

COMPASS INTEGRAL REPORT 1 - PUBLIC POLICY ANALYSIS

Serbia's Relations with the EU and China 2013-2023: Political, Security, and Economic Domains

Serbia's Relations with the EU and China 2013-2023:

Political, Security, and Economic Domains

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We welcome feedback, inquiries, and collaborations from users interested in utilizing the dataset or contributing to the ongoing research efforts within the COMPASS Project

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Executive
Summary

1. Executive Summary

This public policy analysis was developed within the COMPASS Project (as its Integral Report I) and aims at enhancing the political, security, and economic positioning of the Republic of Serbia with the European Union and the People's Republic of China while simultaneously mitigating the risks associated with cooperation with both entities in modern international system. In the scope of COMPASS Project, it presents the Integral Report I. It is structured in a manner to assess potential risks, contingencies, and policy recommendations for Serbia's national ministries and relevant agencies.

This public policy analysis aligns with sectoral documents such as the Serbia's National Security Strategy adopted in 2019, the Strategy of Defence adopted in 2020, the White Book of Defence adopted in 2023, Economic Reform program 2022-2024 (ERP), Serbia and 2030 agenda. Furthermore, this Report also aligns with the relevant goals and objectives proclaimed by the Serbian Ministry of Foreign Affairs, by the Ministry of Domestic and Foreign Trade, as well as other bodies and agencies in their respective domains.

The Republic of Serbia does not have an official foreign policy strategy. However, since 2009, Serbian officials have been implementing the Four Pillars Policy, focusing on maintaining strong relations with the EU, USA, Russia, and China as its main international partners.

The main findings of this public policy analysis can be summarized as follows:

- Maintaining the principle of territorial integrity of the Republic of Serbia.
- Maintaining political independence in crafting Serbian foreign policy, especially with the EU.
- Serbia should respect international obligations, agreements and fair criteria.
- Extending Sino-Serbian political cooperation and diplomatic relations, along with further development of people-to-people relations.
- Serbia must address inflammatory rhetoric and tensions with regards to the Belgrade- Priština dialogue.
- The Serbian Government should maintain Serbia's policy of military neutrality while actively engaging in diplomatic initiatives to mitigate the impact of the conflict in Ukraine.
- The Serbian Government should prioritize the implementation of the Defence Strategy of the Republic of Serbia to modernize and enhance the capabilities of the Serbian Armed Forces while strengthening cooperation with the EU partners.
- The Serbian Ministry of Foreign Affairs should actively engage in the EU-led migration plan by supporting initiatives to strengthen border management, combat human trafficking, and address the root causes of migration.
- Advancing EU accession negotiations

is beneficial for EU-Serbian security and defence cooperation.

- Strengthening diplomatic engagement with EU institutions and member states should be one of the Serbian priorities.
- Serbia needs to diversify defence partnerships.
- Serbia should enhance transparency and accountability in security and defence cooperation with China, and additionally mitigate geopolitical risks associated with security and defence cooperation with China.
- Serbia can strengthen its technological capacities in security field with China
- Serbia should balance economic and security considerations in relations with China.
- Serbia should improve the negotiation process with the EU which will boost economic cooperation with the EU.
- More efforts should be put into the increase of the share of Serbian national companies in global value chains.
- More efforts should be put into maintaining competitiveness in the export

of Serbian products in the EU that are part of the CBAM regulation.

- Improve the institutional capacities of competent Serbian institutions to apply for a larger amount of EU grants.
- Serbia should negotiate with the Chinese copper producer to downsize the export of raw ore from the copper mine Bor so that the Serbian export structure can improve.
- Relevant Government bodies and institutions should help Serbian domestic companies export to China.
- Serbia should downsize the volume and number of projects realized through Chinese loans, especially in the infrastructure field.
- The Serbian Ministry of Foreign Affairs should be more included in informing relevant economic ministries about the possible and current geopolitical conflicts.

