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Kosovo: Background and U.S. Relations

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Summary

Following the conflicts in the late 1990s in the countries of the former Yugoslavia (Serbia, Kosovo, Bosnia-Herzegovina, Macedonia, Montenegro, Croatia, and Slovenia), the prospect of membership in the Euro-Atlantic community, and the active presence of the United States in the region referred to as 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 (2004) and Croatia (2013) joined the European Union (EU). These countries, along with Albania (2009), also joined the North Atlantic Treaty Organization (NATO). Montenegro became NATO's 29th member on June 3, 2017. Other nations of the Western Balkans are at various stages on the path toward EU or NATO membership.

Along with Serbia, Kosovo stands at the center of the Western Balkans and occupies a key strategic juncture at the social, political, and geographic crossroads between Eastern and Western Europe. On February 17, 2018, Kosovo marked its 10th anniversary of independence. With the assistance of a number of international organizations, and despite its tense relationship with neighboring Serbia, which does not recognize Kosovo's independence, Kosovo has become a viable, democratic, and stable state. Although Kosovo faces major economic, rule-of-law, and corruption challenges, many observers believe Kosovo has made significant progress in strengthening its democratic institutions, its free-market economy and its Euro-Atlantic aspirations.

The United States has had a long history of involvement in Kosovo, dating to the conflicts in the Balkans during the 1990s and since Kosovo declared its independence, which the United States has recognized. The United States has consistently provided support for the people of Kosovo and its commitment to democratic principles. Kosovo has over the years been one of the largest recipients of U.S. foreign assistance designed to strengthen institutions, human rights, rule of law, and more recently, reconciliation with Serbia and potential integration into the EU. A new "threshold agreement" reached in September 2017 between Kosovo and the U.S. Millennium Challenge Corporation (MCC) has become another element in the U.S. commitment to Kosovo. In March 2018, in one of his first trips to Europe, U.S. Assistant Secretary of State for Europe Wess Mitchell visited Pristina as a further indication of U.S. interest in the region. Nevertheless, some Balkan watchers caution that the United States needs to remain actively engaged in Kosovo even as it supports the EU's efforts to bring Kosovo closer to the EU.

Many in the U.S. Congress have long been interested in the Balkans, and in particular, in Kosovo. In addition to a history of hearings on the Balkans, and an active Albania Caucus, established and led by the current ranking minority member on the House Committee on Foreign Affairs, many Members of Congress have been active supporters of U.S. involvement in and commitment to Kosovo's independence and development. During 2017, the U.S. House Democracy Partnership (HDP), as well as several other congressional delegations, visited Pristina to further congressional contacts and reaffirm U.S. commitments. The signing ceremony of the MCC agreement mentioned above was held in the U.S. House of Representatives and witnessed by several Members of Congress, including the cochair of the HDP. The MCC received comments of support from the chairman and ranking Democrat of the House Committee on Foreign Affairs. It is likely that Congress will continue its support for Kosovo and the evolution of Kosovo-Serb relations through its oversight of the Balkans.

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

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Background

During the medieval period, Kosovo served as the center of a Serbian Empire. The defeat of Serbian forces by the Turkish military at the Battle of Kosovo in 1389 ushered in a period of five centuries of rule under the Ottoman Empire. During this period, large numbers of Turks and Albanians moved to and settled in Kosovo. By the end of the 19th century, Albanians replaced Serbs as the dominant ethnic group in Kosovo, although a large ethnic Serb majority remained in an area north of the Ibar River and in a few other parts of Kosovo.[1] Serbia regained control over the region from the Ottoman Empire during the First Balkan War of 1912. Kosovo was then incorporated into the Kingdom of the Serbs, Croats, and Slovenes (later named Yugoslavia) after World War I.

After World War II, Kosovo's present-day boundaries were established when Kosovo became an autonomous province of Serbia in the Socialist Federal Republic of Yugoslavia. During the 1980s, as Albanian nationalism increased in Kosovo, protests and calls for Kosovo's independence occurred more frequently. The Serbs—many of whom viewed Kosovo as their cultural and religious heartland—responded in 1989 by instituting a new constitution revoking Kosovo's autonomous status and setting off years of political unrest.

By 1998, following the breakup of Yugoslavia, growing ethnic unrest and violence in Kosovo, promoted by the Kosovo Liberation Army (KLA), led Serbian leader Slobodan Milosevic to launch a counterinsurgency campaign against the ethnic Albanian and Kosovar communities in Kosovo. After international attempts to mediate the conflict failed, a three-month military operation led by the North Atlantic Treaty Organization (NATO) was launched in March 1999 against Serb forces in Kosovo and against Serbia itself. The NATO operation ultimately forced the Serbs to agree to withdraw their military and police forces from Kosovo. A U.N. Security Council Resolution adopted in 1999 placed Kosovo under a U.N. Interim Administration Mission in Kosovo (UNMIK), pending a determination of Kosovo's future status. A NATO-led military force in Kosovo (KFOR) was also established to provide security. U.N.-led negotiations on the future of Kosovo began in late 2005 but ended in late 2007 without agreement between Belgrade and Kosovo leaders in Pristina.

In February 2008, over the objections of Serbia and the Serb minority in Kosovo, Kosovo's leaders declared independence from Serbia. 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.

Today, Kosovo is recognized by over 110 countries worldwide, including the United States. However, Serbia has refused to recognize Kosovo's independence, as have Russia, China, and several EU countries.[2] Nevertheless, Kosovo joined the International Monetary Fund and the World Bank in 2009, the European Bank for Reconstruction and Development (EBRD) in 2012, and the Council of Europe Development Bank (CEB) in 2013. Kosovo most recently joined the Council of Europe's Venice Commission and the International Olympic Committee in 2014.[3]

[1] CIA World Factbook, July 2017.

[2] Spain, Greece, Romania, Slovakia, and Cyprus have not recognized Kosovo's independence due to ethnic issues in each country.

[3] CIA World Factbook, July 2017.

Despite celebrating its 10th anniversary of independence in February 2018 and having made, according to many, significant political and economic progress, Pristina does not yet enjoy all of the benefits of an independent, sovereign country, and Kosovo remains heavily overseen by international organizations.

For instance, Serbia's refusal to recognize Kosovo's independence has resulted in an unresolved border between the two. In addition, a large swath of territory in northern Kosovo dominated by ethnic Serbs as well as other Serb communities in Kosovo have not been fully integrated into Kosovo and have demanded autonomy from Pristina on a number of issues. They also demand continued direct links to Belgrade.

