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Serbia: Background and U.S. Relations

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Summary

Following the conflicts in the late 1990s in the countries of the former Yugoslavia, the prospect of membership in the Euro-Atlantic community and the active presence of the United States in the Western Balkan region provided a level of stability that allowed most of the countries of the region to pursue reform and adopt Western values. During this time, Slovenia and Croatia joined the European Union (EU). These countries, along with Albania, also joined the North Atlantic Treaty Organization (NATO). Montenegro became NATO's 29th member on June 3, 2017. Other nations of the Balkans are at various stages on the path toward EU or NATO membership.

At the same time, however, many observers in Europe and the United States have been concerned that the relative political stability of the Western Balkans, sometimes referred to as Europe's "inner courtyard," has been shaken, as several of the countries have experienced governmental crises involving illiberal political regimes, stagnating economies, high unemployment, and a large exodus of people from the region. These events have raised alarms that the continuation of these factors could provide a vacuum in which outside political interests, including Russia; transnational crime; radicalization; and terrorism could flourish.

At the center of the Balkans lies Serbia, which occupies a key strategic juncture at the social, political, and geographic crossroads between Eastern and Western Europe. Despite difficult historical relations with its neighbors, its ongoing dispute with Kosovo, recent concerns over its democratic development, and the desire to balance its aspirations toward the West with its historical ties to Russia, Serbia is seen by some as more stable politically than some of its neighbors. Serbia is also viewed by some as potentially the engine of economic growth for the entire Balkan region. At the same time, Serbia is viewed by others as an important piece in the geostrategic competition among the EU, the United States, and Russia in the Western Balkans.

U.S. relations with Serbia have been rocky at times due to U.S. interventions in the conflicts in Bosnia and Kosovo, and the U.S. recognition of Kosovo's independence. Nevertheless, between 2001 and 2015, the United States provided close to \$750 million in aid to Serbia to help stimulate economic growth, strengthen the justice system, and promote good governance. Relations between Washington and Belgrade have improved over the past several years and today appear to be cordial. Despite the U.S. disagreement with Serbia over Kosovo's independence and the mixed messages Washington believes Serbia sends over its relations with Moscow, the United States has supported and continues to support Serbia's efforts to join the EU. At the same time, the United States has sought to strengthen its own relationship with Serbia through deepening cooperation based on mutual interests and respect. Because many Balkan watchers believe the EU's interest in the Balkans has been distracted by its migration crisis and the beginning of negotiations with the United Kingdom over its departure from the Union, many, in both Washington and the Balkans, believe the United States needs to reinvigorate its former strategy of active engagement with the Western Balkans, and in particular its relations with Serbia.

Congressional interest in Serbia (and Kosovo) dates to the 1991-1999 conflicts in the Western Balkans, particularly between Serbia and Kosovo, when Congress was divided over the use of U.S. military force in Kosovo. Over time, Congress has held several hearings on the Western Balkans, with many Members supporting Kosovo's independence, the efforts at reconciliation between Serbia and Kosovo, and EU membership for both countries, while others have expressed skepticism about Serbia's relations with Russia or the viability of the Serbia-Kosovo coexistence.

This report provides a brief overview of Serbia and U.S. relations with Belgrade.

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Overview¹

For almost a century Serbia was part of various South Slavic states, including the Kingdom of Serbs, Croats, and Slovenes (renamed the Kingdom of Yugoslavia in 1929) and the Socialist Federal Republic of Yugoslavia from 1945-1992. Belgrade was the capital of Yugoslavia, and Serbs dominated the Yugoslav federation. Serbia was at the center of the Balkan² conflicts throughout the 1990s, when Croatia, Slovenia, and Macedonia declared their independence from Yugoslavia in 1991, followed by Bosnia in 1992. Between 1998 and 1999, ethnic Kosovars in the southern province of Kosovo fought a war to liberate the province from Serbia. The conflict ended short of independence for the Kosovars after the intervention of NATO, which included the bombing of Serb forces in Kosovo and resulted in a Serb withdrawal and a cease-fire. The United Nations Security Council in 1999 adopted a resolution authorizing the establishment of a United Nations mission in Kosovo (UNMIK) to implement the peace, and the North Atlantic Treaty Organization and other forces to provide security in Kosovo. The remnants of Yugoslavia, the State Union of Serbia and Montenegro, emerged in 2003 but dissolved in 2006 when Montenegro voted to leave the State Union. In 2008, Kosovo's leaders formally declared its independence, igniting new tensions with Serbia. Although over 110 countries, including the United States, have recognized Kosovo's independence, Serbia, Russia, China, and several European countries have not. Tensions continue to persist between Belgrade and Pristina (Kosovo's capital) even as the two negotiate a resolution of their differences (see below).

Serbia: Basic Facts

Area: Land area approximately 77,400 sq. mi.; slightly smaller than South Carolina.

Capital: Belgrade

Population: Approximately 7 million (2017 est.).

Ethnicity: 83% Serb; 3.5% Hungarian.

Languages: Serbian is the official language of 88% of the population. Hungarian is spoken by 3.5%.

Religion: 84% Serb Orthodox; 5% Catholic; 3% Muslim.

Gross Domestic Product: \$100 billion; per capita GDP is \$14,200 (2016 est.).

Political Leaders: President: Aleksandar Vučić (SNS) (as of May 31, 2017); Prime Minister: Ana Brnabic

Sources: CIA World Factbook; Economist Intelligence Unit (EIU).

Political Developments

Since the end of the regime of nationalist strongman and indicted war criminal Slobodan Milosevic in 2000, Serbia has developed into what has been described as a functioning, if somewhat flawed, democratic political system. Domestic tensions continue to persist between those who favor a reorientation of Serbia toward the West, including membership in the European Union (EU), and nationalist forces, led by Vojislav Seselj and the ultranationalist Radical Party (SRS). These players have not forgiven the West, particularly the United States, for the perceived bias against the preservation of the Yugoslav federation, and for intervening in Serbia's conflict with Bosnia and then with the Kosovo separatists. Successive Serbian governments during this time have had to balance favorable domestic views of relations with Russia, with the aspirations

¹ CIA, *CIA World FactBook*, August 2017.

