



Weekly Briefing

**Serbia external relations briefing:
Serbia 2019 - foreign policy outlook
IIPE**

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Serbia 2019 - foreign policy outlook

Abstract

In the next year, Serbia's foreign policy will focus on key issues like economic development, solving security issues and in connection with that strengthening the process of joining the European Union (EU). Like in previous year, Serbia will in first two issues relying previously Russia and China as key partners. Problems that were caused by formation of Army of Kosovo influenced Serbia to strengthen its security cooperation with Russia and China. Pristina's decision to increase taxes on goods from Serbia and Bosnia and Herzegovina has affected the termination of the negotiation process on the future status of Kosovo and Metohija. In resolving this problem, Serbia must rely on the EU, which is also interested in abolishing the tax and normalizing relations.

Key problems and forecasts for 2019

End of 2018 brought big economic and security problems in Kosovo and Metohija which will be in the focus of political activities during 2019. These problems jeopardize security in the region, economic stability, human rights and negotiation process regarding future status of Kosovo and Metohija. On 21 November 2018 authorities in Pristina raised taxes on goods from central Serbia and Bosnia and Herzegovina for 100%. This caused much lower import of Serbian goods in Kosovo and Metohija. Serbian economy is severely affected by this decision. Serbia now loses one million euros on daily level. This is one more pressure of Pristina authorities to Serbia with the aim to recognize the independence of the southern province. Decision of Pristina authorities especially hit Serbian population in Kosovo and Metohija and their situation is now even worse because they can't get even humanitarian aid from Serbia. In December 2018, the Army of Kosovo was formed, which further aggravated the relations between Belgrade and Pristina.

Political support in international relations from Russia and China is important pillar of Serbian foreign policy and protection of its interests in international area. In this moment, when Pristina authorities making dangerous decisions which do not encounter the negative attitudes of the EU and United States, it is critical that Serbia can safely count on the support of Russia and China. Formation of the Army of Kosovo disrupted the security balance and raised tensions in the region. To strengthen its position in the region Serbia certainly will in 2019 strengthen

its defence capacities. One of the steps will be a stronger connection in the field of security and military-technical cooperation with Russia and China. Military-technical cooperation with Russia is already in progress. Now, it could be presumed that this cooperation will focus on modernization of Army of Serbia with the focus on modern weapons and exchange of military personality with the goal of experience exchange. This exchange will additionally strengthen connections between two countries. Since the China is developing very fast in technical area, which is also visible in the development of army industry and in modernization of domestic military capacities. Serbia is interested in military cooperation with China regarding buying new weapons, especially weapons that have high-tech characteristics. Since the taxes on Serbian goods which is imported in Kosovo and Metohija have strong negative impact on Serbian economy Serbia will certainly make new steps in expanding economic cooperation with China. Through new areas of economics cooperation between two countries Serbia could compensate financial loses that it endures because of the taxes. China is in this difficult moment one of the key partners in preserving economic development of Serbia. Because of very complicated situation caused by formation of the Army of Kosovo and taxes on Serbian goods Russia and China will have different roles in stabilization of the position of Serbia. Russia will have main role in cooperation with Serbia in security area, especially in strengthening Army of Serbia with the aim of preserving stability in the region. China will be key economic partner of Serbia with the aim to preserve stability economic system and industrial development of Serbia. China, as a one of key economic partner, will be in this period backbone of economic stability of Serbia. Decisions of Pristina authorities made relations between Serbia, on one side, and Russia and China, on other side, even closer and stronger.

EU did not take a concrete position regarding formation of the Army of Kosovo, but it was pointed out that this process should have lasted longer. It can be concluded that the EU has implicitly accepted the formation of the Army of Kosovo. For majority EU countries Kosovo and Metohija is independent and this “independent” country can freely arrange its security system. Many EU countries are aware of the danger that formation of the Army of Kosovo can cause. Still, EU as a whole has not taken a clear stand on the negative sides of this decision. It could be expected the mediation of EU because the final goal of taxes on Serbian goods is way of pressure by Pristina authorities on Serbia to recognize their independence, but over the pressure on Serbian population. Like regarding decision of Pristina authorities to form military force, for majority EU countries Kosovo and Metohija is independent and it is free to take economic steps towards different countries. Problem for EU is official stance of Serbia that it will not recognize independence of Kosovo and Metohija, which is the sign that negotiations

