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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 Balkans 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 NATO. Montenegro became NATO's 29th member on June 5, 2017. Other nations of the Balkans are at various stages on the path toward EU or NATO membership.

However, many observers in Europe and the United States have expressed concern that political stability in the Western Balkans, sometimes referred to as Europe's "inner courtyard," remains tenuous. Several of these countries have experienced governmental and political crises, sometimes involving third-party interference, stagnating economies, high unemployment, and an exodus of people from the region. These crises have raised cautions that the continuation of or sudden increase in these factors could provide a vacuum in which outside political meddling, transnational crime, radicalization, or 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. Some observers see Serbia as more stable politically than several other countries in the region, despite difficult historical relations with its neighbors, its ongoing dispute with Kosovo, recent concerns over its commitment to democratic development, and the desire to balance its aspirations toward the West with its historical ties to Russia. Some also view Serbia as potentially the engine of economic growth for the entire Balkan region. At the same time, others view Serbia as an important piece in the geostrategic competition in the Western Balkans between the EU, the United States, and Russia.

U.S. relations with Serbia have been rocky at times, due to past U.S. interventions in the conflicts in Bosnia and Kosovo and the U.S. recognition of Kosovo's independence. Nevertheless, relations between Washington and Belgrade seem to have improved recently; today, they appear to be cordial. Between 2001 and 2017, the United States provided close to $800 million in aid to Serbia to help stimulate economic growth, strengthen the justice system, and promote good governance. Despite the United States' disagreement with Serbia over Kosovo's independence and the mixed messages Washington believes Serbia sends over its relations with Moscow, the United States 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. Many observers believe the EU's commitment to further integration of the Balkans, despite its declaratory support, has been distracted by the EU migration crisis and the negotiations with the United Kingdom over its departure from the union. These observers, in both Washington and in the Balkans, believe the United States should 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. Over time, Congress has established Member caucuses on both Kosovo and Serbia and has held several hearings on the Western Balkans. In 2018, the Serb Caucus in the House noted the 100th anniversary of Woodrow Wilson's "day of prayer" for the people of Serbia. In 2018, the Serbian diaspora and Eastern Orthodox Church sent a letter to Congress regarding the discussions surrounding a possible land swap between Serbia and Kosovo. Many Members of Congress support Kosovo's independence, the efforts at reconciliation between Serbia and Kosovo, and EU

membership for both countries, but other Members have expressed skepticism about Serbia's relations with Russia or the future viability of the Serbia-Kosovo coexistence.

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

# Contents

Overview ..... 1
Political Developments ..... 1
Migration ..... 4
Economic Conditions ..... 5
Relations with Kosovo ..... 7
Border Adjustments ..... 9
Relations with the EU ..... 10
Relations with Russia ..... 11
Relations with the United States ..... 14
Issues for Congress ..... 16

## Figures

Figure 1. Map of Serbia ..... 17

## Contacts

Author Information ..... 17

# Overview[1]

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 to 1992. Belgrade was the capital of Yugoslavia, and Serbs dominated the Yugoslav federation. Serbia was at the center of the Balkan conflicts throughout the 1990s,[2] 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 U.N. mission in Kosovo (UNMIK) to implement the peace, and NATO 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 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 (2018 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:** $41 billion; per capita GDP is $5,900 (2018 est.)

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

**Sources**: CIA, *The 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. According to the Economist Intelligence Unit's 2017 Democracy Index, Serbia ranked 66th out of 167 countries and territories for the strength of its commitment to democracy but was rated as the only "flawed democracy" in the Balkan region.[3]

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 the ultranationalist Radical Party (SRS) that oppose a Western orientation and express a desire to

[1] CIA, *The 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.

[3] 'Western Balkans to 2025: A Brighter Future or Permanent Marginalization," Economist Intelligence Unit, July 2018.

remain close to Russia. Nationalist/populists forces 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 Kosovo and its independence. Successive Serbian governments during this time have had to balance favorable domestic views of relations with Russia with the aspirations 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 to offer a more moderate/nationalist, pro-EU alternative.

In parliamentary elections held in March 2014, the SNS completed its electoral dominance, following the 2012 election of Nikolic as president, 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 Nikolic appointed Vučić to lead the government. Many in Serbia saw the election result as 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's coalition partner.