² Definitions of the region known as the Balkans in southeastern Europe vary. For purposes of this report, the *Balkans* refers to the entire geographic region between the Adriatic Sea and the Black Sea; it includes the countries of the former Yugoslavia, Albania, Romania, Bulgaria, Greece, and a part of Turkey. The *Western Balkans* refers to Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia, Slovenia, and Albania.

for better relations with the EU, the United States, and others, including NATO, although Serbia has indicated it has no interest in joining the alliance.

At the beginning of 2017, the government in Belgrade was led by Prime Minister Aleksandar Vučić of the Serbian Progressive Party (SNS). The Progressive Party was formed by Tomislav Nikolic and others, including Vučić, when they broke away from the Radical Party in 2008 in order to offer a more moderate/nationalist, pro-EU alternative. Nikolic once led the SRS when Seselj was held in prison, charged with war crimes in Croatia, Bosnia and Herzegovina, and the Serbian region of Vojvodina during the period from August 1991 to September 1993 by the International Criminal Tribunal for the former Yugoslavia (ICTY), based in The Hague, Netherlands. Seselj was found not guilty of the charges and acquitted in 2016.

In 2012, Nikolic won Serbia's presidential election. In the parliamentary elections in March 2014 the SNS completed its electoral dominance when it won a sizable victory in the 250-seat Serbian parliament, receiving 48.4% of the vote and 158 seats. The SNS victory was aided by the former government's increasing unpopularity as a result of corruption scandals and poor economic performance. Under Serbian law, the president appoints the prime minister, and Vučić was appointed to lead the government by Nikolic. The election result was seen by many in Serbia as a vindication for Nikolic's and Vučić's decision to leave the Radical Party. The Socialist Party won 44 seats in the parliament and entered government as the SNS coalition partner.

Between the 2014 election and spring 2016, however, the Vučić government's popularity was eroded somewhat by a sluggish economic situation, an internal governance feud with the Socialist coalition partner, and rising criticism of Vučić's domestic policies—the poor state of the rule of law, tight control of the media, and disregard for opposition concerns about democratic progress. This situation led to a growing vocal challenge from the Radical party. Seselj, who is a member of the Serb parliament, pledged never to give up fighting for Serbia to regain Kosovo and opposes Serbian membership in the EU. Seselj also argued that Serbia should integrate more with Russia and stop cooperating with NATO.

In April 2016, faced with the prospect that his mounting problems could continue to erode support for the SNS, Vučić called for a snap parliamentary election, well ahead of the regularly scheduled 2018 elections. Despite some voting irregularities that required a revote in several areas, the SNS won another majority, and Vučić again led the new government. Although the coalition led by the SNS again won around 48% of the vote, the number of seats won by the SNS in the parliament declined to 131 as new, smaller parties entered parliament for the first time.

When the 2017 presidential election period began, the popularity of President Nikolic and the SNS had stagnated. Despite his domestic problems, Vučić was seen by many as the only politician in Serbia who could move the country forward.³ This assessment led Vučić to decide to run for president, effectively preventing Nikolic from running for reelection. On April 2, 2017, Vučić won an overwhelming victory, capturing around 55% of the vote. In the days immediately after the election, however, thousands of students and others organized spontaneously on social networks took to the streets of Belgrade, Novi Sad, and other towns. They claimed Vučić's supporters rigged the presidential vote, and protested what many believed was an autocracy-in-the-making by Vučić and his party.⁴ On September 8, 2017, Serbia's Anti-Corruption Agency ruled that Vučić did not abuse state resources in the campaign for the April 2 presidential election.

³ "Vucic Reaps Benefits from Guantanamo 'Favor,'" *BalkanInsight*, July 19, 2016.

⁴ Vanja Djuric, "Anti-Government Protests Continue in Belgrade, Novi Sad," *BalkanInsight*, April 5, 2017.

In early June, President Vučić appointed Ana Brnabic as the new prime minister. At the time, Brnabic was serving as minister of public administration and local government. Brnabic is Serbia's first woman head of government. She is openly gay and is a pro-Europe advocate. Brnabic, although little known, seemed to enjoy the full support of President Vučić, although most observers believed that Vučić would be the real power in Serbia for the foreseeable future. The appointment of Brnabic, however, created some tension within the SNS, as Brnabic was not a party member and because her strong views on integration with the EU (reflective of Vučić's views) are not universally shared within the SNS. Brnabic generated controversy during the summer of 2017 when she reportedly stated that Serbia, if forced to choose between closer ties with Russia and membership in the EU, would choose the EU.⁵

One issue involving the strength of Serbia's democracy that had dogged the former Vučić government and will likely continue in the Vučić/Brnabic government is the handling of the media. The previous Vučić government came under a great deal of pressure from within Serbia and from the EU for its crackdown on the media, particularly opposition media. The new government faces the same problem. In August 2017, the Adria Media Group announced that it had filed a total of 150 lawsuits against Serbian President Vučić, Interior Minister Nebojsa Stefanovic, the Tax Administration, and editors and owners of several Serbian tabloids. These actions were taken in response to what the Adria Group alleged was a smear campaign in progovernment media targeting Adria's flagship tabloid *Kurir* and the group's owner, Aleksandar Radic. *Kurir's* continuing negative reporting on the Serbian administration and Vučić after the suits were filed was reportedly met by the Tax Administration's decision to freeze the company's bank accounts over alleged tax debts.⁶

Another issue Serbia continues to confront is the issue of alleged war crimes committed by Serb military and security officials during the wars that followed the unraveling of Yugoslavia in the 1990s. During this period it is estimated that some 130,000 people died in a series of conflicts throughout the Balkan region. In 1993 the ICTY was established in The Hague to try war crimes suspects. The ICTY has investigated, brought charges, and secured convictions against persons from every ethnic background, including Croats, Bosnian Muslims, and Kosovo Albanians, for crimes committed against ethnic populations. However, the majority of, and the most high-profile, cases chiefly dealt with alleged crimes committed by Serbs and Bosnian Serbs. The ongoing arrests and trials continue to generate resentment of the West by many Serbs.

