



# Serbia: Current Issues and U.S. Policy

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## Summary

Serbia faces an important crossroads in its development. It is seeking to integrate into the European Union (EU), but its progress has been hindered by tensions with the United States and many EU countries over the independence of Serbia's former Kosovo province. The global economic crisis poses serious challenges for Serbia. Painful austerity measures have been required for Serbia by the International Monetary Fund and other international financial institutions.

Serbia held parliamentary and presidential elections in May 2012. One party in the former government, the Socialist Party, did much better than anticipated in the parliamentary vote. In another surprise, in the presidential vote the incumbent president Boris Tadic was defeated by Tomislav Nikolic of the nationalist Progressive Party. After protracted negotiations, in July 2012 the Progressives formed a new government with the Socialists and another group, the United Regions of Serbia. Socialist leader Ivica Dacic was elected as Prime Minister.

Serbia has vowed to take all legal and diplomatic measures to preserve its former province of Kosovo as legally part of Serbia. Nevertheless, nearly 100 countries, including the United States and 22 of 27 EU countries, have recognized Kosovo's independence. Russia, Serbia's ally on the issue, has used the threat of its Security Council veto to block U.N. membership for Kosovo. After the International Court of Justice ruled in July 2010 that Kosovo's declaration of independence did not contravene international law, the EU pressured Serbia to hold talks with Kosovo starting in March 2011.

Serbia's other key foreign policy objective is to secure membership in the European Union. In March 2012, the EU accepted Serbia as a candidate for membership after having judged that Belgrade has made sufficient progress in reaching and implementing agreements with Kosovo on a series of practical issues. In April 2013, the EU Commission recommended that the EU give Serbia a date for the start of the talks. Even if talks formally begin late this year, many years of negotiations will be required before Serbia can join the EU.

In December 2006, Serbia joined NATO's Partnership for Peace (PFP) program. PFP is aimed at helping countries come closer to NATO standards and at promoting their cooperation with NATO. Although it supports NATO membership for its neighbors, Serbia is not itself seeking NATO membership. This may be due to such factors as memories of NATO's bombing of Serbia in 1999, U.S. support for Kosovo's independence, and a desire to maintain close ties with Russia.

U.S.-Serbian relations have improved since the United States recognized Kosovo's independence in February 2008, when Serbia sharply condemned the U.S. move and demonstrators sacked a portion of the U.S. Embassy in Belgrade. During a 2009 visit to Belgrade, Vice President Joseph Biden stressed strong U.S. support for close ties with Serbia. He said the countries could "agree to disagree" on Kosovo's independence. He called on Serbia to transfer the remaining war criminals to the former Yugoslavia war crimes tribunal (since accomplished), promote reform in neighboring Bosnia, and cooperate with international bodies in Kosovo. The United States has strongly supported the EU-led talks between Kosovo and Serbia, while making clear that it plays no direct role in them. The United States has applauded the agreements reached by the two sides, including a key one on normalizing relations in April 2013.

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## Background

In October 2000, a coalition of democratic parties defeated Serbian strongman Slobodan Milosevic in presidential elections, overturning a regime that had plunged the country into bloody conflicts in the region, economic decline, and international isolation in the 1990s. The country's new rulers embarked on a transition toward Western democratic and free market standards, but success has been uneven. Serbia has held largely free and fair elections, according to international observers. A new constitution adopted in 2006 marked an improvement over the earlier, Socialist-era one. However, the global economic crisis dealt a setback to Serbia's economy. Organized crime and high-level corruption remain very serious problems.

Serbia has set integration in the European Union as its key foreign policy goal, but its prospects have been clouded by concerns of some EU countries that it has not done enough to normalize relations with its former Kosovo province, which declared independence in 2008. U.S.-Serbian relations, although positive in many respects, have also been negatively affected by the leading role played by the United States in promoting Kosovo's independence.<sup>1</sup>

## Current Political and Economic Situation

### Political Situation

Serbia's most recent parliamentary, presidential, and local elections were held on May 6, 2012. In the parliamentary vote, a coalition of parties led by the nationalist Serbian Progressive Party (SNS) won 73 seats in the 250-seat Serbian parliament. A pro-EU coalition led by the Democratic Party (DS) won 68 seats. In the biggest surprise of the vote, a coalition led by the Socialist Party of Serbia (SPS) won 45 seats, significantly more than expected. The strongly nationalist Democratic Party of Serbia (DSS) won 20 seats, as did a coalition led by the Liberal Democratic Party, which favors a less nationalist approach than the DS. The United Regions of Serbia group won 16 seats. Most of the remaining seats were won by representatives of national minorities.