A 400-member U.N. mission in Kosovo (UNMIK) continues to be deployed to Kosovo. Its mission is to promote local security, stability, and the protection of human rights in Kosovo and the region and to promote constructive engagement between Pristina and Belgrade, the Serb and Kosovar communities in northern Kosovo, and between regional and international actors with interests in Kosovo.

The European Union's rule-of-law mission (EULEX) has operated in Kosovo under the EU's Common Security and Defense Policy (CSDP) since 2008. The mission was recently downsized and now, according to the EU, will no longer have executive authorities but will continue to support relevant rule-of-law institutions in Kosovo on their path toward increased effectiveness, sustainability, multiethnicity, and accountability, free from political interference and in full compliance with EU best practices. The mission will monitor selected cases and trials in Kosovo's criminal and civil justice institutions and will continue monitoring, mentoring, and advising the Kosovo Correctional Service.

Kosovo at a Glance

Land Area: 10,887 square kilometers (slightly larger than Delaware)

Capital: Pristina

Population: 1.8 million (2018 estimate)

Ethnic Composition: Albanian: 91%; Serb: 3.4% (2011 Kosovo census)

Language: Albanian (official): 94%; Bosniak: 1.7%; Serb: 1.6%

Religion: Muslim: 93%; Orthodox Christian/Catholic: 6.1%

Gross Domestic Product: €8.5 billion (2018 estimate)

Per Capita GDP: €4,200 ($4,500, 2018 estimate)

Leadership: President: Hashim Thaçi (since February 2016); Prime Minister: Ramush Haradinaj (as of September 2017); Deputy Prime Minister and Foreign Minister: Behgjet Pacolli

Sources: CIA World Factbook; World Bank; International Monetary Fund

International prosecutors and judges still ensure equity in Kosovo's courts and the potential prosecution of Kosovo citizens. A new special court located in The Hague will hear cases of Kosovo citizens who served as members of the then-Kosovo Liberation Army during the conflict years, accused of alleged war crimes.

KFOR, a NATO-led peacekeeping force in Kosovo, has the role of ensuring Kosovo's overall security. KFOR also plays the leading role in overseeing the training of the 2,500-personnel Kosovo Security Force (KSF, which is not considered a Kosovo military). In July 2018, approximately 4,000 troops from 28 countries were contributing to the KFOR mission, including about 685 from the United States, approximately 540 from Italy, and 450 from Austria.[4]

A Central European Free Trade Agreement (CEFTA) was established in 1992 to facilitate trade and promote economic development among the many Central and Eastern European countries and the Balkan countries. CEFTA today includes Albania, Bosnia, Macedonia, Moldova,

[4] For more information on the KFOR operation, see http://www.NATO.int.

Montenegro, and Serbia. Kosovo was permitted to join in 2007, but, as a result of Serb objections, Kosovo's interests are represented by UNMIK.

Political Situation

The president of Kosovo, currently Hashim Thaçi of the centrist Democratic Party of Kosovo (PDK), serves as the head of state. During the 1998-1999 conflict with Serbia, Thaçi served as the political leader of the KLA. He is a long-time political figure in Kosovo and has also served as deputy prime minister. The president of Kosovo represents the country abroad and also nominates a prime minister to lead the government, generally the candidate from the party or coalition that holds the largest number of seats in the parliament. The candidate for prime minister must then be approved by a vote of the unicameral parliament (Assembly).

The government of Kosovo is headed by a prime minister and a Cabinet. In June 2017, national elections were held after the previous government lost a vote of confidence in the Assembly. A three-party coalition referred to as the PAN, composed of the PDK, the Alliance for the Future of Kosovo (AAK), and the Initiative for Kosovo (NISMA), won the most seats in the 120-seat Assembly. The PAN coalition parties reached an agreement in which the PDK nominated Kadri Veseli for speaker and the AAK nominated its leader, Ramush Haradinaj, for prime minister. After serving briefly as prime minister in 2004, Haradinaj resigned his office and turned himself in to the International Criminal Tribunal for the former Yugoslavia (ICTY), established in 1993 in The Hague, Netherlands, to face war crimes charges; Haradinaj was subsequently cleared twice by the ICTY.

Although the PAN coalition won 39 seats, it did not have enough to form a government, which required the PAN to enter into negotiations with other parties to reach a majority. A three-month deadlock over forming a government was broken on September 4, 2017, when the New Alliance for Kosovo party, led by Behgjet Pacolli, ended its partnership with the Liberal Democratic Party of Kosovo (LDK) and agreed to join with the PAN to form a government. On September 7, the Assembly elected Kadri Veseli as speaker with 62 votes. President Thaçi then gave Haradinaj the mandate to form a government. On September 9, Haradinaj was narrowly elected prime minister with 61 votes in the Assembly, including 9 from the Serb-dominated Srpska Lista party, despite its serious concerns over Haradinaj leading the government. Srpska Lista was given three ministry posts in the new government. Behgjet Pacolli was subsequently named deputy prime minister and foreign minister.

Vetevendosje, the ultranationalist party, won 32 seats in the election becoming the single largest party in the Assembly and the second-largest political group in the parliament, after the PAN coalition. Vetevendosje opposed both candidates for speaker and prime minister. Vetevendosje and the LDK, now in the opposition, claimed the new government would be overdependent on Serbia, owing to the fact that Kosovo's ethnic Albanian parties were not able to form a majority by themselves and needed the votes of the Serb minority. Ironically, the Srpska Lista was criticized by opposition nationalist groups in Serbia for handing the Kosovo government over to Haradinaj, whom many in Serbia consider to be a war criminal.

The decision by the Srpska Lista members of the Kosovo Assembly to support the election of Veseli and Haradinaj was seen by some as a calculated decision likely supported by Serb President Aleksandar Vučić in order to strengthen the position of Kosovo's Serb minorities in Belgrade's dealings with the new government in Pristina.

Although some observers believed the Haradinaj government would have difficulty governing, given its narrow victory in the Assembly and former Prime Minister Isa Mustafa's prediction that

the new government would not last more than six months,[5] the Haradinaj government has survived—although not without criticism over some difficult decisionmaking.

For instance, following the 2015 signing of two agreements, one with Serbia regarding the creation of an "association" of Serb-majority municipalities in Kosovo (see below) and another with Montenegro over a border demarcation, political paralysis overtook Pristina. Opposition political parties, as well as the Serb minority party, blocked all parliamentary activity with a campaign of occasionally violent protests against the government.