In addition to the ICTY, Serbs have also been confronted by courts in Kosovo that have addressed Serb war crimes. For instance, in January 2016, the Basic Court of Mitrovica in Kosovo, composed of a panel of international judges under the auspices of the EU's rule-of-law (EULEX) mission in the country, found the former head of a Serb paramilitary group guilty of committing war crimes against ethnic Albanian civilians and sentenced him to nine years in prison.

Belgrade has complained that Kosovars and Albanians have also been responsible for war crimes but have not been prosecuted as often or as vigorously as the Serbs have. In response, the government of Kosovo in 2015 approved, through a controversial amendment to the constitution, the creation of a Special Court for Kosovo, affiliated with the judicial system of Kosovo, but located in The Hague, and staffed by international jurists who would hear cases against former members of the Kosovo Liberation Army (KLA).⁷ The Serbs, although skeptical, appear satisfied that at least an impartial court would hear those cases.

⁵ Comments reported by Prime Minister Ana Brnabic, EurActive.rs, July 7, 2017.

⁶ "Serbian Media Group Files 150 Suits Claiming 'Repression,'" *Balkan Media Watch*, August 8, 2017.

⁷ Law Library of Congress, "Netherlands: Special Tribunal for Alleged War Crimes," *Global Legal Monitor*, January (continued...)

Economic Conditions

According to the Economist Intelligence Unit (EIU), Serbia's economy has struggled over the past few years, but recent trends point to an improvement in the country's growth prospects.⁸ The International Monetary Fund (IMF) recently indicated that Serbia's economy had "strengthened dramatically" since the IMF and Serbia agreed to a three-year, \$1.2 billion standby loan agreement in early 2015.

The IMF loan included slashing the size of Serbia's public sector and fighting corruption. Since 2015, the government has hesitated to take unpopular steps, such as massive job cuts and selling off or shutting down heavily subsidized state-owned firms, which would have increased unemployment. The IMF has indicated that conditions established for the loan program, however, have not been totally addressed, and it has criticized delays in structural reforms, including selling off the large indebted utility and mining companies. Nevertheless, an IMF mission that visited Serbia between February 27 and March 6, 2017, apparently issued a more positive assessment of the program's progress.

Investment, industrial output, and exports have gained momentum since the early months of 2016. In the first four months of 2016, industrial production grew by 9.9% year-on-year, as did retail trade, and real net wages grew. The EIU reports that real GDP grew overall by 2.8% in 2016, stronger than the government's projection of 2.3% and most other forecasters' predictions. EIU expects a modest acceleration in GDP growth in 2017-2021, to an average of 3.3% per year. The estimated unemployment rate for Serbia is relatively high; for 2016, it was 18.9%.⁹ Serbia's main exports include machinery, manufactured goods, food, and chemical products. Serbia's main trading partners include Italy, Germany, and Russia.

Two significant issues continue to stunt Serbia's economic growth. One, according to the European Bank for Reconstruction and Development (EBRD), is that small and medium-sized enterprises (SMEs), which form the backbone of the Serbian private sector, face limited access to financing. The EBRD has established a program to assist SMEs in financing projects conducive to sustainable growth.¹⁰ The second, according to the EIU, is weak foreign direct investment (FDI) in recent years, a problem Vučić is trying to address. One example cited by Vučić (and used as evidence that his policies for economic recovery are reaping success) was the announcement in August 2017 that Ikea would open a large store in Belgrade that would employ thousands of Serb workers. Another indication of Serbia's potential as a good place for foreign investment was the 2017 scheduled visit of Turkish President Recep Tayyip Erdogan. Although Erdogan has some issues with Serb institutions allegedly connected with Turkish cleric Fethullah Gulen, who is accused by the Turkish authorities of being the mastermind of the failed coup in 2016, Erdogan's visit could likely include concrete business agreements. With some 20 Turkish businesses already registered in Serbia, Erdogan was reportedly bringing over 100 Turkish businesspeople interested in economic projects involving an extension of the Turk Stream gas pipeline to Serbia, as well as Serbia's textile industry and infrastructure construction, including several highway projects.¹¹

(...continued)

2016.

⁸ Economist Intelligence Unit, "Country Report: Serbia," August 2017.

⁹ Ibid.

¹⁰ European Bank for Reconstruction and Development, "Country Overview: Serbia," 2017.

¹¹ "Turkey's President Erdogan to Visit Serbia," *BalkanInsight*, August 9, 2017.

In an apparent attempt to push Serbia's economic growth as well as Serbia's potential role as an economic leader in the Balkans, Vučić has called on his Balkan neighbors to establish a Balkan customs union that would include the elimination of internal tariffs and duties by member countries, the removal of all restrictions on the movement of goods, and the adoption of common customs tariffs. The EU and the EBRD, which has invested €10 billion (\$11 billion) in the region, have endorsed the idea of creating a single market of 20 million people focused on improving the general business climate and facilitating private investment initiatives, including helping improve the environment for small and medium-sized enterprises.¹²

Relations with Kosovo

One of Serbia's most difficult political and foreign policy challenges in recent years has been its relations with Kosovo. Belgrade strongly opposed Kosovo's declaration of independence in February 2008. Serbia won an important diplomatic victory when the U.N. General Assembly voted in October 2008 to refer the question of the legality of Kosovo's declaration of independence to the International Court of Justice (ICJ). However, Serbia's diplomatic strategy suffered a setback when the ICJ ruled in July 2010 that Kosovo's declaration of independence did not contravene international law.

Serbs regard Kosovo historically and culturally as the cradle of their nation and their Orthodox Christian faith. Enshrined in the preamble of the Serb constitution is wording that Kosovo is Serbian. Thus, as noted, Serbia has not only refused to recognize the independence of Kosovo, it has also blocked Kosovo's membership in organizations such as the United Nations, Interpol, and UNESCO. For several years after Kosovo's declaration of independence, Belgrade avoided direct contact with the government in Pristina. At the same time, Serbia continued to support the autonomy of the approximately 120,000 Serbs living in areas in northern Kosovo, including part of the divided town of Mitrovica, as well as the protection of other Serb minority enclaves throughout Kosovo.

