



Weekly Briefing

**Serbia external relations briefing:
Annual progress report identifies challenges on Serbia's EU path
Institute of International Politics and Economics**


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Annual progress report identifies challenges on Serbia's EU path

Abstract

The 2020 progress report of the European Commission for Serbia identified a certain dichotomy between the fulfillment of the political criteria (with largely limited or no progress) and the economic integration criteria (some advancement comparing to 2019). The publication of this year's progress report was initially postponed from May to October 2020 due to the escalation of the Covid-19 crisis in Europe. The crisis affected all aspects of social, economic and political sphere in Serbia, including the organization of the parliamentary, municipal and provincial elections which were firstly scheduled for April but were delayed until June. As part of the analysis of functioning of democratic institutions, the progress report also addressed the main challenges related to the election process. According to the European Commission, the results achieved in main focus areas of the overall negotiation process - alignment with rule of law acquis and dialogue with Priština – have been largely limited or remained at the last year's level.

The annual progress report of the European Commission (EC) was supposed to be published shortly following the April parliamentary, municipal and provincial elections in Serbia, but the escalation of the Covid-19 crisis in Europe has delayed both processes for several months. As regards the political criteria in domains like democratic governance, rule of law and human rights, the EC identified several main challenges. Although political actors were in a position to campaign and fundamental freedoms were observed, the report did urge the authorities to address “long-standing electoral shortcomings through a transparent and inclusive dialogue” with all relevant stakeholders “well ahead of the next elections”, while noting that a number of opposition parties boycotted the 2020 elections. The results of the parliamentary vote were such that, apart from the minority parties, only three lists have managed to pass the 3% threshold to enter the Parliament (those headed by Serbian Progressive Party (60%), Socialist Party of Serbia (10%) and SPAS (4%). The EC report concluded that the “overwhelming majority of the ruling coalition” and the “absence of a viable opposition” produced an uncondusive context for political pluralism. In order to further advance the democratic standards and overcome political and other divisions, the EC invited the parliamentary and other political actors to “engage in the inter-party dialogue led by the

European Parliament”. The European Parliament had already mediated in the dialogue between the ruling coalition and part of the opposition during 2019, so its repeated engagement might build upon previous experience in that regard.

The report doesn’t identify progress towards reforming of the judicial system, which remains in status “some level of preparation” when it comes to meeting the membership criteria. The constitutional reform on the judiciary, aimed towards securing judicial independence and reducing political and other influences, has still not been undertaken, which causes “serious concern” to the EC. Limited progress has been made in the fight against corruption and organized crime. Although corruption continues to pose a concern, steps were taken to secure independence and increase capacities of the Anti-Corruption Agency, and adopted legislation has yielded certain results in terms of concluded cases. However, an effective prevention system needs to be set, and high-corruption cases need to be investigated and finalized more dynamically. The country is somewhat prepared to fight the organized crime, with limited progress recorded in domain of institutional adjustment and cooperation with agencies such as Europol. Likewise, Serbia needs to step up its efforts in disassembling major cross-border criminal organizations.

The proper enforcement of fundamental rights rules needs to be secured, and relevant institutions need to be strengthened financially, as well as in domain of human resources. Although a new media strategy has been drafted in line with relevant standards, its enforcement has not started and the environment for the freedom of expression has not been improved; likewise, as identified by the new strategy, cases such as threats, intimidation and violence against journalists persist and cause a “serious concern”. The report urges the need for establishing a more transparent media ownership and allocation of public funds.

The country is moderately prepared pertaining to the public administration reform, although the EC expresses its “increasing concern” due to insufficiently inclusive and merit-based selection procedure for senior civil servants. The reform path in general would benefit from additionally competent human resources, accompanied by greater financial allocations in that domain. It is “a matter of urgency” to appoint the new head of Serbia’s EU negotiation team, following the departure abroad of prof. Tanja Mišćević to assume the new role in the Regional Cooperation Council in 2019. This aspect will likely be addressed following the formation of the new Government of Serbia during the autumn of 2020.

