



**FRIEDRICH NAUMANN  
FOUNDATION** For Freedom.

East and Southeast Europe

# A LOST DECADE OF REFORMS?

Central and Eastern Europe and  
Central Asia in Transition

# IMPRINT

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# 1. INTRODUCTION

The Freedom Barometer you are holding in your hand is a reflection on the development of freedom in the last decade in East, Central and Southeast Europe. It is the last issue of the Freedom Barometer as you probably know it. The Foundation is exploring new options to assess the state of freedom worldwide and will soon come out with a new analytical tool published by our head office in Berlin.

While writing this introduction thousands of protesters are making their presence felt in Serbia and Bulgaria. Citizens are tired of widespread corruption, privilege for the powerful, impunity for oligarchs, the selective use of the law, and the use of the law to go after political opponents. The former Peruvian president Oscar R. Benavides is credited with the quote “For my friends everything, for my enemies the law”. The phenomenon to use the law for private political and economic gains is widespread in Eastern Europe too.

**TO COMPROMISE THE RULE OF LAW IS TO DISCREDIT THE VERY INSTITUTIONS WHICH ARE SUPPOSED TO GUARANTEE EQUALITY AND JUSTICE AND ARE THE MOST IMPORTANT FOUNDATIONS FOR A FREE, PROSPEROUS AND HAPPY SOCIETY. THIS CANCEROUS PRACTICE HAMPERS THE DEVELOPMENT OF MANY SOCIETIES WORLDWIDE.**

When the Freedom Barometer was conceived in its original form in East and Southeast Asia the intention was twofold: (1) to do justice to the assessment of freedom in the city state of Singapore and (2) to initiate, to stimulate and to provoke debate, discussions and conversations about freedom in general as well as the various components of freedom and their development – political and economic freedom as well as civil rights.

Any comparative analysis has the beauty that complex phenomena are simplified for the purpose of comparison. Any such analysis has the psychological effect that one or more parties to the comparison feel demeaned or even

vilified. This is why a comprehensive presentation of the methodology is required so that the methods used can be fully understood by every user or reader of the analysis. Also all data and all data sources need to be presented in order to create full transparency. But comparison also triggers competition, and competition often leads to a betterment of conditions and performance. In practice, however, possible improvements are often not easy to come by. Measurement, mistakes, time differentials and an unavoidable degree of subjectivity add fuel to the fire. Too positive an assessment may lead to complacency and stifle debate about or even hinder urgent reforms. Too negative an assessment might even lead to the abandonment of any policy change. And as we all know, authoritarians are learning from each other and adopt the same coercive policies. In short the “worst practice” is their best practice. However that may be, however the provoked conversations go, they force people to consider different viewpoints and realise that others have different views of freedoms in the first place. Nonetheless,

**WE CONSIDER CONVERSATIONS ABOUT THE QUANTITY AND QUALITY OF OUR FREEDOMS ESSENTIAL TO THE BETTERMENT OF ANY SOCIETY AND I HOPE THAT WE WERE ABLE TO CONTRIBUTE TO THIS WITH OUR FREEDOM BAROMETER.**

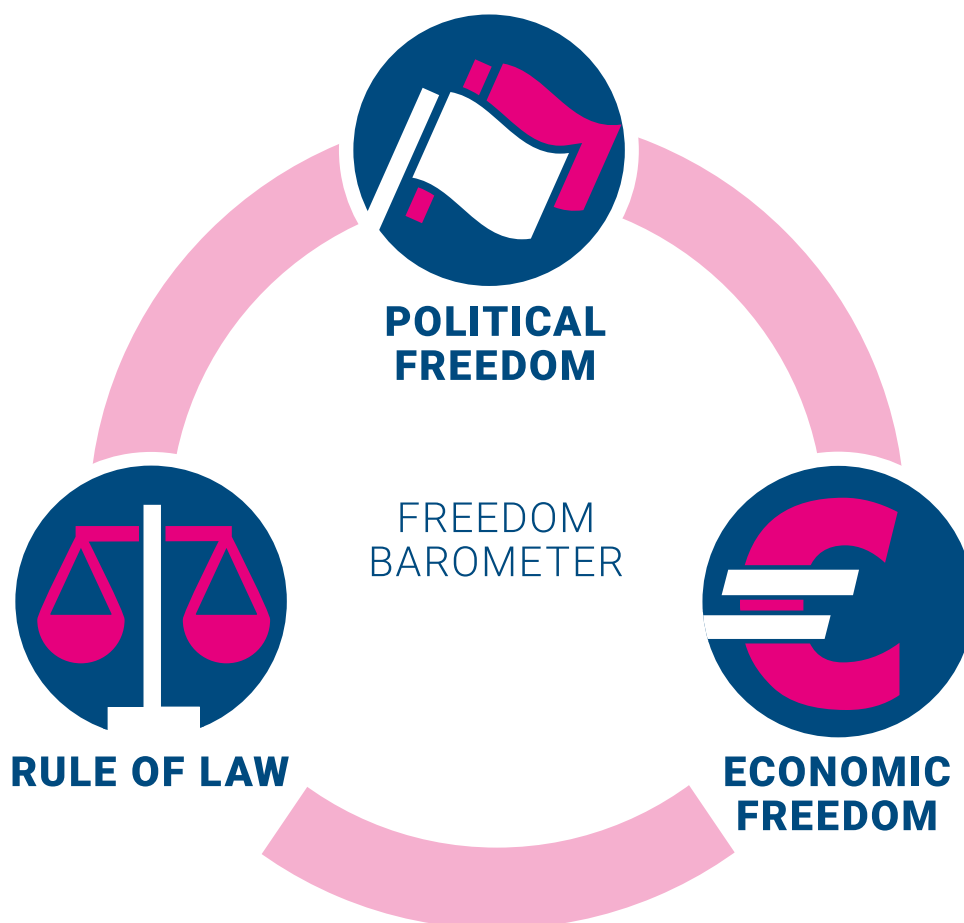
Many of the international comparisons and index systems (Nations in Transit of Freedom House, the Bertelsmann Transformations Index, to name a few) when applied to the former Eastern Block come to sobering results. The transitions to open societies are incomplete at best. In many cases old style patronism of closed-access societies prevails and authoritarian government is one of the results, where inter-elite competition leads to state capture and as a consequence the spoils of extractive behaviors are enjoyed by only a few. Then we have various types and kinds of hybrid or defective systems stuck at some point in such societal and institutional transitions. Only a few of the states of the former Eastern block have made the transitions to open societies. Estonia may be a case in point of a modern, open and progressive polity. Belarus might be at the opposite side of the scale; some speak of the last dictatorship in Europe.

Before I want to refer to the most worrying results of our analysis, I try to answer our rhetorical question asked in the title of our analysis: Was the time from 2010 to 2019 a lost decade for reforms? Well, the nature of reforms is often that they move at a snails pace. And more often than not, the rhythm of any reform is one of two steps ahead, one step back in case of positive change. But in other cases we see a backsliding, sometimes slow and almost undetectable under the guise of stagnations. A famous Chinese proverb says: "Above you have policies, below you have counter policies". This is what we can observe in many countries subject to our analysis.

The initial notion widespread after the fall of the iron curtain that in 5-10 years the socialist planning economies of the east could be transformed into modern market economies was naïve. The natural state (limited access societies) is the norm and not the aberration. Open societies with democracy, the rule of law and open markets are the historical outlier, and their number has not risen significantly over the last three decades. Modern autocrats need elections for legitimacy reasons. Sometimes these elections are even free and fair in order to give the ruler a true picture of where they stand. The results are falsified afterwards.

In "the dictators' learning curve" by xy mimicry, imitation and other camouflage strategies are well described.

Finally, let me draw your attention to some salient points and worrying trends which characterize the recent developments in the countries subject to this analysis. What we could witness over the last decade is that even democratically elected governments may embark on a road to unfreedom; the label "illiberal democracy" and Victor Orban of Hungary come to mind. Others do not label what they want to achieve at all, clear is these individuals and their collaborators want power and lots of it. The script often goes like this: after a democratic election a kind of salami tactic is employed, weakening some minor freedoms, freedoms which seem not central for the majority of citizens. Often technical issues are used to do this, implementing regulations are slightly changed without necessarily amending a law. In short, the checks and balances need to be slowly dismantled. The speed needs to be so slow or at a pace that the public does not or hardly notice. If there is a level playing field for political competition, this field needs to be slightly tilted in favour of the ruling party. Party finance laws might be looked at. Private financing of political parties is usually preferred so that no call for public accountability might be justified. Without public knowledge, media concentration in the hands of regime supporters is encouraged and pursued. The executive is filled with party loyalist and other forces close to power holders. Critical voices in the media are then slowly silenced, transferred or pushed out and replaced with loyalists.



Then the judiciary needs to be overwhelmed, a more formidable task. When judges are being replaced and the necessary majorities can be commanded, loyalists will be appointed until the balance is tilted. Retiring judges are also an easy target for replacement with loyalists. The attorney general's office might be suitable depending on the power the post commands. Independent commissions and oversight bodies need to be manipulated so that they are not any longer unbiased. The last bastion of independence is usually civil society. New non-government organization laws will make sure that also the voluntary sector is brought under executive control. Then one can set up GONGO's and other organizations to allude to people that they can freely associate. Usually after the media and the judiciary have found their way into the hands of the political power holders, NGOs are made toothless, and the political opposition is brought to their knees, the permanence of an existing government is assured. The last bastions to fall are term limitations for executive power holders. Constitutional amendments make the current power holders "legitimate" tyrants for life.

Subsequent elections are usually easily won so that the usurpers command legitimacy and democratic status. In practice there are many variations of what I described above. It sometimes seems to stem from a cook book of tyrants "how to create power permanence in the times of impermanence and limited government". Imitation, mimicry, camouflage gradually give gradually way to open usurpation. Of course, a change in the political language attests to all this. When the ordinary citizen realizes that all his constitutional rights and the protective institutions have gone, the individual's costs to go against the regime are so high that would-be revolutionaries are deterred to take any action. The ones who do need to be punished with the full force "of the law". A Chinese saying says: "To kill the chicken to scare the monkey". As with a pressure cooker valve, one can even grant amnesties to convicted opponents and let them go abroad, so that they are neutralized and far from home. Since all of this happens in the language of a democratic polity, people become cynical, apathetic and passive. This allows the ruling circles to maximize their extracted wealth and preserve it for their children and grandchildren. The end results of this behavior can be studied worldwide: failed and impoverished states, instability, civil wars, poverty, banditry, violence and misery.

This is another reason why international comparisons can be useful: to detect early degenerative signals and talk about them, draw attention to them, first in the expert community, then with engaged journalists, political activists etc.

I hope the current analysis finds your interest, makes you think again, and it might even encourage you to take individual and/or collective action. If we were able to contribute to this, we would be more than satisfied.

**AS MILAN KUNDERA SAID  
"THE STRUGGLE OF MAN  
AGAINST POWER, IS THE  
STRUGGLE OF MEMORY  
AGAINST FORGETTING". SUCH  
STRUGGLES ARE ALWAYS  
MARATHONS AND NOT SHORT  
SPRINTS. IN THE END, ACTION  
NEEDS TO BE TAKEN BY YOU  
AND YOUR COMMUNITY.**

Because

**"WHEN WE DREAM ALONE, IT  
IS ONLY A DREAM, BUT WHEN  
MANY DREAM TOGETHER, IT  
IS THE BEGINNING OF A NEW  
REALITY".**

This dream needs to be strong, convincing and emotionally nourishing. These days in Serbia and Bulgaria, this new reality is currently taking shape. Let us hope that it will lead to positive change, to freedom and justice in the years to come.



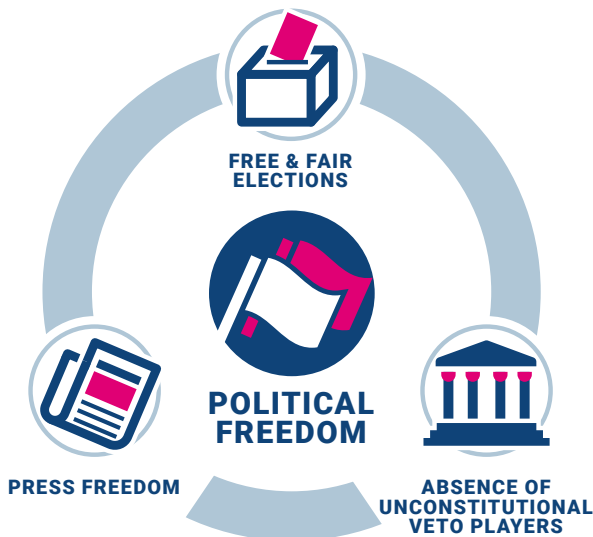
**Dr Rainer Adam**

**Regional Director for East and Southeast Europe  
Friedrich Naumann Foundation for Freedom**

Sofia, August 2020

## 2. A DECADE OF FREEDOM IN CENTRAL AND EASTERN EUROPE AND CENTRAL ASIA

### EXECUTIVE SUMMARY



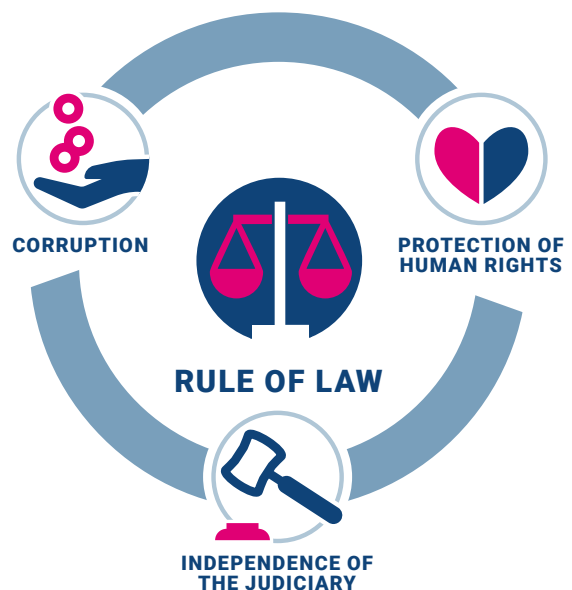
#### POLITICAL FREEDOM

The wave of building, strengthening, and shaping liberal and democratic societies over decades in Europe was interrupted by an outburst of autocratic tendencies in recent years, causing a deterioration of freedom on the political playground. Though such autocratic beliefs had existed long before, all the time “flirting” with the flaws of democracy like a “patient on appliances”, it was the citizens’ accumulated dissatisfaction with democracy and a change in the everyday habits and needs of citizens – mostly of a technological nature or caused by its developments – that created a convenient fracture allowing a re-emergence of autocracy. Using populist and harsh rhetoric in combination with the manipulation of public opinion, conservative and nationalistic political leaders emphasized citizens’ dissatisfaction with democracy to the degree that even a crackdown on independent democratic institutions and basic human rights became justifiable to many.

Electoral processes have been increasingly shaped by the rise of right-wing populism, of fake news, manipulative, scaremongering propaganda, and sharp divisions in society alongside political lines, undermining their fairness. In some countries, these methods are year after year becoming even more repressive so that we hardly can speak about electoral freedom any more.

Speaking about Unconstitutional Veto Players, this rise of autocratic tendencies has empowered elected political leaders to a level which allows them to abuse constitutionally granted power and to become a major challenge to the rule of law and democracy in this decade.

Media changed over the last decade. The speed information travelled increased, the price of its dissemination dropped drastically, information outreach broadened considerably and – consequently – the impact of information was significantly enhanced. Such developments on one hand led autocrats in Europe to consider a free press as an “enemy of the people” and to label many media workers as such, while on the other hand readily using the great opportunities that media decentralisation offered, such as public manipulation.



#### RULE OF LAW

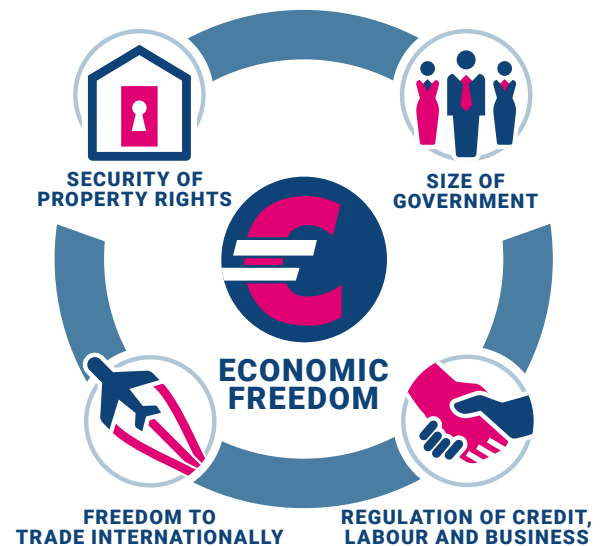
The rule of law is a cornerstone of the European way of life. Membership in the Council of Europe is tied to respect for basic European values, while accession to the European Union depends crucially on their advance. During the last decade, new EU member countries mostly advanced further in this field, as did candidates. Even when political elites had regressed into populism, it has been civil society in all those countries that reminded them of European values and

principles. Thus, there are more successes than worrisome stories and, on average, some progress in the entire region is undeniable.

Advance of the rule of law, as seen through less corruption or a better respect for human rights, would be far steadier if the main element of it – the judiciary and its professional and impartial treatment of all citizens and parties at courts – was more independent from political, business, criminal, or other interest groups. Unsuccessful, or reversible, reforms of the judiciary throughout the region have – alas – marked the decade.