Despite its nonrecognition of Kosovo, Belgrade entered into talks with Pristina in 2011 facilitated by the EU, which conditioned Serbia's progress toward EU membership on holding such talks. Initial discussions centered on technical issues. Technical agreements that have been reached have included ones on free movement of persons, customs stamps, mutual recognition of university diplomas, real estate records, civil registries (which record births, deaths, marriages, etc. for legal purposes), integrated border/boundary management (IBM), and regional cooperation. Implementation of many of these accords has lagged. The two sides also agreed to exchange liaison personnel (to be located in EU offices in Belgrade and Pristina) to monitor the implementation of agreements and address any problems that may arise.

On April 19, 2013, the governments of Kosovo and Serbia concluded a landmark "First Agreement of Principles Governing the Normalization of Relations" between the two countries. The agreement affirmed the primacy of Kosovo's legal and institutional framework throughout Kosovo's territory. The 15-point agreement called for the creation of an "Association/Community of Serbian-majority municipalities" in Kosovo. This "Association/Community" would have "full overview" of the areas of economic development, education, health, urban and rural planning, and any others that Kosovo's central government in Pristina grants. The police in northern Kosovo would form part of Kosovo's unified police force, and be paid only by Pristina. The

¹² EBRD, "EBRD to Support Western Balkans Regional Economic Integration and Trieste Summit," press release, July 7, 2017.

police commander in the North was to be a Kosovo Serb selected by Pristina from a list of nominees provided by the mayors of the four Serb municipalities in the North. The ethnic composition of the local police in the North was to reflect the ethnic composition there.

The situation in the judicial system was to be resolved in a similar manner. The judicial system in northern and southern Kosovo operates under Kosovo's legal framework, but an Appellate Court in Pristina is composed of a majority of Kosovo Serb judges to deal with all Kosovo Serb-majority municipalities. A division of the Appellate Court is based in northern Mitrovica, the largest town in northern Kosovo.

In August 2015, the two sides reached key deals on energy, telecommunications, and the setup of the Serbian-majority municipalities. However, the implementation of these agreements has lagged somewhat due to internal political resistance on both sides. Both sides also continue to disagree over the powers of the "Association/Community," which has been fiercely contested by opposition parties in Kosovo's parliament, claiming it is a capitulation to Serbian interests.

Despite the on-again, off-again dialogue between Belgrade and Pristina, tensions between Serbia and Kosovo increased in 2017 over several issues.

- In January 2017, a serious incident arose involving the regular run of a Belgrade-to-Mitrovica train. In that incident and for unexplained reasons, the train was painted in Serb colors with "Kosovo is Serb" painted on the train cars. Kosovo President Hashim Thaci accused Serbia of wanting to annex the Serb minority territory of northern Kosovo and threatened to fight, if necessary, any such Serb intention. Then-Serb Prime Minister Vučić threatened to dispatch military forces to the border to protect Serbs in Kosovo. Tension eased when the train was halted prior to crossing the border.
- In February 2017, Ramush Haradinaj, the former leader of the Kosovo Liberation Army, was arrested in France on a warrant issued by Serbia for former war crimes. Although Haradinaj was detained briefly, French authorities refused to honor an extradition request to turn Haradinaj over to Belgrade and eventually released him. Subsequently, Haradinaj returned to Kosovo, and in June 2017 announced his candidacy for prime minister. In June snap elections, Haradinaj's party, the Alliance for the Future of Kosovo (AAK), formed a coalition with two other parties that won the most seats in the parliament. In September, Haradinaj was elected prime minister. A Haradinaj government could likely add another level of uncertainty to Serbia's relations with Kosovo, as nationalists in Serbia would likely voice opposition to efforts by Vučić to negotiate a resolution of the crisis with Haradinaj. Compounding the issues, in September, Belgrade announced that the arrest warrant that it issued for Haradinaj will remain in force even though he is Kosovo's new prime minister, with whom Vučić will have to deal.
- In early 2017, President Thaci indicated that Kosovo would turn its lightly armed 2,500-strong security force trained by NATO into a national army of 5,000 active soldiers and 3,000 reservists.¹³ The plan was vocally opposed by Kosovo's ethnic Serb minority and Belgrade; it also drew criticism from NATO and the United States. Even though such a move would require a change to Kosovo's constitution, which the Serb members of Kosovo's Assembly would likely

¹³ Taulant Osmani, "Kosovo May Form Army, Bypassing Serb Veto," *BalkanInsight*, March 7, 2017.

attempt to block, Serbia's Foreign Minister Ivica Dacic reacted by saying that such a decision would cause "instability in the region."

- Finally, tensions have risen in relation to a dispute over immovable property on Kosovo's territory. Serbia refuses to recognize the claims by the Kosovars of national property in Kosovo, including Kosovo's nationalization of the Trepca mining complex. The mine, the largest industrial complex in Kosovo, has been claimed by both the Serbs and Kosovars as state property. On March 1, 2017, Kosovo's former prime minister, Isa Mustafa, declared that Kosovo would move to register all such remaining immovable property, mainly comprising buildings and land, largely still considered property of Serbia—provoking an angry reaction from Belgrade.

