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## SERBIA BETWEEN THE HUGE CULTURAL HERITAGE OF THE PAST AND THE EU INTEGRATION OPTIONS OF THE FUTURE

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The paper analyzes the advancements of Serbia towards deeper integration with the EU. The question of Kosovo could still compromise that process and the Brussels Agreement between Belgrade and Pristina, last year, did not produce lasting concrete results to define the status of Kosovo. Tensions between Washington and Moscow are not creating a favorable climate for the implementation of the Agreement. Serbia is also suffering for a precarious financial situation that is creating concern among the major financial organizations. In the meantime, the 2014 flood catastrophe has partly re-established a kind of Yugoslavian solidarity among the populations of Serbia, Bosnia-Herzegovina and Croatia, a spirit of cooperation beyond the national differences and cultures, which should be considered as undoubtedly precious trend, after the internal conflicts of the Nineties.

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## Historical Roots

The history of Serbia started in the 6th century after Jesus Christ, when some Slavic populations, coming from the north, decided to settle their residence in the Balkan region, in the valleys of Bosna river, Ibar river and Danube river. In the 9th century the Slavic tribes reunified themselves when they adopted the Christian religion. The Serbian civilization developed itself during the 12th century, under the crown of Stephen Nemanja, whose royal dynasty reached the maximum splendor with Tsar Stephen Dušan, in the 14th century. The epic battle of Kosovo Polje (28th of June 1389) marked the decline of the Serbian civilization, which was completely conquered by the Ottoman Empire in the middle of the 15th century. After four centuries of Ottoman domination Serbia raised again as independent Kingdom, under the Obrenović and Karageorgević royal families. The First and the Second World Wars, during the 20th century, engaged Serbia in a bigger state, the Kingdom of Serbs, Croats and Slovenes, firstly, the Kingdom of Yugoslavia secondly and the Socialist Federal Republic of Yugoslavia thirdly. The collapse of Yugoslavia in the Nineties reduced the power and the influence of Serbia, which had to suffer also the threat of the potential independence of one of its autonomous provinces: Kosovo. Serbia, the heart of the Balkan region, is facing today new political and economic challenges and it is likely going to play a major role in the stabilization process of the area. Although the country is dealing with an additional dramatic huge problem connected with the natural catastrophe (the flood hitting a considerable part of Serbia since some days), the recent political and economic trends are justifying a moderate optimism.

## The Political Situation

The last political elections (16<sup>th</sup> of March 2014) consolidated the leadership of the Serbian Progressive Party (SNS), the party of the President of Republic (Tomislav Nikolić) and of the today's Prime Minister (Aleksandar Vučić), which obtained 136 seats out of 250. The Progressive Party was born few years ago, in 2008, when Nikolić decided to quit the Serbian Radical Party (led by the controversial Vojislav Šešelj) and create a new party, a bit less radical than the previous one and oriented towards regional integration. The consensus towards the Serbian Progressive Party, in the last months, has been growing and it has been corresponding to the constant decline of the previous main opponent of Nikolić, the former President of Serbia, Boris Tadić, who created the New Democratic Party, after some misunderstandings with Dragan Djilas. The Socialist Party of Serbia (SPS), led by Ivica Dacić (former Prime Minister, between 2012 and 2014) obtained 44 seats. The Democratic Party (DS) of Dragan Djilas obtained 19 seats, while the New Democratic Party (NDS) of Boris

Tadić only 18 seats. The minorities (mainly the Hungarian of Vojvodina) obtained 11 seats as a whole. In general the coalition led by the dominant Serbian Progressive Party includes the Social Democratic Party of Serbia (10 seats), the New Serbia (6 seats), the Serbian Renewal Movement (6 seats), the Socialist Movement: in total 158 seats. Moreover, they made a deal with the Socialist Party of Serbia (44 seats), so that the government coalition can count on 202 deputies out of 250, which is an extremely strong majority. Aleksandar Vučić (former Deputy Prime Minister and Minister of Interior) became now Prime Minister and Ivica Dacic (former Prime Minister) became now Minister of Foreign Relations. The popularity of Aleksandar Vučić grew during the last months while he focused his policy on security and fighting against corruption.