Between the 2014 election and spring 2016, the Vučić government was criticized for the stagnant economy, the poor state of the rule of law, its tight control of the media, and its disregard for opposition concerns about democratic progress. This situation led to a growing vocal challenge from the Radical Party. The SRS leader, Vojislav Seselj, who is a member of the Serb parliament, pledged never to give up fighting for Serbia to regain Kosovo and to oppose 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 mounting problems, including the erosion of his popularity and an internal governance feud with the Socialist coalition partner, could continue to erode support for the SNS, Prime Minister Vučić called for a snap parliamentary election, well ahead of the regularly scheduled 2018 elections. 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. Nevertheless, Vučić was again appointed to lead the new government.

By the time the 2017 presidential election period began, the popularity of President Nikolic and the SNS had stagnated once again. Despite Vučić's domestic problems, many saw him as the only politician in Serbia who could move the country forward.[4] This assessment contributed to Vučić's decision 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 despite protests that his campaign abused state resources, and for what many believed was an autocracy-in-the-making by Vučić and his party.[5] On September 8, 2017, Serbia's Anti-Corruption Agency ruled that Vučić did not abuse state resources during the presidential election campaign.

In early June 2017, 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. The appointment of Brnabic, created some tension

[4] "Vucic Reaps Benefits from Guantanamo 'Favor,'" *BalkanInsight,* July 19, 2016.

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

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) were not universally shared within the SNS. Brnabic generated controversy during summer 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.[6] Since then, Brnabic has gained the party's confidence and seems to enjoy the full support of President Vučić and the general population. Most observers, however, believe that Vučić will be the real power in Serbia for the foreseeable future. Although some have compared Vučić to other strongmen in European politics and, as noted above, even accused him of being an autocrat, many believe he has successfully taken over the center ground of Serb politics, building a reputation for technocratic efficiency, ideological flexibility, and political pragmatism while retaining a solid constituency of center-right and right-wing voters.[7]

One issue involving the strength of Serbia's democracy that dogged the former Vučić government and continues 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 faced 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.[8] In late September, a similar decision by the Tax Administration apparently caused one of Serbia's popular local weeklies, Vranje's *Novine Vranjske*, which was also viewed as being not friendly to the government, to decide to shut down after management failed to settle its taxes. In October 2017, some 26 Serbian media associations, nongovernmental organizations (NGOs), journalists, and activists protested what they called the worsening situation of the free media and met in Belgrade to coordinate a new campaign, "For Media Freedom," in defense of media freedom in the country. Prime Minister Brnabic, in a meeting in Brussels in late 2017, criticized the country's media for its alleged lack of balance, suggesting that there were very few objective journalists in Serbia, but did agree to meet with the new group to discuss ways to improve the status of the media.

Another issue Serbia continues to confront is difficult relations with its neighbors and former members of the Yugoslav federation. Relations have been particularly tense over 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 International Criminal Tribunal for the Former Yugoslavia (ICTY) was established in The Hague to try war crimes suspects. The ICTY (which closed its doors in late 2017) 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 arrests and trials continued to generate resentment of the West by many Serbs. One example of Serb attitudes on this issue was highlighted in early

[6] Comments reported by Prime Minister Ana Brnabic, EurActive.rs, July 7, 2017.

[7] Economist Intelligence Unit, Country Report on Serbia, August 2018.

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

October 2017, when Serb Minister of Defense Aleksandar Vulin said in a speech to former army personnel that "Serbia will no longer be ashamed of those who defended [the former Yugoslavia], and that time has come to be 'quietly proud' instead."[9] Serbian attitudes were reinforced by Russia's solidarity and position that the U.N. war crimes tribunal should have been shut down long ago because it was biased against Serbs.

In addition to the ICTY, Serbs have 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 Kosovo Albanians also had been responsible for war crimes but have not been prosecuted as often or as vigorously as have the Serbs. 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).[10] The Serbs, although skeptical, appeared satisfied that at least an impartial court would hear those cases. However, several legislators, and former KLA fighters, in Kosovo have tried to eliminate the law that created the Special Court, a move that has had negative consequences for Serb relations with Pristina. In July 2018, a Belgrade-based NGO, the Humanitarian Law Centre, said Serbia seemed to be stalling on its own prosecution of war criminals, stating that Serbia had made no notable progress in implementing its own war-crimes prosecution strategy.[11]

In other Balkan countries, Serbs also have been indicted for war crimes. For instance, in Croatia, on October 16, 2018, 29 Serbs went on trial, in absentia, in Zagreb for the alleged murder of some 47 Croats by Serbian paramilitaries in the village of Vocin and other surrounding villages 27 years ago. This trial prompted some in Serbia to remind Croatia that during Croatia's 1995 operation "Storm," Croat military forces allegedly killed hundreds of Serbs and displaced thousands.