The COMPASS project is an original initiative proposed by researchers at the Institute of International Politics and Economics (IIPE) in Belgrade, Serbia. Collaborating with the Institute of Social Sciences (ISS) in Belgrade, Serbia, and the Institute of European Studies (IES) at the Chinese Academy of Social Sciences in Beijing, China, they developed the documentation for the PRISMA program,

which is funded by the Serbia's Science Fund. Out of 650 applications received for this program, 97 projects were ultimately selected for funding, including the COMPASS Project, which was one of 11 projects approved in the field of social sciences. The project implementation commenced on December 1, 2023, and is set to conclude on December 1, 2025.

The project team consists of eight researchers. The Principal Investigator is Dr. Ivona Lađevac. Other team members include Professor Branislav Đorđević from IIPE, Dr. Sanja Filipović from ISS, Dr. Katarina Zakić from IIPE, Dr. Aleksandar Mitić from IIPE, Dr. Nenad Stekić from IIPE, Dr. Ju Weiwei from IES (in a capacity of external member), and MSc Pavle Nedić from IIPE.

The core objective of the COMPASS Project is to assess, analyse, and develop policies and recommendations for the Serbian Government, state ministries, and various institutions to help them navigate the current geopolitical and geoeconomic challenges facing Serbia. By employing a variety of methodological tools, the researchers will provide proposals to enhance Serbian policymaking through a strategic decision-making process grounded in evidence-based recommendations. Additionally, the project's findings will assist both domestic and foreign business entities in making informed decisions based on the provided risk assessments, which could impact their investments and operations. The research aims to have a substantial social impact by widely disseminating and discussing the findings within the domestic community, thereby raising the standard of social information and education.

The COMPASS Project is intentionally interdisciplinary, spanning political, security, and economic fields. To date, only partial analyses covering one or two of these perspectives have been conducted. The project specifically focuses on

Serbia's relations with the European Union and China due to their significant economic presence in the country and their important political and security dynamics. Although the primary emphasis is on these relationships, the project will also consider the influence of the United States and the Russian Federation, two other major political powers important to Serbia.

Serbia, which is in the process of accession to the EU, is also a participant in Chinese initiatives such as the Belt and Road and the China-CEEC cooperation mechanism. The country is interested in exploring diverse development opportunities while safeguarding its national interests. This project provides researchers with a unique opportunity to apply scientific approaches to current issues in international relations and the economy related to Serbia, enabling them to propose previously unexplored recommendations.

Despite the project's two-year duration, the key findings, along with the COMPASS Dataset and its website, will remain accessible beyond the project's end, offering long-term benefits rather than just short-term gains.



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Introduction

2. Introduction

The Republic of Serbia is pursuing an independent and multi-vector foreign policy, complemented by military neutrality. Such policy is based on Serbia's historical considerations, the legacy of Yugoslavia's participation in the Non-Aligned Movement, the implications of the Yugoslav crises and conflicts in the 1990s, the European integration processes, and, in particular, Serbia's attempts to safeguard its territorial integrity, as well as the well-being of the Serb people in the Balkans. In practice, the policy has implied concurrent political, economic, and security cooperation with four key external partners – often reflected in the concept of “four pillars” – the European Union, the People's Republic of China, the United States of America, and the Russian Federation. The four-pillar policy is a significant part of the Serbian development path and, therefore, an integral part of political and security analysis. Since economic policies depend on geopolitical circumstances, the unique Serbian foreign policy approach equally affects domestic economic development.

The shifting global landscape, marked by reduced US involvement in the region and the impact of the Ukrainian conflict on Russia, has brought attention to the EU and China as key contenders for political and economic influence in Serbia. Serbian unique neutral position among major powers necessitates the exploration of relevant hedging strategies to man-

age its relationships with parties holding conflicting interests. COMPASS project's primary goal is to map and assess the risks and conflicts that exist and could arise due to the determinants of Serbia's foreign policy towards the EU and China to rationalize the evidence-based foreign policy decision-making process by the Serbian authorities.