To fight corruption, more than an independent, efficient judiciary or other prosecution is needed. Where civil society was stronger, whistle-blowing was a powerful deterrent against all abuses of power for illicit personal or group gains. And, primarily, shrinking the very field where corruption occurs – government intervention in the economy and society – proved to be the first prerequisite for having less corruption. Countries which liberalised their economy, and parallel to that reformed their administration and judiciary, while leaving enough space for civil society control of those in power, have managed to decrease the level of corruption, sometimes tremendously.

Human rights saw mixed trends. While those directly affecting political life, such as freedom of thought, speech, or assembly, suffered when some countries regressed into populism or authoritarianism, the rights of minorities, especially sexual but also ethnic or other, have advanced. Women's participation in politics, economics, and social life in general rose and with it, an awareness that the freedom of one half of the population has been grossly endangered by domestic violence, human trafficking, and other abuse. Hate speech, often going hand in hand with fake news or other enemies of truth, reason, and freedom, has put social and inter-ethnic stability in question. Finally, new challenges to human freedom, such as surveillance schemes enabled by new technologies, need still be answered if the value of privacy is to be preserved and the right balance between the right to privacy and the rights to security and safety is to be found.



## ECONOMIC FREEDOM

Economic freedom is a function of the current political equilibrium. A high level of economic freedom indicates an open social order, which fosters competition and innovation, leading to investment and a higher level of economic growth. On the other hand, a low level of economic freedom is connected to an order that limits access, which creates obstacles to competition and rents for insiders. Therefore, the level of economic freedom has been mostly constant during the previous decade since there were no deep changes in underlying social structures.

Property rights remain mostly secure across the region. Problems in this area are connected to political influence over the judiciary, corruption and weak administrative capacities. Secure property rights seem to go hand in hand with high taxes – countries with lower tax rates in the east of the continent also have less secure property rights, with extortions, forced buy-outs and property seizures supported by administrations or judiciaries through clientele networks and corruption. Even though judicial independence in advanced countries guarantees property rights, in practice these can be severely limited by very long legal procedures.





# 3. POLITICAL FREEDOM



## MOST WANTED

by Ivan Despotović

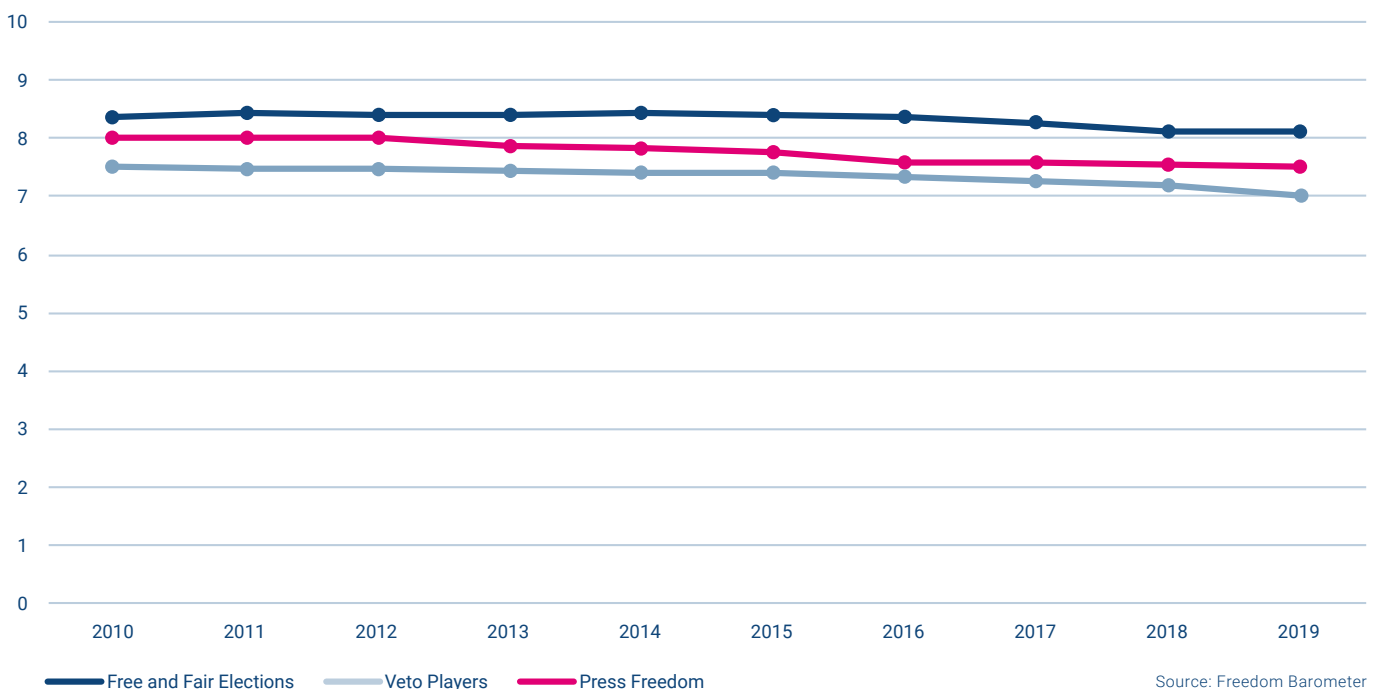
A decade of measuring freedom by the Freedom Barometer Index was a decade of decline in political freedom. The wave of building, strengthening, and shaping liberal and democratic societies all over Europe, itself started after the fall of the Iron Curtain, was interrupted by an outburst of autocratic tendencies in recent years, causing a deterioration of freedom on the political playground. Though such autocratic beliefs had existed long before, all the time “flirting” with flaws of democracy like a “patient on appliances”, it was the citizens’ accumulated dissatisfaction with democracy and a change in the everyday habits and needs of citizens – mostly of a technological nature or caused by its developments – that made a convenient fracture allowing the re-emergence of autocracy. Some rather conservative and nationalistic political leaders, when they spotted the fracture, didn’t miss this opportunity to

advance their position, be it for incumbents to put a tighter grip on governance or for newcomers to climb to power. Using populist and harsh rhetoric in combination with a manipulation of public opinion, they emphasized their citizens’ dissatisfaction with democracy to the degree that even a crackdown on independent democratic institutions and basic human rights became justifiable to some people. They justified it for a “greater cause”.

### FREEDOM IN EUROPE BECAME AN ENDANGERED VALUE TO THE LEVEL THAT A CRACKDOWN ON INDEPENDENT DEMOCRATIC INSTITUTIONS AND BASIC HUMAN RIGHTS BECAME JUSTIFIABLE TO MANY PEOPLE.

A first glance at the graph below clearly shows us that Political Freedom, as set by the Freedom Barometer Methodology and all its indicators – Free and Fair Elections; Absence of Unconstitutional Veto Players; and Press Freedom – all fall down by around 0.5 points on a scale of

Graph 1 | Political Freedom Indicators



Source: Freedom Barometer

1 to 10. True, one could argue that this decline was not that big. However, by going more deeply into the methodological background of such data, it is clearly not easy to achieve that – **it needs a long term, abrupt, and consistent violation of freedom**. To a worrisome degree in certain countries, taken into consideration that some of the world’s most advanced democracies are being monitored here. Throughout the next couple of pages, we will try to provide you with the most important developments in political freedom in Europe.

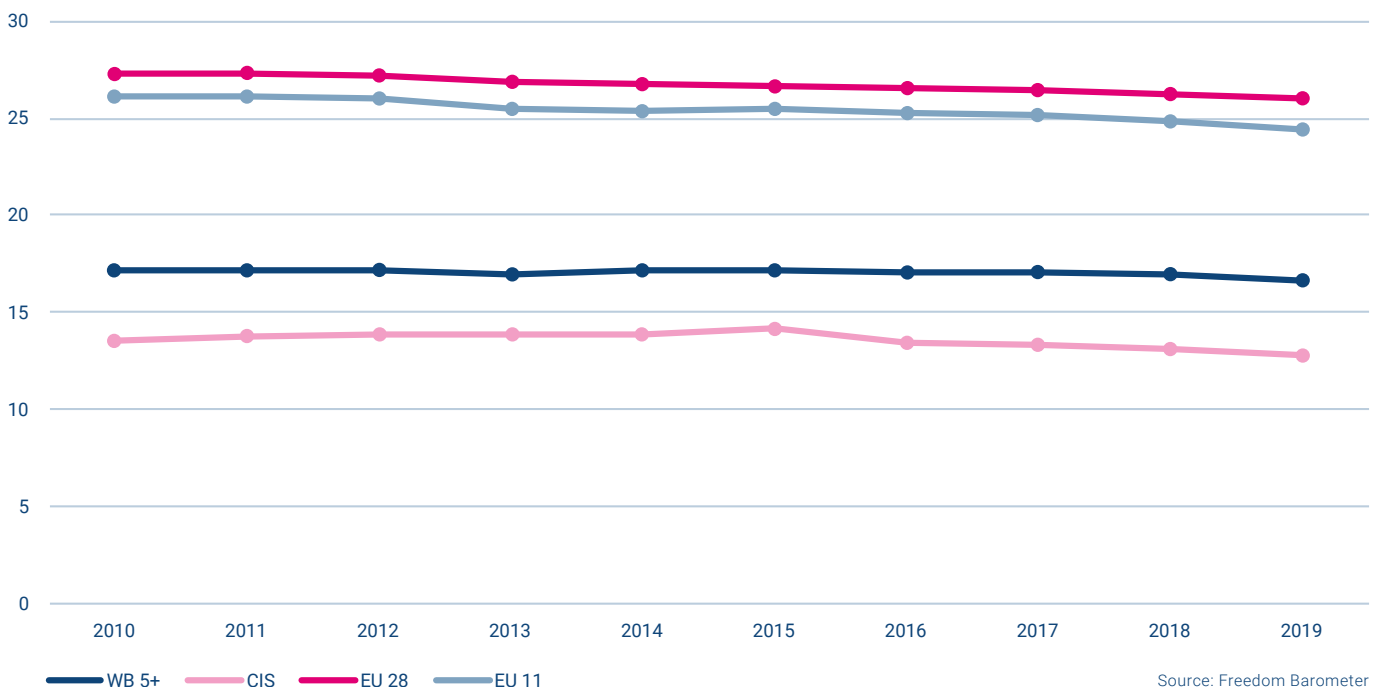
The reason for talking about autocratic tendencies is that all the trends that were determined to cause a decline of political freedom fall under the scope of ‘characteristics of autocratic ruling’, such as the manipulation of public opinion, the capture of state institutions, unequal conditions for different political players, blurred constitutional separation of powers and limitations put on media freedom. The graph presented below provides an oversight of political freedom developments in certain regions, or from another perspective, insight into the level of application, adjustment, and effectiveness of autocratic tendencies in these regions, or even the national realities of the countries in those regions.

## THESE POLITICAL FREEDOM GRAPHS ALSO REVEAL THE LEVEL OF APPLICATION, ADJUSTMENT, AND EFFECTIVENESS OF AUTOCRATIC TENDENCIES IN EUROPE.

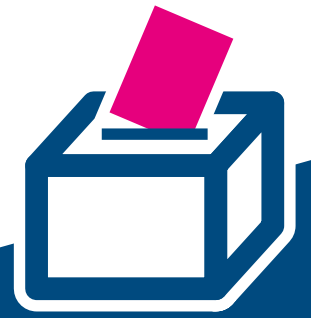
Several conclusions could be drafted from it. First, the achieved level of democratic development is directly correlated with the capacity of countries to deal with autocratic challenges. The higher the level of democracy, the bigger the possibility that those negative tendencies will have less impact. Though developed Western democracies have witnessed a strong electoral support for right-wing nationalistic parties and movements, the latter’s strong appearance was buffered by a firm democratic value base that had been built up over many years. One should not be misled by this however, since the popularity of these parties across society in many countries is bigger than ever. Also, freedom has deteriorated less in the least developed democracies, or in countries that already have had autocratic rule. The reason for this could, maybe, be best described by using a common proverb – “but it can’t deteriorate more than it has already”. However, countries like Tajikistan proved that there could always be “more” (i.e., worse), with political freedom in this country hitting the very bottom in 2019. On the other hand, political freedom saw its biggest decline in countries that had recently gone through democratic transition and where democratic values hadn’t been embedded into society, such as in Balkan countries, including – and led by – Turkey, whose answer to a failed coup triggered a series of violations of freedom.

Although slightly more developed, this group includes Central and Eastern European EU-member states. Cases of state control over all branches of power by the ruling party in Poland, the murder of an investigative journalist in Slovakia, and a crackdown on civil society organizations and media in Hungary, are only the tip of the iceberg. So let’s get more detailed by analysing the sub-sections of political freedom.

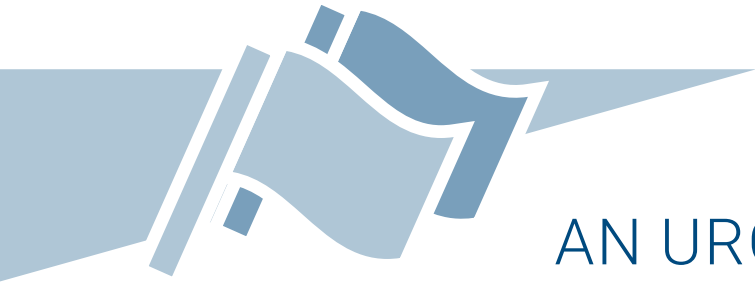
Graph 2 | Political Freedom Scores by Region



Source: Freedom Barometer



# 3.1. FREE AND FAIR ELECTIONS



## AN URGE FOR NEW POLITICAL STRATEGIES IN DEMOCRACIES

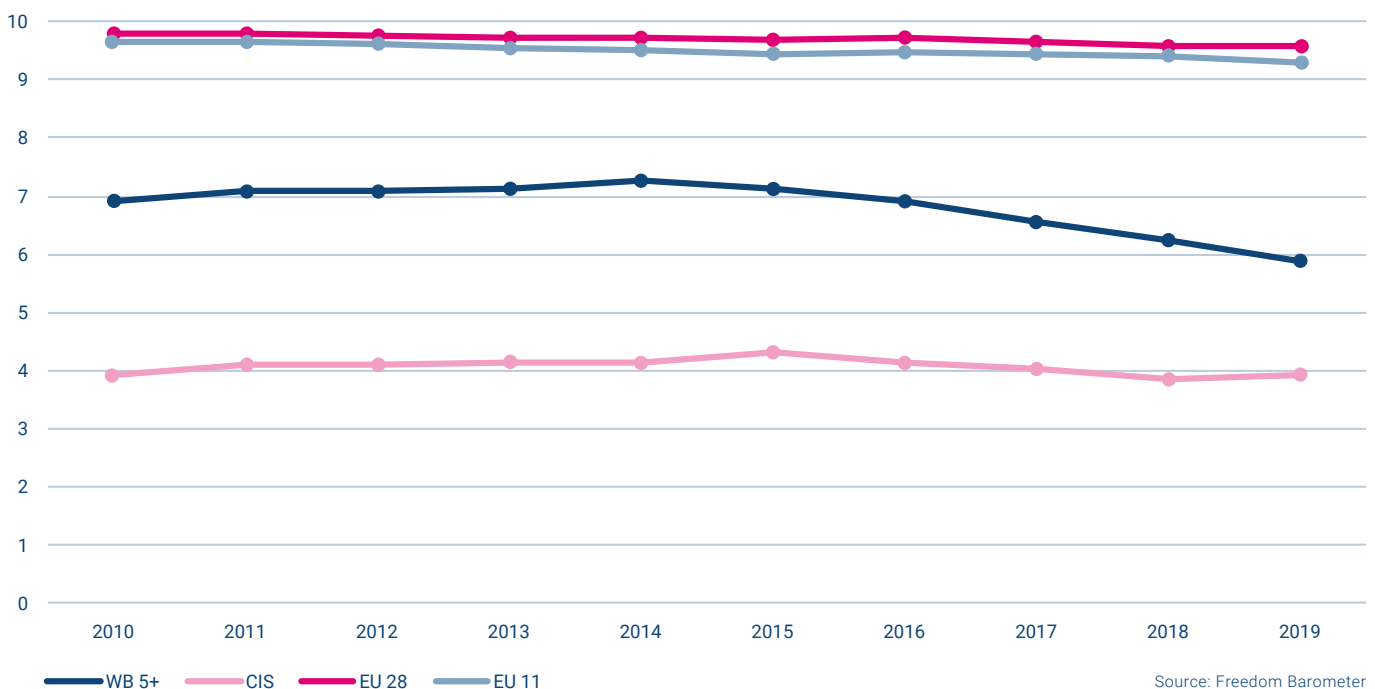
The role of elections as an institution whose aim is to protect, strengthen, and foster democracy has been increasingly and continuously undermined for years in many of the countries Freedom Barometer analysed.

**TODAY, THE ATTRIBUTES OF FREEDOM AND FAIRNESS OF THE ELECTORAL PROCESS COULD BE ATTACHED ONLY TO THE MOST DEVELOPED WESTERN AND NORTH EUROPEAN DEMOCRACIES.**

However, other challenges regarding elections in these countries appear just as troublesome, such as the rise of right-wing populists, of fake news, of scaremongering propaganda, or of the sharp divisions in society along political lines (some of these aspects are analysed further below).

On the other hand, we could barely talk about any kind of freedom and fairness of elections in countries like Azerbaijan, Tajikistan, Russia, Kyrgyzstan, or Turkey. Over there, methods are becoming more repressive year after year; the imprisonment and harassment of political activists, the banning of political parties or candidates from running in elections, and vote buying or other fraudulent activities on election-day. In Turkey, even the Istanbul City election results were annulled in 2019 by the Supreme Election Council, and the elections were repeated after the defeat of the ruling AK Party, led by the autocratic leader Recep Tayyip Erdoğan.

