



Weekly Briefing

Serbia Economy briefing:
Strengthening Serbia's ties with the European Union
IIPE

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Strengthening Serbia's ties with the European Union

Abstract: In the accession negotiations with the European Union (EU), Republic of Serbia (RS) opened Chapters 33 and 13, which means that until now it has opened 14 of the 35 negotiating chapters. For Chapter 33 – Financial and budgetary provisions Serbia has to prepare administrative capacities and for Chapter 13 – Fisheries Serbia has to harmonize legislation. In the meantime, EU projects that finance small and medium enterprises, infrastructure, social responsibility, education, etc. are intensifying in Serbia.

At the eighth Intergovernmental Conference held on 25. June 2018 in Luxembourg, Serbia opened another two chapters within EU accession negotiations – Chapters 33 and 13. Chapter 33 – Financial and budgetary provisions includes rules on financial resources necessary for the financing of the EU budget. Chapter 13 – Fisheries refers to the Common Fisheries Policy of the European Union and covers issues relating primarily to the use and management of fisheries wealth, fisheries and fishery market regulation, control policies, and international cooperation in fisheries. The Serbian Minister for European Integration Jadranka Joksimović, who led Serbia's delegation assessed that Serbia made the right use of Bulgaria's efforts to return the Western Balkans and enlargement to the EU's focus. These are two very important and specific chapters, so now we are working on strengthening administrative capacities so that we can effectively become a functional member of the EU.

Chapter 33 - Each Member State of the European Union has the right to use the funds from the Union budget, but also the obligation to pay to the budget. Serbia is obliged to provide administrative capacity to adequately coordinate and secure the correct budget, collection, payment and control of own funds. The EU *acquis* in this area is directly binding, which means that it is not necessary to translate them into national legislation. From the first day of membership, RS

will pay the necessary contributions to the joint budget of the European Union, thus obtaining the possibility to use a certain amount of Union budget expenditures from the Cohesion Fund and Structural Funds. Traditionally, most of the amount is allocated to the Common Agricultural Policy, while a large part of the funds are allocated for the regional development, i.e. the reduction of the differences between the more developed and less developed regions in the EU.

Chapter 13 - By harmonizing legislation in this area with EU legislation, Serbia will more easily establish the control of illegal, unreported and unregulated fishing, and will also receive incentives to improve and preserve fish ponds. Fisheries reforms will also ensure better quality of fish in the Serbian market. In addition, one of the five EU Structural Funds - the European Maritime and Fisheries Fund is aimed at providing funds to the fishing industry and coastal communities with the aim of adapting to the changed conditions in the fish market, as well as achieving economic and environmental sustainability in this sector.

"Budget and financial provisions are the way RS is preparing at this stage to participate in EU membership in the common European budget. Our contribution to the common European budget will be somewhat smaller compared to our GDP, but the withdrawal from the common European budget will therefore be somewhat higher. This is especially in the first years of membership and important for the overall development of the country" said Joksimović. She added that through Chapter 33 Serbia will prepare administrative capacities in order to design participation in a common European budget and to withdraw as many available funds. Through work on Chapter 13, Serbia will be ready to withdraw money from EU funds for the renewal of the fish fund once it enters the EU. "More and more people in Serbia are engaged in fish production, and it is very important that we adopt the standards that apply to this area, thus opening the possibility for people who comply with fish breeding standards to become more competitive for export to the European market and the region," says Joksimović. Serbia plans to go faster and to open the 7-8

chapters annually, and to open all the chapters by 2021-2022, European Commissioner for Enlargement Johannes Hahn demanded that Serbia must speed up reforms in the rule of law, and also urged RS to align the visa policy, which, according to him, is moving away from the EU. From Serbia and the EU both is estimated that the RS can open more chapters by the end of the year. With the opening of two new chapters, Serbia opened 14 of the 35 negotiating chapters in the process of accession negotiations with the EU, of which two were temporarily closed.