Despite these tensions, relations between Belgrade and Pristina have taken some interesting turns recently. For instance, during the Serb presidential election in 2017, Pristina permitted Vučić to campaign briefly among the Serb communities in Kosovo. In addition, Serbia continues to pay off close to €900 million (\$1 billion) in Kosovo foreign debt to the Paris Club, the London Club, and the EBRD incurred between 1970 and 1990 because Serbia considers the former province a part of its own territory.¹⁴

Finally, in an early August 2017 "commentary" in the Serb newspaper *Blic*, Serbian President Vučić observed that it was time the people [of Serbia] "stopped putting their heads in the sand" on Kosovo and "got real."¹⁵ This article caught the attention of both the nationalists in Serbia who oppose any concessions to Kosovo, and the government in Pristina. Although Kosovo's government is not under any illusion that Vučić would recognize Kosovo's independence, it nevertheless interpreted the article as a trial balloon that Vučić might have been signaling a willingness to make other concessions on Kosovo in order to ease tensions with Pristina and smooth Serbia's relations with the EU. One idea that was raised by observers was that Belgrade would find a way to "normalize" relations with Pristina without explicitly recognizing Kosovo but which could enable Kosovo to join, for instance, UNESCO. This option may have become more of a challenge for Belgrade in September when a Serb documentary film was released that attacked Pristina's bid to join the U.N. cultural body UNESCO, prompting criticism from the Kosovo Prime Minister Ramush Haradinaj.

One other older issue that resurfaced in the summer of 2017 is the idea of border adjustments. The idea would have Kosovo agree to cede the Serb-dominated parts of northern Kosovo (north of the Ibar River) in exchange for territory in southern Serbia in the Albanian-dominated Presevo Valley. Although the idea has been rejected by both sides in the past, the issue continues to stir dialogue both within and outside of Serbia and Kosovo.

In an August 14 op-ed piece, Serbian Foreign Minister Ivica Dačić seemed to suggest that Serbia should seek autonomy for Serb enclaves in Kosovo, a protected status for Orthodox monasteries, and financial compensation for what Serbia claims as its property (including industrial and energy facilities) in exchange for normalization of relations with Pristina, but apparently not recognition.¹⁶ Several Kosovo leaders rejected the idea of additional autonomy for Kosovo Serbs, among others.

¹⁴ "Serbia Pays Off Kosovo's Billion Euro Debt," *BalkanInsight*, July 12, 2017.

¹⁵ "Kosovo Foreign Minister Welcomes Vučić's Plan to Resolve Relations with Pristina," *BalkansInsight*, July 24, 2017.

¹⁶ Comments by Serbian Foreign Minister Ivica Dačić in an article in *Vecernje Novosti*, August 14, 2017.

Relations with the EU

Under former President Boris Tadic and later during Vučić's time as prime minister, one of Serbia's key foreign policy goals had been to join the European Union. The EU has conditioned progress on Serbia's EU candidacy on normalizing its relations with Kosovo. Most EU countries have recognized Kosovo as an independent country, but five EU countries have not yet recognized Kosovo's independence for various reasons, including some of their own minority populations demanding independence.¹⁷

In 2012, the EU officially recognized Serbia as a candidate for EU membership and in September 2013, a Stabilization and Association Agreement (SSA) between the EU and Serbia entered into force. In January 2014, Serbia was formally invited to begin EU membership negotiations.

In 2014 when European Commission President Jean-Claude Juncker announced that no further EU enlargement would take place until after 2019, Serbia's reform plan was put at risk. In response to the concerns of the EU aspirant countries in the Balkans, Germany launched the "Berlin Process," a series of intergovernmental summits between several EU member states and the six Western Balkan countries to assure those countries that their EU membership was not at risk.¹⁸ Serbia has played an active role in the Berlin Process including at the fourth Western Balkans summit held in July 2017 in Trieste, Italy. At Trieste, the participants discussed a Serb proposal for a Balkan customs union that would integrate the economies of the region while at the same time preparing the participants for further integration with the EU.

In December 2015, the EU opened negotiations on two chapters of the EU's body of laws, the *Acquis Communautaire*, concerning financial control and Kosovo. As of August 2017, Serbia has opened 10 chapters of the *acquis* and provisionally closed two chapters.

Serbia aims to finish negotiations with the EU and become an EU member by 2020/2021. However, some analysts believe that ongoing disagreements over Kosovo's status, the perceived backsliding on some elements of its democracy, and the EU's negotiations with the United Kingdom's decision to leave the EU (Brexit) could slow Belgrade's timetable.

Since becoming an EU candidate country, EU financial assistance to Serbia is provided through the Instrument for Pre-Accession Assistance (IPA). According to the European Commission, the IPA funding allocation for Serbia for the period 2014-2020 amounts to approximately €1.5 billion. This figure does not include loans from the European Investment Bank (EIB) or bilateral assistance from EU member states. Currently, there are some 600 EU projects being implemented in close cooperation with Serbian authorities, businesses, and civil society organizations. Serbia's trade with the EU totaled €19 billion (\$21 billion) in 2016. Serb citizens enjoy visa-free travel throughout the EU.¹⁹

Although Serbia has insisted that it be free to balance its relations between the EU and Russia, some EU officials criticized Serbia for not joining EU sanctions against Russia in response to Russia's actions in Ukraine. However, the EU has not made implementing the sanctions a condition for progress toward Serbia's membership at this stage.

¹⁷ Cyprus, Spain, Greece, Romania, and Slovakia do not recognize Kosovo's independence for various reasons, including ethnic disputes in several countries.

¹⁸ Velina Lilyanova, "The Berlin Process and the Trieste Summit 2017," European Parliament Research Service, July 2017.

¹⁹ European Commission, "European Commission Enlargement Policy: Serbia."

Relations with Russia

Russia has long considered much of the Western Balkans, but particularly Serbia, to be an area with which it has historical linkages, whether through ethnic connections to the Slavic populations or as a result of a 1774 treaty in which Catherine the Great forced the Ottoman Empire to grant Russia vague rights to “represent” the Christian people of the Balkans. This development established Russia’s role as patron and father figure for the Orthodox Christians of the Balkans.²⁰ During the Communist years, Russia exercised, despite a somewhat unstable relationship with the Yugoslav leader Tito, significant influence in the region, but after the collapse of the Soviet Union its influence waned. Russian influence today is limited to certain areas of the Western Balkans but is strong in Serbia and rests mainly on popular support, the thousands of Russians who live or vacation in the region, and a strong Russian economic, energy, and media presence throughout the Balkans. Of particular concern for many is Russia’s dominance of the natural gas market in the Balkans, which, with the exception of Romania, leaves the region vulnerable to exploitation. Without alternate energy sources and a more diversified Balkan energy infrastructure, Russia will continue to hold this powerful lever.²¹