Graph 3 | Free and Fair Elections Scores by Region



Source: Freedom Barometer

Despite that, the graph below, in this context, shows little to no change when comparing 2010 and 2019 generally in FB-45: times were very turbulent in Eastern European non-EU and Central Asian countries, resulting in big changes of data, thus in freedom as well.

The ups and downs on the CIS scale were shaped by negative events such as the war in Ukraine, the murder of an opposition politician in Russia, the total seizures of power in both Tajikistan and Azerbaijan that forced critically-inclined people to flee the country, and positive democratic developments in Georgia and Armenia, such as the democratic shifts of power and improvements in the fairness of the electoral process in comparison to the situation at the beginning of the decade.

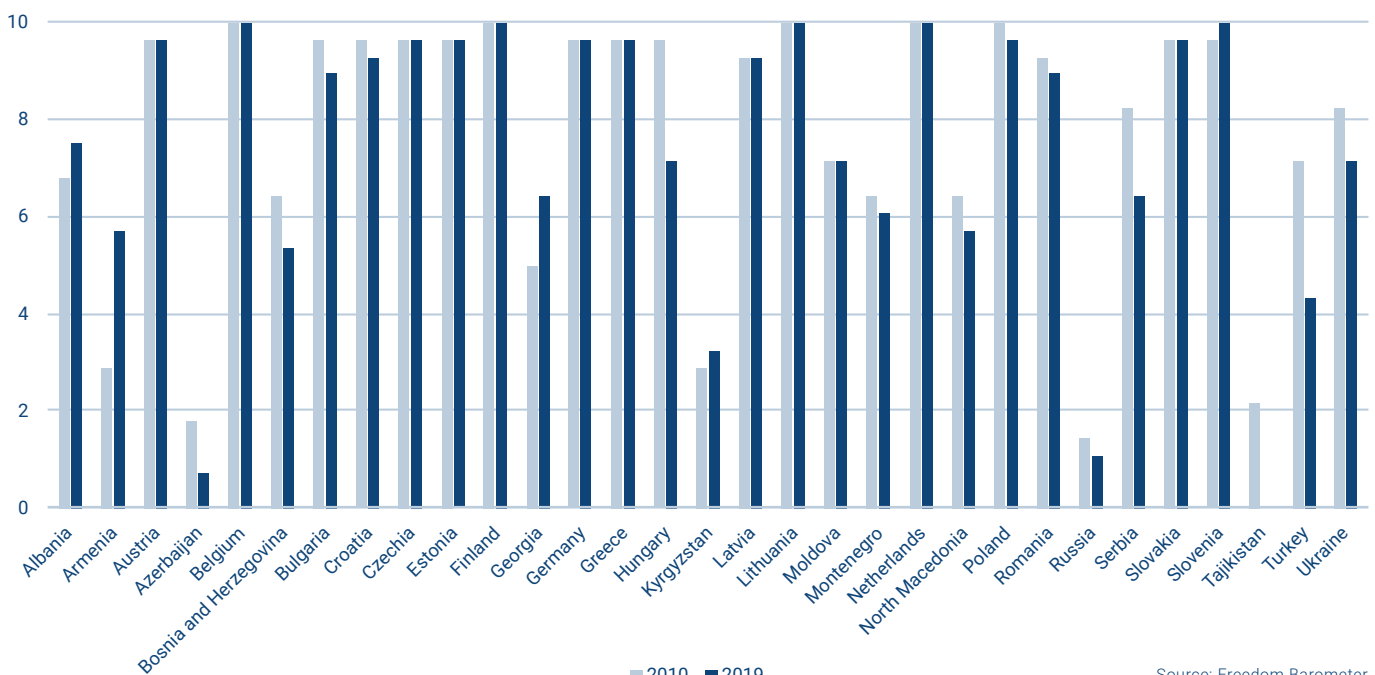
Having in mind that the group of WB 5+ countries encompasses Turkey, Serbia, and North Macedonia, i.e., countries which had from 2014 onwards “gotten a bad name” in almost all the freedom and democracy indices, it was no wonder that the scale in this region deteriorated the most. A consequence of the failed coup attempt in Turkey was a serious decline of political freedom in that country. The subsequent hostile political climate resulted in the imprisonment of many political activists and a referendum which changed the country’s parliamentary system into a presidential democracy through a procedure marred by frauds and irregularities. Democratic changes as of the beginning of the 21st century in Serbia hadn’t grown deep roots, thus making space for more conservative and nationalistic tendencies to occupy the political landscape. As a result, the abuse of legal – along with the use of extra-legal – tools to prevent fairness of elections or even the free

enjoyment of the right to vote became regular practices. As for North Macedonia, from the moment of its rejection by the EU due to the name dispute with Greece, it faced very hard and turbulent times of a rather politically repressive nature. The social tensions and violence that had lasted for a few years ended in 2017 with a change of government. Alas, North Macedonia is still waiting to restore the level of democracy it enjoyed at the beginning of the decade.

The fairness of the electoral process is slowly decreasing in Central and East European countries. Populism and propaganda pave the way towards an environment of repression towards political opponents, civic activists and critical journalists, to the abuse of power and the blurring of separation between campaigning and governance by public officials, and to partisan media coverage in favour of the ruling elite. The chart with the individual countries above clearly suggests who has hereby taken the lead – Hungary and Poland, countries where freedom deteriorated the most. In both cases, the ruling parties managed to secure a single-party majority in parliament and have been using that power to affirm their control over all three branches of power.

Speaking about the changes and challenges to electoral processes all over Europe, “division” was a catch phrase often used to describe the outcomes of most political events. The political division of society is often based on hate and fear. Such politics came from both the ruling parties and from the opposition. It had previously been reserved for the semi-authoritarian and authoritarian regimes, but recently it has not avoided even the “The Cradle of Democracy”, the UK, and some other advanced democracies.

**Graph 4 | Changes in the Free and Fair Elections Score by Country**



Global dissatisfaction in politicians – by the people – is huge. To some extent it is justified, but in some cases, it is demonisation, the spreading of fake news for the mere sake of causing fear, or other populism, which is to blame. Such an environment of mistrust was fertile soil for nationalists who were allegedly “protecting national interests”, for authoritarians who were able to create an ostensible sense of justice and freedom while in reality undermining those values, or even for those opposition forces whose messages were soaked in a fear of government, albeit not in value-based politics. It created space for populism and limited rationality at their corner of this game. These political parties and movements created divisions: between establishment and anti-establishment, of first and second-class societies, of “Us” versus “Them”, almost of life and death. Such a division is best framed in a quote by the Turkish president Recep Tayyip Erdoğan: “We are the people. And who are you?”.

Furthermore, other changes also shaped electoral processes over the decade. There was an ongoing shift from political parties towards political movements, caused by the dissatisfaction with politics as described before. While demanding a fast response to ongoing social challenges, citizens have turned their support to theme-adjusted movements and organisations prone to provide quick-fix reactions rather than to the slowly reacting, traditional structures of the existing political parties. Capturing democratic institutions led to a recognition that rallies are one of the most important tools for political change. Throughout the ten-year observation period, almost all the countries covered have conducted rallies or other public protests, which have led to certain democratic improvements or at least have shaken the entrenched ruling elites. Also, politicians did not restrain themselves from manipulating public opinion and controlling media to benefit their position at the elections. There is more about these trends in the Press Freedom section.



# 3.2. ABSENCE OF UNCONSTITUTIONAL VETO PLAYERS



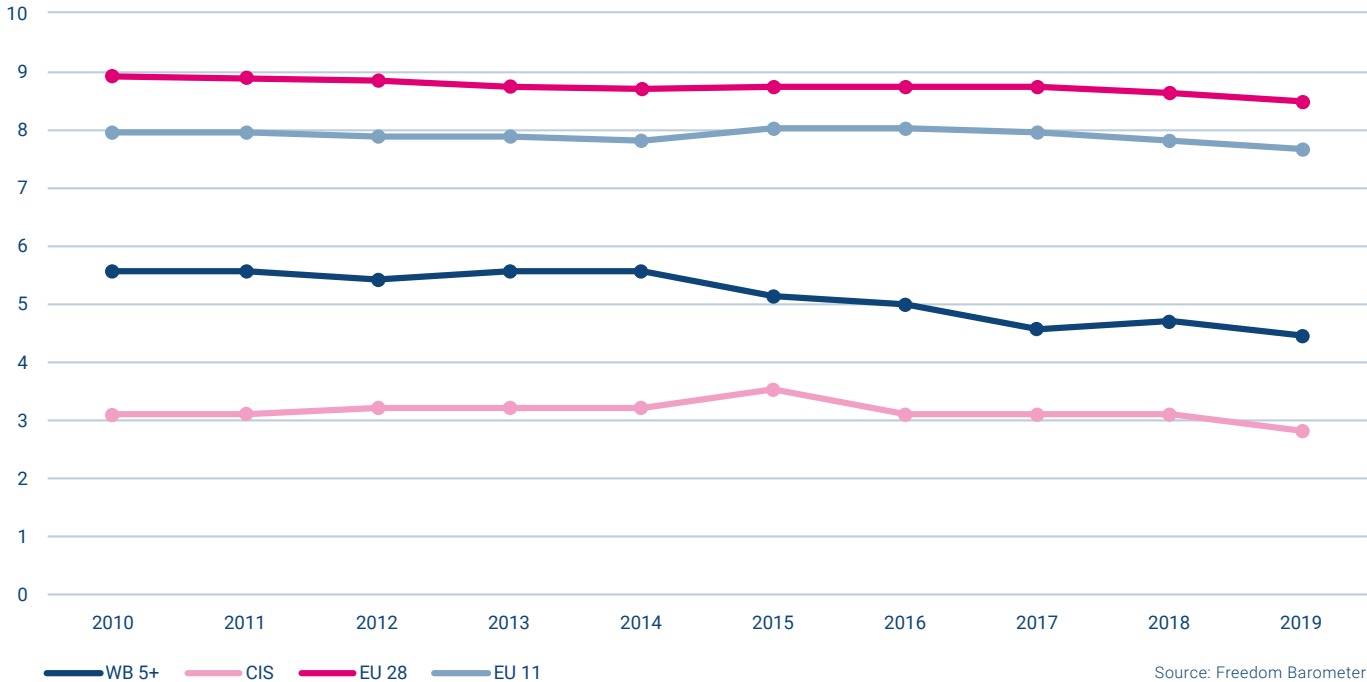
## CONSTITUTIONAL PLAYERS AS THE BIGGEST THREAT

Though the name of this political-freedom indicator suggests absence, the trajectories of the data below show an increased presence of Unconstitutional Veto

Players all over Europe. Before we continue analysing how this indicator is reflected in various European regions, it is necessary to understand its meaning.

**ABSENCE OF UNCONSTITUTIONAL VETO PLAYERS IS A POLITICAL-FREEDOM INDICATOR THAT TRIES TO DETERMINE HOW MUCH PLAYERS IN SOCIETIES ARE ABLE TO INFLUENCE POLITICAL OUTCOMES, NARRATIVE, AND DECISION-MAKING FROM OUTSIDE OF A REAL POSITION OF POWER AS DEFINED BY THE COUNTRY'S CONSTITUTION.**

Graph 5 | Absence of Unconstitutional Veto Players Scores by Region



Source: Freedom Barometer

These players are there to undermine democratic institutions and the decision-making process, weaken the system of checks and balances, and hinder constitutional arrangements. However, their success and means depend on – and vary from – the democratic development of the country.

There are many players that fall under this definition, whose impact differs from country to country, such as clergy, military or other security forces, and wealthy oligarchs or business elites. However, if we consider that their influence is slowly diminishing, it brings up a question – How come, then, that these freedom trajectories are going down?

## **A RISE OF AUTOCRATIC TENDENCIES EMPOWERED ELECTED POLITICAL LEADERS TO A LEVEL WHICH ALLOWS THEM TO ABUSE CONSTITUTIONALLY GRANTED POWER AND BECOME A MAJOR CHALLENGE TO THE RULE OF LAW AND DEMOCRACY IN THIS DECADE.**

Tajikistan, Azerbaijan, Russia, Turkey and Kyrgyzstan are considered 'captured states', with ruling families and/or entrenched political elites holding all power in their hands. Constitutional referendums in Tajikistan, Turkey and Azerbaijan strengthened the position of presidents and ensured prospects for even longer rule by the families and politicians in power, further shrinking the space for democracy. "The threat of interference into our country's politics" is a common reason given by Russian politicians when introducing new laws that extend the control of state institutions over society, deliberately adopted so as to suppress even the slightest critical voice.

Similar behaviour in the manner of Vladimir Putin and Reçep Tayyip Erdoğan, although adjusted to the local context, was followed by many strong autocratic leaders from Central and East European countries such as Vladimir Plahotniuc in Moldova, Liviu Dragnea in Romania, Bidzina Ivanishvili in Georgia, Petro Poroshenko in Ukraine, Jaroslaw Kaczynski in Poland, Viktor Orbán in Hungary, and Aleksandar Vučić in Serbia. They've used their party positions and strong parliamentary support to dominate the legislative, executive, and judicial branches of power, and thus are in charge of all the country's most important political decisions. One should bear in mind that Bidzina Ivanishvili, for example, does not hold any office, or that Aleksandar Vučić is in the largely ceremonial presidential position.

All these autocratic leaders understand that the key to control over democratic institutions and decision-making is to neutralize the role of the judiciary as a constitutional controlling and oversight mechanism.





# 3.3. PRESS FREEDOM



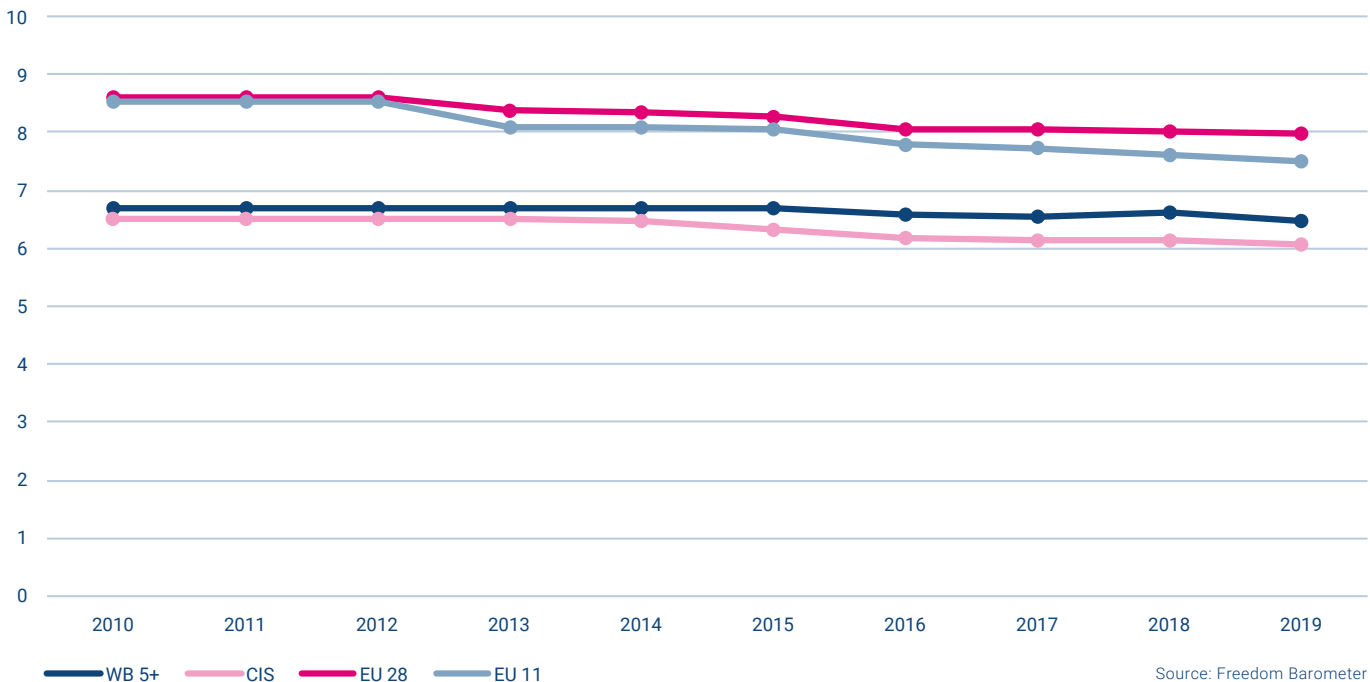
## INFORMATION REALITY – RESTRICTION, OVER-SATURATION, MANIPULATION

**“FREEDOM OF THE PRESS IS A PRECIOUS PRIVILEGE THAT NO COUNTRY CAN FOREGO.”**

Mahatma Gandhi

Despite these words of Mahatma Gandhi, according to the data trajectories on the graph below and events and developments over the last ten years, it seems that this precious privilege is only granted in the few most developed democracies. Technological developments transformed the way people consume information and, at the same time, transformed the way media function today in comparison with 2010. These developments increased the speed of dissemination of information and lowered the price of the dissemination process, considerably broadening information outreach and – consequently – enhancing its impact. Such developments on one hand led autocrats in Europe to consider a free press as an “enemy of the people” and to label many media workers as such, while on the other hand readily using the great opportunities that media decentralization offered for, among others, public manipulation. This made media outlets face various challenges.