In the presidential election, outgoing President Tadic of the DS faced Tomislav Nikolic from the SNS, as well as candidates from smaller parties. Tadic took first place with 26.7% of the vote. Nikolic came in a close second with 25.5%. The other candidates trailed far behind. As no candidate received a majority, a runoff election was held between Tadic and Nikolic on May 20. In a result that surprised almost all observers, Nikolic defeated Tadic, winning 49.55% to Tadic's 47.3%. Voter turnout was 46.37%.

Analysts believe that Tadic's defeat may have been due to low turnout among his supporters, some of whom may have wished to punish him for the poor economic situation in the country and persistent government corruption. The powers of the Serbian presidency are modest, but the presence of the Progressives in the government will likely strengthen his hand greatly. Until a few years ago, Nikolic held extreme nationalist views, but he has moved closer to the center and now advocates stances close to those of the DS, including on European Union membership.

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<sup>1</sup> Serbia was linked with Montenegro in a common state until Montenegro gained its independence in June 2006. For more on Serbia's development from the fall of Milosevic until Montenegro's independence, see CRS Report RL30371, *Serbia and Montenegro: Background and U.S. Policy*, by Steven Woehrel.

Negotiations on forming a new government were difficult. At first, it appeared that former President Tadic would head the new government as Prime Minister, renewing the DS's alliance with the Socialists. However, these efforts failed, and the Socialists decided instead to form a government with the Progressives and the United Regions of Serbia. Unusually, despite having secured many more seats than the Socialists, the Progressives ceded the position of Prime Minister to Socialist leader Ivica Dacic. Indeed, some observers assert that this was a key reason, among others, for the Socialists' switch of alliances.

Aleksandar Vucic, who became acting leader of the Progressives after Nikolic became President, is Defense Minister, and also oversees the intelligence services. The Foreign Minister is Ivan Mrkic, a career diplomat who served as ambassador to Cyprus during the regime of Serbian strongman Slobodan Milosevic. The speaker of the Serbian parliament is Nebojsa Stefanovic, from the Progressives. The Serbian parliament approved the new government on July 27, 2012.

The continuing economic crisis in Serbia remains the key problem for the government, one lacking an easy solution. However, the government boosted its popularity (and especially that of Vucic) by launching an anti-corruption drive. The campaign has implicated former and current government ministers and Miroslav Miskovic, a prominent businessman with powerful political connections. Observers have lauded the government's first steps in fighting corruption, but caution that the rule of law must be preserved in all investigations and trials. Moreover, they note that it will be at least as important to institute lasting changes in the current political and legal systems to make corruption less likely to occur in the future. Another political controversy in Serbia has been the powers of the autonomous region of Vojvodina in northern Serbia, with some local authorities (often affiliated with the opposition in Belgrade) demanding more powers, and the central government wishing to keep a tight rein on the province.

Serbia has faced some problems with the Presevo Valley region in southern Serbia. This ethnic Albanian majority region bordering Kosovo has been relatively quiet since a short-lived guerrilla conflict there in 2000-2001 between ethnic Albanian guerrillas and Serbian police, in the wake of the war in Kosovo. However, there have been sporadic incidents and problems since then, some resulting in injuries to Serbian police. Local Albanians claim discrimination and a lack of funding from Belgrade. Some local ethnic Albanian leaders have called for the region to be joined to Kosovo, perhaps in exchange for Serbian-dominated northern Kosovo. The United States and the international community have strongly opposed this idea. After the signature of an agreement between Serbia and Kosovo in April 2013, ethnic Albanian leaders in the Presevo valley have demanded the same rights for their area as Serbs in northern Kosovo would receive from the agreement.

## **Serbia's Economy**

Until the global economic crisis hit in late 2008, Serbia experienced substantial economic growth. This growth was fueled by loose monetary and fiscal policies (in part keyed to election cycles), including increases in pensions and public sector salaries. The international economic crisis had a negative impact on Serbia's growth, and recovery has been slow due to continuing weakness in the EU, which is Serbia's main export market. After a decline of 1.7% in 2012, the International Monetary Fund expects Serbia's real Gross Domestic Product (GDP) to rise by 2% in 2013, and by the same percentage in 2014. Serbia's unemployment rate in 2012 was 23.1%, and will likely remain very high for the foreseeable future. Serbian net salaries are low, at roughly \$488 a month in March 2013. Serbia's currency, the dinar, has depreciated sharply as a result of the economic

crisis. This has aggravated inflation, leading the central bank to keep a tight rein on the money supply.