European Union Ambassador to Serbia Sam Fabrici said that unemployment is a problem that affects Serbia and the EU both, and therefore the EU in Serbia supports projects that encourage entrepreneurship, especially among young people and women. Ambassador Fabrici invited local governments as well as companies to actively participate in the implementation of the new EU PRO, a three-year program aimed at the economic and social development of 99 local governments in Serbia. There is currently a public invitation for entrepreneurs and micro and small enterprises for which the European Union has identified EUR 4.5 million in order to improve their business, and to be socially responsible in their communities. The European Union supports the activities of EU PRO, a program that contributes to a more balanced socio-economic development of Serbia, with a total of 25 million euros. The program aims to contribute to increasing the competitiveness of micro and small enterprises, improving the business environment and improving social cohesion in local governments in two regions: the Šumadija Region and Western Serbia and the Region of South and East Serbia. Field activities are carried out by the United Nations Office for Project Services (UNOPS).

The opening of new chapters in the EU negotiation process is of great importance for Serbia, because the harmonization of Serbian legislation with EU standards is one of the first issues of every investor coming from Europe, said Deputy Prime Minister and Minister of Construction, Transport and Infrastructure Zorana Mihajlović. There is no doubt that our strategic interest is

EU membership, but above all the reaching of the EU standards. She added about the Budapest–Belgrade railway that although the sources of funding for this project are different, but all contracts, both with Chinese and Russian partners, are in line with the EU. Each of RS laws, in addition to ministries and institutions that check them, also goes to the European Commission, which gives its opinion and until we agree on all of these laws they do not reach Serbian Parliament. It is expected that the French company Vinci Airports will officially take over the Nikola Tesla Airport in September, which, is the driver for other investments, and one of them is the railway from the airport to the city. A delegation of the French business association “Movement of French Companies” - MEDEF, visited Serbia and is interested in the field of infrastructure, engineering and software. They have discussed cooperation in the field of railways, air transport, construction of subway and water treatment plants for drinking and wastewater.

Through the WB EDIF program, EUR 410 million have been provided for solving the problem of financing medium and small enterprises, and mostly financed by EU Instrument for Pre-Accession Assistance (IPA) program for the Western Balkans. President of Chamber of Commerce and Industry of Serbia Marko Čadež said that the problem of financing was and is still one of the biggest constraints on more successful business in Serbia. Čadež said that in the second half of the year, Serbia will get new legal frameworks that will regulate the incentives that will be provided to investors when it comes to investing in innovative companies and connecting innovative companies with large systems.

In the first six months of this year, the European Investment Bank (EIB) has signed contracts for the financing of projects in the Western Balkans worth 600 million euros, and more than half of that money, about 340 million, is for projects in Serbia. These are projects in the private as well as in the public sector, mostly in the field of infrastructure, from transport, energy, education, science and research, to healthcare projects, but also for construction of municipal and communal infrastructure and support to small and medium-sized enterprises.

EIB and Serbia at the Summit of the Western Balkan countries in Sofia signed a Memorandum of Understanding with Serbia for the appraisal of EUR 1 billion in investments in infrastructure connectivity, digitalization, rural development etc. The beginning of the first projects can be expected already this year. The financing are in the next three to four years, in different sectors, from transport (highway Niš-Pločnik) in the first phase, gas connection of Serbia with Bulgaria, the introduction of the Internet in schools that do not have it. Financing of a project for improving river transport and harbor infrastructure in Serbia will start this year.

Conclusion: In the current accession process, Serbia has opened 14 chapters so far, two of which have been temporarily closed, and the Chapters 33 and 13 are the last two opened. Junkers' speech in the European Parliament, from the last autumn, returned the enlargement to the heart of European agenda. On this followed up the presidency of Bulgaria in the EU, where the issue of enlargement also had a central place. Now it starts with the Austrian, and followed by the Romanian presidency, and the issue of enlargement is expected to remain in a prominent position. Serbia should use this favorable period and speed up the opening of new Chapters, as well as attracting capital to help in overall economic development.