The priorities of the government are oriented, obviously, towards the economic crisis and towards the way leading to the integration of the country in the European Union, but the Kosovo issue represents, nevertheless, a crucial aspect which is related to the EU integration perspective.

### **The Issue of Kosovo and the EU integration perspective**

As mentioned during the historical introduction the issue of Kosovo represents a crucial aspect for Serbia and a today's constant concern for the Serbian government, on one side, for the Kosovar-Albanian population and for the international community, on the other side. The complicate issue is connected with the notion of national sovereignty, with the modern protection of minorities and with the hidden interests of powers. The difference of perception is the base of the problem: the Serbs consider Kosovo a flagship of their civilization, an icon of their culture, a temple for their religion, a monument for their glorious past. The Kosovar-Albanians consider the province as their acquired land, where they should implement the right of self-determination of peoples, with reference to the several violations of human rights that occurred in the Nineties. The western international community approached the crisis during the Nineties to intervene in the region to protect human rights and to support some of their strategic interests at a local level. In more than twenty years the Kosovo issue became the source of a local national radicalism: the Kosovar-Albanians did not want to consider anything else than full independence. After nine years of unsuccessful negotiations with Belgrade in Vienna, the Kosovar-Albanians decided to unilaterally proclaim their independence in 2008, supported by the United States and by some western European countries. The strategy was focused on the accomplished fact policy, hoping that, with the contribution of time, everybody would have accepted the independence of Kosovo some years later. But that was not the case. The more time was passing the more the

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reaction in Serbia and in other countries (Russia, for instance) was increasing. Some observers noticed that the victory of Nikolić versus Tadić, in 2012, was also the result of the impatience of the Serbian population in front of the weak and ambiguous foreign policy undertaken by Tadić. Behind the inevitable tension existing between Belgrade and Pristina there is the purblind and inconsistent EU foreign policy. The issue of Kosovo was the most accurate indicator of the groundlessness of Lady Ashton diplomacy. The main weakness of EU behavior, according with several experts and observers, is the fact that EU lost its objective neutrality: instead of being a valuable, accurate and responsible mediator between two opponents, looking for a sustainable solution of the problem, targeted to a win-win result, EU has behaved in a turbid way, openly showing that Brussels, in any circumstance, was supporting one of the two opponents, the Kosovar-Albanian one. Every step undertaken by the EU diplomacy was containing a hidden and constant blackmail for the Serbian administration: if Belgrade would have not followed the EU recommendations and instructions (slowly leading to the recognition of the independence of Kosovo) any Serbian aspiration to integrate the European Union would have been frustrated. The Belgrade-Pristina Agreement of the 19<sup>th</sup> of April 2013, signed under the eyes of Lady Ashton, was welcomed as a success, but it wasn't. The Serbs considered it as a compulsory step to open the accession process to European Union (as a matter of fact in January 2014 Serbia has officially started the EU accession negotiations) and they formally obtained to exclude any sort of link between the Kosovo issue and the EU accession. The Kosovar-Albanians considered it as a progress to extend their full sovereignty on the northern areas of Kosovo (the area of Kosovska Mitrovica), controlled *de facto* by the Serbian population. But the agreement increases the confusion and the difficulties: instead of forcing both parts to make some efforts and to renounce to part of their interests, the agreement offers some autonomy to the "Association of Serbian Municipalities" of Kosovo, but it does not resolve the fundamental issue of the status of Kosovo. The local authorities of the Self Proclaimed Republic of Kosovo obtained to make a progress in an area in which they do not have real control: the Serbian population was forced to accept an agreement signed by Belgrade in front of the representatives of Pristina that EU diplomacy considers as a full independent country.

The successor of Lady Ashton, in the next future, should take care of the appropriate behavior of an important international organization as European Union is, and he should offer a transparent neutral contribution to the solution of the conflict by taking into much consideration the position of both opponents, on an equal basis, without paying too much attention to the hidden interests of the United States of America.

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The EU diplomacy in Kosovo, during the last years, was not only oriented towards a political agreement between the two parts: EU sent a mission in Kosovo, called Eulex, whose purpose should have been to help *de facto* the situation to find a progressive stabilization through the supremacy of law. Most of the observers consider that the Eulex mission did not achieve its targets because of a superficial and often nonprofessional approach, which made Eulex lose its credibility both in Serbia and in the other European countries.