Graph 6 | Press Freedom Scores by Region



Source: Freedom Barometer

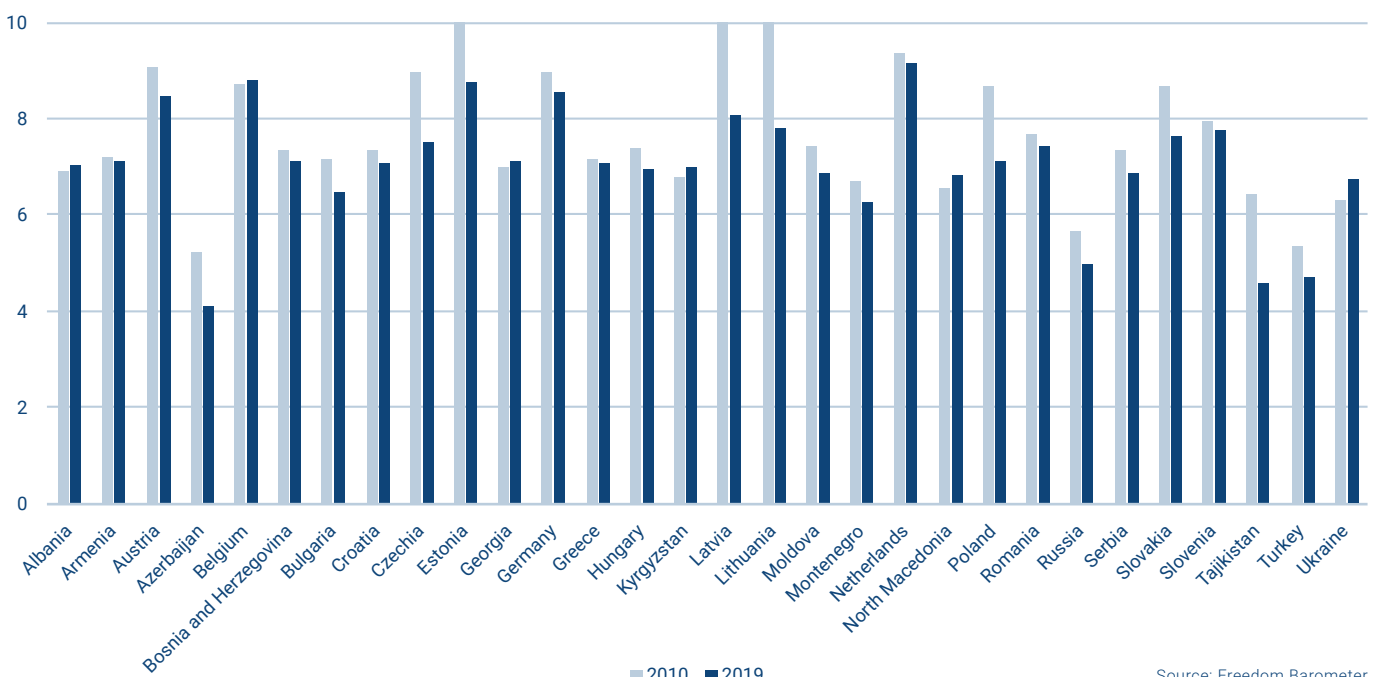
This hostile climate towards media is frequently sparked by harsh rhetoric from politicians, which is a practice common in a majority of the observed countries. Physical and verbal violence against journalists, together with even the imprisonment or other maltreatment of their families, are tools used to silent criticism, especially in Central Asia, Turkey, and Russia. The concentration of ownership in the hands of a few companies or a couple of people is becoming an ever-bigger problem, especially since big broadcast media conglomerates are often used as mouthpieces for certain political parties.

Freedom has deteriorated the most in those countries where autocratic regimes aimed to secure or further empower their position, like Turkey, Russia, Hungary, Poland, and Serbia. But the freedom to be informed is also endangered by false-information propaganda campaigns from abroad, mostly from Russia, such as in the Baltic countries, the Czech Republic, Ukraine and Moldova. This also means that, when comparing press freedom level by various European regions, it declined the most in Central and Eastern European EU-member countries which had previously enjoyed a relatively high level of media freedom. However, a shift from democratic to autocratic tendencies during the unfinished democratic transition made press freedom a prime victim. The last two years even witnessed politically motivated assassinations of journalists in those countries, such as in the case of an investigative journalist from Slovakia, Ján Kuciak.

The biggest challenges to press freedom over the decade were:

- Increased concentration of media ownership and unclear ownership structures;
- Extensive political and economic pressure on media reporting through biased procedures of state subsidies or public-sector advertising;
- Systematic misinformation campaigns, intended to undermine democratic institutions, shape public opinion, spark social polarisation, and diminish trust in media and their work;
- Crackdown on critical media reporting through abuse of legal and the use of extra-legal tools;
- Hostile environment for journalists marred with verbal and physical attacks, smearing, intimidation, or even murders;
- Poor economic situation in many countries, itself contributing to the downgrading of professional standards in media.

Graph 7 | Changes in the Press Freedom Score by Country



Source: Freedom Barometer

These trends also made the role of CSO-driven investigative journalism increasingly important, as it is able to perform as an informal oversight control of government and state issues despite economic challenges and political pressures. However, that has turned most of these journalists into victims of verbal and physical violence during recent years.

Also, Freedom Barometer dedicated a special report “Fake it until you make it” to fake news as a trend used for the manipulation of public opinion via internet and that report captured serious attention in the political life of Europe and the world. The internet provides space for the further democratisation of our societies by bringing political and social processes much closer to ordinary citizens. However, that very space is increasingly used for intentional manipulation over public opinion and for suppressing fundamental freedoms such as freedom of expression and freedom to information.

These practices mostly occur in authoritarian states, however foreign meddling in domestic political processes has turned this into an issue in all European countries. Some of the main findings of this report were:

- The fake news phenomenon directly influences all three pillars of Political Freedom in the Freedom Barometer Index, through hindering the freedom and fairness of elections, undermining democratic institutions, and decreasing both the trust in, and quality of, media journalism.

- There is evidence of social media manipulation for socio-political purposes in 25 countries covered by Freedom Barometer Index analysis.
- Authoritarian countries changed their media strategy, from propagating false content from abroad to empowering domestic groups with the know-how and resources to create and disseminate fake news.
- In the name of the fight against fake news, authoritarian regimes managed to tighten their grips over information dissemination in society through new laws.
- Democracies are often caught in a trap, wherein their reaction causes more harm than the event itself. The same applies to fake news. The struggle against fake news could potentially harm freedom of expression and the democratic order more than fake news itself.



## 4. RULE OF LAW FREEDOM



### A DECADE OF ADVANCE IN TRANSITION COUNTRIES AND MIXED TRENDS IN DEVELOPED ONES

by Dušan Gamser

**T**he rule of law is a cornerstone of the European way of life. It is mentioned as one of the most important among the 'Copenhagen criteria' for EU membership. Compliance with the rule of law is also among the key prerequisites for membership in the Council of Europe, which puts it, together with individual freedom and political liberty, as a basis of the system of democracy.

#### **RULE OF LAW IS A CORNERSTONE OF THE EUROPEAN WAY OF LIFE.**

In the Freedom Barometer project, which evaluates and compares human freedom in various countries of Europe and Central Asia, the rule of law is basically understood as equality under just laws and is, along with political freedom and economic freedom, one of the three categories through which freedom is measured. Among many, three aspects of the rule of law are thereby considered as crucial and indicative: independence of the judiciary, an absence of corruption, and respect for human rights.

Throughout the decade 2010-2019, Freedom Barometer has collected and processed data from various sources on developments related to freedom, including the rule of law, in 45 countries of Europe, Eurasia, and Central Asia. However those processes have been – except in rare times of revolutionary events of a significance for the entire continent such as in 1989 and immediately afterwards – of a slow nature, and, however the situation in different countries might vary, some general characteristics could be drawn out and trends noticed.

The most important conclusion is that the rule of law, at least on average, has advanced further in transition and

post-transition countries, those that had experienced totalitarian or authoritarian regimes in the recent past, and where pluralist democracy, the rule of law, and ideas of individual freedom have still been growing deeper roots. The trend is especially visible in the Caucasus (with Georgia as a true champion and Armenia trying to keep pace with it), in the Baltics (where Lithuania and Latvia are making strong efforts to follow the already successful rise of Estonia from the dust of pure political voluntarism in times of "real socialism" to the stars of being a liberal role model for much of the European continent) and in South Eastern Europe (with Slovenia and Albania showing the biggest improvements).

#### **ESTONIA ROSE FROM THE DUST OF PURE POLITICAL VOLUNTARISM TO THE STARS OF BEING A LIBERAL ROLE MODEL.**

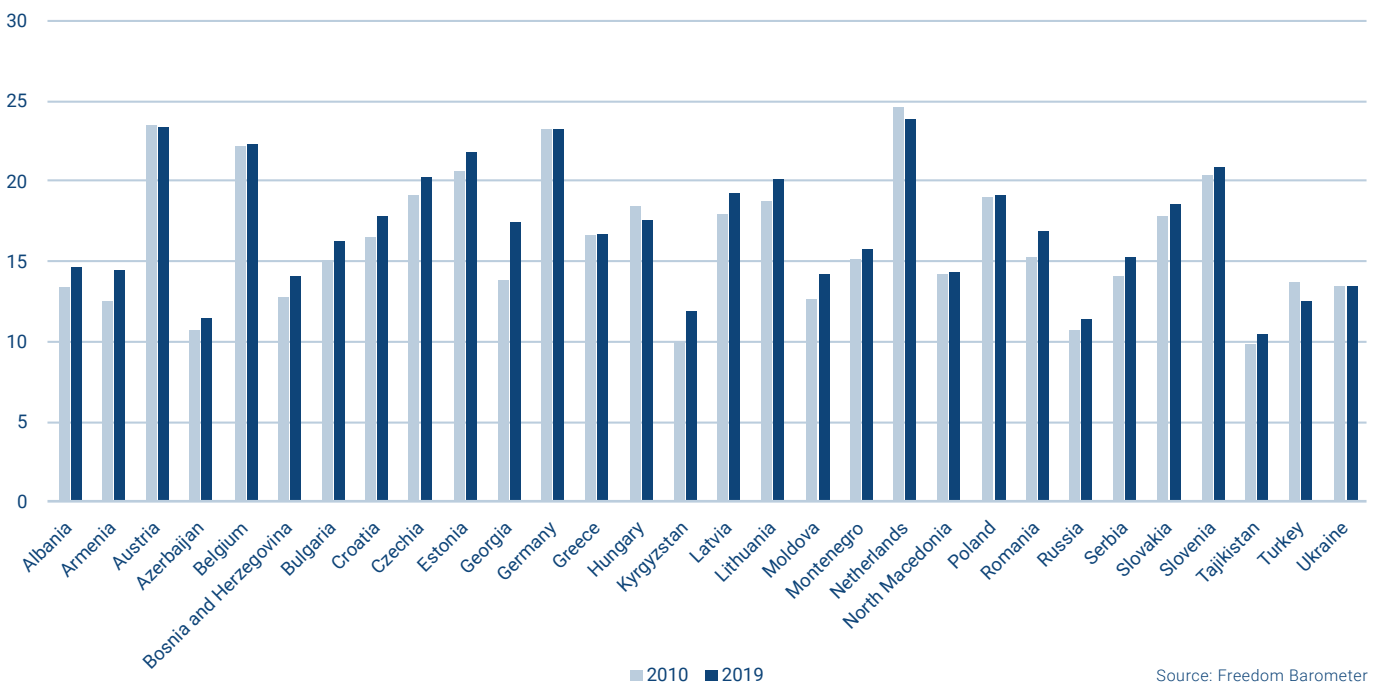
Recent newcomers to the EU (Bulgaria, Romania and Croatia) showed improvement in general, yet not a steady and linear one, but a mixed situation wherein old, pre-EU habits in some fields proved stubborn or prone to relapse. But, despite of the hesitation of the political elites in those countries to embrace the principles of the rule of law wholeheartedly, without tongues in their cheeks, positive developments included an increased self-confidence in civil society. Especially when it came to fighting corruption, but also when certain human rights were endangered, citizens often proved more conscious and dedicated than politicians and put public pressure of a magnitude, organisation and sophistication impossible prior to these countries' accession to the EU.

## A FEW NEW EU MEMBERS OR TRUSTWORTHY CANDIDATES FACED POPULIST TAKEOVER AND A SUBSEQUENT DETERIORATION IN POLITICAL FREEDOMS AND THE RULE OF LAW.

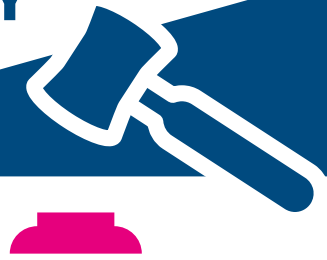
There is a dark side too, wherein countries that had initially joined the EU (such as Hungary and Poland) or had been trustworthy candidates (such as Turkey) faced populist takeover at elections and a subsequent deterioration of either political freedoms or the rule of law (or quite often both, hand in hand). In Eastern Europe and Central Asia (except partially in Moldova and Kyrgyzstan), the earlier very low level of respect for the rule of law either improved little, far below the level urgently needed, or even deteriorated further.

For their part, a majority of the most advanced European democracies (EU-15) faced either a stagnation or a small fall in the (previously very high levels of) respect for the rule of law. It could be considered, with a grain of salt, as a sort of “harmonisation” within the EU as well as among the OSCE countries – many new democracies have improved in numerous aspects of the rule of law, while in some of the most developed “old democracies” (e.g., Austria, the Netherlands, the Nordic countries, or Switzerland) there was a minor decline in the rule of law. That means that the worse ones have learned quite a lot from the best ones, but also that the best ones have “learnt” something from those who had neglected rule of law in the past, especially in the field of corruption.

**Graph 8 | Changes in the Rule of Law Score by Country**



# 4.1. INDEPENDENCE OF JUDICIARY

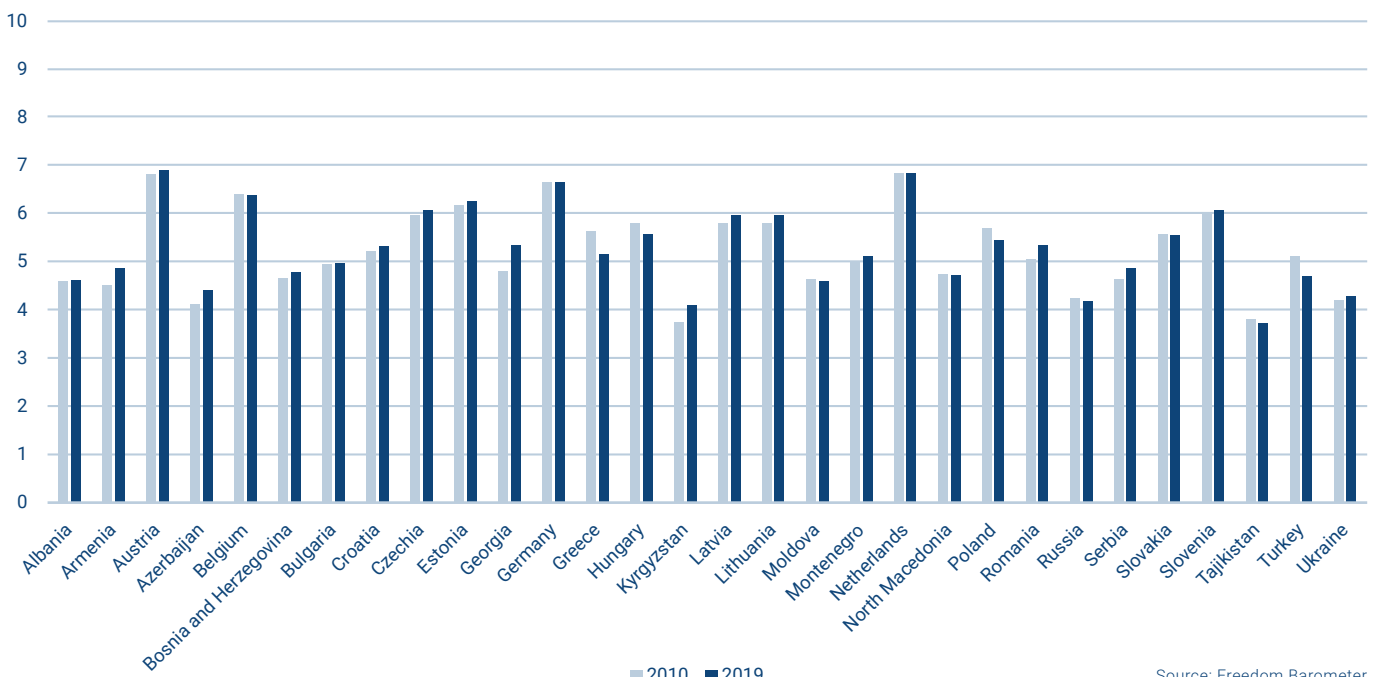


## THE ACHILLES HEEL OF THE RULE OF LAW

The weak point of the rule of law is that almost everywhere the judiciary is dependent on extra-legal influences, be it from the executive or legislative branch of government, or various interest groups – political, religious, business, or criminal – or just outright corruption. Breaking the law, or more often, the selective application thereof by judges or prosecutors leads to a climate of legal uncertainty, impunity by the political, economic, religious, criminal or other elites, creates an uneven playing field for competition by political parties in the election process or by commercial companies in the market, and even creates different levels of legal protection that ordinary people enjoy in daily life, all to the detriment of freedom – political, economic, and individual.