Beyond historical cultural and religious bonds with Russia, political and economic ties between Moscow and Belgrade were strong after the breakup of Yugoslavia and grew stronger during the NATO campaign against Serbia’s actions in Kosovo, which Moscow opposed. Serbia enjoys a free trade agreement with Russia, Serbia’s fourth-largest trading partner and market for Serbian goods. Serbia has sought and received Russian investment, especially in its oil and natural gas industry. Serbia hosted President Vladimir Putin for a major state visit in October 2014. According to a 2017 survey by the Belgrade-based Demostat research center, 41% of those surveyed perceive Russia as Serbia’s greatest friend.²²

The extent of Russian influence is also illustrated by a May 2016 study by the Belgrade-based Center for Euro-Atlantic Studies, a policy think tank with ties to the West. It found 110 registered nongovernmental organizations, associations, and media outlets that appeared to be directly connected with the Russian lobby in Serbia, up from about 12 since 2015.²³ The Kremlin’s two main news networks, Sputnik and RT (formerly Russia Today), are present in Serbia and offer television programming, online news, and radio broadcasts in the Serb language. In addition, Russian state newspaper *Rossiyskaya Gazeta* prints *Nedeljnik*, a widely read weekly, in Serbia.²⁴

Djordje Vukadinovic, a political analyst and editor-in-chief of *Nova Srpska Politicka Misao* (NSPM), a magazine and portal dedicated to Serbian politics, and perceived by some as close to Russia, agreed that Russian influence on Serbian media is increasing; he added that Western views are presented as well through the various American and Western-owned media that are available in Serbia, such as Serbia’s N1 radio and TV, Radio Free Europe (RFE), Voice of America (VOA), and Greek B92. He further noted that there are also nongovernmental organizations in Serbia that benefit financially if they are perceived to be working to counter Russian influence.²⁵

²⁰ Marcus Tonner, “Russia Never Went Away From the Balkans,” BIRN, February 8, 2017.

²¹ Ibid.

²² “Serbians Support Military Neutrality, Research Says,” as reported by *BalkanInsight*, September 5, 2017.

²³ Data from the Center for Euro-Atlantic Studies, Belgrade, 2017.

²⁴ “Russia Stirs a Hornets Nest,” *Stratfor*, March 28, 2017.

²⁵ “How Influence of Russian Media Risks Making Serbia a Moscow Bureau,” Committee to Protect Journalists, October 20, 2016.

As far as Russia's influence on the political structures of Serbia is concerned, the exact degree is difficult to assess. With a fairly pro-Russian attitude within the government and among the population, Moscow may not feel it needs to be overly covert in its activities in Belgrade. Moscow reportedly supports several of the Serb political parties politically and financially and in 2016, three Serbian political parties, the Democratic Party of Serbia (DSS), the Dveri Movement, and the Serb People's Party (SNP), signed a declaration with Russia's ruling United Russia party, supporting a neutral military area in the Balkans.²⁶ In the same Demostat survey cited above, 50% of Serbs stated that they supported the country's neutrality position.²⁷

Russian presence in a "friendly" Serbia is also perceived by the West as helping to project Russian influence elsewhere in the Balkans. According to a report published on June 2 by the Organized Crime and Corruption Reporting Project, NOVA TV, and the Crime and Corruption Reporting Network,²⁸ Russian intelligence activities have been carried out by agents from Russia's Foreign Intelligence Service (SVR), from a station in the Serbian capital of Belgrade. Ahead of the 2017 parliamentary elections in Montenegro, it has been reported that several ultranationalist Serbs, acting under instructions of Russian intelligence officers in Belgrade, were arrested for the attempted assassination of Montenegro's prime minister and attempting to derail Montenegro's accession to NATO.

One of the Russian facilities in Serbia that has caused concern in both Europe and the United States is a Russian "humanitarian" center located in Nis, Serbia. The center opened in 2012 and, according to the Kremlin, is involved in emergency training for Serbian first responders, in providing emergency humanitarian response, and in the prevention of natural disasters and technological accidents. The center is in a location relatively close to the NATO peacekeeping force next door in Kosovo. The United States and the EU have expressed concern that through the center, Russia is operating a subtly disguised military and intelligence operation set up by the Kremlin to spy on U.S. and other interests in the Balkans. Such concern was expressed by U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs Hoyt Yee during a June 2017 hearing of the Senate Foreign Relations Committee's Subcommittee on Europe and Regional Security Cooperation.²⁹ The Serbian government has denied that it is permitting a Russian military base to operate at Nis.³⁰ Russia has also insisted that the center's staff in Nis be given the same diplomatic status that NATO staff in Serbia enjoy. In an August 2017 visit to Belgrade, the chairman of the U.S. Senate's Subcommittee on Europe expressed concern over the Russian request for diplomatic immunity for the Nis center and suggested the Serbs think seriously about whether to grant such status.³¹

In early 2017, Russian President Putin and then-Serbian Prime Minister Vučić agreed to the delivery of six MiG-29 fighter jets, 30 T-72 tanks, and 30 BRDM-2 armored vehicles to Serbia. According to reports, the weapons are being provided free and will be "fully modernized and refurbished" in Serbia by Russian technicians. Additional reports suggest that Serbia expressed interest in buying a Russian air defense system as well as opening a repair center for Russian MIL helicopters which, analysts believe, would be tantamount to opening a Russian military base on

²⁶ "Serbia Parties Sign Declaration with United Russia Party," B92, June 2016.

²⁷ Op. cit., Demostat.

²⁸ "Russian Meddling in Balkans A matter of Supply and Demand," *BalkanInsight*, June 12, 2017.

²⁹ Testimony of Deputy Assistance Secretary of State Hoyt Yee before the Senate Subcommittee on Europe and Regional Security, June 14, 2017.

³⁰ "Serbia Denies Plans to Open Russian Military Base," *InSerbia.info*, December 2014.

