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FOCUS NOTES: SERBIA

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## Serbia gains EU candidate status

- EU Commission recommends Serbia to gain EU candidate status by December.
- However, negotiations for EU accession can only start upon progress in the contentious issue of the Kosovo dispute
- Notwithstanding EU enlargement fatigue, Serbia's accession to EU could reach as far as 2017.

### EU Commission recommends Serbia to gain EU candidate status

On October 12<sup>th</sup>, the EU Commission published its annual report on enlargement (the so-called European Enlargement package 2011). The report contains an assessment of the progress made by individual countries (Western Balkans, Turkey, and Iceland) towards EU accession over the past year. A significant part of the report was devoted on the European Union membership application of Serbia. The key finding of the report was the recommendation for Serbia to gain EU candidate status. However, negotiations for EU accession can only start upon progress in the contentious issue of the Kosovo dispute.

First of all, EU Commission praised Serbia's efforts in the co-operation with ICTY (International Court) which resulted in the arrest and extradition of the two remaining indictees (Ratko Mladic and Goran Hadzic). The report acknowledged the progress of Serbia with respect to both political and economic criteria. More specifically, the report acknowledged the institutional framework improvement in line with EU and international standards (financing of political parties, electoral law, and government relations with independent regulatory bodies).

In addition, the report takes note of the progress in establishing a functioning market economy and the high economic integration with EU. However, the report underscores the structural weaknesses particularly those related to the business environment and the informal economy. Moreover, the report calls for Serbia to address the challenges in the implementation and enforcement of the EU related legislation through strengthening the capacity of the judiciary.

### Notwithstanding EU enlargement fatigue and the Kosovo dispute, Serbia's accession to EU could reach as far as 2017.

The opinion of the EU Commission to recommend candidate status for Serbia comes as no surprise to us. In our May-June issue we had alluded that the arrest of General Mladic and his extradition to ICTY will only improve EU sentiment towards Serbia thus giving a boost to the country's prospective EU candidate status.

However, we had warned that EU candidate status will be no substitute for full membership. In the most optimistic scenario, the Serbian authorities' aspiration is to get a date as early as spring 2012 for pre-accession talks to begin. Notwithstanding EU enlargement fatigue, Serbia's accession to EU could reach as far as 2017.

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Even if all technical issues are resolved, the issue of Kosovo status remains an impediment towards EU accession. The contentious issue stems from a struggle between Kosovo — and Serbia over which state should exert authority in the mainly Serb populated north of part of Kosovo. Serbia does not recognize Kosovo's sovereignty whose ethnic Albanian majority declared independence in 2008.

Both parties made some progress in a number of issues during the negotiations in order to reach a working relationship (e.g. freedom of movement for goods and citizens between territories, the mutual recognition of education diplomas etc)

However, the negotiations have come to a standstill over the thorny issue of Kosovo customs stamps on traded goods. Serbia refused to import goods with the Kosovo authorities' stamps on them. In retaliation, Kosovo's authorities decision to impose an import ban on Serbian goods.

To make things worse, violence erupted in past July when Kosovo authorities together with EULEX (EU police and judiciary forces) attempted to seize border posts - staffed mostly by ethnic Serbs - to gain complete control and enforce the reciprocal import ban. Given that next parliamentary elections are scheduled to take place in May 2012, it would be highly unlikely for the current ruling government coalition to make any further concessions in this politically sensitive issue.

Last but not least, we need to take into account that the support of Serbian citizens towards EU membership is waning. According to the latest surveys, the popularity of EU membership has dropped to the lowest level of the last five years.

### Special Focus: A short history of EU-Serbian relations

In retrospect, EU-Serbian relations have been steadily improving during the last three years. EU Integration was set as a key policy priority by the coalition government since the beginning of its term. From that perspective, the progress made so far has been impressive.

- The Stabilization and Association agreement (SAA), the most important contractual agreement between Serbia and EU, was signed in April 2008. Although Serbia has made steady progress in complying unilaterally with the SAA requirements, the agreement has not been ratified by all EU members
- Serbia applied for EU membership in a symbolic gesture in December 2009. At the same time, EU visa restrictions for Serbia citizens were abolished for the first time since the nineties. In addition, EU agreed to unblock the interim trade agreement, the most significant part of (SAA). The Interim Trade Agreement, the first step towards European trade integration, was entered into force in February 2010

- In fact, the SAA agreement ratification procedure by EU members was not launched until June 2010. Ever since, only 11 of the 27 member states have completed the process. Some EU members (e.g. Holland) refused to ratify the agreement on the basis that Serbian's co-operation with the ICTY was deemed insufficient. The ratification procedure is very important because it is a key prerequisite for granting EU candidate status and allowing access to increased pre-accession funds assistance for Serbia
- On October 25<sup>th</sup> 2010, EU foreign ministers asked the Commission to prepare a formal assessment of Serbia's application. Shortly after, the EU Commission sent a questionnaire with 2,500 questions to the Serbian authorities in order to assess its readiness to join EU
- On January 19<sup>th</sup> 2011, the Euro-parliament ratified with an overwhelming majority (~90%) the Stabilization and Association agreement. In addition, the Euro-parliament welcomed Serbia's reform progress and steps "in the process of raising awareness of the atrocities that happened in the recent past and of regional reconciliation" with a separate resolution
- The EU Commission expressed its opinion on Serbia's EU application, recommending EU candidate status for the country on October 12<sup>th</sup>, 2011. The EU council in December is expected to adopt EU Commission proposal

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