again come to obstacles. Serbian authorities refuses to continue negotiations if Pristina doesn't suspend taxes. Interest of EU is continuation of negotiations and it trying to find solution for this situation. On 8 January 2019, High representative of EU, Federica Mogherini, during the meeting with the representatives of Pristina in Brussels, insisted on suspension of taxes. She noted that this decision do not contribute to normalisation between Belgrade and Pristina and affect the whole region. Normalisation is one of the conditions for Pristina European perspective. Mogherini clearly put it to knowledge to the authorities in Pristina that this decision jeopardized their European future. This stance of EU is "capital" of Serbia in future cooperation in EU because Pristina authorities install taxes without concrete reasons and on very rough way without attention to negotiation process. Pristina authorities with this decision made EU and Serbia closer partners in this process. Serbia will certainly use this "capital" and make new steps in harmonization of mutual goals regarding final status of Kosovo and Metohija. Decision on taxes made EU and Serbia stronger partners than in the past year and in 2019 mutual cooperation certainly spread and be stronger. Serbia will certainly be initiator of the new period of this cooperation. Now, Serbian position in negotiations about Community of Serb Municipalities, but with the authorizations that will guarantee the survival of Serbs in Kosovo and Metohija could get stronger support of EU. The stronger support of the EU will be of key importance to exert pressure on Pristina to finally enable the creation of this Community with the executive powers.

EU insists that Belgrade and Pristina must continue with negotiations. It is necessary that the EU better understand the problems that the Serbs in Kosovo and Metohija are facing. Therefore, Serbia must take the necessary steps towards a closer connection with the EU and establishing mutual trust. Through this approach Serbia will try to gain greater support in preventing the Pristina authorities from admission in various international organizations. This was one of the important successes in previous years and Serbia will continue to pursue a policy of protecting its interests in those fields. Another goal of improving relations with the EU will be protection and greater rights for Serbs in Kosovo and Metohija. The key task in achieving this goal will be the establishment of the Community of Serb Municipalities with the powers that will guarantee the survival of Serbs in Kosovo and Metohija.

Matthew Palmer, representative of U.S. Department of State, declared that United States support transformation of Kosovo Security Forces to Army of Kosovo. Previously, American ambassador in Belgrade, Kyle Scott, said that Kosovo and Metohija is independent state under the name Kosovo and that United States are having relations with Kosovo like with any other state. The United States also joined the process of suspension of taxis on Serbian goods.

American ambassador in Pristina, Philip Kosnett, meet on 21 January 2019 with Ramush Haradinaj and Kadri Veseli. Kosnett insisted on suspension of taxes on Serbian goods. He clearly noted that Pristina will face sanctions and will lose the support of United States in transformation process of security forces. It is very important to note that decision regarding taxis affects European and American companies too. More specifically, taxes on goods from Serbia also apply to foreign goods manufactured in factories in the territory of Serbia. So, this decision has bad influence on Western companies and their profit too. It is one more reason why EU and United States have interest to pressure Pristina in order to suspend these taxis. Regardless of the pressure from the EU and especially from the United States, the authorities in Pristina are considering raising taxes on goods from Serbia for an additional 10%. However, this can only be interpreted as a demonstration of force by Pristina authorities and it is not certain that the taxes will be further increased, because it will also affect foreign companies in Serbia. There is little or no space for Serbia to change position of United States regarding formation of the Army of Kosovo. But, there is space for Serbia to have better position on cooperation with United States on the basis of taxes on Serbian goods. Serbia and United States now have same interest because American companies in Serbia also are suffering financial loses. It is good base for spreading cooperation in other fields too, like the establishment of the Community of Serb Municipalities in Kosovo and Metohija. Serbia will certainly try to get support of United States regarding rights of Serbia in Kosovo and Metohija through mutual efforts in solving problems regarding taxes. Serbia can present problems that taxes caused through actual situation that Serbia doesn't have support of United States for it interest in Kosovo and Metohija and that Pristina authorities use that to make decision that have bad wide effect. It is opportunity for Serbia to present United States positive effect for economic stability in the region if Serbian state is more politically present in Kosovo and Metohija, because Pristina authorities to lose the position in which it can make decisions without limitations with bad influence in the region and wider. It could be expected that Serbia will play "on the card" of problems with taxes to make it political image more attractive for United States in a sense of most reliable partner in negotiations process.

Conclusion

Formation of Army of Kosovo had, beside security threats, great political sign. There was no strong pressure from EU to Pristina to stop this process. It was clear that EU supports Pristina in this process. This way, Pristina authorities get free space to pressure Serbia to recognize independence of Kosovo and Metohija. Through process of formation of Army of Kosovo authorities in Pristina showed that it doubtless has tacit support of EU. Support of United States was clear and obvious. Serbia has no choice but to empower its armed forces in order to regain the balance of power in the region. Formation of the Army of Kosovo, as well as the support of the United States and the EU to this process, destabilized the region and the negotiations on the future status. Paradoxically, the position of Pristina is now stronger than before the formation of the Army of Kosovo, which violated Resolution 1244. On the other side, political position of Serbia caused by decisions of Pristina authorities made Serbian position better. Serbia reacted in good manner and presented itself as a reliable partner ready to peaceful solutions. Still, in these problems Serbia previously must rely on Russia and China in the sense support in security and economic area.