Serbia is seeking a precautionary loan arrangement with the IMF. Serbia might not need to draw on the loan, as it has been successful in borrowing in the Eurobond market, but the loan agreement would signify IMF approval for Serbia's policies. This could keep the costs of borrowing in private markets relatively inexpensive and could encourage foreign investment. However, the IMF wants Serbia to make more credible efforts to cut its budget deficit and public debt before it commits itself to a new program.

The economic crisis has caused a drop in foreign direct investment in Serbia. In early 2012, international investors sold their stakes in two key Serbian firms to the government. US Steel sold the Smederovo steel works, the country's largest exporter, to the Serbian government for the nominal price of \$1. Declining steel prices and heavy competition made the plant unprofitable. The Serbian government bought the steel works to prevent large job losses, and hopes to resell it to another international investor. The Serbian government also bought the Greek telecom company OTE's 20% share in Telekom Srbija, with hopes of selling a stake in the company to a strategic investor. Serbia's budgetary problems have resulted in increased pressure from the IMF to privatize inefficient state-owned firms, whose losses amount to 2.5%-3.5% of GDP. However, the Serbian government has been reluctant to do so, fearing an increase in unemployment.

## **Kosovo**

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

After the ICJ ruling, under strong EU pressure, Serbia agreed to hold talks with Kosovo under EU mediation. The dialogue, which began in March 2011, at first focused on technical issues, although it has been difficult to separate technical issues from the main political one—Kosovo's status as an independent state. In an effort to make better progress in the talks, talks were moved to a higher political level in October 2012, when Prime Minister Dacic and Kosovo Prime Minister Hashim Thaci met. Such meetings became a regular feature of the negotiations in the following months.

The technical agreements reached so far have included ones on free movement of persons, customs stamps, mutual recognition of university diplomas, cadastre (real estate) records, civil registries (which record births, deaths, marriages, etc. for legal purposes), integrated border/boundary management (IBM), and on regional cooperation. Implementation of most of these accords has lagged. A technical protocol on IBM went into effect at the end of 2012, with the opening of several joint Kosovo/Serbia border/boundary posts. 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.

## **Northern Kosovo**

An issue that has proved particularly difficult to solve has been the status of the four Serbian-majority municipalities in northern Kosovo. The area, which borders directly on Serbia, is overwhelmingly ethnically Serbian. Prime Minister Dacic and other senior Serbian leaders have raised the possibility that Kosovo could be partitioned. Most observers have said that the line of partition would likely follow the current line of de facto control at the Ibar River, between the Serbian-dominated north and the Albanian-dominated south. In the past, some Serbian officials even suggested that they might discuss swapping the Albanian-dominated parts of the Presevo valley for northern Kosovo. However, the Kosovo government is strongly opposed to partition. The United States and the international community also oppose it, fearing that it could touch off the disintegration of Bosnia and Macedonia, which both have ethno-territorial tensions of their own. Serbian leaders have refrained from raising the idea of partition in recent months, due to strong pressure from the United States, Germany, and other EU countries that have recognized Kosovo. The key EU countries have made clear to Serbia that continuing to discuss partition as a viable option would jeopardize Belgrade's EU membership prospects.

Belgrade currently exercises de facto control over northern Kosovo through what the Kosovo government, the United States, and many EU countries call "parallel institutions." These range from municipal governments to healthcare and educational facilities to representatives of Serbian military and intelligence agencies, although the last of these are not formally acknowledged to be deployed there. In the EU-mediated dialogue, the Kosovo government has demanded the dissolution of the parallel institutions and insists that the region come under its control. Kosovar leaders claimed that the area would enjoy the same level of decentralization enjoyed by Serb-majority municipalities in the rest of Kosovo under Kosovo's constitution. The United States, Germany, and other countries that have recognized Kosovo have demanded the dismantling of Serbian military and intelligence structures in Kosovo. They have called on Belgrade to make its funding of healthcare, education, and other institutions in northern Kosovo more transparent. In December 2012, EU member states agreed that any agreement should ensure that Kosovo has a "single institutional and administration set-up."