Most of the countries monitored by the Freedom Barometer launched some kind of judicial reform during the past decade. But, the results were almost everywhere meagre, or in some cases (e.g., Serbia) these attempts at reforms (most notably those at the beginning of the decade) even worsened the situation and discouraged future would-be reformers, or gave them an excuse to continue business as usual. Some countries initially advanced rapidly in reforming the judiciary in order to achieve strategic foreign policy goals (such as Croatia prior to its entry into the EU in 2013), but after that they regressed, with their judiciaries again showing signs of heavy dependence on vested political or economic interests.

**Graph 9 | Changes in the Independence of the Judiciary Score by Country**



## ONCE IN THE EU – BACK TO THE OLD WAYS OF JUDICIAL DEPENDENCY?

Very few countries showed considerable improvement in this field during the past decade, with perhaps Georgia and Kyrgyzstan being the only good examples. The biggest challenges were faced in Hungary and Turkey, with the rise of populist leaders for whom one of their first tasks was to limit judicial autonomy and put it under the stricter control of the executive branch of government. In Poland, similar attempts faced strong opposition by civil society, thus the damage done there so far has been smaller. In Armenia and North Macedonia, it remains to be seen whether the political changes made during the second half of the decade will bring more judicial independence and efficiency, and thus a better situation regarding the rule of law.



# 4.2. CORRUPTION

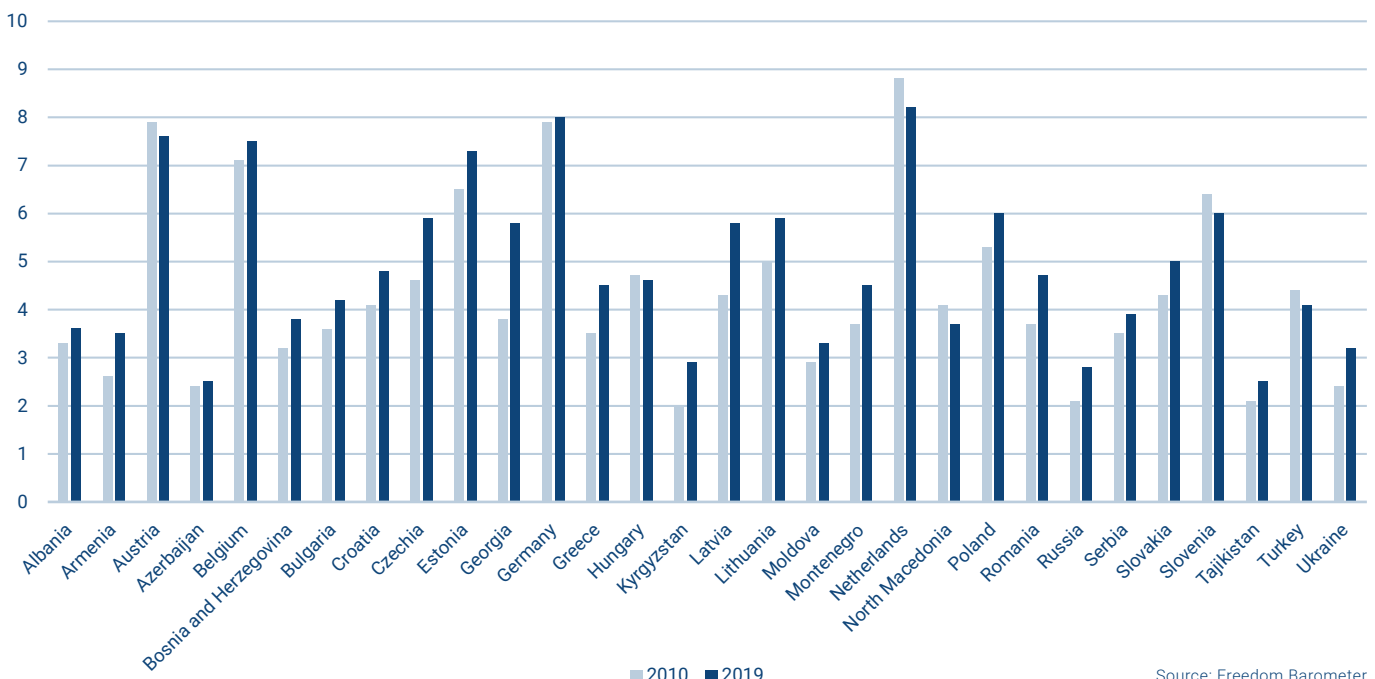


## STILL FEW REALIZE THAT ECONOMIC FREEDOM STARVES CORRUPTION

Corruption is an aspect of the rule of law which is just a little bit better fought against than the dependence of the judiciary on extra-legal actors. Its impact on human freedom is also tremendous. The misuse of public authority for private gains, usually by state authorities at various levels, destroys the equal playing field both in the economy and in the daily life of citizens, turning them into first- or second-class actors. In some countries, such as Azerbaijan and Russia, corruption is draining out such amounts of national product that it changes the very fabric of society, creating different social classes of people depending on how close they are to those who de facto control most of the industries and national wealth.

The majority of the countries in transition, however, have improved in this field during the past decade. Georgia and Armenia which tries to follow the example of the former have changed a lot, making perhaps the biggest breakthrough. Georgia is today less corrupt than many EU members, though it is neither a candidate nor it received any promises that it might become one. Among new EU members who joined in 2004, Estonia is the champion of the struggle against corruption, but Latvia and Lithuania are also making huge steps to follow it.

Graph 10 | Changes in the Corruption Score by Country



Source: Freedom Barometer



What distinguished Georgia and Estonia from the rest of the transition countries are the bold economic reforms that they implemented either in the 1990s or in the early 2000s, soon after emerging from the Soviet system of state control over the economy. Robust privatisations, deregulation and an overall liberalisation of economic life in those two countries have left far less space for state authorities and the political class to misuse their power and public resources. On top of that, reforms of the public administration (in Georgia's case police reform and in Estonia's case advanced digitalisation) turned it into a small ("lean") and efficient service that is more easily controlled by independent institutions and by a flourishing civil society.

## **LIBERAL ECONOMIC REFORMS HAVE NARROWED THE SPACE FOR CORRUPTION AND DISTINGUISHED GEORGIA AND ESTONIA FROM OTHER TRANSITION COUNTRIES, MAKING THEM LESS PRONE TO CORRUPTION.**

Contrary to those two, most ex-Yugoslav republics introduced crony instead of free market capitalism. The role of the government (including public ownership) in the economy remained huge, and public spending is enormous, making it difficult even for the best independent bodies (which are anyway either absent or lacking independence) to check the decision-makers against corruption. Additionally in ex-Yugoslavia, the state-dependency mentality of much of the population, as well as the legacy of the 1990s' wars, have prevented bolder liberal economic reforms, thus making the field for corruption much broader than it would have been under different circumstances. Thus, from Slovenia to North Macedonia, the level of corruption oscillates year after year.

In the developed countries of Western Europe, namely the EU-12, who have for long been a role model for transition countries, the situation is mixed. In some (Austria, Belgium, Italy, France, Germany, UK, and especially Greece) there is less corruption than ten years ago. But in a number of others, especially those that had been the best in the world (and among some who still are), corruption seems to be (slowly but ominously) picking up the pace once again (e.g., in all Scandinavian countries, the Netherlands, Ireland, etc.). Could one interpret this as the beginning of a 'harmonisation' of corruption practices around the continent? At least some of the 'worst ones' have learnt a lot from the best ones. But did the best ones also 'learn' something, something bad, from the worst ones?



## 4.3. PROTECTION OF HUMAN RIGHTS



### OVERALL BETTER, EXCEPT IN A FEW PLACES

The notion that human rights are important is maintained throughout the region and very few politicians dare to attack the concept openly (even the most authoritarian-leaning ones do not), at least not in the way in which the very concept of the rule of law in general is criticised by, for instance, the highest political and religious authorities in Russia.

While personal security and safety have been attacked mainly by out-of-government factors or actors, education as an important element of human rights saw advances. In some of the monitored countries, such as Russia, education – namely the free and indiscriminate access to it and a good quality thereof – remained as one of the quite rare shiny aspects of the overall grim human rights situation. Corruption and nepotism in some countries marred academic work despite academic freedom. Plagiarism was fought with different degrees of success, which mostly depended on the immunity of academic communities against it and the willingness of the political elites to cleanse themselves of corrupt individuals. In Germany, the political scene thereby saw resignations of numerous politicians due to plagiarism, while in Serbia the ruling class defiantly refused to purge.

**CORRUPTION, NEPOTISM AND PLAGIARISM MIGHT ENDANGER ACADEMIC WORK EVEN IF THERE WERE NO DIRECT ATTACKS ON THE FREEDOM TO LEARN AND RESEARCH.**

If any aspect of human rights is to be noted as the one with most advances, it was the treatment of sexual minorities. In the most developed democracies and throughout Western Europe marriage equality became a norm, allowing same-sex couples not just equal access to legal protection and social services but equal dignity as well. In transition countries, the regulation of same-sex unions became a priority, and before that there came anti-discrimination laws and their implementation, including the right of LGBT organisations to merely bring the issue into public view, via Pride rallies or through continued public dialogue. The biggest breakthroughs for LGBT people were achieved in the Western Balkans, with the tremendous transformation of Albania from a country of utmost fear into one of a cautious hope, with the first openly-lesbian PM (in Serbia), and with bold measures by governments in Slovenia, Croatia and North Macedonia to overcome homophobia in society by taking every available legal opportunity to protect equality of this group of people.

Women also achieved easier access to politics. In several countries it was via quotas, which is unsustainable in the long run. Yet these many women in their nations' highest political positions must be an incentive for thousands of others to become politically active, to educate, to train, and to become fit for equal political competition with men. Additional improvements, or at least promises thereof, have been made by the adoption and broad ratification of the Istanbul Convention on the eradication of domestic violence.

Both in cases of LGBTs and of domestic violence against women there were also push-backs, but rare and just in individual countries, where the situation worsened during the decade. In the case of LGBTs it was in Turkey (itself historically one of the most tolerant in this field), Russia and Tajikistan, while in the case of domestic violence mostly in Russia.

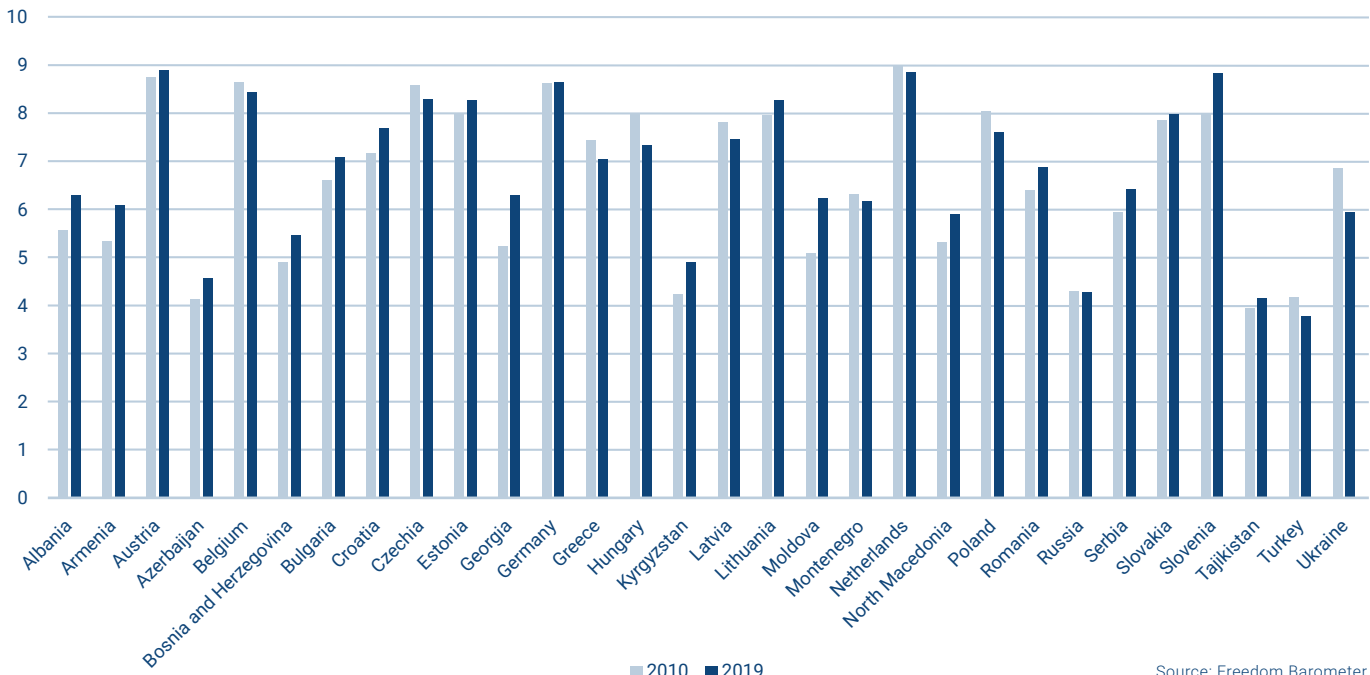
# IN THE BALKANS, HATE SPEECH AND HISTORICAL REVISIONISM OF BOTH WW2 AND THE ICTY'S RULINGS ON WAR CRIMES OF THE 1990S REMAIN AS THREATS TO HUMAN RIGHTS.

Inter-ethnic grievances became less visible in 2010s than, for instance, in the 1990s. Yet, in the Balkans, hate speech and historical revisionism of both WW2 and the ICTY's rulings on the war crimes of the 1990s remain as a threat to inter-ethnic relations and to the human rights of ethnic minorities. In addition, migrations to Europe by people from war-torn, or simply poorer regions of the world have posed new challenges for society, where populism is on the rise, feeding on anti-immigrant rhetoric and spreading irrational fears about the alleged per se impossibility of cohabitation of people of different cultures.

Yet another challenge to human rights is coming from the use of new technologies. Surveillance and the processing of data on citizens is today easier than ever, while legal mechanisms to protect the privacy of an individual citizen are constantly adopted too late, when governmental or non-governmental (such as commercial) actors have already developed even more sophisticated methods of breaching that privacy.



Graph 11 | Changes in the Protection of Human Rights Score by Country



Source: Freedom Barometer

## 5. ECONOMIC FREEDOM



### THERE ARE THREATS, BUT ALSO OPPORTUNITIES

by Mihailo Gajić

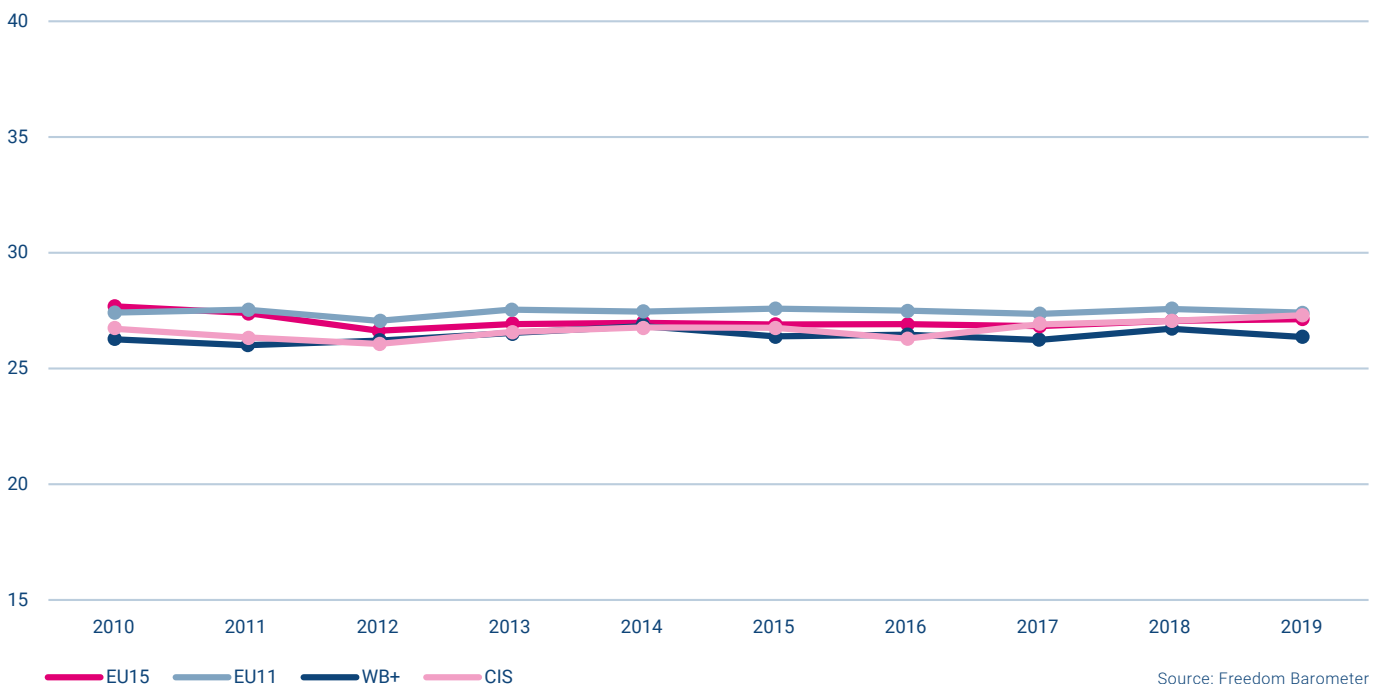
The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to enter and compete in a market, and the security of a person and privately owned property. According to Freedom Barometer, economic freedom is measured through four broad categories:

1. Security of Property Rights
2. Size of Government
3. Freedom to Trade Internationally
4. Regulation of Credit, Labour and Business.