³¹ "Senator Opposes Immunity for Serbia's Russian Center," *BalkanInsight*, August 30, 2017.

its territory. In all, the arms purchase agreement could worsen tensions with neighboring states, particularly with Croatia and Kosovo, and could trigger an arms race in the region.³²

Despite its close relations with Russia, Serbia participates in NATO's Partnership for Peace (PfP) program, including through joint exercises and training opportunities. NATO maintains a small office in Belgrade. On the other hand, Serbia's military forces have also exercised with Russian forces, as they did on November 2, 2016, when Serbian, Russian, and Belarussian forces held extensive exercises in Serbia.³³ Nevertheless, Belgrade has been under constant political pressure from Moscow, which continues to pursue a goal of keeping the countries in the Balkan region, but especially Serbia, out of NATO and other Western institutions. Continuing resentment among some Serbs of NATO air strikes in Serbia in 1999, and U.S. support and that of other leading NATO countries for Kosovo's independence, also drive Serbia's relations with Russia.

Relations with Moscow received a blow in 2014 when Belgrade was caught off guard by President Putin's sudden decision to cancel the South Stream gas pipeline project, which would have run through Serbia, providing Serbia with gas and revenue from transit fees. It is unclear whether Russia's replacement for the project, the "Turkish Stream" pipeline, will come to fruition, and if so, what role Serbia would play in the transmission of gas into Europe. Turkey seems to be suggesting Serbia could be part of that gas transmission system. Additionally, Belgrade's relations with Moscow soured somewhat after Belgrade publicly called for respecting Ukraine's sovereignty and territorial integrity after Moscow annexed Crimea and supported separatist elements in eastern Ukraine. Serbia, however, as noted above, did not join the EU and the United States in imposing political or economic sanctions on Russia for its actions in Ukraine.

Migration

Serbia is located along the historical transit route between the Middle East and Western Europe, the so-called "Balkans Route" that continues to illicitly move weapons, narcotics, and people. During the early stages of Europe's migration and refugee crisis, Serbia became a major transit route for those fleeing the Middle East (and Afghanistan) via Greece and Turkey for Germany and northern Europe. It was estimated that some 160,000 migrants and refugees may have traversed Serbia between 2014 and late 2015. Although the "Balkans route" for migrants and refugees has been effectively shut down since March 2016 as Hungary, Croatia, and Bulgaria closed their borders, migrants and refugees became stranded in Serbia. The UN Refugee Agency estimates that in 2017 some 3,000-4,000 migrants and refugees remain in Serbia. The government of Serbia, however, has not processed many applications for asylum and has rejected most of the cases heard thus far.³⁴

The migration and refugee crisis exposed numerous vulnerabilities in Serbia's border security, which largely matched vulnerabilities facing neighboring countries. In response to the migrant crisis, Serbia has been updating its screening tools and border security with neighboring countries to improve border security and information sharing. In 2016, Serbia established a Migrant Smuggling Task Force, a prosecution-led multiagency team within the Ministry of the Interior (MOI) that integrates representatives from various departments. The U.S. Department of State's

³² "Serbia: Putin Agrees to Large Weapons Delivery to Balkans," VOA, March 29, 2017.

³³ According to the 2017 International Institute for Security Studies' *Military Balance* report, Serbia's armed forces number approximately 28,000 active personnel and approximately 50,000 reserves. The Serb army is the largest branch, with approximately 13,000 personnel. The Air Force consists of some 60 combat-capable aircraft.

³⁴ United Nations High Commissioner for Refugees (UNHCR), "Serbia Update," September 2017.

Export Control and Related Border Security (EXBS) program has conducted training courses for Serbia and has donated equipment to Serbian Customs and Border Police.³⁵

Terrorism

According to estimates from the International Center for the Study of Radicalism (ICSR), between 50 and 70 individuals from southern Serbia may have traveled to join Sunni militant organizations in Syria/Iraq.³⁶ Data patterns for known foreign fighters from the Western Balkans appear to reveal several main clusters, with groups of individuals linked to isolated, radical Wahhabi communities in Bosnia or Serbia, or to radical networks based around several informal mosques in Albania.³⁷ According to Serbian intelligence records and Serbian prosecutors, Islamist recruiters have been most active in the majority Albanian-Muslim region in southwestern Serbia that straddles the border with Montenegro.³⁸ In 2014, the Serbian government adopted foreign-fighter-related changes to its criminal codes, making it a crime for individuals to travel abroad to fight.³⁹ Authorities in Serbia, Albania, and Kosovo made a number of arrests in 2014 linked to foreign-fighter facilitation or travel to Syria, with 55 individuals reportedly arrested in Kosovo and five charged in Serbia in October 2014.⁴⁰

Relations with the United States

In 1999, the United States broke off relations with Belgrade when the Serbs launched an ethnic cleansing and deportation campaign against ethnic Albanians living mostly in Serbia's province of Kosovo. This was followed by a bombing campaign of Serbia by NATO that lasted 78 days until the Serb government agreed to allow the establishment of UNMIK and the NATO-led Kosovo Force (KFOR), which allowed displaced persons and refugees to return to their homes. The United States formally reopened its embassy to the Yugoslav Federation in 2001 after the collapse of the regime of Serbian strongman Slobodan Milosevic in 2000. The United States has viewed a democratic and prosperous Serbia, at peace with its neighbors and integrated into Euro-Atlantic institutions, as an important part of its key policy goal of a Europe whole, free, and at peace. U.S.-Serbian ties deteriorated again after U.S. recognition of Kosovo's independence in February 2008, but recovered soon after. Although the United States has offered to "agree to disagree" with Serbia over Kosovo, the issue may continue to affect relations, particularly as the United States generally remains Kosovo's most influential international supporter.

In early 2016, U.S.-Serbia relations hit a snag when the U.S. ambassador, along with his UK colleague, was accused by a daily newspaper close to Vučić of instigating chaos in Serbia and even of intending to overthrow the prime minister. Vučić abruptly canceled plans to visit the United States with the inaugural Air Serbia flight to New York and instead met with President Putin in Moscow. Relations were eventually smoothed over when, during a July 2016 visit to Belgrade by the then-U.S. Assistant Secretary of State for European and Eurasian Affairs,

³⁵ U.S. Department of State, 2016 Country Reports on Terrorism.