For its part, Serbia pushed for the linking of Serb-dominated municipalities in northern Kosovo with Serbian enclaves in ethnic Albanian-dominated southern Kosovo in an association of Serb municipalities that would have executive powers. Kosovar leaders didn't dispute the right to form such an association but rejected giving it significant powers. Otherwise, Kosovar leaders feared, the association could result in the de facto partition of Kosovo, much as some observers see the existence of the Republika Srpska, the Serb-dominated largely autonomous "entity" within Bosnia and Herzegovina.

### **"First Agreement of Principles Governing the Normalization of Relations"**

On April 19, 2013, in the 10<sup>th</sup> round in their EU-mediated dialogue, Serbian Prime Minister Ivica Dacic and Kosovo Prime Minister Hashim Thaci initialed a "First Agreement of Principles Governing the Normalization of Relations" between Kosovo and Serbia. The 15-point agreement calls for the creation of an "Association/Community of Serbian-majority municipalities" in Kosovo. This "Association/Community" will 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 will form part of Kosovo's unified police force, and will be paid only by Pristina. The police commander in the north will be a Kosovo Serb selected by Pristina from a list of nominees provided by the mayors of the four Serb

municipalities in the north. The ethnic composition of the local police in the north will reflect the ethnic composition there.

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

The agreement also calls for new municipal elections in the north in 2013, under Kosovo law and with the assistance of the Organization for Security and Cooperation in Europe. The two sides agreed that "neither side will block, or encourage others to block, the other side's progress in their respective EU path."<sup>2</sup>

On April 21, Kosovo's parliament overwhelmingly approved the agreement. The Serbian government approved the agreement on April 22. Initial opposition in Serbia to the agreement was very sharp but limited in scope. The agreement was denounced by the Holy Synod of the Serbian Orthodox Church, and by many Kosovo Serb leaders. Several thousand people have held peaceful demonstrations against the accord in Belgrade and northern Kosovo. Nevertheless, the Serbian parliament approved the government's report on the negotiations with Kosovo on April 29 by an overwhelming vote of 173-24. In addition to support from the government parties, the report was also approved by most of the opposition parties as well. Opposing it was the nationalist Democratic Party of Serbia, and several other members of parliament, mainly those from Kosovo.

Despite approving the agreement, Serbia still refuses to recognize Kosovo as an independent state, considering it to be an autonomous province of Serbia. Belgrade's position could be viewed perhaps as a convoluted effort to present the "Association/Community" of Serbian-majority municipalities in Kosovo (at least to itself) as an autonomous entity within another autonomous entity within Serbia. For their part, Pristina and the Serbian government's opponents have portrayed the agreement as Serbia's de facto recognition of Kosovo as an independent country.

The agreement faces serious challenges to its implementation, including the strong opposition of most Serb leaders in northern Kosovo. Kosovo Serb leaders in northern Kosovo have rejected even a symbolic Kosovo government presence in the area. In February 2012, Kosovo Serb leaders in the north organized a local referendum (which was not monitored by international observers) that rejected Kosovo government institutions by an overwhelming margin.

Prime Minister Dacic has said that, although he wants northern Kosovo leaders to voluntarily agree to implementation, the government also has the ability to bring pressure to bear, such as by cutting off salaries to those who refuse to cooperate. Dacic and other Belgrade leaders warn that the implementation process must be well underway before the end of June, when the EU Council will decide on whether to grant Serbia a date to begin membership negotiations. Key EU countries are particularly insistent that progress be made as soon as possible on dismantling Serbian security structures in Kosovo.

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<sup>2</sup> The text of the agreement has not been officially released. However, identical unofficial texts have appeared in many media sources. For example, see <http://www.rferl.org/content/text-leaked-copy-serbia-kosovo-agreement-brussels/24963542.html>



Holding new local elections in northern Kosovo later this year under Kosovo laws also appears challenging. Turnout among Serbs may be very low, which could impair the perceived legitimacy of those institutions.

KFOR, the NATO-led peacekeeping force in Kosovo, is expected to play an important role in the agreement's implementation. During the talks, Serbia demanded that Kosovo pledge not to deploy the Kosovo Security Force (a quasi-military force) or its special police units in northern Kosovo without the consent of local leaders. Pristina has not made such a formal pledge, but Prime Minister Dacic has said that during the talks he received a letter from NATO Secretary General Anders Fogh Rasmussen pledging that such deployments would not be made without KFOR's consent, and then only in cases of natural disaster and in consultation with local Serbian leaders.