The Eulex mission, moreover, did not eliminate the physical separations between the two communities (Serbs and Kosovar-Albanians), such as the barricades on the bridge over the Ibar river in Kosovska Mitrovica. There is evidently a problem of trust: the Serbian community does not trust neither EU nor NATO: the Serbs consider that beyond those organizations there are the instruments of the “dirty and immoral western interests” and not the professional international guaranty to protect human rights, national identities and cultural patrimonies.

In this context the only power which arouses trust in Serbia is Russia, thanks to the traditional links of brotherhood, common cultural roots and foreign policy convergence. Russia, moreover, has always supported the Serbian position on the Kosovo issue and has not recognized the independence of Kosovo. Some of the intellectuals in Belgrade consider that if EU is not able to resolve the problem, the Kosovo issue should be resolved by the United Nations with the involvement of other big powers as Russia and China. In the last days the former Serbian Presidential Adviser for Foreign Policy, Marko Đurić, was appointed as the new Head of the Serbian Government Office for Kosovo and Metohia.

### The Economic Situation

The collapse of Yugoslavia, twenty years ago, the conflicts against the neighbor countries and the consequent political isolation of Serbia contributed to worsen the economic situation, which became alarming during the world economic and financial crisis of 2008-2009. According with the figures of the Serbian Government, released by the valuable institution SIEPA, in 2012 the GDP real growth was -1.5%, but in 2013 was +2.5% and in 2014 should be around +1.0%. This figure will certainly be reduced because of the damages provoked by the very recent floods. It is still difficult to calculate the consequences of the floods, but recently the Prime Minister Aleksandar Vučić said that the damages may easily attain one billion Euro. Probably the figure is exceeding the reality, but Serbia has to rebuild several infrastructures (more than 3000 kilometers of roads are seriously damaged), after the death of more than 50 citizens, the evacuation of more than 30,000 people and the provisional accommodation

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of more than 4,500 citizens. That may affect, of course, the 1% GDP growth expected for 2014, since only one fourth of the financial need to face the damages provoked by the flood will be guaranteed by donors. Among the different financial and material helps, Serbia recently underlined its gratitude for the Russian help during the floods crisis and, from the military and strategic point of view, Belgrade confirmed that Russia will allow a loan of 1.4 billion US Dollars to Serbia to purchase Russian MIG military aircrafts.

The level of Serbian GDP, in 2013, was close to 32 billion Euro. Concerning the GDP per capita, according with Serbia government data, in 2013 it was 4,453.2 Euro, still far below the EU average. Concerning the financial situation of Serbia, the government deficit was, in 2013, 5% of GDP and it is expected to raise to 8% in 2014 (if not more). The public debt is 65% of GDP and will increase, of course, during the next months. Some officials consider that this financial situation is not sustainable for Belgrade, also because of the difficulties to finance de government deficit. Recently the government's authorities announced that to collect 400 million Euro they would have probably to cut the public expenditures (salaries and pensions). With an average Serbian gross monthly salary of 508 Euro (almost the half of Croatia) the further cut of public salaries would represent a social bomb for the government. Nevertheless, the government has decided to subsidize new employment by paying taxes and contributions for the new employees up to 75% of the total amount to be paid. That means that the salary burden for each new employer will decrease to roughly 20% (now it is almost 62%).

As a matter of fact the unemployment rate was, in 2013, 22.1% of the active population and it is expected to decrease to 20.8%, according with government sources released by SIEPA. The foreign trade is still in deficit (in 2013 the value of export was 11 billion Euro, the value of import was 15.5 billion Euro, with a foreign trade deficit of 4.5 billion Euro), but the trend for 2014 may improve the foreign trade result. Serbian mainly imports are road vehicles, petroleum, natural gas, electrical machinery, medicinal and pharmaceutical products, general industrial machinery. Serbia mainly exports are road vehicles (passenger cars mainly produced by Fiat have become Serbia's key export product), electrical machinery, vegetables and fruits, cereals, non-ferrous metals, manufactures of metals.