The Kosovo opposition, including the PDK itself, repeatedly argued that the Serb "community associations" would have too many powers and that the border agreement would give away too much of Kosovo's western territory. The Srpska Lista also objected to the border agreement on the larger issue that the government in Pristina could not give away what they claim is still Serb territory. Former Prime Minister Mustafa proposed to have the parliament consider the border agreement in September 2016 but had to withdraw the bill when the Srpska Lista walked out of the chamber, denying the government the two-thirds of Members of the Assembly needed to amend the constitution, setting off the six-month period of paralysis in the Assembly. In the interim, Montenegro's parliament approved the border agreement. Tensions eased somewhat when the Srpska Lista members returned to parliament at the end of March 2017, ending their six-month boycott.[6]

Upon taking office in September, Prime Minister Haradinaj, a vocal critic of the border agreement, announced that he intended to renegotiate the agreement with Montenegro, claiming Kosovo stood to lose a large swath of territory. Subsequently, the government of Montenegro indicated it would not agree to revisit the agreement. With a slim majority in the Assembly, Haradinaj faced a difficult challenge. In late 2017, Haradinaj stated that he was considering taking the border issue to the Permanent Court of Arbitration in The Hague, a step that technically would have required Montenegro's agreement. After continued pressure by the EU, which had offered to support visa-free travel to the EU for citizens of Kosovo on the condition that Kosovo ratify the border demarcation agreement with Montenegro, among other demands, Haradinaj agreed to move the agreement to the Parliament for ratification in mid-February 2018.

Hoping to resolve the standoff, Haradinaj agreed to allow two reports, one produced by a former commission for border demarcation appointed by the previous Mustafa government and one produced by a commission appointed by Haradinaj, offering conflicting views about how the agreement could affect Kosovo, to be adopted by the government. On February 22, 2017, with opposition from the Vetevendosje party and Srpska Lista's reluctance to vote, the border agreement did not have the 80 votes (out of 120) to pass. A second attempt on February 28 was postponed again for a lack of majority support. Finally, on March 21, 2018, and despite the vocal opposition from Vetevendosje, which included the use of tear gas to disrupt the vote, the Assembly secured the 80 votes necessary to pass the agreement. One member of the Assembly from Srpska Lista supported the agreement.

Having resolved the border issue, Prime Minister Haradinaj turned his attention to the thorny issue of establishing the autonomous Association of Serbian Municipalities in the country, something Belgrade and the Srpska Lista have demanded. When the former Mustafa government tried to push ahead with such an agreement, opposition ultimately led to his losing a vote of confidence in the Assembly, prompting the snap elections that brought Haradinaj to power. The issue remains unresolved.

[5] "Staying Power of Kosovo's New Government Doubted," *BalkanInsight,* September 6, 2017.

[6] "Kosovo Serbs Return Revives Hope for a Border Deal," *BalkanInsight,* March 31, 2017.

The Thaçi/Haradinaj government faced other political challenges, as well, such as the issue of weak governing institutions, particularly in the area of the rule of law. The Organization for Security and Cooperation in Europe (OSCE) and the European Commission (the EU's executive) have noted serious problems, such as a legacy of strong executive influence on judicial decisions, threats against judges and their families, and poor court infrastructure and security arrangements.

Another issue that has become more controversial is possible war crimes and crimes against humanity allegedly committed in 1999-2000 by former members of the KLA against ethnic Serb and other minorities and "political opponents" during and after the conflict between Kosovo and Serbia.

Although the ICTY detained, tried, and convicted war crimes suspects from the entire region and from different ethnic groups, most were Serbs and Bosnian Serbs. Belgrade had long pointed out that Kosovars and Albanians also had been responsible for war crimes but had not been prosecuted as often or as vigorously as had the Serbs. Following allegations in 2008 by Carla Del Ponte, the former chief prosecutor at the ICTY, that top members of the KLA had committed crimes against Serb and other ethnic minorities during the conflict, the European Commission tasked Senator Dick Marty, the Council of Europe's Special Rapporteur, to conduct a thorough investigation. In 2010, following Marty's investigation, the council called for an independent investigation and potential prosecution of these alleged crimes and set in motion the establishment of a special court to conduct the investigations.

Five years after the council's conclusion, the government of Kosovo in 2015 pushed through the Assembly a controversial amendment to the country's constitution creating a Specialist Court for Kosovo to investigate potential war crimes by former KLA members. In January 2016, the government of the Netherlands announced that the special court, although linked to the Kosovo judicial system, would be housed in The Hague and would include international judges and prosecutors. The opening of the court raised tensions in Pristina, and President Thaçi described the new court as a "historic injustice" against Kosovo Albanians. It remains controversial because some elements of the public in Kosovo view potential suspects as freedom fighters, whereas other former KLA members are now playing active roles in Kosovo's current political system. The Marty investigation identified some of the alleged perpetrators by name, including President Thaci and Speaker Veseli, among others.

In late 2017, a group of former KLA veterans launched a petition calling for the law governing the new special court to be changed because it was "discriminatory" in that it would only arrest and try former KLA members and not Serbs living in Kosovo. In December 2017, the Kosovo Assembly was convened after 43 of the 120 members of the Assembly signed a demand for an extraordinary parliamentary session to revoke the Kosovo law on the special court. Although the initial attempt to repeal the law failed for a lack of a quorum, many Assembly members from the governing coalition political parties joined in the effort to repeal the law. A second attempt to repeal was proposed and defeated. The United States, the EU, and others have cautioned the Kosovo leadership against repeal of the law, which they suggest would call into question Kosovo's commitment to the rule of law.[7] Following the legislative attempts to remove the law, Speaker of Parliament Veseli, while describing the Court as unjust, said future attempts to stop the Court would not succeed.

Although the arrest and trial of former KLA soldiers will be controversial, the most sensitive issue for the court's work likely will be the ability to secure and protect Kosovar citizens who

[7] "West Warns Kosovo Against Undermining War Court," *BalkanInsight,* January 5, 2018.

were witnesses to any possible crimes committed by the KLA and who may be willing to appear before the court.[8]

The government in Pristina has been bracing for the first indictments of former KLA fighters, which could trigger street protests and other acts of violence against the government, the international presence, and Serbs. Indictments also could distract or strain the current government in Pristina and could impact Serb-Kosovo negotiations.