### THERE ARE STRONG CONNECTIONS BETWEEN ECONOMIC FREEDOM AND A SET OF POSITIVE VARIABLES.

Multiple studies have shown a statistically significant connection between economic freedom and a rich set of positive variables, such as higher economic growth, per capita income, healthcare, and education outcomes such as longevity, literacy rates etc. At the same time, there is no correlation between economic freedom and negative variables, not even with inequality. The connections with political and institutional variables are less clear, but the fact that there are no democracies with a low level of economic freedom is telling.

**Graph 12 | Economic Freedom Scores by Region**



Source: Freedom Barometer

## THERE ARE NO DEMOCRACIES WITH A LOW LEVEL OF ECONOMIC FREEDOM.

At the first glance, there is virtually no regional difference in the level of economic freedom among European countries. This looks like a great victory of transition – now on average, transition countries from the former COMECON have reached the same level of economic freedom as advanced market economies.

## ALTHOUGH ECONOMIC FREEDOM IS AT A SIMILAR LEVEL ACROSS REGIONS, THERE ARE DEEPER, UNDERLYING DIFFERENCES.

But after a deeper inspection, there are deep, underlying differences that are hidden below the surface: even though the total number of points is the same, the distribution of scores across categories is not. EU15 countries have a significantly lower score in the Size of Government section, and a significantly higher score in the Security of Property Rights section, compared to other countries. Therefore, this difference grows with geographical and political distance – it is more pronounced in WB+ or CIS countries than in the EU11, which supports the theory of institutional convergence within the EU. It seems that if one wants to have secure property rights, then it need be paid with higher taxes to support the welfare state.

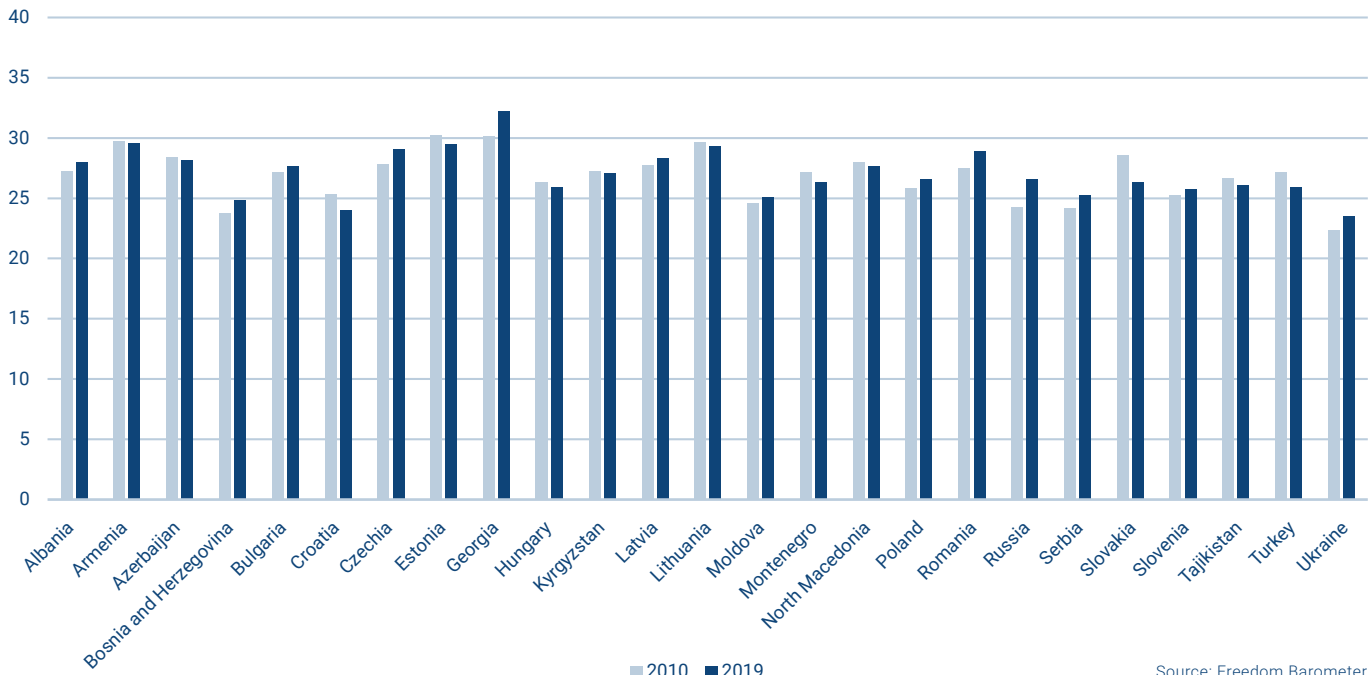
## SECURE PROPERTY RIGHTS SEEM TO GO HAND IN HAND WITH THE WELFARE STATE.

The level of economic freedom achieved is a consequence of the dominant social order. Therefore, it is clear why the level of economic freedom has stayed roughly the same during the previous decade. For a significant and sustainable increase (or decrease) in economic freedom, the underlying assumptions are the changes in the power status and structures of prominent social groups. These “dominant coalitions” are often in flux, but the underlying principles of their organization and function are mostly durable. Therefore, there is an elaborate interplay between institutional settings, political organizations and economic freedoms.

## THE LEVEL OF ECONOMIC FREEDOM IS A CONSEQUENCE OF THE DOMINANT SOCIAL ORDER.

Without these deeper changes, reforms that aim at increasing economic freedom end up ineffective since they change only the formal rules of the games while the informal ones remain the same. Also, that is why intervention from outside stakeholders (such as the IMF, the WB, or the EU) in promoting institutional development may not work as envisaged, since these need to rely on local stakeholders.

Graph 13 | Changes in the Economic Freedom Score by Country



Source: Freedom Barometer

## CHANGING FORMAL RULES DOES NOT CHANGE THE INFORMAL ONES.

There are several trends that pose challenges to the current economic order, and thus the current level of economic freedom. The rise of populism in politics poses a danger to institutions and the rule of law through reducing their independence from the centre of political authority, in fact dismantling the existing checks and balances. This could lead to a much stronger executive power which could be used to curtail property rights of those with little political importance. This problem also relates to the regulatory burden and its uneven application on different sectors and companies due to state capture. The wave of global trade protectionism has so far been restricted to the US and its trade relations with China, but the long-term impact of the Covid-19 pandemic could create a new momentum. Demographic changes through increasing expenses for retirement benefits and healthcare pose long-term threats to government solvency since most countries already face high public debt and new needs for financing the Covid-19 induced recession. The development of AI and automation could also add pressure for higher public spending for displaced workers or the population as a whole through UBI schemes. Some of these seem to be insurmountable obstacles, but there are also opportunities: cheaper and better technology that will change the way we work, communicate and travel, and the possibility of institutional change and adaptation. But these XXI century problems will not be easily cured with XX century remedies: for new solutions we also need a new vision.



# 5.1. SECURITY OF PROPERTY RIGHTS



## FIFTY SHADES OF GRAY

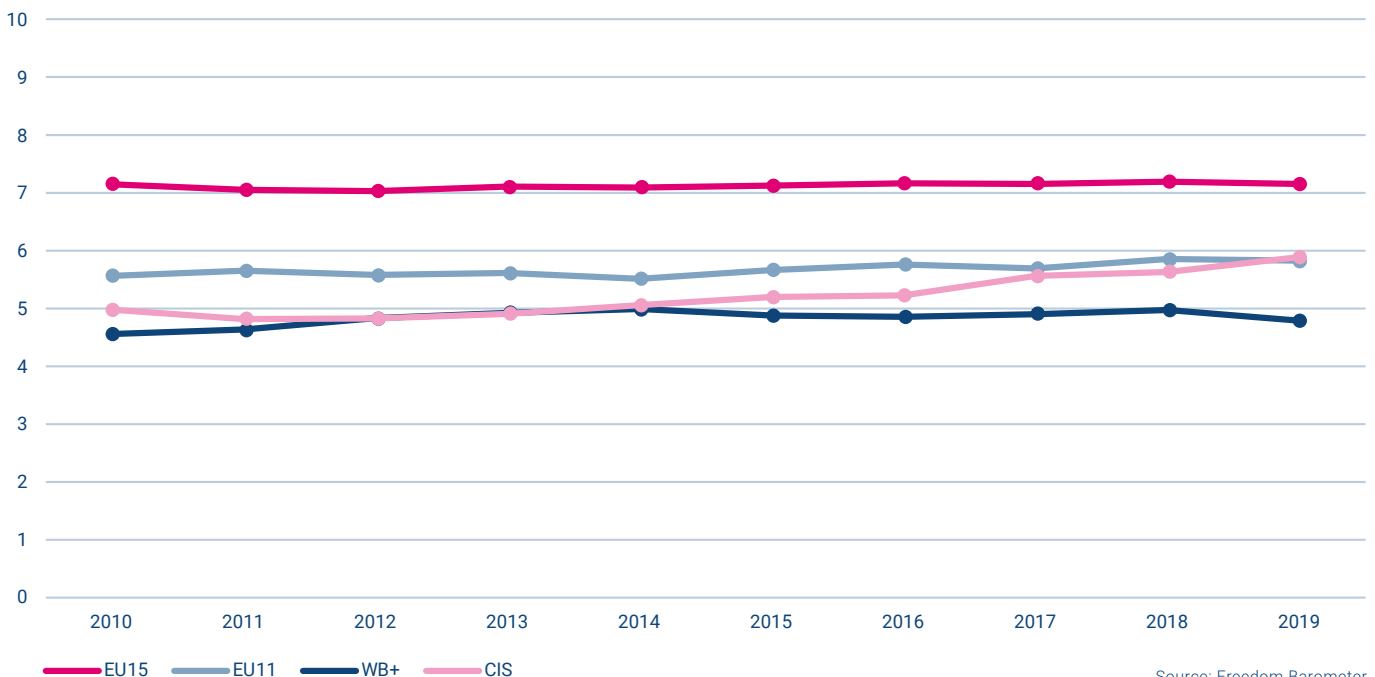
**W**ell defined and secured private property rights are the foundation stones of a civilized society. They allow for peaceful cooperation and exchange, creating a business environment that is conducive to investment, innovation and growth. Uncertainty arising from the lack of security of property rights or its lax enforcement pushes entrepreneurs to look for other, more informal ways of securing their property, contributing to widespread clientele networks in which politicians in power protect property rights only for those entrepreneurs that engage with them in exchange for pecuniary and political support. Insecure property rights thus are a trait of an unconsolidated democratic or autocratic regime.

### WELL DEFINED PROPERTY RIGHTS ARE THE FOUNDATION STONES OF A CIVILIZED SOCIETY.

There is a clear regional difference in the security of property rights across Europe. On one hand, private property is more secure in the advanced European countries grouped in EU15, while the Western Balkan countries lie on the other end of the distribution, with CIS and EU11 countries somewhere in between. However, we need to take the value of this indicator with a grain of salt, since some sources (most prominently the World Bank and its Doing Business Report) focus more on the text of the law and not on its practical implementation, whether that is genuine and to what an extent. There is nothing easier than introducing a new law without actually implementing it.

The level of property rights security is bound by other important systemic traits of society at question: the nature of its political system and its balance of political power. In countries where there are effective controls on the executive power, property rights are more secure and vice versa. Therefore, the overall level of property rights protection relies on an intricate interplay between political and societal stakeholders and its sustained improvement can only be possible with a change in these underlying conditions.

Graph 14 | Security of Property Rights Scores by Region



Source: Freedom Barometer

## PROTECTION OF PROPERTY RIGHTS RELIES ON AN INTRICATE INTERPLAY BETWEEN MANY STAKEHOLDERS IN SOCIETY.

It is not surprising, then, that there are few significant changes over time. The most important improvements have been recorded in Georgia, followed by Romania, Slovenia, Tajikistan, and Russia. The stellar performance of Georgia is due to the significant rise in values of the Judicial Independence and Protection of Property Rights indicators by the Global Economic Forum. The same could be said for Romania. At the same time, most of the score increase in Slovenia is attributed to the reduction in the time necessary to register a purchase of real property. Only in Tajikistan was there an increase across the whole set of indicators. There was also a broad increase across many indicators in Russia, but with a worsening performance in the legal enforcement of contracts.

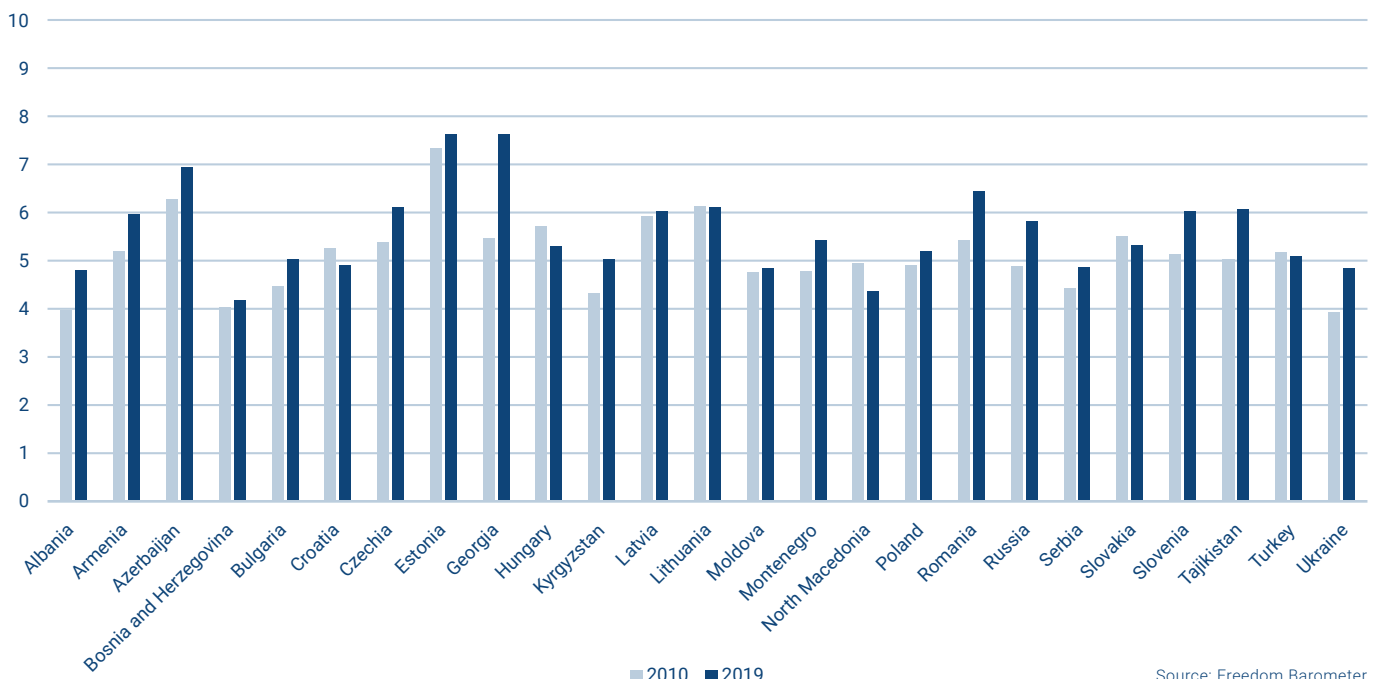
There are many different forms by which the insecurity of property rights is exposed. One is by direct political control over court decisions, followed by somewhat clear court preference towards state owned companies or big corporations with political backing; it can be more subtle when courts are overwhelmed by the sheer number of backlogged cases so that their procedures become exhaustingly long. Corruption always remains an issue, including in state institutions such as the land registry, but new technologies and the dissemination of notary services have limited its scope.

There are opportunities but also threats regarding the security of property rights in countries at hand, which differ from region to region, or country to country. The process of EU integration can prove to be an important catalyst for improvements in the Western Balkans if it continues, since it would support institutional development and a de-concentration of political power. In Ukraine, deep political changes provided a window of opportunity for bold reforms (including the recent land market development), but the rest remains at crossroads.

## THE LOOMING POPULIST THREAT COULD UNDERMINE PRIVATE PROPERTY RIGHTS THROUGH DISMANTLING OR WEAKENING THE EXISTING INSTITUTIONAL CHECKS AND BALANCES.

At the same time, the populist threat that is looming in several CEE and WB countries can undo many improvements by dismantling institutional checks and balances that have not yet passed the test of time. The non-oil CIS countries need to acknowledge the fact that there is no sustainable economic growth without private property rights. But their introduction would create social groups not dependent on the state and thus enable their existence outside of the operating clientele network, which could challenge the established political order. This interplay between different groups that govern or want to govern power structures will determine the outcome of property rights in each country.

Graph 15 | Changes in the Security of Property Rights Score by Country





# 5.2. SIZE OF GOVERNMENT



## MANY STORMS AHEAD

The welfare state that organises healthcare, education, retirement benefits, and a social assistance programme through high taxes remains one of the defining traits of the European social model. But the scope of the welfare state’s redistribution, government and, subsequently, tax rates, differs across the continent.