## **Foreign Policy**

Since 2008, Serbia's foreign policy has focused on two main objectives—integration into the European Union and hindering international recognition of the independence of Serbia's former Kosovo province by legal and diplomatic means. To this end, Serbia has focused on seeking good relations with the EU, in order to achieve its long-term goal of EU membership. It has tried to avoid conflicts with the 22 EU countries that have recognized Kosovo's independence, while cultivating the five states whose non-recognition of Kosovo serves to block a closer formal relationship between the EU and Kosovo.

Serbia has also bolstered ties with Russia and China, partly in an effort to secure loans, investment, and other economic advantages and partly to ensure they maintain their opposition to Kosovo's independence. U.S.-Serbian ties have improved since U.S. recognition of Kosovo's independence in February 2008, but appear not to play a central role in either country's foreign policy at present. 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 remains Kosovo's most powerful international supporter.

## **European Union**

The European Union signed a Stabilization and Association Agreement (SAA) with Serbia in April 2008. The agreement grants trade concessions to Serbia. It provides a framework for enhanced cooperation between the EU and Serbia in a variety of fields, including help in harmonizing local laws with EU standards, with the perspective of EU membership.

The Netherlands blocked implementation of provisions of the SAA until all EU countries agreed that Serbia is cooperating with the International Criminal Tribunal for the former Yugoslavia (ICTY). Serbia made substantial progress in this regard when it detained indicted war criminal Radovan Karadzic on July 21, 2008, and later transferred him to the ICTY. In an effort to show its strong support for EU integration, Serbia unilaterally began to implement trade provisions of the SAA in February 2009, lowering tariff barriers for EU goods to enter Serbia. After a largely favorable report on Serbia's cooperation with the ICTY from the Tribunal's chief prosecutor, the EU decided in December 2009 to allow the key trade provisions of the SAA to be implemented before ratification. In June 2010, after another favorable report on Serbia's ICTY cooperation, the Netherlands lifted its veto on submitting the SAA to ratification by EU member governments. As of April 2013, 26 of the 27 EU countries have ratified the accord, with only Lithuania remaining.

Serbia submitted its application for EU membership in December 2009. However, it was not until November 2010 that the EU took the first step in the process, giving Serbia a detailed questionnaire on its qualifications as a membership candidate. Serbia's EU membership prospects are clouded by several factors. One concern is the difficulty of meeting the EU's stringent requirements and growing "enlargement fatigue" in many EU countries. Perhaps the most intractable problem is the issue of Kosovo. Twenty-two of the 27 EU countries have recognized Kosovo (including key countries such as Britain, France, Germany, and Italy). Five EU countries (Greece, Cyprus, Slovakia, Romania, and Spain) have declined to recognize Kosovo's independence. These countries are either traditional allies of Serbia, or have minority populations for whom they fear Kosovo independence could set an unfortunate precedent, or both.

Serbian leaders have said that they will reject EU membership if it is conditioned on recognizing Kosovo's independence. Given the sensitivity of the issue for Serbian public opinion and the EU's own divisions, such an explicit condition is unlikely. However, since 2008 the EU has successfully pressed Serbia to cooperate with the EULEX law-and-order mission in Kosovo, to drop its efforts to have the U.N. General Assembly condemn Kosovo's independence as illegitimate, and to hold talks with the Kosovo government. Leaders of many EU member states are reluctant to "import" an unresolved territorial question such as Kosovo into the EU, as it did when it admitted Cyprus. Serbia may therefore gradually be pressed by the most influential EU states into de facto (if not de jure) recognition of Kosovo's independence or be forced to give up its membership hopes.

In October 2011, the European Commission released a report on Serbia's qualifications to become a member of the EU. Noting the progress made in the EU-brokered talks with Kosovo, the Commission recommended that Serbia be given the status of a membership candidate if it re-engages in the dialogue with Kosovo and implements in good faith agreements already reached. The Commission recommended that Serbia be given a date to begin membership negotiations if it achieves further steps in normalizing its relations with Kosovo. These include "fully respecting the principles of inclusive regional cooperation; fully respecting the provisions of the Energy Community Treaty; finding solutions for telecommunications and mutual acceptance of diplomas; by continuing to implement in good faith all agreements reached; and by cooperating actively with EULEX in order for it to exercise its functions in all parts of Kosovo."<sup>3</sup>

In February 2012, Serbia and Kosovo reached agreement on Kosovo's participation in regional institutions. The deal will permit Kosovo to participate in the institutions under the name "Kosovo\*," with the asterisk referring to both U.N. Security Council Resolution 1244 (which Serbia says recognizes Kosovo as part of its territory) and a 2010 International Court of Justice ruling that Kosovo's declaration of independence did not contravene international law. The two sides also reached a technical protocol on Integrated Border Management.