Migration

In 2015, Europe began to experience a large influx of migrants and refugees, particularly from Syria. Kosovo was generally not a major part of the so-called "Balkan route," which generally ran through Serbia. In fact, the migration crisis provided the opportunity for a new wave of Kosovar citizens to join the migrant flows into the EU, driven mostly by the poor state of Kosovo's economy and the relaxed border controls with Serbia. The Kosovo government was then forced to publicize the fact that asylum applications by Kosovars would be routinely rejected by other European countries and had to take measures to stop the migrant flows. Many Kosovars were forced to return to Kosovo. One issue that has arisen has been the flow of Turkish citizens into Kosovo as a result of the military crackdown in Turkey after an alleged coup attempt against the government of Recep Tyyip Erdogan. The Erdogan government has accused several Turks in Kosovo as being part of that coup attempt and has pressured the Kosovo government to extradite several of these citizens, prompting an increase in asylum applications. As Turkey has become a major economic presence in Kosovo, relations between Pristina and Ankara have become tense over this issue.

Terrorism

One area of concern for U.S. and European policymakers is the number of Kosovars who initially left the region to join other foreign forces fighting in Syria and Iraq. According to the Kosovo government, about 300 Kosovars—including Lavdrim Muhaxheri, who became a well-known commander of the Islamic State (IS, or ISIS)—left Kosovo to join ISIS, a significant number for such a small country. Kosovo is a member of the Global Coalition to Defeat ISIS and has taken steps to support various efforts of the coalition, within the limits of its capabilities.

In 2015, the Kosovo parliament passed a law making it a crime for a Kosovo citizen to participate in foreign conflicts, with a maximum penalty of 15 years imprisonment. Around 60 persons are currently on trial in Kosovo courts in relation to terrorist activities, following the arrests of approximately 100 suspects, including 14 imams, since September 2014. These persons are suspected of participating in the conflict, or of recruiting or funding activities in support of the Islamic State. In March 2015, 7 of the 60 detainees were indicted on terrorism charges. In July 2016, several defendants were convicted and sentenced to 10 to 13 years in prison.[9]

Kosovo is following in the footsteps of other European countries such as Denmark and Germany by creating rehabilitation and de-radicalization programs for its citizens who allegedly have been involved in the wars in Syria or Iraq. Officials from the Kosovo government had stated that they were preparing several programs that would "exclusively and explicitly" deal with the rehabilitation of people who either have participated in or are ready to join terrorist groups in

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

[9] "Kosovo Terror Suspects Given Stiff Sentences," *BalkanInsight*, July 18, 2016.

Syria or elsewhere in the Middle East.[10] In November 2017, the government released a draft National Strategy against Terrorism and Action Plan 2018-2022 that mirrors in some ways the EU's counterterrorism strategy of prevention, protection, pursuit, and response. Nevertheless, U.S. and EU officials continue to be concerned over the number of Kosovars that feel an affinity for ISIS and for those who still may return to Kosovo.

Radical religious extremism, however, has been a relatively new problem for Muslim Kosovars, who generally have practiced a more moderate version of Islam. According to the U.S. Department of State, the threat of violent Islamist extremism has been growing in Kosovo, assisted in part by funding from foreign organizations that preach extremist ideologies and violent extremist groups actively using social media, particularly Facebook, to spread propaganda and recruit followers.[11] A *New York Times* article in 2016 suggested that "Saudi money and influence may be transforming this once-tolerant Muslim society into a font of Islamic extremism and a pipeline for jihadists, aided by a corps of extremist clerics and secretive associations. Kosovo now finds itself, like the rest of Europe, fending off the threat of radical Islam."[12]

One example of the sensitivity of the threat of rising extremism and the Kosovo government's commitment to address this issue came in late December 2017 and early January 2018, when a former imam of Pristina's Grand Mosque was charged in the Pristina Basic Court with incitement to commit terrorist acts and inciting national, racial, and religious hatred through many of his lectures at the mosque during the period 2013-2014. However, the Basic Court in March 2018 acquitted Imam Shefqet Krasniqi of inciting terrorism and religious hatred.

Security experts have cautioned that, despite crackdowns on radical Islamic extremists and other security measures, including stiff prison sentences, significant numbers of young people from the Balkans, including from Kosovo, continue to be targets of ISIS recruiting. A report issued in September 2017 by the Kosovar Center for Security Studies indicated that the Islamic State will likely remain a challenge for Kosovo until the country's institutions implement a credible and sustained strategy to counter the ISIS "narrative."[13]

According to the State Department, the Kosovo government continues its counterterrorism cooperation with the United States. Various U.S. government agencies have assisted law enforcement and judicial institutions in Kosovo on active counterterrorism cases.[14] Kosovo has issued biometric travel and identity documents since 2013. All major border crossing points, including Pristina International Airport, are equipped with computerized fraudulent/altered document identification equipment, for which a database is updated regularly with information from other countries. The Kosovo Police (KP) Counterterrorism Directorate is also enhancing its investigative capacities by increasing personnel and by developing a cyber-counterterrorism unit.

Kosovo has adopted a Law on the Prevention of Money Laundering and Terrorist Financing, modeled after international anti-money laundering and counterterrorist finance standards. Kosovo has also established a Financial Intelligence Unit (FIU). On February 1, 2017, Kosovo became a member of the Egmont Group of Financial Intelligence Units. This group provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing.

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[10] "Can Kosovo Rehabilitate Its Homegrown Extremists," *BalkanInsight*, July 14, 2016.

[11] U.S. Department of State, *Country Reports on Terrorism: Kosovo*, 2016.

[12] "How Kosovo Was Turned Into Fertile Ground for ISIS." *New York Times*, May 21, 2016.

[13] Center for Security Studies, *The Islamic State Narrative in Kosovo Deconstructed One Story at a Time*, September 2017.

[14] U.S. Department of State, *Country Reports on Terrorism: Kosovo*, 2016.