Since several years Serbia has focused its economic strategy on the attraction of foreign direct investments (FDI). Such a strategy is focused on some concrete fiscal and financial incentives, including the establishment of some off-shore areas (no taxes if foreign investors decide to invest in those zones). In 2011 the inflows of FDI in Serbia was the largest in the region (2.2 billion Euro in Serbia, 1.3 billion in Croatia, 1.3

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billion in Bulgaria). Serbia has presented itself as a stable country, with a positive business environment ruled by 32 bilateral investment treaties, with the protection of law and the very low level of taxes (Serbia has double taxation treaties with 41 countries, to avoid double taxation). Moreover to encourage new investments the Serbian government provides a range of tax breaks, exemptions and reductions of up to 80% of the investment amount into fixed assets. Serbia, moreover, is the only non-former Soviet country which has signed an important free trade agreement with Russia, which includes most of the products and services. It is not surprising if many important groups decided to invest in Serbia during the last years. One of the most important investments was the one made by Fiat in 2010-2012 in Kragujevac (1.2 billion Euro, generating 1800 new jobs for local manpower).

Other groups which invested in Serbia are Bosch, Le Bélier, Michelin, Magneti Marelli, Carlsberg, Heineken, Rauch, Siemens, Hewlett-Packard, Microsoft, Asamer, Geox, Calzedonia, Messer, Fantoni, Generali, Banca Intesa, Gazprom, US Steel, Telenor and many other more. The inflation rate in Serbia is 2.2% in 2013 but it was 12.2% in 2012. After the new anti-corruption campaign of the government the volume of foreign direct investment should increase in the next months.

### Final Remarks

If we include the autonomous province of Kosovo (under special United Nation administration since 1999 and which unilaterally proclaimed its independence in 2008) Serbia has close to 11 million inhabitants, most of them Serbs, with important Albanian and Hungarian minorities. If the Kosovo issue is resolved by taking into account on a fair basis the position of all the involved parts with the participation of all the concerned groups, the stabilization of Serbia will increase in the next future, accelerating its integration in the European Union and its political role in the region. The volume of foreign direct investments may significantly increase, leading the country towards a positive economic growth. The weak financial situation of Serbia, however, puts Belgrade in a difficult position in front of the international organization influenced by the western countries (International Monetary Fund, European Union): the link between potential financial aids and agreeable political decisions to be taken by Serbia is permanently present in the mutual relations. The political paradox of the Kosovo issue is focused on the United States foreign policy: the new cold war between Washington and Moscow is indirectly affecting the Balkan region. If the United States were available to contribute to a fair diplomatic solution for Kosovo, the positive moment would be better exploited: the 2014 flood catastrophe has partly re-established a kind of Yugoslavian solidarity among the populations of Serbia,

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Some observers think that a satisfactory solution for Kosovo would correspond to a step back of the United States in the region: Washington should respect the traditional Russian influence in the region, dismantle its own military bases as Camp Bondsteel, convince the Kosovar-Albanians that if they accept to be part of a secure deeply autonomous province of Serbia where all the human rights would be carefully respected, they would be quickly and safely integrated in EU.

The Italian Presidency of EU will offer to Rome the chance to take a new diplomatic initiative to start again the negotiations for the stabilization of the Balkan region on a completely different basis, by recognizing the mistakes of the past and by taking advantage of the mistakes of the past to introduce a new trend for the future, focused on a true sense of respect for all the populations involved. The starting of the Italian Presidency of EU, moreover, intervenes in a significant historical moment: on the 28<sup>th</sup> of June 2014, the so called Saint Vitus Day, the whole world will remind the 100<sup>th</sup> anniversary of the Sarajevo attempt by which a Serbian citizen, Gavrilo Princip, killed Archduke Franz Ferdinand of Habsburg, successor of Emperor Franz Joseph of Austria. That event provoked the starting of World War I, with all the consequences already known for Europe and for its populations. Maybe it is time, for the western countries, to pay much more attention on the Balkan region, to carefully study the history of those populations, their culture, their religion, their symbols, their values, in a modern perspective of international cooperation for peace and prosperity.