In response to the conclusion of these agreements, in March 2012 the EU accepted Serbia as a membership candidate. However, the EU made clear that the granting of a date for the EU to begin negotiations with Serbia will depend upon reaching agreements on energy and telecommunications and implementation of the accords already agreed to.

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<sup>3</sup> Commission Opinion on Serbia's Application for Membership of the European Union, October 12, 2011, at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2011/package/sr\\_rapport\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/sr_rapport_2011_en.pdf)

On April 22, 2013, in part as a result of the signing of the April 19 normalization agreement with Kosovo, the European Commission recommended that the EU grant Serbia a starting date for its EU membership talks. EU member states will make a decision based on this recommendation at their next EU Council summit in late June 2013. The Council's decision will likely be based in part on the implementation of Kosovo-Serbia agreements.

Since December 2009, the EU has permitted Serbian citizens to travel visa-free to the EU. Many Serbs may see the decision as the most tangible (and most prized) benefit they have received so far from the Serbian government's pro-EU policy. A surge of asylum-seekers from Serbia and elsewhere led the EU in May 2011 to adopt a policy allowing visa-free travel to be temporarily suspended if there is a surge in illegal immigration from a given country. This policy has not been applied to Serbia as yet, in part due to measures by Serbia to clamp down on illegal migrants. The government has reportedly focused on areas of the country inhabited by ethnic Albanians and Roma, considered by Serbia to be major sources of such illegal migrants.

## **NATO**

In December 2006, Serbia joined NATO's Partnership for Peace (PFP) program. PFP is aimed at helping countries come closer to NATO standards and at promoting their cooperation with NATO. Serbia's government has pledged to enhance cooperation with NATO through the PFP program, including through joint exercises and training opportunities. Serbia has generally supported KFOR, the NATO-led peacekeeping force in neighboring Kosovo, while sometimes criticizing it for allegedly not doing enough to protect Serbs there. Serbia is also unhappy with NATO's role in overseeing the Kosovo Security Force (seen by both Serbia and ethnic Albanians in Kosovo as a de facto Kosovo army in the making).

Serbian leaders have expressed support for the NATO membership aspirations of all of the other countries in the region, but are not seeking NATO membership for Serbia. Due in part to memories of NATO's 1999 bombing of Serbia and anger at the U.S. role in Kosovo's independence, public support for NATO membership is low. Public opinion polls have repeatedly shown that less than 20% of the Serbian public favor NATO membership.

## **Regional Relations**

Serbia's relations with the other countries in its region have improved markedly in recent years, but tensions remain over some issues; Croatia and Bosnia filed cases with the International Court of Justice (ICJ) charging Serbia with genocide during the wars of the 1990s. (Ruling in the Bosnia case in 2007, the ICJ cleared Serbia of genocide, but found Serbia in violation of international law for not preventing the Srebrenica massacre, and other failings.) In 2009, Serbia countered with an ICJ suit of its own against Croatia. Serbian and Croatian leaders have discussed the possibility of both sides dropping their suits.

Some Bosnian leaders, mainly from the Bosniak (Muslim) ethnic group, have complained that Serbian leaders have done little to rein in Bosnian Serb leader Milorad Dodik's perceived efforts to undermine the effectiveness of Bosnia's central government institutions. Serbia asserts that it respects Bosnia's sovereignty and territorial integrity and abides fully by the terms of the Dayton Peace Agreement that established Bosnia's current governmental system. In March 2010, at the urging of President Tadic, the Serbian parliament passed a resolution condemning the crimes committed by Serbian forces in Srebrenica in Bosnia in 1995. President Nikolic has also made a

statement expressing strong regret for the crimes committed in Srebrenica. On the other hand, Nikolic has made other statements that have unsettled relations with Bosnia.