³⁶ Peter Neumann, "Foreign Fighter Total in Syria/Iraq Now Exceeds 20,000; Surpasses Afghanistan Conflict in the 1980s," ICSR, January 2015.

³⁷ Timothy Holman, "Foreign Fighters from the Western Balkans in Syria," *CTC Sentinel*, June 30, 2014.

³⁸ "Jihadists Target Young, Marginalized Serbian Muslims," *BalkanInsight*, March 28, 2016.

³⁹ Miki Trajkovski, "Macedonia and Kosovo Support New Law Sanctioning Foreign Fighters," *Southeast European Times*, August 29, 2014; Una Hajdari, "Kosovo to Jail Fighters in Foreign Conflicts," *BalkanInsight*, March 13, 2015.

⁴⁰ Ali Weinberg, "ISIS in Iraq, Syria Recruiting Foreign Fighters from Balkans," ABC News, September 22, 2014.

Victoria Nuland, it was announced that Serbia had agreed to allow two Guantánamo inmates, one Yemeni and one Tajik national, to be transferred to Serbia.⁴¹ Relations between the United States and Serbia continued to improve and in June 2017, President Vučić visited Washington and met with Vice President Mike Pence. Some Members of Congress expressed concern over the meeting because of Serbia’s relations with Russia, and it was reported that Vice President Pence raised the issue of Russia and Russia’s “humanitarian” center in Nis, Serbia, with Vučić.

U.S. foreign aid to Serbia has fluctuated for several years, perhaps reflecting overall U.S. budgetary stringency, changing U.S. global priorities, and the expectation that Serbia would receive increased aid as an EU membership candidate. The United States provided \$22.9 million in aid to Serbia in FY2014, \$14.2 million in FY2015, and \$16.8 million in FY2016. For FY2017, the Obama Administration requested approximately \$23 million, including \$16 million in economic support funding (ESF), \$1.8 million in Foreign Military Financing (FMF), and \$1 million in International Military Education and Training (IMET). The FY2018 budget submission from the Trump Administration requested \$12.1 million, including \$8 million in economic support and development assistance (ESDA) and \$1.0 million in IMET. The Senate Foreign Operations and Related Agencies appropriations bill included \$12.9 million in economic support, along with \$1 million in IMET and \$1.8 million for Foreign Military Financing (FMF).

According to the U.S. Department of State, targeted U.S. assistance will focus on helping Serbia further integrate into the EU as it moves forward with negotiations and opens additional chapters in the accession process. Assistance will focus on strengthening democratic institutions and the rule of law; reducing corruption; increasing the capacity of civil society organizations and independent media; fostering broad-based, inclusive economic progress; enhancing export and border controls; and building good relationships with neighboring countries. According to the Administration, support will also help build Serbia’s resilience in the face of external pressure from Russia.

Other U.S. aid is targeted at strengthening Serbia’s export and border controls, including against the spread of weapons of mass destruction. U.S. military aid helps Serbia participate in NATO’s Partnership for Peace program and prepare for international peacekeeping missions. The Ohio National Guard participates in a partnership program with Serbia’s military.

Among the leading U.S. investors in Serbia are KKR, Philip Morris, Ball Packaging, Coca-Cola, PepsiCo, Cooper Tire, and Van Drunen Farms. There has been increased interest from U.S. technology companies in Serbia, with specific emphasis on opportunities in e-government, cloud computing, digitization, systems integration, and IT security. Microsoft signed a \$34 million contract to provide software to Serbian government offices in 2013. Imports from Serbia have increased since 2013, when Fiat began shipping cars manufactured in Serbia to the United States.

According to the U.S. Department of State’s 2017 Trafficking in Persons report, Serbia is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. The Department of State has indicated that the government of Serbia has demonstrated significant efforts to address trafficking by operationalizing a permanent human smuggling and trafficking law enforcement task force, identifying more victims, and providing guidelines to prosecutors and judges. However, Serbia remains listed as a Tier 2 country because the State Department has determined that the Serbian government has not yet fully complied with the minimum standards for the elimination of trafficking.⁴²

⁴¹ Op. cit. *BalkanInsight*, July 19, 2016.

⁴² U.S. Department of State annual *Trafficking in Persons* report, 2017.

According to the 2016 U.S. Department of State’s report on terrorism, the government of Serbia has continued its efforts to counter international terrorism. Serbia has hosted a regional counterterrorism conference focused on foreign terrorist fighters and has sent representatives to countering violent extremism conferences hosted in Albania, Italy, and Slovenia. Serbia’s law enforcement and security agencies, the Ministry of Interior Directorate of Police, and the Security Information Agency continued bilateral counterterrorism cooperation with the United States.⁴³

Issues for Congress

Over the past several years, Congress has maintained a steady interest in the stability of the Western Balkans and has supported the efforts of those countries to join the EU and NATO. House and Senate committees have held several hearings on the Balkans during the 114th Congress and the 1st session of the 115th Congress. Some Members of Congress also visited countries in the Western Balkans during the summer of 2017.

The United States has viewed a democratic and prosperous Serbia, at peace with its neighbors and integrated into Euro-Atlantic institutions, as an important part of its key policy goal of a Europe “whole, free, and at peace.” Recognizing that Serbia is an important political and economic factor in the overall future of the Western Balkans and that the United States has provided a sizable amount of assistance to Serbia, Congress may want to focus more specifically on U.S. relations with Serbia; its role in the Western Balkans; Serbia’s EU membership negotiations; and Serb-Russia relations, particularly the operation of the Russian facility in Nis and Russian support for pro-Moscow political parties in Serbia. Congress will likely continue its interest in developments in the Serb-Kosovo relationship, which could continue to constrain closer U.S. cooperation with Belgrade.

⁴³ U.S. Department of State, *Country Reports on Terrorism*, 2016.

Figure I. Map of Serbia



Source: Created by CRS using data from IHS and ESRI.

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