In other aspects of Serbia's relations with its neighbors, Serbia and Bosnia-Herzegovina have been involved in a long-standing dispute over a border demarcation separating the two countries. Serbia has asked for adjustments at four different points along the Drina River that would shift a segment of a railway, two dams, and a hydroelectric plant into Serbian territory. A Bosnian commission has begun to investigate Serbia's claims but likely would seek some kind of compensation for any agreement to move the border. Also regarding Bosnia, the Vučić government has insisted that it has no intention of incorporating the territory of the Republica Serbska (RS) into Serbia proper, should the RS leadership successfully follow through on its threat to hold an independence referendum in 2018 or later.

## 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 recent migration and refugee crisis, Serbia became a major

[9] "Serbian Minister Reaffirms Praise for Freed War Criminals," *BalkanInsight*, October 12, 2017.

[10] Law Library of Congress, "Netherlands: Special Tribunal for Alleged War Crimes," *Global Legal Monitor*, January 2016.

[11] Statement of the Humanitarian Law Center, HLC, March 2018.

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 transited 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 U.N. Refugee Agency estimated 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.[12] In mid-2018, migrant flows across the Balkans seem to show an increase in numbers.

The migration and refugee crisis exposed numerous vulnerabilities in Serbia's border security, which largely matched vulnerabilities in 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 that integrates representatives from various departments. The U.S. Department of State's Export Control and Related Border Security (EXBS) program has conducted training courses for Serbia and has donated equipment to Serbian Customs and Border Police.[13] Recently, Serbian officials asked Frontex, the European Border and Coast Guard Agency, for additional assistance to conduct checks on migrants at the Serb border, in cooperation with the Serbian Interior Ministry.

# Economic Conditions

According to the Economist Intelligence Unit, in the period following the 2008 global financial crisis, Serbia had been one of the region's weakest-performing economies, owing to institutional and regulatory deficiencies, poor infrastructure, insufficient openness of the economy, low levels of innovation, and demographic weaknesses.[14]

Nevertheless, the Statistical Office of the Republic of Serbia recently has reported that real GDP growth picked up to 4.4% year on year in the second quarter of 2018, from an overall 1.9% growth in 2017. This was the fastest rate of growth for Serbia in a decade. The Economist Intelligence Unit estimates that overall growth will be around 4.4% in 2018. The estimated unemployment rate for Serbia is relatively high; for 2018, it is forecast to be around 14% with an inflation rate at about 2.1%. Serbia's main exports include machinery, manufactured goods, food, and chemical products. The EU is Serbia's largest trading partner, with a 2017 volume of trade at approximately €2.3 billion. Serbia's main trading partners include Italy, Germany, China, Bosnia, and Russia.[15]

In recent years, according to the Economist Intelligence Unit, despite Serbia's slow level of development, its size, and its distance from main markets, its fast export growth has caught up with Serbia's overall economic potential. This is unlike the situation in other western Balkan countries that appear to under-trade. The robust growth in exports has been the result of a recent strong growth in foreign direct investment, along with Serbia's flexible exchange rate.

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 Swedish-founded furniture retailer

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

[13] U.S. Department of State, 2016 Country Reports on Terrorism.

[14] Economist Intelligence Unit, "Country Report: Serbia," October, 2018.

[15] Ibid.

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 October 2017 visit of Turkish President Recep Tayyip Erdogan. During Erdogan's three-day visit to Serbia, the two leaders signed 12 bilateral agreements, including a revision of the free trade agreement between Serbia and Turkey. With some 20 Turkish businesses already registered in Serbia, Erdogan reportedly was accompanied by over 100 Turkish businesspeople interested in economic projects involving an extension of the TurkStream gas pipeline to Serbia, as well as Serbia's textile and tourist industries and infrastructure construction, including several highway projects.[16] In addition to his meetings with Vučić, Erdogan also attended a Turkey-Serbia Business Forum and visited Novi Pazar, a mainly Bosniak (Muslim) city.