The main task within the COMPASS project Work Package 1 was to write a report about the crucial events, processes, and meetings in the political, security and economic fields (hereinafter: PSE) that have influenced and shaped Serbian relations with the EU and China. Project members were divided into three pairs and given the assignment to write specific reports. To adequately evaluate these issues, researchers utilized available literature such as articles, books, monographs, thematic proceedings, and databases, including the National Bank of Serbia, International Trade Map and China Global Investment Tracker. Media reports were equally used to systematize developments in the mentioned fields. Through diligent work, the researchers have laid the groundwork for further research within the project.

Each of three pairs was required to create two separate reports, resulting in a total of six individual reports. These reports covered period 2013-2023:

1. Serbo-EU political (diplomatic) relations

2. Sino-Serbian political (diplomatic) relations

3. Serbo-EU relations in security & defence area

4. Sino-Serbian relations in security & defence area

5. Serbo-EU economic relations

6. Sino-Serbian economic relations.

Team members were chosen according to their expertise, and their names are written on each report. The reports followed a unified approach, and the writing process involved writing six sections (refer to Figure 1). Each team had approximately three months to prepare their report, and after this period, the final report was done. Throughout the process, members of the COMPASS team held several project meetings to discuss issues related to the individual and unified report.

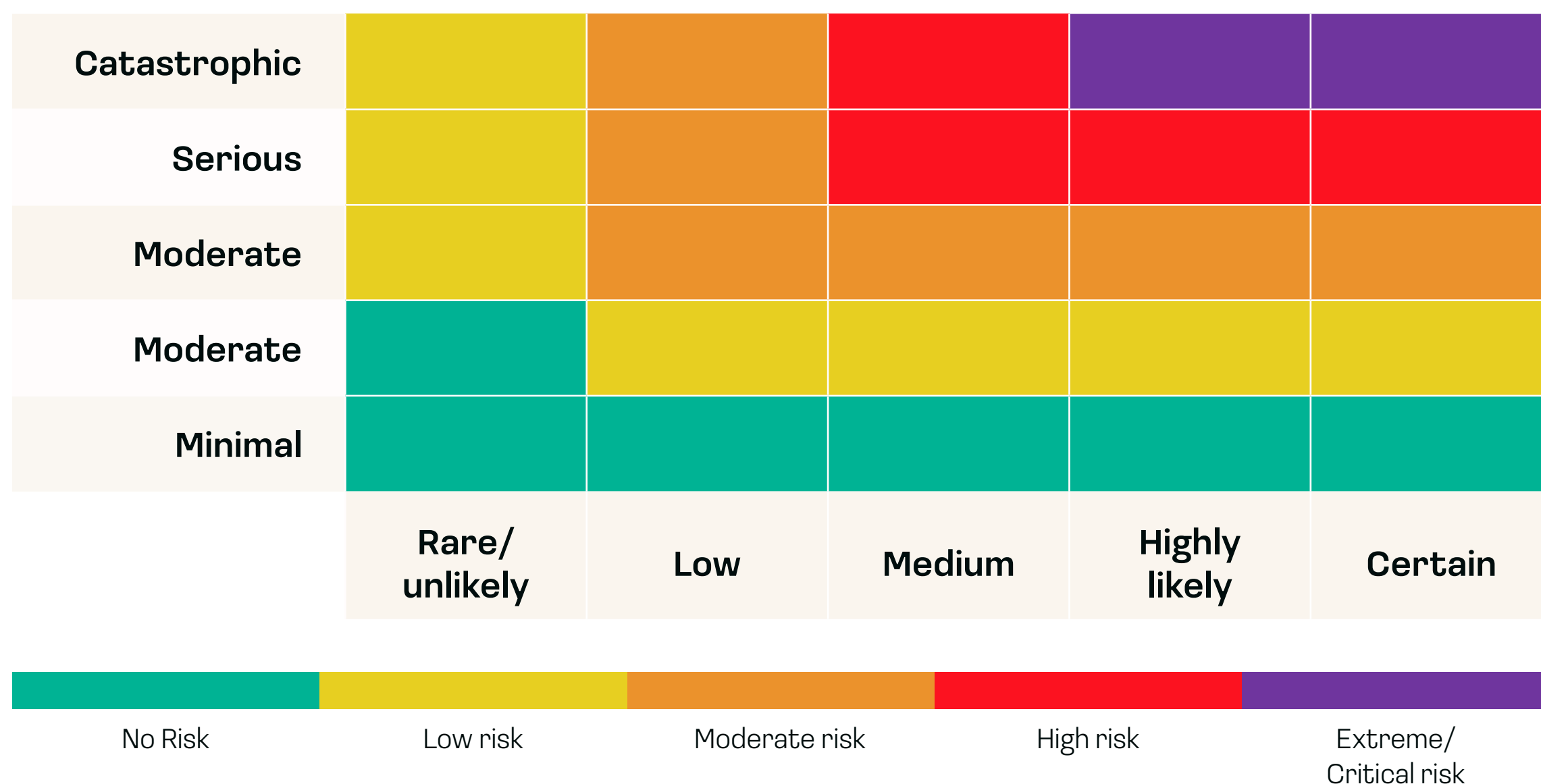
Figure 1. Elements of each report for COMPASS project within Work Package 1