Kosovo's Economy

With approximately 30% of the population of Kosovo living below the poverty line, Kosovo is one of the poorest countries in Europe. Kosovo also has an unemployment rate of over 30% and a youth unemployment rate near 60%. In a country where the average age is 26, the lack of job prospects has encouraged migration of young Kosovars and fuels a significant informal, unreported economy. A large percentage of Kosovo's population lives in rural towns outside of the capital, Pristina. Agriculture accounts for about 11% of Kosovo's economy, although inefficient, near-subsistence farming is common—the result of small plots, limited mechanization, and a lack of technical expertise. However, Kosovo enjoys lower labor costs than the rest of the region

According to the International Monetary Fund (IMF), Kosovo is characterized by insufficient transport infrastructure, poor energy dependability, very limited connectivity to the rest of the world, and inadequate and unreliable energy supply, requiring Kosovo to invest in more public infrastructure spending.[15] Similarly, according to the World Bank, Kosovo's current growth strategy needs to be focused on addressing energy infrastructure, creating an environment more conducive to private-sector development, equipping its young population with the right skills to make them attractive to employers, and building up governance and the rule of law.[16]

Despite these shortcomings, according to the EBRD, Kosovo's economy was more resilient than its neighbors in the Western Balkans throughout the global and Eurozone crises beginning in 2008, growing by 3.5% annually on average over 2009-2013. Kosovo was one of only four countries in Europe to experience growth in every year.[17] After a slowdown in 2014, the economy bounced back in 2015 with growth of 4%, boosted by strong domestic demand, with investment contributing the most. The economy continued to perform well in 2016, although the rate of growth slowed slightly to 3.4%. Growth is expected to pick up in the coming years as reforms advance and investment increases further.[18]

In January 2016, the IMF's Executive Board completed the first review of the €185 million Stand-By Arrangement (SBA) approved for Kosovo in 2015. The program aims to preserve low public deficits and debt and remove key structural impediments to growth. In May-June 2018, an IMF mission visited Pristina to discuss recent economic developments and Kosovo's economic outlook. The IMF mission concluded that Kosovo's economic performance continued to be solid, with growth expected at about 4% in 2018.[19]

The drivers of growth in Kosovo continue to be robust private consumption, helped by major inflows of remittances. Remittances from the diaspora—located mainly in Germany, Switzerland, and the Nordic countries—are estimated to account for about 15% of GDP, and international donor assistance accounts for approximately 10% of GDP. The country has little large-scale industry and few exports, which is one factor that limits foreign direct investment. Kosovo does have significant deposits of metals and lignite and operates its largest mining complex at the Trepca mines in northern Kosovo. However, full production of the mine has been hampered by a dispute with Serbia over ownership.

[15] International Monetary Fund Report: Kosovo, Selected Issues, January 22, 2018.

[16] World Bank, *Kosovo Overview*, April 2017.

[17] EBRD, *Annual Report: Kosovo*, 2017.

[18] Ibid.

[19] Press release, IMF staff visit to Kosovo, June 6, 2018.

With international assistance, Kosovo has been able to privatize a number of its state-owned enterprises. However, according to the IMF, Kosovo needs to improve its investment climate in order to stimulate growth and attract further foreign investment beyond the current estimate of $200 million in FDI in 2017. High levels of corruption and little contract enforcement have also discouraged potential investors.[20]

Small and medium-sized enterprises (SMEs) form the main part of Kosovo's private-sector economy. According to a study conducted in 2014 by the Austrian Institute for SME Research, there were approximately 46,000 enterprises in Kosovo, of which 90% were SMEs. These accounted for approximately 80% of employment. Almost 90% of Kosovo's SMEs employ 50 or fewer persons.[21] An important challenge for the government has been providing access to credit for those SMEs. Many SMEs need loans but are often credit-constrained due to a generally weak economic environment, onerous collateral requirements, high levels of informality, lack of business or credit history, and insufficient collateral, as well as the low development of capital markets. Improving access to finance for SMEs has been a priority for the EBRD, which continues to work with local partner banks to this end.[22]

One innovative approach by the government has been the creation of the Kosovo Credit Guarantee Fund (KCGF), a mechanism intended to stimulate lending by providing a partial loan guarantee that can serve as a substitute for collateral, allowing banks to reduce their collateral requirements, and providing assurance as banks expand lending in underserved markets or sectors previously perceived as too risky. The U.S. Agency for International Development (USAID), in partnership with the Government of Kosovo and other donors, helped launched the KCGF in April 2016. According to USAID, increased lending has allowed SMEs to pursue business expansion and provide needed jobs. KCGF has signed agreements with 7 of 10 Kosovo commercial banks, which represent 90% of the banking sector. As of October 30, 2017, 558 individual loans had been disbursed, totaling some $23 million.[23]

Another example of how Kosovo is attempting to promote a stronger economy and to encourage a more positive business environment has been seen in the World Bank's "Doing Business" project. The project provides objective measures of business regulations and their enforcement across 190 economies and looks at small and medium-sized companies and the regulations that apply to them. According to the World Bank's 2018 report, Kosovo was described as "the second most-reformed country in the fragile states group," achieving an overall ranking of 40 compared to its 2017 ranking of 60. The World Bank further indicated that Kosovo has made significant progress in three indicators: starting a business, getting credit, and resolving insolvency. In this last category, Kosovo has made resolving insolvency easier by introducing a new bankruptcy framework for corporate insolvency, making liquidation and reorganization procedures available to debtors and creditors. As a result of Kosovo's efforts, the country was rated at 49 in the World Bank's report, down from 163 in just one year.[24]

Relations with Serbia

As noted, Serbia has refused to recognize Kosovo's independence. In the years immediately after Kosovo declared independence, both sides avoided any direct contact. During this time, Serbia

[20] CIA World Factbook, July 2016.

[21] Austrian Institute for SME Research, *Report on SMEs in Kosovo*, December 2014.

[22] EBRD, *Annual Report: Kosovo*, 2017.

[23] Information provided by USAID.

[24] World Bank, *Doing Business in 2018*, October 31, 2017.

continued to provide political and economic support for the autonomy of the Serb majority areas in northern Kosovo, including part of the town of Mitrovica, and the protection of Serb minority rights throughout Kosovo.

Despite Serbia's nonrecognition of Kosovo, Pristina entered into talks with Belgrade in 2011 facilitated by the EU, which conditioned Serbia's progress toward EU membership on holding such talks. Initial discussions centered on technical issues, and agreements have been concluded regarding 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, however, has lagged due to disagreements over their scope and enforcement. 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. The agreement affirmed the primacy of Kosovo's legal and institutional framework throughout Kosovo's territory. One of the key provisions of the 15-point agreement was the creation of an "Association/Community of Serbian-majority municipalities" in northern Kosovo. This "Association/Community" would have "full overview" of economic development, education, health, urban and rural planning, and any other policy areas that Kosovo's central government in Pristina deems within the Association's purview. The Serb police in northern Kosovo would form part of Kosovo's unified police force, and 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 mayors of the four Serb municipalities in the North. The ethnic composition of the local police force in the North was to reflect the ethnic composition there.