China is also investing in Serbia as a corridor to Europe for China's "one belt, one road" global investment strategy. In 2016, China's He Steel Company purchased the Smederevo steel mill, and in August 2018, Belgrade announced that China's Zijin Mining Group would become the major investor in RTB Bor, Serbia's main copper mining company. In September 2018, Serbia's finance minister visited Beijing and signed several agreements, including ones for Chinese companies to invest in a Belgrade-based bus manufacturer, to help construct an industrial park, and to build a bypass highway around Belgrade.

In an apparent attempt to further promote Serbia's economic growth and its potential role as an economic leader in the Balkans, Vučić—at the fourth Western Balkans summit held in July 2017 in Trieste, Italy—called on his neighbors to establish a Balkan customs union. The union 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. Around half of all intraregional goods exported in the Western Balkans originate from Serbia.[17]

The EU and the European Bank for Reconstruction and Development (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 to helping improve the environment for small- and medium-sized enterprises (SMEs).[18]

One issue that continues to stunt Serbia's economic growth, according to the EBRD, is that 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.[19]

In 2015, the International Monetary Fund (IMF) and Serbia agreed to a three-year, $1.2 billion standby loan agreement. The initial IMF loan required slashing the size of Serbia's public sector and fighting corruption. The Vučić government has hesitated to take some unpopular steps, such as selling off or shutting down heavily subsidized state-owned utility and mining companies, which it claims would increase unemployment, drawing criticism from the IMF. However, an IMF mission that visited Serbia between February 27 and March 6, 2017, issued a more positive assessment of the program's progress, stating that Serbia's economy had "strengthened dramatically" since 2015. In February 2018, Serbia successfully completed the three-year IMF

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

[17] Op. cit. EIU.

[18] ERBD, "ERBD to Support Western Balkans Regional Economic Integration and Trieste Summit," press release, July 7, 2017.

[19] European Bank for Reconstruction and Development, "Country Overview: Serbia," 2017.

program. However, the IMF has emphasized that Serbia needs to continue to strengthen its institutions to support private sector-led growth and to modernize its tax administration and public services.[20]

# Relations with Kosovo

One of Serbia's most difficult domestic 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 and has refused to recognize Kosovo's independence. Enshrined in the preamble of the Serb constitution is wording that Kosovo is Serbian. Serbia won an important initial 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. Many of the most important Serbian Orthodox religious sites are located in Kosovo. Recently, several prominent Serbian Orthodox bishops called on their followers to pray for Kosovo, saying that Kosovo cannot be taken from Serbia. In addition, Serbia continues to pay off close to €900 million ($1 billion) in Kosovo foreign debt incurred between 1970 and 1990 to the Paris Club, the London Club, and the EBRD, because Serbia considers the former province a part of its own territory.[21]

Reports indicate that Serbia is trying to convince some countries to reverse their recognition of Kosovo's independence, and Belgrade has blocked Kosovo's attempts to gain membership in organizations such as the U.N., Interpol, and UNESCO. At the same time, Serbia continues to support the semiautonomy of the approximately 120,000 Serbs living in areas in northern Kosovo, including part of the divided town of Mitrovica, the largest town in northern Kosovo, 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 led to technical agreements 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, and regional cooperation. Implementation of many of these accords, however, 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 these agreements and address any problems that may arise.

On April 19, 2013, the leaders of Kosovo and Serbia concluded a landmark "First Agreement of Principles Governing the Normalization of Relations." The agreement affirmed the primacy of Kosovo's legal and institutional framework throughout Kosovo's territory. More importantly, 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 would be paid only by Pristina. The police commander in the north was to be a Kosovo Serb selected by Pristina from a list of nominees provided by the

[20] "Serbia Completes Successful IMF Program," IMF Country Focus, February 22, 2018.

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

mayors of the four Serb municipalities in the North. The ethnic composition of the local police in the North was to reflect the overall 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.

In August 2015, the two sides reached key deals on energy, telecommunications, and finally, the establishment of the Serbian-majority municipalities. However, the implementation of these agreements has lagged due to complicated political problems on both sides. For instance, the energy agreement stipulates that Kosovo must allow Serbia's public energy company to establish a supply company within Kosovo. However, as part of the licensing requirement, Kosovo insists that the Serb company make it clear that it would be operating in Kosovo. The Serbian side has rejected this demand, claiming such a statement would suggest an indirect recognition by Serbia of Kosovo's independence.[22]

With respect to the Serb "Association/Community" agreement, both sides have continued to disagree over the powers the municipalities would have. In addition, opposition parties in Kosovo's parliament have fiercely contested the agreement, claiming it is a capitulation to Serbian interests. Tensions between Serbia and Kosovo rose during summer 2018, as the August 4 deadline for drafting a statute for the Association of Serb Municipalities came and went without success. This prompted Serb President Vučić to claim in an open letter to Kosovo Serbs that Pristina would not likely establish the promised Association of Serb Majority Municipalities in Kosovo.