1	EXCERPT Short briefing and introduction to the report.	4	RISK ASSESMENT Identifying the place of each contingency within the risk matrix, according to their probability (likelihood of happening) and consequences.
2	CHRONOLOGY Historical overview of main events/processes that were important in the period covered by the research.	5	SWOT ANALYSIS Identifying in PSE research field strengths, weaknesses, opportunities and threats that Serbia has or can have in specific fields of cooperation.
3	CONTIGENCY ASSESMENT Ranking of main contingencies (possible events or circumstances) for each field and explanation of why they are crucial for the specific analysis.	6	POLICY IMPLICATIONS AND COMENDATIONS After reviewing the literature and identifying risks and opportunities, researchers provided recommendations for the implementation of specific public policies.

The uniqueness of the final report (and project) is in the implementation of three methodological approaches. The first one is the identification of the pivotal contingencies (possible events or circumstances) out of many for political, security and economic fields that could pose potential risks for the Serbian Government and to which it should pay greater attention. The second one is the conceptualization of three specific risk matrixes. Identified contingencies were placed according to available data, information, and predictions into a singular place (quadrant) in the Risk matrix (refer to Figure 2). By placing each contingency according to its potential consequences (range: minimal, low, moderate, serious, and catastrophic) and likelihood (range: unlikely, low, medium, highly likely, and certain), they were each given the level of risk they could pose (range: no risk, low risk, moderate, high risk, and extreme/critical).

Contingencies placed in the moderate, high and critical risk quadrant are, according to the project members, the most problematic for the Serbian political establishment and national interest. Other levels of risk are deemed as more manageable. The third one is represented in the implementation of SWOT (strengths, weaknesses, opportunities, and threats) analysis for PSE fields. By using tool for strategic decisions making, researchers identified the main strengths and weaknesses of Serbia while at the same time finding opportunities and threats coming from outside of the country, providing one additional analysis and enabling better decision-making. The final part of each report was to provide policy recommendations and implications so that the Serbian Government and its ministries and agencies can have solutions for identified problems.

Figure 2. Simplified Risk Matrix formulated for COMPASS project



This report is, as it was said previously, part of the Work Package 1, and it was a first thing done within the project that was related to scientific research. Further part of work is dedicated to the organization of Delphi panel, that will gather opinions of experts in PSE field. Delphi panel will be conducted in online form that will include 30 experts in different fields. Participants will give their opinion about indicators/processes/values that will shape Serbian cooperation with the EU and China. Additionally, one part of Delphi survey is dedicated to exploration of global events that can intervene with Serbia-EU-China cooperation.