The situation in the judicial system was to be resolved in a similar manner, with implementation of a Justice Agreement that was scheduled to take effect in October 2017. The judicial system in northern and southern Kosovo would operate under Kosovo's legal framework and would include the integration of Serbian judges and prosecutors into Kosovo's justice institutions. An Appellate Court in Pristina would be composed of a majority of Kosovo Serb judges to deal with all Kosovo Serb-majority municipalities. A division of the Appellate Court would be based in northern Mitrovica. Serbian judges in the North, however, initially complained that they had received no information on how the new integrated court system would work and indicated they would not willingly transfer into the Kosovo system until their status was regulated by a special law.[25]

On October 24, 2017, President Thaçi issued a decree appointing 40 Kosovo Serb judges and 13 prosecutors, as agreed under the Dialogue Agreement on the Judiciary. The affected judges and prosecutors appeared in person in the president's office to accept their new appointments under the Republic of Kosovo system, in the presence of the Justice Minister, Supreme Court President, Chief State Prosecutor, and EULEX representatives. The integration of the Serb judicial authorities in the north of Kosovo marks the unification of Kosovo's justice system, in line with its constitution.

Despite these accomplishments, Pristina and Belgrade have continued to disagree over the next steps. Although a final draft of plan was due on August 4, 2018, the Haradinaj government has had a difficult time formalizing the remainder of the parameters of the Association of Serbian-majority Municipalities plan that was agreed to in 2013. As mentioned, this is a controversial

[25] "Kosovo Serb Judges Dubious About Integrated Justice System," *BalkanInsight,* September 22, 2017.

issue inside Kosovo and has many political opponents. The agreement has been fiercely contested by opposition parties in Kosovo's parliament, which claim it is a capitulation to Serbian interests. On August 3, 2018, it was reported that Serb President Vučić in an open letter to Kosovo Serbs stated that Pristina will "not lift a finger" to establish the promised association in Kosovo. In response to the slow speed of the Kosovo government, Vučić warned that Serbia would "protect" Kosovo Serbs and would not stand for "organized violence" against them.[26]

Despite the ongoing negotiations between Kosovo and Serbia and the fact that Pristina continues to seek ways to cooperate, tensions persist and incidents between the two regularly continue to flare up. Some examples include the following:

- In January 2017, an incident arose involving the regular run of a Belgrade-to-Mitrovica train. The train was painted in Serb colors with "Kosovo is Serb" painted on the train cars. Kosovo President Thaçi accused Serbia of wanting to annex the Serb minority territory of northern Kosovo and threatened to fight, if necessary, any such Serb intention. Serbia's then-prime minister, Aleksandar Vučić, threatened to dispatch military forces to the border to protect Serbs in Kosovo. Tensions eased when the train was halted prior to crossing the border.
- In a September 2017 interview, Albania's Prime Minister Edi Rama apparently stated that a union between Albania and ethnic Albanian-dominated Kosovo could not be ruled out if EU membership prospects for the remaining countries of the Western Balkans fade.[27] Serbian officials and other Serbs throughout the region responded vehemently and warned of another war in the Balkans if Albanians tried to form a joint state with Kosovo. Serbian government minister Aleksandar Vulin said he expected the EU and NATO to denounce such statements, and said another war in the Balkans could also include Macedonia and Montenegro, which have large ethnic-Albanian populations.
- On January 15, 2018, a Serb political leader of northern Kosovo, Oliver Ivanović, was murdered by unknown assailants outside his office in Mitrovica. Ivanović reportedly supported reconciliation talks between Serbia and Kosovo. Kosovo's President Thaçi condemned the murder and urged the police to bring the perpetrators to justice as soon as possible. Ivanović was considered a moderate influence by some who supported reconciliation between Serbs and Kosovars. Some have speculated that Serbs living in northern Kosovo, opposed to working with Kosovo, wanted to silence Ivanović and his views. Others have speculated that Ivanović may have been willing to identify former KLA fighters who operated in northern Kosovo for prosecution in the new Special Court for Kosovo war crimes. At the same time, Kosovo's Deputy Prime Minister Enver Hoxhaj suggested that Russia, which seeks to keep Serbia out of the EU, may have been involved in an attempt to meddle in Kosovo's affairs and cause destabilization.[28]
- On March 20, 2018, Kosovo police arrested a Kosovo Serb refugee who had returned to Kosovo on charges of war crimes. Belgrade complained that the arrest was part of a "policy of violence and intimidation" aimed at discouraging Kosovo Serb refugees from returning home and was a "provocation" meant to distract from the implementation of the Brussels agreement to normalize relations between Belgrade and Pristina.

[26] "Vicic Claims Kosovo won't set up Serb Municipality Associations," *BalkanInsight,* August 3, 2018.

[27] "Albanian Prime Minister: EU Faces a 'Nightmare' If Balkans Hopes Fade," *Politico*, April 18, 2017.

[28] "Kosovo Slams Russia over Ivanovic Murder Allegations," *BalkanInsight*, January 29, 2018.

- On March 26, Kosovo Special police in North Mitrovica detained Marko Djuric, head of the Serbian government's Kosovo office. The Kosovo government claimed that Djuric had improperly entered the country. Djuric was transferred to Pristina, prompting a protest from Serbian President Vučić and protests by Serb residents in North Mitrovica. Djuric was subsequently deported to Serbia.

Although tensions persist, relations between Pristina and Belgrade have also taken some interesting turns. For instance, during the Serb presidential election, Pristina permitted Serbia's prime minister and presidential candidate, Vučić, to campaign briefly among the Serb communities in Kosovo, who were permitted to vote in the Serb election. In addition, Serbia continues to pay off close to €900 million 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.[29] Trade between Kosovo and Serbia amounts to approximately €450 million annually, but that trade appears highly skewed in Serbia's favor, which has raised complaints by Pristina that Serbia is blocking freer trade relations.

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."[30] This article caught the attention of both the nationalists in Serbia who oppose any concessions to Kosovo, and the government in Pristina. Although the Kosovo government is not under any illusion that Vučić would recognize Kosovo's independence any time soon, it nevertheless interpreted the article as a trial balloon that Vučić might be willing to make other concessions on Kosovo in order to ease tensions and smooth Serbia's relations with the EU. For instance, Pristina has looked to Serbia to stop blocking Kosovo's ability to join some U.N. organizations, such as the United Nations Educational, Scientific, and Cultural Organization (UNESCO) or even the International Police Agency (Interpol). In September, shortly after taking office, Haradinaj condemned a newly released Serbian documentary film that reportedly attacked Pristina's bid to join UNESCO. Also in September 2017, Haradinaj announced that Kosovo would withdraw its application to join Interpol due to an insufficient number of votes, and opposition from Serbia and China.