The on-again, off-again dialogue between Belgrade and Pristina has served to ease some of the lingering tensions that exist between Serbia and Kosovo over any number of other issues. However, the talks are often complicated by unanticipated events, such as the following:

- In January 2018, unknown assailants murdered Kosovo Serb politician and activist for a Serbia-Kosovo reconciliation Oliver Ivanovic. Both sides pledged to cooperate to identify and prosecute those involved. However, the investigation has not produced information, which has resulted in accusations that both sides were dragging their feet on the investigation.
- On July 10, 2018, Kosovo police arrested five Serbs, alleging they were "involved in activities against the constitutional order and security of the Republic of Kosovo." Belgrade reacted by threatening to halt all talks with Pristina until the men were released.
- In September 2018, Vučić traveled into northern Kosovo—including to Gazivode Lake, which both sides see as strategically important—for two days of discussions with Serbs living in Kosovo. Although the Pristina government approved the visit, some Kosovo citizens tried to block various routes Vučić intended to travel, including to the village of Banje, which has a large Serb population. Although many saw Vučić's public address to the people of Mitrovica as conciliatory, Vučić did invoke memories of former Yugoslav leader Slobodan Milosevic, to the dismay of many in Kosovo.

Although Kosovo's government is not under any illusion that Vučić would recognize Kosovo's independence any time soon, it nevertheless has hoped that Vučić might be willing to make

[22] "Serbia Must Implement Energy Deal, Kosovo Negotiator Says," *BalkanInsight*, July 27, 2018.

concessions on Kosovo to ease tensions with Pristina and smooth Serbia's relations with the EU. One idea raised by observers was that Belgrade would find a way to "normalize" relations with Pristina without explicitly recognizing Kosovo, which could enable Kosovo to join, for instance, UNESCO or Europol.

Many observers attribute Belgrade's reluctance to recognize Kosovo as a step too far for those who were in power at the time of the dissolution of the former Yugoslavia or who fought in the numerous wars to save the federation, particularly in Kosovo. However, interesting attitudes have surfaced among the younger generations of Serbs who were not directly a part of the conflict years. Reportedly, two recent surveys of Serbs under the age of 25 (one conducted in 2016 by the European Movement in Serbia and one conducted in 2018 by the Institute of European Affairs) seem to indicate that views range from staunch opposition to recognition of Kosovo's independence to interest in an agreement—provided Serbia gains full control over Serb-majority parts of northern Kosovo. In addition, a large percentage of those surveyed indicated they would not support full EU integration if it entailed recognition of Kosovo's independence.[23] If these attitudes are widespread and persistent among the younger generations of Serbs, the political implications for a final resolution of the Kosovo question could become problematic for any present or future Serb government. It also may point to the challenges pro-EU Serbs have in trying to convince the population of the benefits of European integration.

## Border Adjustments

Another controversial issue that had previously stirred debate both within and outside of Serbia and Kosovo and resurfaced again in summer 2018: the idea of *border adjustments*. The idea, raised in early summer 2018 by the Belgrade-based Center for Euro-Atlantic Studies,[24] suggested minimal adjustments to the administrative line of four municipalities in northern Kosovo as a possible starting point for the recognition of Kosovo. The proposed adjustments quickly evolved among some into calls for the partition of Kosovo and parts of Serbia. Under such a partition proposal, Kosovo would agree to cede the Serb-dominated parts of northern Kosovo (north of the Ibar River) in exchange for diplomatic recognition and/or territory in southern Serbia in the Albanian-dominated Presevo Valley. Both sides had rejected this idea in the past, as had many observers of the Serb-Kosovo debate. However, in early August 2018, Kosovo President Thaci discussed the concept when he made statements regarding "border corrections" with Serbia, although he denied proposing partition. It appeared that Vučić and Thaci may have been trying to lay the groundwork for a real debate over possible border adjustment that could have resulted in some type of political recognition of Kosovo. However, both leaders faced immediate opposition from their own sides and from much of the international community, which typically has rejected the idea of land swaps, even though Kosovo and Montenegro had agreed to their own border adjustment after a tense period. Curiously, the EU, which encouraged the Kosovo-Montenegro border agreement, seemed split on the Serbia-Kosovo border issue and the United States seemed to back away from outright opposition, deciding to see what both sides eventually proposed.