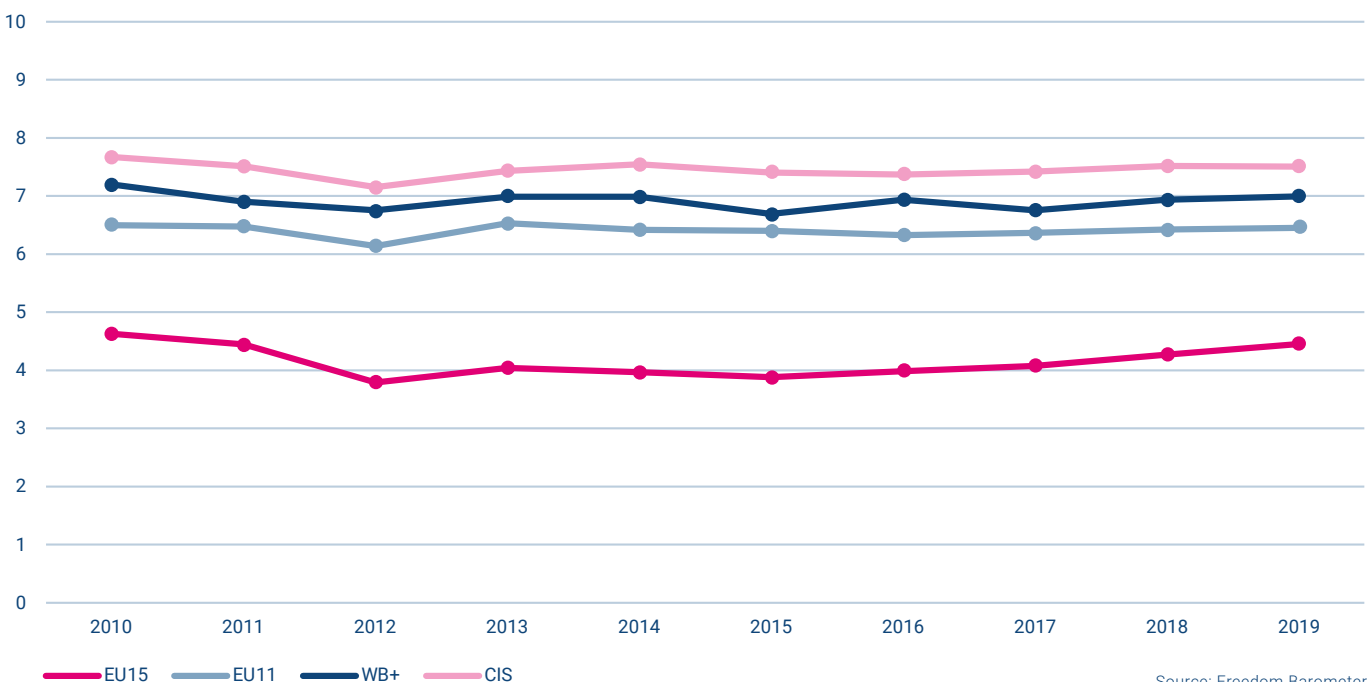
### THE WELFARE STATE REMAINS ONE OF THE DEFINING TRAITS OF THE EUROPEAN SOCIAL MODEL.

The advanced economies (EU15) have significantly lower scores in the size of government indicator, compared to the other countries on the continent. This pattern seems to follow the level of economic development: the more

developed a country is, the higher public spending it has (Wagner’s Law). But there are also exceptions to this rule: post-Yugoslav countries (excluding North Macedonia) and Hungary have a significantly higher government spending than their development level would predict. On the other hand, energy exporter countries (such as Russia and Azerbaijan) can finance their spending without the need for high tax rates on income or profits, which artificially increases their score.

### THE MORE DEVELOPED A COUNTRY IS, THE HIGHER PUBLIC SPENDING IT HAS, MOSTLY DUE TO INCOME REDISTRIBUTION PROGRAMS.

Graph 16 | Size of Government Scores by Region



Source: Freedom Barometer

There are also differences in the quality of public spending and market interference. While in the most advanced countries a low score comes from income redistribution programs targeting the middle class as well as the poor, and government is mostly absent from economic activities, in other regions redistribution is less pronounced, but government is often more involved in economic activities through SOEs, many of which rely on budgetary support.

Most of the countries had relatively stable scores during the previous decade, since the level of government consumption rests mostly on previously assumed obligations which provide little room for discretion by the current government. But there are also countries that significantly break this status quo.

## THERE IS LITTLE ROOM FOR CURTAILING THE CURRENT LEVEL OF GOVERNMENT CONSUMPTION THROUGH GOVERNMENT DISCRETION SINCE THE BULK OF IT IS THE CONSEQUENCE OF PREVIOUSLY ASSUMED OBLIGATIONS.

Positive examples include Czechia, Bulgaria and Romania. Slovenia is a peculiar case, since it first witnessed a decline in its score, followed by a rise, due to the tax changes that have taken place since 2016, which decreased the personal income tax burden through a higher tax allowance and the

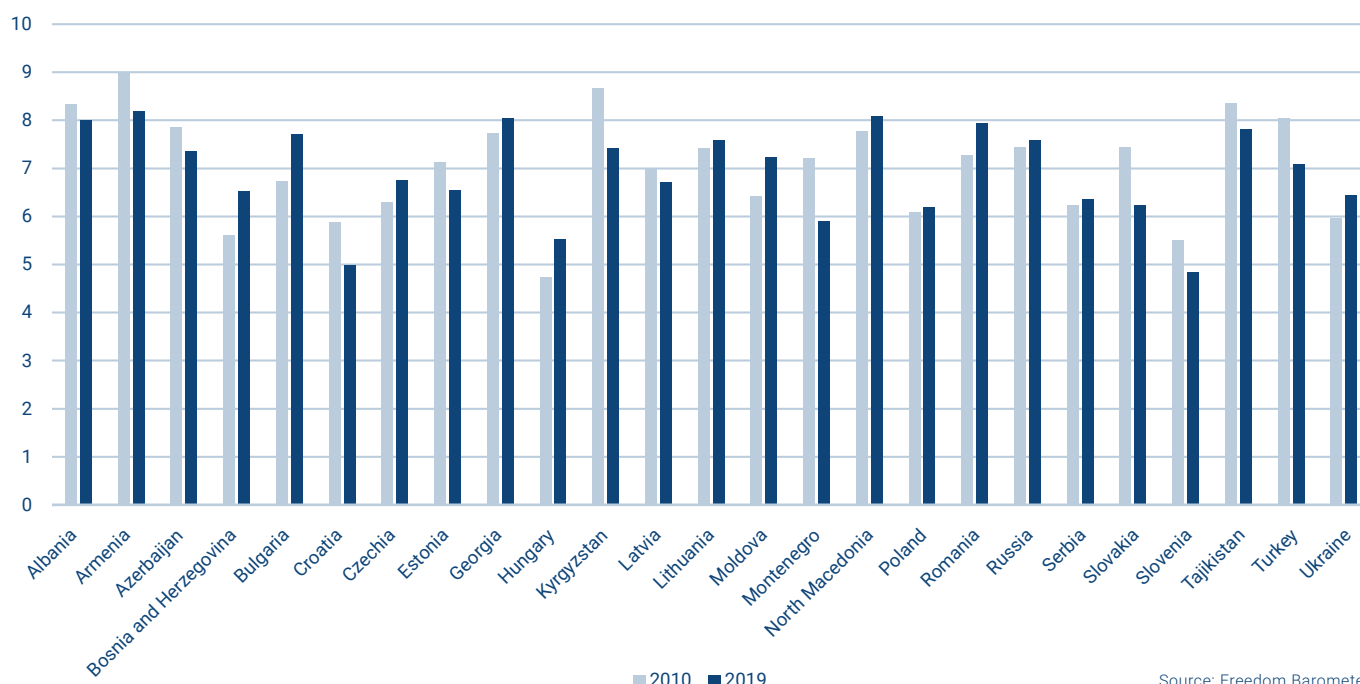
introduction of two new tax brackets, which decreased tax progress, although corporate tax was slightly increased. Romanian tax changes also included a significant decrease of the personal income tax and introduced a new way of calculating social contributions at reduced rates. Moldova and Ukraine have recently reduced their social contribution rates.

## RECENT TAX REFORMS MOSTLY AIM AT REDUCING THE LABOUR TAX WEDGE TO FOSTER NEW EMPLOYMENT.

Most of these reforms seem to share a vision of reducing the labour tax wedge to promote hiring of new workers and increase after-tax salaries. Some other countries opted to keep the same tax rates, but to decrease non-tax revenues, which was enabled by a good performance by their economies.

On the other hand, negative examples of countries that decreased their scores during the decade are Croatia, Slovakia, Montenegro, and Turkey. The several waves of tax reforms in Croatia proved to be too incremental to have any significant impact; Slovakia was able to eliminate its high budget deficit but at the higher level of public spending, while Montenegrin highway investment is making the government push unpopular austerity measures since it threatens its solvency.

Graph 17 | Changes in the Size of Government Score by Country



The fiscal prospects of most European countries are bleak. Public debt in most of them is already very high, and any future interest rate increases would take a heavy toll. The traditional challenges to the welfare state come from demographic changes, as population grows older due to lower birth rates. Most of the countries from the East of the continent are also hit by a massive emigration rate to more developed countries in the West.

**DEMOGRAPHIC CHANGES  
LEAD TO RISING COSTS OF  
RETIREMENT BENEFITS AND  
HEALTHCARE, WHICH WILL  
PUT A SIGNIFICANT STRAIN  
ON WELFARE STATE VIABILITY  
IN FUTURE DECADES.**

All this means that the rising costs of retirement benefits and healthcare for the ageing population will fall on the ever-smaller working age population. The proposed massive immigration from the Middle East and Africa presents challenges since it mostly involves those without the qualifications necessary to easily join the economy and also poses the question of social integration. The rise of AI and job automation also poses challenges through possible higher costs for unemployment benefits and life-long learning programmes for workers that need to change careers, but also through stronger political support for stronger redistributive programs such as universal basic income.

**THE RISE OF AI AND  
AUTOMATION POSES NEW  
CHALLENGES FOR LABOUR  
MARKET AND SOCIAL  
SECURITY SYSTEMS ACROSS  
THE GLOBE.**



# 5.3. FREEDOM TO TRADE INTERNATIONALLY



## GLOBALISATION IS STILL THE MAIN SHOW IN TOWN

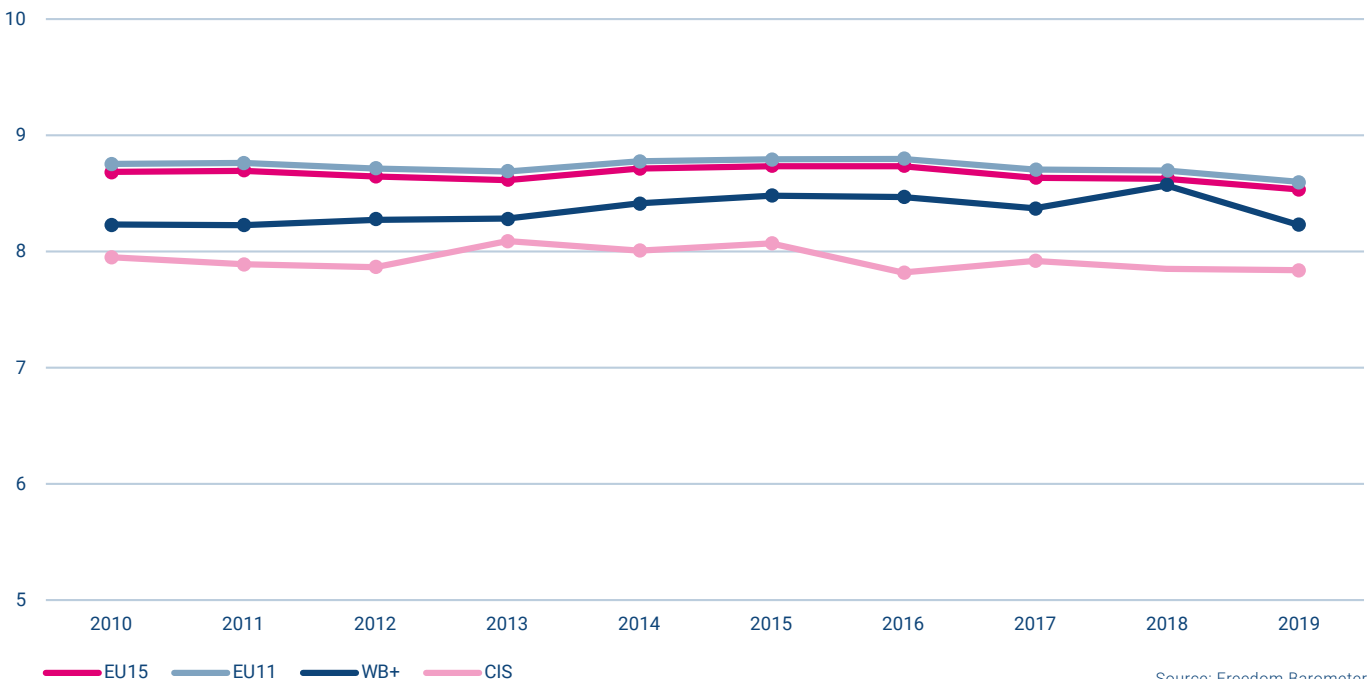
Even though the threat of protectionism remains on the global stage, with populist rhetoric and trade wars between the USA and China, Europe mostly seems committed to the values of free trade. All European countries are small economies on the global scale, making benefits from free trade clearly visible.

### EUROPE REMAINS COMMITTED TO THE VALUES OF FREE TRADE.

There are regional differences, however, with EU countries being more free trade oriented than those outside this regional community. The closer a country is to the EU, the more open its free trade.

When regional scores are examined, they show little change over the last decade. First of all, the almost identical results of the EU15 and the EU11 countries show that in practice, there is no deviation from the supranational EU trade policy by EU member states. The only exception noted is Greece, which scores 8.10 (instead of 8.60), due to higher non-trade barriers. The whole EU average score has slightly decreased during the previous decade (from 8.75 to 8.60) which echoes the non-proliferation of trade agreements. While the EU signed new FTAs with Japan, Korea and Canada, the trade agreement with its most important trade partner (the United States) was put on hold, not only due to the new protectionist trade policies advocated by the USA, but also because of strong opposition at home.

Graph 18 | Freedom to Trade Internationally Scores by Region



Source: Freedom Barometer

# THE PROLIFERATION OF FREE TRADE AGREEMENTS BETWEEN EU AND COUNTRIES OUTSIDE OF THE REGION HAS BEEN RESTRICTED.

When non-EU countries are considered, we see that their scores are much lower compared to the EU, indicating that they pursue significantly more protectionist trade policies. Although the scores are mostly stable across the WB+ and CIS regions, there are cases which indicate significant policy changes during this period. Tajikistan, Ukraine and Turkey are countries with the biggest drop in scores, while Russia is the single country that significantly increased its score. Although Russia continues to employ its trade policy to create political pressure (the ban on foodstuff imports from the EU since 2014), its accession to the WTO in 2012 had a strong liberalisation effect. On the other hand, the effects of the EAEU on participating countries are rather small.

# THE EFFECTS OF EAEU ON PARTICIPATING COUNTRIES ARE RATHER LIMITED.

Serbia, Belarus, Bosnia and Herzegovina, and Azerbaijan remain among the several countries in the world that are still not members of the WTO.

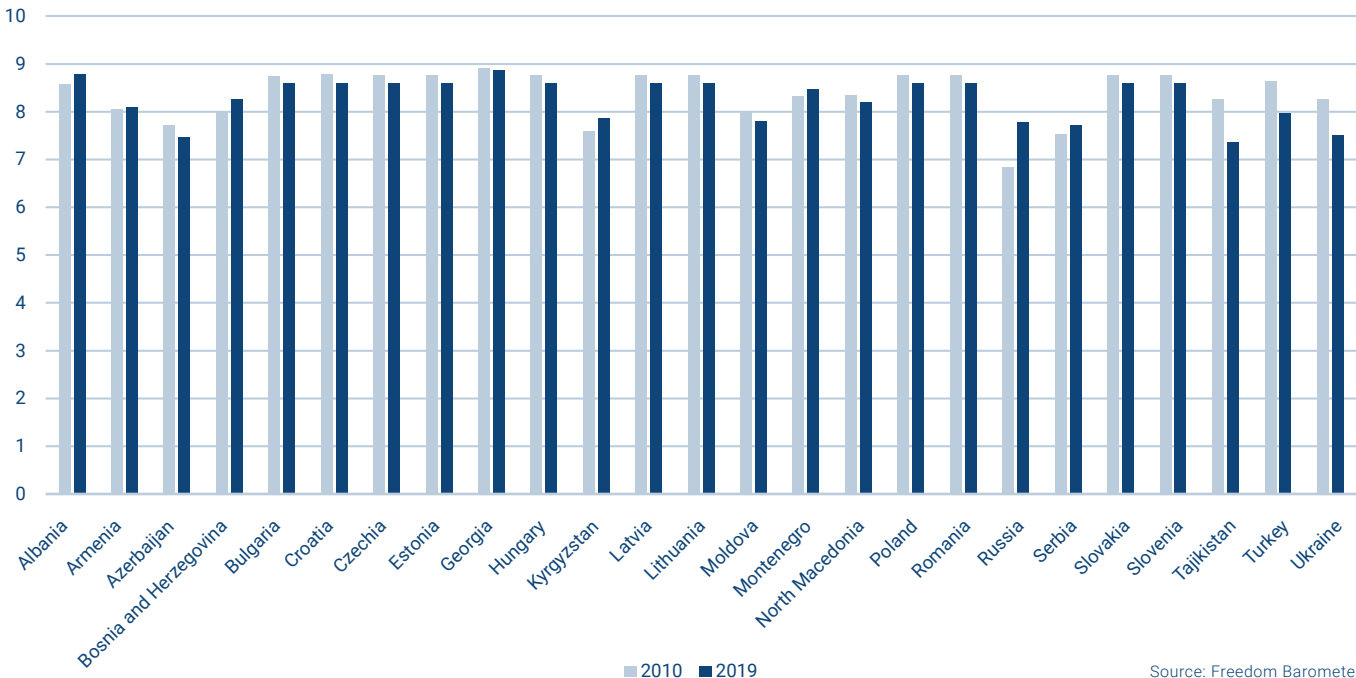
The prospect of EU accession for WB countries should promote free trade in this region since WTO accession and implementation of the EU common trade policy is a prerequisite for the accession. While Serbia and Montenegro have already opened accession negotiations, Albania and North Macedonia are waiting for the green call, while Bosnia and Kosovo are further behind since they haven't obtained candidate country status. New ideas for a stronger regional economic integration are also voiced, but its actual implementation remains to be seen.