## **U.S. Policy**

Serbia has played a key role in U.S. policy toward the Balkans since the collapse of the former Yugoslavia in 1991. U.S. officials came to see the Milosevic regime as a key factor behind the wars in the region in the 1990s, and pushed successfully for U.N. economic sanctions against Serbia. On the other hand, the United States drew Milosevic into the negotiations that ended the war in Bosnia in 1995. The United States bombed Serbia in 1999 to force Belgrade to relinquish control of Kosovo, where Serbian forces had committed atrocities while attempting to suppress a revolt by ethnic Albanian guerrillas. U.S. officials hailed the success of Serbian democrats in defeating the Milosevic regime in elections in 2000 and 2001. The United States has seen 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. aid to Serbia has declined sharply in recent years, perhaps reflecting overall U.S. budgetary stringency, changing U.S. global priorities, and Serbia’s EU membership candidacy, which is expected to result in greater EU aid to the country. In FY2011, Serbia received \$45 million in U.S. aid for political and economic reforms, \$1.896 million in Foreign Military Financing (FMF), \$0.9 million in IMET military training funds, and \$1.15 million in Nonproliferation, Antiterrorism, Demining and Related (NADR) aid. In FY2012, Serbia was expected to receive \$33.5 million in aid for political and economic reform for Serbia, \$2 million in FMF, \$0.9 million in IMET, and \$2.65 million in NADR funding. For FY2013, the Administration requested \$19.913 million to aid Serbia’s political and economic reforms in the Economic Support Fund (ESF) account, \$3 million in International Narcotics Control and Law Enforcement funding (INCLE), \$0.9 million in IMET, and \$1.8 million in FMF. For FY2014, the Administration aid request for Serbia includes \$16.103 million in ESF assistance, \$3 million in the INCLE account, \$1.05 million in IMET aid, and \$1.8 million in FMF.

The goal of U.S. aid for political reform is to strengthen democratic institutions, the rule of law, and civil society. It includes programs to strengthen the justice system, support local governments, help fight corruption, foster independent media, and increase citizen involvement in government. Aid is being used to help Serbia strengthen its free market economy by reforming the financial sector and promote a better investment climate. Other U.S. aid is targeted at strengthening Serbia’s export and border controls, including against the spread of weapons of mass destruction. U.S. military aid helps Serbia participate in NATO’s Partnership for Peace program and prepare for international peacekeeping missions.

The signing of a Status of Forces Agreement with Serbia in September 2006 has permitted greater bilateral military cooperation between the two countries, including increased U.S. security assistance for Serbia as well as joint military exercises and other military-to-military contacts. The Ohio National Guard participates in a partnership program with Serbia’s military. However, despite U.S. urging, Serbia declined to contribute troops to the NATO-led ISAF peacekeeping force in Afghanistan. In 2005, the Administration granted duty-free treatment to some products from Serbia under the Generalized System of Preferences (GSP).

The most serious cloud over U.S.-Serbian relations is the problem of Kosovo. The United States recognized Kosovo's independence on February 18, 2008.<sup>4</sup> On the evening of February 21, 2008, Serbian rioters broke into the U.S. Embassy in Belgrade and set part of it on fire. The riot, in which other Western embassies were targeted and shops were looted, took place after a government-sponsored rally against Kosovo's independence. The embassy was empty at the time. Observers at the scene noted that Serbian police were nowhere to be found when the incident began, leading to speculation that they had been deliberately withdrawn by Serbian authorities. Police arrived later and dispersed the rioters at the cost of injuries on both sides. One suspected rioter was later found dead in the embassy. U.S. officials expressed outrage at the attack and warned Serbian leaders that the United States would hold them personally responsible for any further violence against U.S. facilities. President Tadic condemned the attack and vowed to investigate why the police had allowed the incident to occur. In April 2013, 12 persons went on trial in Belgrade for the attack. The United States also continues to raise with Serbian authorities the case of the Bytyqi brothers. During the 1999 war in Kosovo, the three U.S. citizens were murdered by Serbian Interior Ministry troops, who were never brought to justice.

In May 2009, Vice President Joseph Biden set the tone for the Obama Administration's policy toward Serbia, in a trip to the region that also included Kosovo and Bosnia, in addition to Serbia. Biden said the United States wanted to improve ties with Serbia. He acknowledged that Serbia must play "the constructive and leading role" in the region for the region to be successful. He expressed the belief that the United States and Serbia could "agree to disagree" on Kosovo. Biden stressed that the United States did not expect Serbia to recognize Kosovo's independence, and would not condition U.S.-Serbian ties on the issue. However, he added that the United States expects Serbia to cooperate with the United States, the European Union, and other key international actors "to look for pragmatic solutions that will improve the lives of all the people of Kosovo," including the Serbian minority.