In early August, some 30 or more NGOs from Kosovo and Serbia—including some from Kosovo's majority-Serb north—reportedly may have sent a letter to EU High Representative Federica Mogherini asking for a clear EU stand against Kosovo's partition or an exchange of

[23] "Serbian Students Doubtful About Deal on Kosovo," Mitjo Vaulasvirta, *BIRN*, September 24, 2018.

[24] "West Side Story," Report of the Center for Euro-Atlantic Studies, June 2018.

territories with Serbia along ethnic lines.[25] After this incident, both Vučić and Thaci appeared to back away from a further pursuit of the idea.

In addition, in September 2018, leaders of Serbian Orthodox congregations and Serbian-American organizations in the United States sent a letter to Members of Congress and the Administration asking the United States to protect the rights of Kosovo Serbs and to express strong opposition to the proposed ethnic partition of territory.[26]

# Relations with the EU

Under former President Boris Tadic and during Vučić's time as prime minister and now president, one of Serbia's foreign policy goals has been to join the European Union. Although the EU has welcomed Serbia's desire to join the union, it has conditioned progress on Serbia's EU candidacy on normalizing the country's relations with Kosovo. Most EU member states have recognized Kosovo as an independent country, but five EU countries have not for various reasons, including some of their own minority populations demanding independence.[27]

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. Serbia had aimed to finish negotiations with the EU and become an EU member by 2020 or 2021.

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 June 2018, Serbia had opened 14 chapters of the *acquis* and provisionally closed two chapters. In October 2017, Serbian Prime Minister Ana Brnabic made her first official visit to EU institutions with a message of reassurance that Serbia was committed to joining the EU and being an active member. In mid-2018, European Commission President Juncker revised the EU timetable for Serbia's accession to 2025 but stated that Serbia and Montenegro were the two earliest possible candidates to join the union given their accomplishments thus far. Some analysts, however, believe that ongoing disagreements over Kosovo's status could slow Belgrade's timetable.

Since becoming an EU candidate country, EU financial assistance to Serbia has been 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 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 €1.9 billion ($2.1 billion) in 2016. Serb citizens enjoy visa-free travel throughout the EU.[28]

According to the NGO Center for Free Elections and Democracy, between 52% and 55% of Serbs questioned still support closer relations with the EU. However, there has been some increase in anti-EU sentiment, mostly associated with the EU's insistence that Belgrade recognize Kosovo as an independent country. Some Serb officials, such as Innovation Minister Nenad Popovic and

[25] "EU Urged to Speak Up Against Kosovo Partition," *BalkanInsight,* August 7, 2018.

[26] See Eastern American Diocese of the Orthodox Serbian Church website at http://www.easterndiocese.org/links.

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

[28] European Commission, "European Commission Enlargement Policy: Serbia."

Defense Minister Aleksandar Vulin, reportedly have claimed that the EU-facilitated Belgrade-Pristina dialogue did not deliver any results.[29]

Although Serbia has insisted that it be free to balance its relations between the EU and Russia, some EU officials have 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, making it appear that Serbia remains a top candidate for EU membership. Nevertheless, some believe EU attitudes toward Serbia reinforce the view of many in Belgrade that Serbia has not been fully embraced by Brussels and that it would be premature for Serbia to greatly distance itself from Moscow for now.

The EU-Western Balkans summit on May 17, 2018, in Bulgaria's capital, Sofia, was meant to reassure the western Balkan countries about their EU membership prospects. The 2015 migration crisis, in which hundreds of thousands entered the EU via the western Balkan route, was a reminder of the region's strategic importance. The EU is also worried about potential political instability and the influence of third powers such as Russia, China, and Turkey in the Western Balkans. Proponents of EU enlargement see it as the main tool to assure peace, stability, prosperity, and the rule of law in the region. Some speculate that the EU also feels the need for a new mission and purpose, such as integrating the Western Balkans, in the post-Brexit era.[30]

One recent issue, however, has slightly soured Belgrade's relations with Brussels. After the Catalan (Spain) referendum resulted in a victory for independence, the EU rejected the vote. President Vučić echoed the view of many Serbs that Brussels's rejection of Catalan independence while endorsing Kosovo's was an example of the EU applying a "double standard."[31] The EU dismissed the accusation as not comparable.