# THE PROSPECT OF EU ACCESSION WOULD PROMOTE FREE TRADE AMONG WB COUNTRIES.

The Brexit deal might have a significant impact on trade relations between the UK and the EU. It is still unknown whether the UK will pursue a more open trade policy towards the world, opening up its market not only to products and services coming from the European continent but also from across the seas, or it will close its borders and build walls that prevent trade. Any of these policies would have a reciprocal response from Brussels. The future UK – EU relationship might prove to be a complicated one.

# BREXIT COULD HAVE A POTENTIALLY SIGNIFICANT EFFECT ON EU TRADE POLICY.

Graph 19 | Changes in the Freedom to Trade Internationally Score by Country



Source: Freedom Barometer

## 5.4. REGULATION OF CREDIT, LABOUR AND BUSINESS



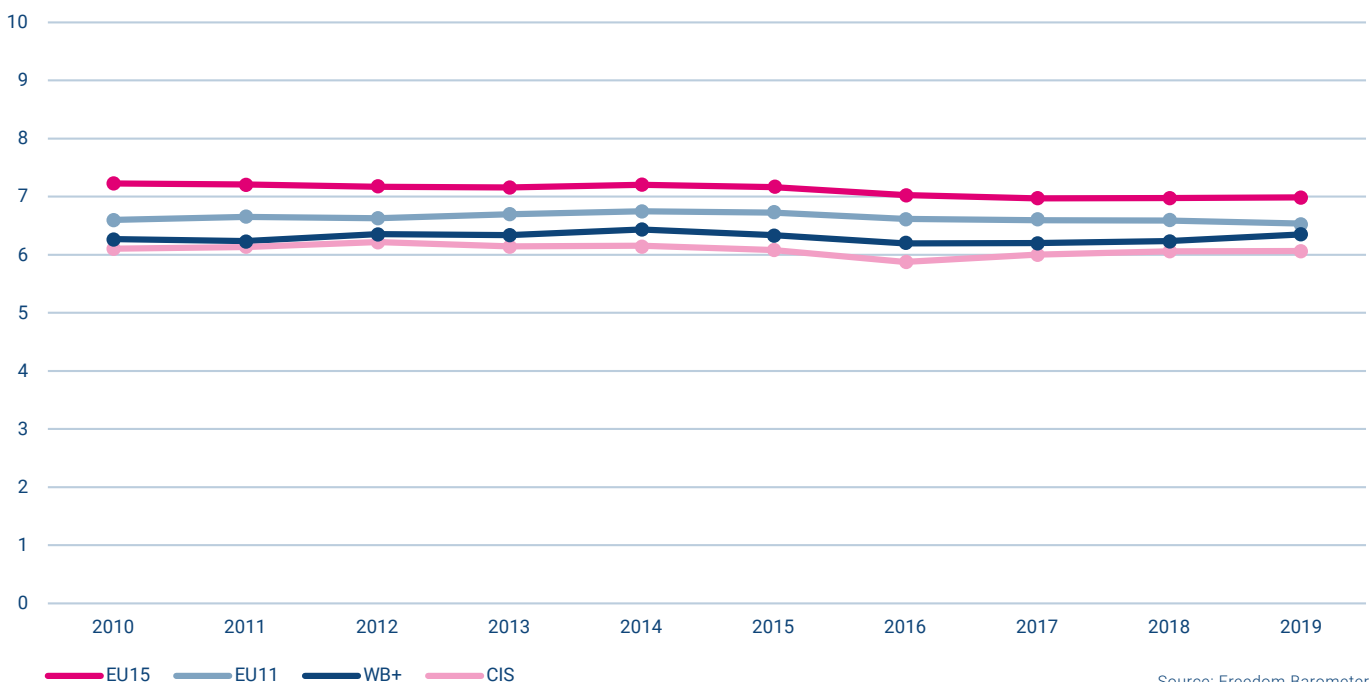
### SORRY, IT SEEMS THAT YOU HAVE ONE DOCUMENT MISSING

Business regulation is an important part of the overall business environment since it has significant influence on entrepreneurial activities. Business regulation can either promote competition and innovation or stifle them to secure rent seeking and the status quo. A heavy bureaucratic burden also leads to high administrative costs and the cost of missed opportunity since some business activities were not implemented. But as a whole, Europe remains a place of good business regulation compared to other regions of the world, although some of the traditional measures of regulation quality such as the World Bank's Doing Business have lost much of their explanatory power due to political efforts to reform any areas measured by it.

In labour market regulation there is an overall trend of increasing flexibility, with the potential aim of reaching the 'flexicurity' system currently present in Scandinavia (where social security is transferred from the market to the state through social programmes). Investment regulation policy remains welcoming to investments from abroad, keeping restrictions in only a handful of industries deemed strategic (such as transport, media and utilities). Even though political pressures in practice can heavily influence regulatory policy, the use of mechanisms such as regulatory impact assessment and the stakeholder consultation process have at least some influence on decision making.

### AS A WHOLE, EUROPE REMAINS A PLACE OF GOOD BUSINESS REGULATION.

Graph 20 | Regulation of Credit, Labour and Business Scores by Region



Source: Freedom Barometer

There is a clear difference between different regions in Europe regarding the quality of business regulation. It is considered to be the best in advanced Europe, while its quality decreases in turn in new EU member states, the Western Balkans and the CIS countries, although some countries from these groups can differ substantially from their peers.

## THERE IS A CLEAR REGIONAL DIVIDE IN REGULATION QUALITY BETWEEN ADVANCED AND DEVELOPING NATIONS.

The business regulation scores across the regions have been mostly stable during the decade, which could be explained by the fact that their current level relied on the political equilibrium which mostly remained stable across the region, despite populist challenges.

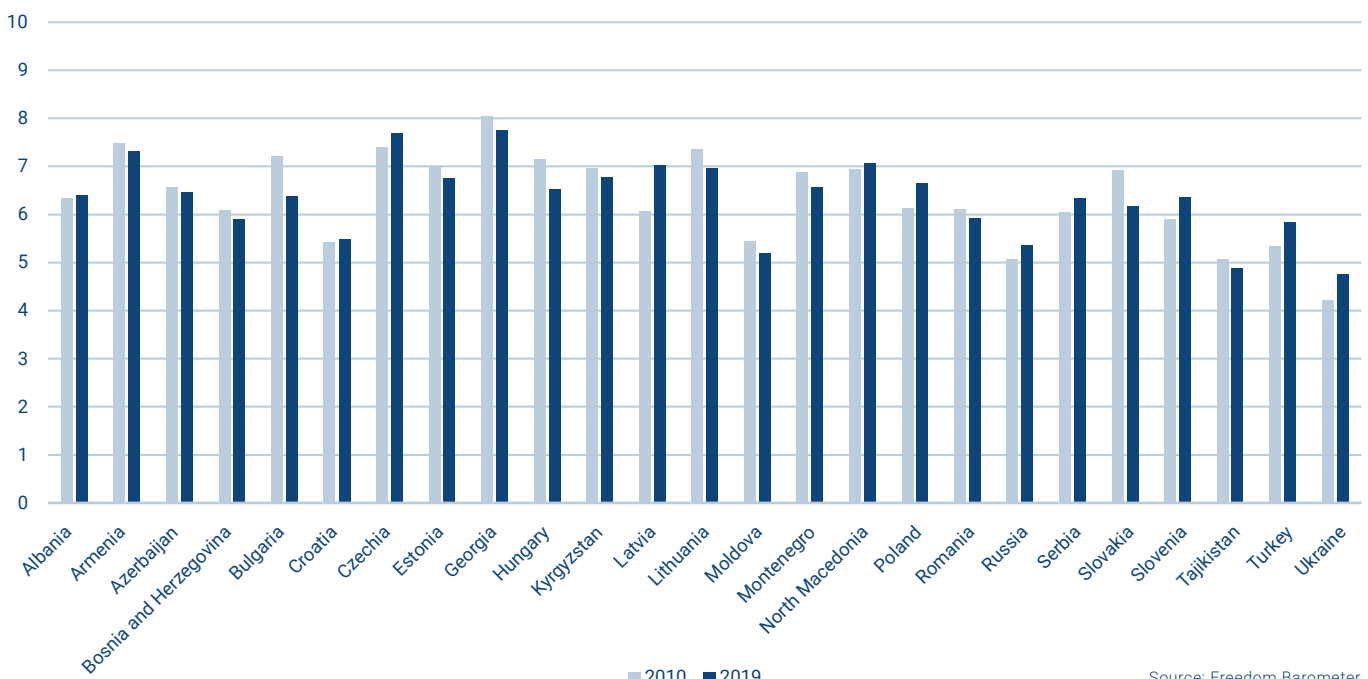
This is even more visible at the country level. There are little, if any, vacillations in business regulation scores across the spectrum. Regional outliers are now clearly visible: Georgia outperforms not only all its regional CIS peers, but all countries in CESEE region, followed by Armenia. Croatia is the worst new EU performer, at the same level as Tajikistan, Moldova, and Russia. Some noticeable changes in score are present in Turkey, Poland, Ukraine and Slovenia, which recorded increases, and in Bulgaria and Slovakia, which recorded decreases. However, the quality of business regulation is not the only thing of concern, so is its actual, non-discriminatory implementation in practice. This does

not pose an issue in countries with effective government administration and the rule of law but remains an open question in countries with weak institutions, high corruption and a political culture that favours clientelism.

## THE QUALITY OF BUSINESS REGULATION IS IMPORTANT, BUT ALSO IS ITS IMPLEMENTATION IN PRACTICE.

It is clear that possible EU accession of WB countries will not lead to an increase in administrative burden, since the EU encompasses on one hand countries with good regulatory environments, such as the Netherlands, Sweden and Denmark, and on the other hand countries with less than stellar records, such as Croatia, Greece and Bulgaria. The issue of regulatory implementation in practice remains important for most countries in the EU11, WB+ and CIS regions. Current political developments in some of these countries, however, such as stabilisation of power within a political group that undermines the already weakened system of checks and balances, as in Hungary or Serbia, might have a negative impact on the quality of business regulation in the long run. At the same time, new developments in AI and automatisisation create new challenges for labour market regulation, which will eventually need to be addressed, while new technologies may also lead to a rethinking of the current business regulation, with the aim of fostering innovation. However, all these developments will face resistance from vested interest groups. The resolution of this political problem will be an important step in fostering economic growth in the region.

**Graph 21 | Changes in the Regulation of Credit, Labour and Business Score by Country**



## 6. LIST OF ABBREVIATIONS

**AI** – Artificial Intelligence

**BiH** – Bosnia and Herzegovina

**CESEE** – Central, East and Southeast Europe

**CIS** – former Commonwealth of Independent States countries covered by Freedom Barometer, including Moldova, Russia, Ukraine, Georgia, Armenia, Azerbaijan, Kyrgyzstan and Tajikistan

**CSO** – Civil society organization

**FB 45** – All countries included in Freedom Barometer analysis (all countries in Europe, Central Asia, and the Caucasus region, excluding Belarus, Kazakhstan, Uzbekistan, Turkmenistan and Kosovo)

**EAEU** – Eurasian Economic Union

**EU** – European Union

**EU 28** – All current EU member countries (including the UK)

**EU 15** – EU countries after the 1995 enlargement by the joining of Sweden, Finland and Austria

**EU 12** – EU countries prior to the 1995 enlargement (the UK, Ireland, Denmark, Spain, Portugal, Greece, Italy, France, the Netherlands, Belgium, Luxembourg, Germany)

**EU 11** – Central and Eastern European EU member countries (Czech Republic, Poland, Slovakia, Slovenia, Hungary, Latvia, Lithuania, Estonia, Romania, Bulgaria, Croatia)

**FTA** – Free trade agreement

**ICTY** – International Criminal Tribunal for the former Yugoslavia

**LGBT** – Lesbian, gay, bi-sexual and transgender

**N. Macedonia** – North Macedonia

**OSCE** – Organization for Security and Cooperation in Europe

**PM** – prime minister

**UK** – the United Kingdom of Great Britain and Northern Ireland

**WB 5+** - Western Balkan countries and Turkey (Serbia, Bosnia & Herzegovina, Montenegro, North Macedonia, Albania and Turkey)

**WTO** – the World Trade Organization

**WW2** – the Second World War



# 7. FREEDOM BAROMETER METHODOLOGY

## I Political Freedom:

### 1) Free and Fair Elections

Scores from Freedom House *Freedom in the World*:  
(A) Electoral Process and (B) Political Pluralism and Participation

$$(A + B / (\text{max score A} + \text{max score B})) * 10$$

### 2) Absence of Unconstitutional Veto Players

Scores from Freedom House *Freedom in the World*: (C)  
Functioning Government

$$(\text{score} / 12) * 10$$

### 3) Press Freedom

Score from the Press Freedom Index of the  
*Reporters Without Borders* (A)

$$(100 - \text{final score}) / 10$$

## II Rule of Law:

### 4) Rule of Law

Scores from World Bank's World Governance Indicators  
(WGI), section Rule of Law.

$$5 + \text{score}$$

### 5) Corruption

Transparency International's *Corruption Perception Index*

$$\text{score} / 10$$

### 6) Protection of Human Rights

Score from Friedrich Naumann Stiftung's  
*Human Rights Index*

## III Economic Freedom:

### 7) Security of Property Rights

Data from World Economic Forum *Global Competitiveness Report* and World Bank *Doing Business Report*

$$\text{Judicial Independence (A): } (A - 1) / 6 * 10$$

$$\text{Intellectual Property Protection (B): } (B - 1) / 6 * 10$$

$$\text{Protection of Property Rights (C): } (C - 1) / 6 * 10$$

$$\text{Reliability of Police (D): } (D - 1) / 6 * 10$$

$$\text{Legal Enforcement of Contracts (E): } ((725 - \text{score time}) / (725 - 62) * 10) + ((0,823 - \text{score costs}) / (0,823 - 0) * 10) / 2$$

$$\text{Regulatory Costs on Sale of Real Property (F): } ((265 - \text{score time}) / (265 - 0)) * (10 + (0,15 - \text{score cost}) / (0,15 - 0) * 10) / 2$$

$$\text{Final score: } (A + B + C + D + E + F) / 6$$

### 8) Size of Government

Heritage Foundation, *Index of Economic Freedom*,  
Government Spending (A) and Fiscal Freedom (B)

$$(\text{score A} / 10 + \text{score B} / 10) / 2$$

### 9) Regulation of Credit, Labour and Business

Heritage Foundation, *Index of Economic Freedom*,  
Financial Freedom (A), Business Freedom (B) and  
Labour Freedom (C)

$$(\text{score A} / 10 + \text{score B} / 10 + \text{score C} / 10) / 3$$

### 10) Freedom to Trade Internationally

Heritage Foundation, *Index of Economic Freedom*,  
Trade Freedom

$$\text{score} / 10$$

## 8. ABOUT THE AUTHORS



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Ivan Despotović (1989) is the Freedom Barometer team's analyst of political freedom and the author of the *Finding Freedom* podcast of the Friedrich Naumann

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He works with the CSO 'Libero' as a project manager experienced in the development and management of projects on the protection and advance of human and citizen rights, as well as on embedding democratic values among young people in Serbia and in the SEE region. Ivan is the author of several manuals for youth activism and for empowering CSOs by using digital technologies. As a co-founder of the Smart City Education Initiative, he advocates cooperation between the political and private sectors (start-ups) on developing technological solutions for encouraging city development and implementing innovative local governance practices. He is a Programme Director of the Smart City Festival in Belgrade – an annual event gathering 2,000+ guests, speakers, and experts world-wide. Also, he works as a strategic communication consultant and trainer in the field.



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Born in 1955 in Belgrade, Serbia. Policy analyst, consultant, political trainer, and interpreter, working trans-nationally. Human rights activist in former Yugoslavia

since 1981, including in 1990s' Serbia. Between 1997-2004, project coordinator of the Friedrich Naumann Foundation for Freedom (FNF) in the Western Balkans sub-region. Between 2003-2007, a political risk assessment analyst with Zurich-based commercial company 'Chopardco'.

Between 2007-2009, a member of the international development cooperation forum The Third Chamber in the Netherlands. In 2009-2010, a member of the CRTA team and a founder of the web portal Istinomer (Truth-o-meter) in Serbia. Between 2011-2012, an expert with the think tank Center for Euro-Atlantic Studies (CEAS) in Belgrade. Guest-lecturer at the Academy of Liberal Policies in Belgrade since 2012. An author or co-editor or translator of numerous publications on local governance, human rights, the anti-corruption struggle, political, economic, and military reforms, political strategies, etc. An author of the *FNF Freedom Barometer European Edition* since 2013, with a focus on the rule of law.



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