Besides Delphi panel, members of the COMPASS team will conduct public opinion survey in online form, which will show how citizens of the Republic of Serbia see our relations with foreign partners.

In addition to gathering information through online surveys, there will be concurrent meetings with representatives of various state institutions and NGOs to provide feedback on the collected data. The opinions and questions shared during these meetings will offer further insight into the primary risks in Serbia-EU-China cooperation.

This Report has also served as an input for the project's database COMPASS Dataset - Historical, and with further assessment of new and potential events, this database will be regularly updated. The data collected in this initial phase of the research, and subsequent phases, can be accessed online through the COMPASS website (<https://www.serbiacompass.com>) and the COMPASS Platform which contains COMPASS Dataset. The COMPASS database is first of this kind database, made in Serbia, which can be used accessed and used in open access regime.





Analytical Domains: Politics, Security, Economics

DOMAIN I: POLITICS

Serbia's political challenge: Synergizing EU accession talks and China's "steel friendship"

In this section:

- Serbo-EU political relations, 2013-2023
- Sino-Serbian political relations, 2013-2023

Serbo-EU political relations, 2013-2023

WP: 1

Period analysed: January 1, 2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. EU Accession process
2. Belgrade-Priština dialogue
3. Serbia's domestic politics
4. Diplomatic visits

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This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

EXCERPT

This report examines the risks of bilateral cooperation between the Republic of Serbia and the European Union in the political field from 2013 to 2023, with a focus on accession talks, EU mediation of the Belgrade-Priština dialogue on Kosovo*, and Serbia's harmonization with the EU's Common Foreign and Security Policy, particularly regarding EU's restrictive measures. Over the ten-year period, the relationship between Serbia and the European Union has had its ups and downs, going through the turbulent times of post-economic crisis recovery, the fallout of the post-2014 conflict in Ukraine, the 2015 migration crisis, the 2020 COVID-19 pandemic, political changes inside EU countries stiffening enlargement fatigue, and particularly the political and security consequences of the Kosovo issue. The period started with an upbeat opening of accession talks in January 2014. Yet, the positive tones soon soured following EU's adoption of sanctions against the Russian Federation over the Crimean referendum – given Serbia's refusal to harmonize – as well as following the announcement by the new European Commission President Jean-Paul Juncker that there will be no new accession in the following five years, sending a dark signal of continued enlargement fatigue within EU countries. The issue of foreign policy harmonization remained a strong point of contention even a decade later, particularly following the 2022 Russian military operation in Ukraine, and the follow-up EU packages of sanctions, on which Belgrade did not align. Perception of enlargement fa-

tigue was strengthened throughout the period, particularly after the 2015 migrant crisis, and reflected in both the EU Council's refusal to commit to Juncker's 2018 enlargement strategy, and the Revised Methodology proposed by enlargement-wary France and seen as a delaying tactic. In terms of opening chapters, Serbia opened 22 out of 35, and closed two provisionally, but has not opened a single one since the end of 2021. Issues of rule of law, media freedoms and reform of judiciary under chapters 23 and 24 were chronically singled out by the EU institutions. On the other side, Euro-scepticism rose substantially in Serbia, particularly among the youth. Yet, the issue which has sparked most tensions between Belgrade and Brussels has been the issue of Kosovo. A key provision of the EU-mediated 2013 "Brussels Agreement" on Kosovo – the formation of the "Community of Serb Associations" – although confirmed by a new agreement in 2015 – never materialized as the EU adopted a policy of laissez-faire towards Kosovo Albanian leadership. Priština used the opportunity to drag on and open a series of crises which destabilized the security situation on the ground. The 2022-2023 reinvigorated pressure on Belgrade by key EU countries – Germany and France – put an overall strain on the EU-Serbia relations, as the EU Council called for the inclusion of the so-called "French-German proposal" – a major part of which is deemed unacceptable by Belgrade – in the negotiations Chapter 35 related to Kosovo, casting a doubt on the future of Serbia's accession process.