# 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.[32] 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 appears strong among some elements of Serb society 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.[33]

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[29] "Anti-EU Rhetoric Risks Swaying Serbian Public, Experts Say," *BalkinInsight*, September 28, 2018.

[30] Op. cit. EIU.

[31] "EU's Catalan Response Leaves Serbia Feeling Aggrieved," *BalkanInsight*, October 11, 2017.

[32] Marcus Tonner, "Russia Never Went Away From the Balkans," BIRN, February 8, 2017.

[33] Ibid.

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. Russia supplies Serbia with all of its natural gas, which in 2016 amounted to around 2 billion cubic meters (bcm). In December 2017, Vučić traveled to Moscow and signed a new gas agreement that will boost Russian-delivered gas to Serbia to 5 bcm through 2021. Serbia also has sought and received Russian investment, especially in its oil and natural gas industry.

According to a 2017 survey by the Belgrade-based Demostat research center, 41% of Serbs surveyed perceive Russia as Serbia's greatest friend.[34] Moscow has reinforced these Serb attitudes on a number of issues, including the previously mentioned U.N. war crimes tribunal (ICTY), which Moscow maintained should have been shut down long ago, and Moscow's refusal to recognize Kosovo's independence. Moscow also maintained that former Kosovo Liberation Army commander Ramush Haradinaj, now Kosovo's prime minister, who was acquitted of war crimes by the ICTY in 2012, should not have been cleared.[35]

The extent of Russian influence also is illustrated by a May 2016 study by the Center for Euro-Atlantic Studies. The study estimated that some 110 registered NGOs, associations, and media outlets operating in Serbia appeared to be directly connected with the Russian lobby in Serbia, up from about 12 in 2015.[36] The report suggested that the West was not taking seriously the impact of Russia's soft power on Serbia. The Kremlin's two main news networks, Sputnik and RT (formerly Russia Today), also are present in Serbia and offer television programming, online news, and radio broadcasts in the Serb language to Serb media outlets. In addition, Russian state newspaper *Rossiyskaya Gazeta* prints *Nedeljnik,* a widely read weekly, in Serbia.[37]

Djordje Vukadinovic, a political analyst and editor-in-chief of *Nova Srpska Politicka Misao*, a magazine and portal dedicated to Serbian politics and perceived by some as close to Russia, agreed that Russian influence on Serbian media is significant. However, he added that Western views also are presented through the various American- and Western-owned media available in Serbia, such as Serbia's N1 radio and TV, Radio Free Europe, Voice of America, and Greek B92. He further noted that there are NGOs in Serbia that benefit financially from the West if they are perceived to be working to counter Russian influence.[38]

The exact degree of Russia's influence on the political structures of Serbia is concerned 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 Serb political parties politically and financially. In 2016, three Serbian political parties, the Democratic Party of Serbia, the Dveri Movement, and the Serb People's Party, signed a declaration with Russia's ruling United Russia party supporting a neutral military area in the Balkans.[39] In the same Demostat survey cited above, 50% of Serbs stated that they supported the country's neutrality position.[40] However, some observers believe it is

[34] "Serbians Support Military Neutrality, Research Says," as reported by *BalkanInsight,* September 5, 2017.

[35] *Russian Minister Says Hague Tribunal "Should Be Closed,"* Balkan Transitional Justice report, October 16, 2017.

[36] "Eyes Wide Shut," report of the Center for Euro-Atlantic Studies, Belgrade, May 2016.

[37] "Russia Stirs a Hornets Nest," *Stratfor*, March 28, 2017.

[38] "How Influence of Russian Media Risks Making Serbia a Moscow Bureau," Committee to Protect Journalists, October 20, 2016.

[39] "Serbia Parties Sign Declaration with United Russia Party," B92, June 2016.