Territorial Adjustment

One other difficult issue that continues to stir controversy both within and outside of Kosovo and Serbia has been the idea of border adjustments. Essentially, proponents have suggested that under a border-adjustment proposal, Kosovo would cede parts of Serb-dominated northern Kosovo (north of the Ibar River) in exchange for diplomatic recognition, while territory in southern Serbia in the Albanian-dominated Presevo Valley would be ceded to Kosovo. The idea has been rejected previously by Kosovo and by Serbia, which argues that because Kosovo is still considered part of Serbia, Pristina cannot offer a territorial swap. In the past, many observers of Serb-Kosovo relations also have rejected the idea,[31] suggesting that any changes could lead to new ethnic tensions and could become a rallying cry for others in the region with similar ethnic problems.

Nevertheless, the idea did resurface again in summer 2018. This time, however, the idea was raised by Kosovo President Thaci in early August, when he appeared to have made references to "border corrections" with Serbia. Some have speculated that Thaci, knowing only sovereign

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

[30] "Kosovo Foreign Minister Welcomes Vučić's Plan to Resolve Relations with Pristina," *BalkanInsight*, July 24, 2017.

[31] "Kosovo's Partition is a Dangerous Solution," David Phillips, Colombia University, commenting in the Balkan Investigative Reporting Network (BIRN), August 8, 2018; and "A Bad Idea Whose Time Should Not Come," Daniel Serwer, Peacefare.net, August 2, 2018.

states can exchange territory, may have been offering the Serbs a few villages in northern Kosovo as a face-saving gesture to Vučić in exchange for recognition, which then could lead to further territorial exchanges. Thaci also appeared to suggest that a referendum should be held in Kosovo asking whether territorial adjustments in exchange for recognition would be acceptable to the Kosovo population. Nevertheless, Thaci's remarks set off another round of intense debate and, although Thaci did step back from his comments to say he was not advocating partition, he did seem to suggest that Kosovo should explore every opportunity to reach a historic deal with Serbia.

In response to Thaci's "trial balloon," it was reported that some 30 or more nongovernmental organizations from Kosovo and Serbia—including some from Kosovo's majority-Serb north—may have sent a letter to EU High Representative for Foreign Affairs Federica Mogherini asking for a clear EU stand against Kosovo's partition or any exchange of territories with Serbia along ethnic lines.[32]

Relations with the European Union

The European Union—both its member countries and its institutions, notably the European Commission—plays a prominent role in the institution-building needs and socioeconomic development of Kosovo. The EU is by far the single largest donor providing assistance to Kosovo. Kosovo has received more than €2.3 billion in EU assistance since 1999, targeted mostly at projects involving public infrastructure including roads, hospitals, and water supply. Other projects include supporting and promoting business, farms, civil society, human rights, education, access to health care, and transportation. The EU is Kosovo's largest trade partner, with approximately 32% of Kosovo's exports going to the EU. As noted above, in 2016, the EU offered Kosovo visa-free travel for its citizens conditioned on progress on its boundary dispute with Montenegro and its efforts to address corruption and weaknesses in its rule-of-law institutions.[33]

A priority goal of Kosovo is to become a member of the EU, and Kosovo has been recognized by the EU as a potential candidate for membership since 2008. In 2014, the EU signed a Stabilization and Association Agreement (SAA) with Kosovo intended to enhance EU-Kosovo cooperation. The SAA entered into force in April 2016. The SAA is viewed as a key first step in the long path toward EU accession. In his 2017 annual State of the Union speech to the European Parliament, European Commission President Jean-Claude Juncker reiterated that although the EU will likely welcome new members from the Balkans at some point, no candidate or potential candidate country would likely join the EU until 2025. Juncker, however, did note that Montenegro and Serbia were on a good track to join the EU by then. Juncker also singled out Kosovo (along with Bosnia) as lagging behind the others in its preparations for eventual EU accession negotiations due in part to Kosovo's continued political and economic difficulties. This drew the ire of Kosovo President Thaçi, who raised the issue of whether there was an anti-Muslim, anti-Albania prejudice at work within the EU.

Kosovo faces at least one other large hurdle in its quest to begin accession negotiations with the EU: several EU member states have not recognized the independence of Kosovo, mostly due to their own internal ethnic politics. Recently, this issue was highlighted by Spain, which asked that, in light of its own issues with its region of Catalonia, Kosovo's potential application for EU membership be put on hold. The EU rejected that approach, and Spain has since backed away,

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

[33] European Commission's Enlargement Commission, *Kosovo,* 2017.

saying it would agree to follow Serbia's lead on the matter. Because the launch of accession negotiations requires unanimous approval by all EU member states, it is unlikely that the EU will be able to move forward on Kosovo's candidacy in the near term, unless Kosovo and Serbia resolve their own dispute over the status of Kosovo, which could lead to support for the start of Kosovo's accession negotiations.

One point of contention between Brussels and Pristina has been the issue of visa-free travel for Kosovo citizens. Kosovo is the last Balkan nation whose citizens are required to obtain visas to travel into the EU's passport-free Schengen zone. As noted above, the EU had conditioned visa-free travel on Kosovo's ratification of a border demarcation agreement with Montenegro. In defiance of the EU, in early October 2017, during a visit to Albania, Kosovo President Thaçi asked Tirana to approve a law that would allow Kosovars to apply for dual Albanian-Kosovo citizenship, which would enable them to skirt EU restrictions and travel to Europe without visas.[34] Now that the border dispute has been resolved, Pristina has begun to ask when Brussels will institute the visa-free provisions.

Relations with the United States

The United States recognized Kosovo's independence on February 18, 2008, one of the first countries to do so. Although the EU, not the United States, has played the leading role in Serbia-Kosovo normalization efforts, the United States has strongly supported the process. Experts argue the U.S. role in Kosovo is still important, given that Kosovar leaders view the United States as their country's most powerful and reliable ally. This view has been reinforced on several occasions in 2017 with statements by U.S. Ambassador to the U.N. Nikki Haley, a congratulatory letter from President Trump to Pristina marking the ninth anniversary of its independence, and a summer 2017 visit to Pristina by the U.S. Congress's House Democracy Partnership. Nevertheless, there has been concern in Pristina that the Trump Administration over the long term may not place as high a priority on the Balkans as the United States has in the past and that certain social attitudes toward Muslims could sour what has been a good relationship. Some Kosovars appeared disappointed that the summer 2017 visit to the Balkan region by Vice President Mike Pence did not include a stop in Pristina.

