

# New Europe Economics & Strategy

## Focus Notes: Serbia

### Serbia takes important step toward EU membership

- ✓ On Oct 25<sup>th</sup>, EU foreign ministers agreed to ask the European Commission for an opinion on launching entry talks with Serbia. More specifically, foreign ministers asked the Commission to prepare a formal assessment on Serbia's EU entry application. A positive appraisal by the European Commission is a prerequisite for formally launching accession negotiations. However, the foreign ministers statement stressed that further progress towards EU membership would largely depend on the degree of co-operation with the ICTY (International Criminal Tribunal for the former Yugoslavia).
- ✓ Relations with EU have improved considerably in recent months. Serbia filed for EU candidate status last December. The unblocking of the interim trade agreement, the first contractual agreement between Serbia and the European Union, has brought immediate benefits to Serbian exporters, given that more than half of the country's exports are destined to EU markets. Furthermore, the EU decided last June to unblock the ratification process of the Stabilization and Association Agreement (SAA). Last but not least, the EU visa liberalization for the first time since the 1990s has enhanced convergence expectations, by allowing Serbs to reclaim travel freedoms abolished, following the collapse of the Former Yugoslavia.
- ✓ There is no doubt that this is an important decision for the country and the region as a whole. For a region still fractured in ethnic disputes, the vision of EU membership anchors macroeconomic policy expectations. Moreover, it acts as a disciplinary device and encourages structural reforms. In addition, it has a positive impact on the perceived risk premium of the country. Thus, it helps reducing sovereign borrowing costs and creates a friendlier environment for foreign investments. Finally, it will ensure that Serbia continues to be a recipient of EU financial aid. The country has received € 2bn of financial aid related to EU accession since 2000.

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- ✓ A number of EU members have lately shown a clear political will to speed up Serbia's accession process, in spite of Netherlands's pending objections. The decision of the group of EU foreign ministers comes in the wake of a recent (*inherently negative for Serbia*) decision by the International Court of Justice on Kosovo's declaration of independence. On 22 July, the Court of ruled that Kosovo had not violated the international law by declaring independence in 2008.
  
- ✓ The decision of the foreign ministers group represents a small, yet still essential and symbolic step towards EU accession. However, there is still considerable distance to be covered before actual negotiations on EU membership begin. Serbia needs to tackle a lot of important issues in several key areas, including, among others, the rule of law, judicial reform, a consolidation a market economy institutions, regional co-operation. Putting effort in these areas will require significant time, political will and hard work.

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