[40] Op. cit., Demostat.

misleading to call Serbs and Russians allies and that many in the West make the mistake of oversimplifying Serbs as "little Russians." These observers believe the majority of Serbs in Belgrade and throughout Serbia have become more committed to closer relations with the West and that the perceived relationship between Serbia and Russia bears closer examination.[41]

The West also perceives Russian presence in a "friendly" Serbia as helping to project Russian influence elsewhere in the Balkans. According to a report published on June 2, 2017, by the Organized Crime and Corruption Reporting Project, NOVA TV, and the Crime and Corruption Reporting Network,[42] agents from Russia's Foreign Intelligence Service have carried out Russian intelligence activities from a station in the Serbian capital of Belgrade. Ahead of the 2017 parliamentary elections in Montenegro, several ultranationalist Serbs, reportedly 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.[43] The Serbian government has denied that it is permitting a Russian military base to operate at Nis.[44] 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.[45]

In early 2017, Russian President Putin and then-Serbian Prime Minister Vučić agreed to the delivery of six used 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 but the cost to "fully modernize and refurbish" them in Serbia will be paid by the Serbs. The first of the MiGs were delivered in early October 2017. 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 its territory. In all, the current and future arms purchase agreements could worsen tensions with neighboring states, particularly with Croatia and Kosovo, and could trigger an arms race in the region.[46]

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[41] "Serbs are Not 'Little Russians,' Vuc Vuksanovic, *The American Interest*, July 26, 2018.

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

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

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

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

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

Despite its relations with Russia, Serbia participates in NATO's Partnership for Peace (PfP) program (which it joined in 2006), including through joint exercises and training opportunities. NATO maintains a small office in Belgrade. In 2015, Serbia signed an individual Partnership Action Plan, a higher-level cooperation agreement designed for countries not intending to join NATO. And although Serbia's military forces have exercised with Russian forces, including two exercises in 2017 with Russian and Belarussian forces, in 2017, Serb forces participated in 13 military exercises with NATO members and 7 with U.S. forces.[47] More recently, on October 8-11, 2018, Serbia hosted a NATO emergency response exercise involving several hundred personnel from numerous countries in Mladenovac, near Belgrade. Nevertheless, Belgrade has been under constant political pressure from Moscow, which continues to pursue a goal of keeping all countries in the Balkan region, and especially Serbia, out of NATO and other Western institutions. Among a majority of Serbs, continuing resentment of NATO air strikes in Serbia in 1999 and of U.S. support and that of other leading NATO countries for Kosovo's independence, also drives 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 TurkStream pipeline, will come to fruition, and if so, what role Serbia would play in the transmission of gas into Europe. 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. Finally, Moscow also has noted Belgrade's courting of Ankara and Bejing for economic investment and development.

# 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

[47] 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.

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, 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.[48] 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 but it was reported that Vice President Pence raised the issue of Russia and Russia's "humanitarian" center in Nis, Serbia, with Vučić. Relations again hit a slight snag in October 2017 when the U.S. Ambassador to Belgrade was accused, mostly by the progovernment press, of interfering in Serbia's internal affairs after he reportedly criticized Defense Minister Aleksandar Vulin's expressions of support for convicted war criminals, suggesting that such comments might undermine efforts to improve Serbia's image in the United States. Similar complaints again erupted in Belgrade after the October 2017 visit of U.S. Deputy Assistant Secretary of State Hoyt Yee, who was accused by the Serbs of demanding that Belgrade would soon have to choose between the West and Moscow.

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 for FY2018 included $12.9 million in economic support, along with $1 million in IMET and $1.8 million for Foreign Military Financing (FMF). The Trump Administration's FY2019 request was for $10.5 million, including $6.4 million in Economic Support and Development.

According to the U.S. Department of State, targeted U.S. assistance continues to 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. Serb-U.S. military relations also have improved recently as U.S. military aid has helped Serbia participate in NATO's Partnership for Peace programs and prepare for international peacekeeping missions. In November 2017, paratroopers from the United States and Serbia held a joint exercise in Serbia.[49] The Ohio National Guard also 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.

[48] Op. cit. *BalkanInsight,* July 19, 2016.

[49] "Serb, U.S. paratroopers jump together to boost ties," *New York Times,* November 17, 2017.

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 2018 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.[50]

According to the U.S. Department of State's 2016 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.[51]

# 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 and 115th Congresses. Some Members of Congress also visited countries in the Western Balkans during the summer of 2017 and in 2018.

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 likely will continue its interest in developments in the Serb-Kosovo relationship, which could continue to constrain closer U.S. cooperation with Belgrade.

[50] U.S. Department of State annual *Trafficking in Persons* report, 2017.

[51] U.S. Department of State, *Country Reports on Terrorism*, 2016.

**Figure 1. Map of Serbia**

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

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