The report notes that Serbia intensified cooperation with China in the context of the Covid-19 crisis, and the political rhetoric was characterized by “pro-China and EU sceptical”

stances (the latter not being in line with the country's membership aspirations). Cooperation with Russia in various fields, including the military technical cooperation, also remains active. Alignment with 60% of the EU Common Foreign and Security Policy positions in 2019 somewhat improved comparing to 52% during 2018, so the trend would need to be additionally improved during the years leading up to accession. Serbia actively participated in regional cooperation projects and developed bilateral relations with neighbors, including through the "Mini-Schengen" initiative which, as noted by the EC, should be inclusive (towards other Balkan neighbors) and in accordance with EU rules. The report noted that the Serbia-Montenegro ties have been strained, including the context of parliamentary elections in the latter. The report also praised Serbia's "significant contribution" in terms of managing the mixed migration flows towards the EU and its active and constructive cooperation in that regard.

The EU-facilitated dialogue between Belgrade and Priština recommenced during summer following a 20-months-long suspension, and included both political meetings and expert gatherings. According to the report, Belgrade needs to invest additional substantial efforts and contribute to reaching a comprehensive agreement with Priština, which is perceived as "urgent and crucial" for its EU membership bid. According to the negotiation framework, the process of normalization of relations with Priština counts among chief priorities, alongside the rule of law reforms, and stagnations or negative developments in those fields affect the entire course of accession negotiations. In the context of the 2020 report, the resumption of the dialogue represents a step forward comparing to the previous years, although continued substantial engagement remains crucially important.

On the other hand, as regards the economic integration, Serbia showed a certain improvement and is perceived by the European Commission as moderately prepared/at a good level of preparation in creating a functioning market economy. Although the Covid-19 crisis significantly impaired its economic perspective (as it did elsewhere), positive developments were recorded in domains of GDP growth, the rise of domestic demand, direct foreign investments, inflation and debt sustainability, the latter being "significantly improved". The lowest unemployment rate in the last decade can partially also be attributed to extensive emigration. While domains such as tax administration and privatization of state-owned banks have somewhat advanced, other structural reforms need to be accelerated. Vulnerabilities in fiscal normative framework, large state influence in economy and deficiencies in rule of law need to be addressed to further advance the perspective of Serbian economy, foremost its private sector.

The economic integration with the Union “remained high”, the structure of the economy continued to improve and the country achieved certain progress and is “moderately prepared” to conform to EU market conditions. Investments need to be further enhanced in order to recover the underdeveloped parts of infrastructure. The report also highlights that Serbia needs to enforce the same rules for “prioritizing, selecting and monitoring all capital investments, regardless of the type of investment or the source of financing”, which also applies to inter-state agreements. This aspect likely refers to the projects Serbia carries out with partners from Russia, China and other non-EU actors. Such agreements overall appear not to be “in accordance with the principles of equal treatment, non-discrimination, transparency and competition”, nor in line with the *acquis* or national rules. A recently-adopted law on special procedures for linear infrastructure projects appears to diverge from the EU public procurement norms as it allows exemption of infrastructure projects of “special importance” from general rules in that domain. The EC underlines that all investments need to comply with EU standards in domains of state aid, public procurement, environmental standards and so on. The business environment for the SME’s needs to be further stabilized, also through addressing the issue of unfair competition. Serbia advanced in aligning its legislation with the *acquis communautaire* in the economic and internal market areas and achieved “good progress” in meeting the criteria in domains such as intellectual property and company law, competition and financial services, with “limited progress” in area of public procurement.

Conclusion

Unlike previous years, during the course of 2020 Serbia has not been granted to launch negotiations in any new thematic chapters with the European Union, so the number of opened negotiating areas remained 18 out of 35. The European Commission’s annual progress report, published in early October, generally identified a certain dichotomy between meeting the political membership criteria (with largely limited or no progress in domains which are insufficiently developed) and the economic integration standards (some progress and largely moderate preparation for membership). The progress report detects insufficient progress in key areas of alignment with rule of law *acquis* and the dialogue with Priština (which resumed only recently, following the removal of unilateral taxes imposed in 2018 by Priština). Having in mind that the Serbian negotiation framework sets these priority areas as detrimental for the overall pace of negotiations, the formal opening of new thematic chapters - apart from progress in those specific domains - also depends on further rule of law reforms and progress in the process of normalization of Belgrade-Priština relations. Having in mind the report’s main

findings, the non-opening of any negotiation chapters during 2020 can be attributed to the insufficient progress in the aforementioned “veto-strength“ areas.