government and as long-standing coalition partners, SPS was the obvious choice. However, the war in Ukraine and Dačić's formal support for Moscow complicated this strategy. In the end, an agreement appears to have been reached, as SPS received five ministerial positions; three more than in the previous mandate. Dačić himself is promoted to Minister of Foreign Affairs, a position he held from 2014 to 2020, before serving as President of the National Assembly in the previous term.

Further down, appointments seem to have been similarly made as part of a balancing act between Western and Russian interests. Dr Danica Grujičić, the Director of the Institute for Oncology and Radiology and outspoken NATO critic, was appointed Minister of Health. In turn, Tanja Mišćević, Serbia's chief EU negotiator from 2013 to 2019, was appointed Minister for European Integration, while the energy ministry – seen as strategically vital for Moscow given Gazprom's ownership of the state oil company – was given to Dubravka Đedović Nègre, who arrives from a 16-year term at the European Investment Bank.

LOOKING AHEAD TO AN UNCERTAIN WINTER

The heated pre-election climate, SNS' loss of its majority, the rise of the far-right and the widely expected delay in announcing a new government, have all led to a nearly seven-month-long rumour mill about who would receive which ministerial position and what this would reveal about Serbia's future political direction.

Vučić's strategy has been to make resounding concessions to both the West and Russia by ousting the opposing sides' most ardent supporters in government, and therefore not tipping the balance in either direction. This is entirely in line with SNS' new 'Serbia First' rhetoric. At a recent anniversary commemoration of the Security Intelligence Agency (BIA), Vučić told officers that "Belgrade has become like Casablanca," swarming with Russian and Western spies, and that they had to prioritise loyalty towards their own country.

However, this balancing satisfies neither side and risks alienating both. From Brussels and Washington's perspective, Serbia's neutrality is a thorn in their aspirations to unite the continent against Russia's aggression, and several high-ranking EU officials and [MEPs have made clear](#) that aligning with the EU's sanctions is a pre-condition for any progress in accession talks, threatening to suspend the process altogether.

Likewise, in a country that is overwhelmingly sympathetic towards the Russian cause, neutrality is seen as a shift towards the West. Any future sanctions on Russia, or other concessions given to the West, will come under pressure from coalition partners SPS, the Serbian Orthodox Church, traditional intellectual circles, well-mobilised football hooligan groups, and as of lately, a parliament that is clearly pro-Russian.

It is unclear, therefore, whether this new government will have the strategic capacity to navigate through this precarious climate, or whether it is intended as a 'quick-fix' to mitigate the challenges of an increasingly uncertain winter.

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