CHRONOLOGY OF THE CONTINGENCIES

2013

- **April 19, 2013:** Signing of the “First Agreement of Principles Governing the Normalization of Relations”, also known as the “Brussels Agreement” between Belgrade and the provisional authorities in Priština, followed by the Implementation plan on May 22, 2013.
- **April 22, 2013:** the European Commission recommends to the Council of the European Union the opening of talks with the Republic of Serbia.
- **June 28, 2013:** the Council of the European Union gives green light to the opening of talks with the Republic of Serbia and urges the holding of the first Intergovernmental conference by January 2014 at the latest.
- **September 1, 2013:** the Stabilisation and Association Agreement between the Republic of Serbia and the EU enters into force.
- **September 3, 2013:** the Government of Serbia forms the Negotiations team for accession talks with the EU and nominates the Chief Negotiator.

2014

- **January 21, 2014:** First EU-Serbia Intergovernmental Conference (IGC) opened in Brussels, marking the begin-

ning of accession talks at the political level. The EU negotiating framework was presented, containing principles and procedures for accession talks. The focus was on the *acquis communautaire* which Serbia as candidate state has to adopt, divided into 35 thematic chapters.

- **March 2014:** The EU introduces sanctions against the Russian Federation over the Crimean referendum. Serbia does not align with the sanctions.
- **July 2014:** Beginning of mandate of the new European Commission. EC President Jean-Paul Juncker says in speech in front of the European Parliament that “there will be no new enlargement of the EU in the next five years”.
- **August 28, 2014:** In response to the five-year moratorium on enlargement announced by Commission President Jean-Paul Juncker, creation of the “Berlin Process”, an intergovernmental cooperation initiative proposed by Germany, linked to the future enlargement of the European Union, aimed at revitalizing the multilateral ties between EU candidate and potential candidate countries of the former Yugoslavia and Albania and selected EU member states.

2015

- **March 2015:** Completion of the analytical screening of the legal framework of the Republic of Serbia and the level of its harmonization with the EU. The two-year process, as first phase of negotiation process, finishes without delay.
- **August 2015:** the Government of the Republic of Serbia nominates 24 members of the Negotiating team, responsible for negotiations on the accession of the Republic of Serbia to the EU.
- **August 2015:** agreement, under the auspices of EU HR Federica Mogherini, of the agreement on the formation of the “Community of Serbian Municipalities”, grounded on the 2013 EU-mediated Brussels agreement on Kosovo.
- **Summer 2015:** the EU and member states, including German Chancellor Angela Merkel, hail Serbia’s humanitarian handling of the 2015 migrant crisis through the so-called “Balkan route”.
- **November 2015:** Opening of the first negotiating chapters: Chapter 32 (Financial Oversight) and Chapter 35 (Other – Normalization of relations between Belgrade and Priština).

2016

- **July 18, 2016:** Holding of the Third ICC, and the decision to open two chapters: Chapters 23 “Judiciary and fundamental rights” and 24 “Justice, freedom and security”.
- **December 13, 2016:** Fourth ICC. Opening of Chapter 5, “Public procurement”, and Chapter 25, “Science and Research”. Serbia presents its negoti-

ating positions for chapters 5 and 25. Chapter 25, “Science and Research”, is provisionally closed.

- **End of 2016:** Expiration of the five-year period which the European Commission, in its 2011 opinion on Serbia’s candidature, assessed as possible target date for Serbia’s acceptance of EU’s *acquis communautaire*.