Biden said the United States also looks to Serbia to help Bosnia and Herzegovina become "a sovereign, democratic, multi-ethnic state with vibrant entities." U.S. officials have often asked Serbia to use its influence with Bosnian Serb leaders to persuade them to cooperate with international officials there. Finally, Biden called on Belgrade to cooperate fully with the International Criminal Tribunal for the Former Yugoslavia. Biden said that the United States "strongly supports Serbian membership in the European Union and expanding security cooperation between Serbia, the United States, and our allies." He called for strengthening bilateral ties, including military-to-military relations, economic ties, and educational and cultural exchanges.<sup>5</sup>

More recently, in February and March 2012, Secretary of State Clinton praised progress in the Serbia-Kosovo negotiations and hailed the EU's subsequent granting of EU membership candidate status to Serbia. In June, she congratulated Nikolic on his victory in the presidential election and said that the United States wanted to cooperate with Serbia. She said Serbia should continue its path toward EU integration and establish open and transparent relations with Kosovo.

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<sup>4</sup> For a text of the U.S. announcement on recognition of Kosovo's independence, see the State Department website, <http://www.state.gov/secretary/rm/2008/02/100973.htm>. For more on Kosovo, see CRS Report RL31053, *Kosovo and U.S. Policy: Background to Independence*, by Julie Kim and Steven Woehrel, and CRS Report RS21721, *Kosovo: Current Issues and U.S. Policy*, by Steven Woehrel.

<sup>5</sup> Text of Vice President Joseph Biden's address to the press in Belgrade, May 20, 2009, from the White House website, [http://www.whitehouse.gov/the\\_press\\_office/Remarks-By-The-Vice-President-At-The-Palace-Of-Serbia/](http://www.whitehouse.gov/the_press_office/Remarks-By-The-Vice-President-At-The-Palace-Of-Serbia/).

In the wake of the surprising decision of the Progressives and Socialists to form a new government, Deputy Assistant Secretary of State Philip Reeker visited Belgrade in early July 2012, followed by Assistant Secretary Gordon a few days later. Serbian press sources claimed that the U.S. diplomats were trying to break up the coalition, or at least to secure the participation in it of the Democrats. Gordon denied these claims, saying the visit was intended to reinforce the message that the new government should continue on the path of EU integration and normalizing relations with Kosovo, including the implementation of existing agreements. He said Serbia must dismantle the Serbian security presence in northern Kosovo, although some Serbian government civilian infrastructure such as healthcare facilities could remain.

Secretary of State Hillary Clinton visited the region again in late October and early November 2012, stopping in Bosnia, Serbia, Kosovo, Croatia, and Albania. In a move that underlined the U.S. focus on coordination with the EU, she visited Bosnia, Serbia, and Kosovo jointly with EU foreign policy chief Baroness Catherine Ashton. At every stop, Clinton emphasized the solidarity between Brussels and Washington on Balkan policy. During visits to Serbia and Kosovo, Clinton stressed the importance for both sides to negotiate in good faith in the EU-brokered talks aimed at normalizing their relationship so that they can integrate with the European Union. Clinton stressed that the United States regards Kosovo's sovereignty and territorial integrity as completely non-negotiable. Although most EU countries would agree with the statement, Ashton could not make such a comment, as the EU is divided on the issue of Kosovo's independence.<sup>6</sup>

On April 19, 2013, Secretary of State John Kerry issued a statement hailing the agreement on northern Kosovo, and calling on both sides to speedily implement it and the other agreements they have reached. Kerry also commended Baroness Ashton for her role in facilitating the talks. He said the United States remained deeply committed to seeing Serbia and Kosovo and the region achieve their goals of integrating into a Europe whole, free, and at peace.

On April 24, the Subcommittee on Europe, Eurasia, and Emerging Threats of the House Foreign Affairs Committee held a hearing on Kosovo-Serbia relations. Acting Deputy Assistant Secretary of State Jonathan Moore expressed strong Administration support for the April 19 agreement and underlined that close U.S.-EU policy coordination helped bring it about. Subcommittee Chairman Representative Dana Rohrabacher expressed strong skepticism about the viability of the agreement. He reiterated his long-standing support for referendums to be held in Serb-majority areas of northern Kosovo and ethnic Albanian-majority areas of southern Serbia on which country the populations there want to belong to. Such referendums would likely result in a swap of territories between the two countries. Moore repeated the Administration's opposition to this approach, claiming it could lead to further conflict in the region.

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<sup>6</sup> See the State Department website at <http://www.state.gov/secretary/trvl/2012/199645.htm>

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