In an effort to reinforce Kosovo's desired relations with Washington, Haradinaj's first meeting as prime minister was with U.S. Ambassador Greg Delawie on September 11, 2017. In a statement, the U.S. embassy welcomed the formation of the new government, writing "the United States continues to support Kosovo on its path towards Euro-Atlantic integration, strengthening the rule of law, improving economic development, and normalizing regional relations."[35]

U.S.-Kosovo relations hit a snag in early 2018 when, as mentioned above, several members from the Assembly attempted to force the Assembly to repeal the law that created a special court to try former KLA members for human rights abuses and crimes against humanity. During the attempt to repeal the law, U.S. Ambassador Greg Delawie stated that the effort, "if it succeeds, will have profoundly negative implications for Kosovo's future as part of Europe. It will be considered by the United States as a stab in the back."[36]

In March 2018, the new U.S. Assistant Secretary of State for European Affairs Wess Mitchell visited Pristina (and Belgrade) on what the Secretary indicated was a chance to try to resolve

[34] "During Albania visit, Kosovo President defies EU," *EURACTIV*.com, October 11, 2017.

[35] U.S. Embassy in Pristina, press release, September 11, 2017.

[36] "Kosovo Lawmakers Try to Scrap New War Court," *BalkanInsight*, December 22, 2017.

some of the regional conflicts. Mitchell reportedly discussed with President Thaci the importance of Kosovo staying very closely engaged with Serbia and normalizing relations with Belgrade. The Secretary apparently also suggested that if Kosovo was going to pursue the creation of a Kosovo army, it should be done in consultation with and with the support of all parties and communities.

Direct U.S. economic and trade relations with Kosovo are limited. Kosovo ranks 202nd among U.S. trade partners. In 2017, total trade in goods between the United States and Kosovo amounted to approximately $12 million, with U.S. exports to Kosovo around $10 million and imports at $2.7 million.[37] According to the Department of State, U.S. investors in Kosovo are involved with projects in the construction, energy, health, telecommunications, and real estate development sectors. Kosovo has been designated as a beneficiary country under the Generalized System of Preferences (GSP) program, which promotes economic development by eliminating duties on approximately 3,500 products imported from Kosovo.

U.S. aid to Kosovo is aimed at stemming corruption in government institutions, increasing transparency and accountability to citizens, and coordinating with the EU on Kosovo's continued move toward membership in the EU. USAID played a key role working with the justice sector over the past three years to facilitate and prepare authorities for the recent integration of Kosovo's judicial system into the Serbian communities in northern Kosovo.

Economic assistance focuses on improving fiscal and banking policies and creating an investor-friendly business environment. In FY2017, the Obama Administration requested approximately $53 million in aid for Kosovo, including $38.5 million for Economic Support Funding (ESF) that was intended to help Kosovo's nascent institutions address the challenges of effective governance, including integrating the Serb communities in the northern part of the country into Kosovo institutions; furthering justice-sector development; driving private sector-led economic growth through policy reform and support to key sectors, including energy; strengthening democratic institutions; developing future leaders; building the capacity of civil society and independent media to address corruption; and promoting government accountability.

As mentioned above, USAID development assistance to the Kosovo Credit Guarantee Fund highlights how U.S. assistance, using an approach that stressed government buy-in and leveraged donor resources, has been successful in promoting economic development by supporting Kosovo's small but critical private sector. USAID assistance also helped make starting a business in Kosovo easier by simplifying the process of registering employees and supporting the drafting of Kosovo's first bankruptcy law, establishing clear priority rules for secured creditors and clear grounds for relief for secured creditors in reorganization procedures.

Pristina initially expressed concern that the Trump Administration's proposed reductions in U.S. foreign assistance would have a significant impact on Kosovo's efforts to modernize and address reforms. The Trump Administration's FY2018 request for Kosovo amounted to $34 million, a reduction from the FY2017 request. However, the FY2018 request approved by Congress included approximately $52 million for Kosovo. The Administration's foreign assistance request for FY2019 seeks approximately $30 million for Kosovo.

In March 2016, President Thaçi and U.S. Ambassador Greg Delawie signed an extradition agreement, which would enable police and prosecutors in the United States and Kosovo to cooperate more effectively and to extradite criminals between the two countries. This agreement is viewed by the United States as an important tool in the struggle against terrorism and against transnational crime in the Balkans region.

[37] U.S. Census Bureau, *Country Trade Statistics, Kosovo.*

On September 12, 2017, the U.S. Government's Millennium Challenge Corporation and the government of Kosovo signed a $49 million "threshold program," which will focus on reforms to spur economic growth and private investment. The program is designed to increase publicly available and accessible data on the judiciary and to help modernize the energy sector in order to foster more collaborative relationships among government, civil society, and the private sector. It will also encourage investments in energy efficiency and support the adoption of less expensive sources of heating.[38]

According to the Department of State's *Country Report on Human Rights Practices* for 2017, the most significant human rights issues included assaults on journalists; violence against displaced persons; endemic government corruption; lack of judicial independence, including failures of due process and selective implementation of decisions; and violence against members of ethnic minorities and members of the lesbian, gay, bisexual, transgender, and intersex (LGBTI) community.[39]

In its 2018 *Trafficking in Persons* report,[40] the Department of State noted that Kosovo remains a Tier 2 source and destination country for women, children, and men subjected to sex trafficking and forced labor, including in the restaurant industry. The government demonstrated increasing efforts by issuing guidance for proactive identification of victims and conducting joint proactive investigations with labor inspectors, prosecutors, and social workers. The Office of the Chief State Prosecutor also appointed a special coordinator for trafficking and established a new database to monitor trafficking cases. However, the government did not meet the minimum standards in several key areas. Judges imposed weak sentences on convicted traffickers, and prosecutors continued to downgrade trafficking cases to lesser crimes.

[38] Millennium Challenge Corporation, press release, September 12, 2017.

[39] U.S. Department of State, *2016 Country Report on Human Rights Practices: Kosovo.*

[40] U.S. Department of State, *Trafficking in Persons*, 2018.

Figure 1. Republic of Kosovo

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

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