2017

- **February 27, 2017:** Fifth ICC. Opening of Chapter 20, “Enterprise and industrial policy”, and Chapter 26, “Education and culture”. Serbia presents negotiating positions for chapters 20 and 26. Chapter 26, “Education and culture”, is provisionally closed.
- **June 20, 2017:** Sixth ICC. Opening of Chapter 7, “Intellectual property law”, and Chapter 29, “Customs Union”. Serbia presents negotiating positions for chapters 7 and 29.
- **June 26, 2017:** the Assembly of the Republic of Serbia votes in favour of founding the Ministry for European Integration, replacing the Office for European Integration of the Government of Serbia.
- **July 3, 2017:** Under the auspices of EU HR Mogherini, Belgrade and Priština agree on the new phase of normalization of relations.
- **December 11, 2017:** Seventh ICC. “Opening of Chapter 6, “Company law”, and Chapter 30, “External relations”. Serbia presents negotiating positions for chapters 6 and 30.

2018

- **February 2018:** The European Commission adopts its strategy for “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans”, in which it explains the steps that Serbia and Montenegro need to take to complete the accession process in a 2025 perspective.
- **May 17, 2018:** EU-Western Balkans summit in Sofia.
- **June 25, 2018:** Eight ICG. Opening of Chapter 13, “Fisheries”, and Chapter 33, “Financial and budgetary provisions”. Serbia presents negotiating positions for chapters 13 and 33.
- **December 10, 2018:** Ninth ICG. Opening of Chapter 17, “Economic and monetary policy”, and Chapter 18, “Statistics”. Serbia presents negotiating positions for chapters 17 and 18.
- **End of 2018:** Expire of timeframe Serbia assessed in 2014 as necessary to be ready for the end of EU accession negotiations.

2019

- **June 27, 2019:** 10th ICG. Opening of Chapter 9, “Financial services”. Serbia presents negotiating positions for Chapter 9.
- **December 10, 2019:** 11th ICG. Opening of Chapter 4, “Free movement of capital”. Serbia presents negotiating positions for Chapter 4.

2020

- **February 2020:** Presentation of the Revised methodology by the European Commission. The Revised methodology aims to drive forward the enlargement process with a stronger political steer and in a more credible, predictable, dynamic way. The 35 negotiations chapters are grouped into 6 clusters.
- **April 2020:** The European Council appoints Miroslav Lajčak as EU Special Representative for the Belgrade-Priština Dialogue and other regional issues in the Western Balkans.
- **May 2020:** EU-Western Balkans summit. The Zagreb declaration puts “clear communication” ahead of “necessary reforms” as key basis for measuring the credibility of commitment of Western Balkans countries to EU accession. A particular focus is put on Serbia.
- **September 2020:** Talks between Belgrade and Priština under the auspices of EU HR Josep Borrell, while Miroslav Lajčak claims “full progress” on issues such as economic cooperation.
- **October 2020:** The European Commission’s yearly report on Serbia argues that “some statements by Serbian officials are not in line with the proclaimed aim of joining the EU”, calling for more pro-active and clearer communication and promotion of values of the EU.

2021

- **June 22, 2021:** 12th ICG and first political ICG under the revised enlargement methodology is held to provide political steer to the accession process.

The opening of cluster 1, “Fundamentals”, is confirmed.

- **December 14, 2021:** Opening of cluster 4 on “Green agenda and sustainable connectivity” (comprising of 4 negotiating chapters: Chapter 14 – “Transport policy”, Chapter 15 – “Energy”, Chapter 21 – “Trans-European networks”, and Chapter 27 – “Environment and climate change”). By this period, 22 out of 35 chapters have been opened (including all chapters under cluster 1 on the fundamentals of the process and cluster 4 on Green agenda and sustainable connectivity), two of which are provisionally closed.

2022

- **February 2022:** the EU starts adopting packages of sanctions against the Russian Federation over its military operation in Ukraine. Serbia does not align with sanctions. However, it aligns with a number of UN General Assembly resolutions condemning Russia’s actions.
- **July 2022:** survey by New Third Way, a Serbian research organization, found that 66 percent of Serbs felt closer to Moscow than to the West and that 40 percent favoured an end to membership talks with the EU.
- **October 2022:** announcement of a “French-German initiative” related to the dialogue on .
- **October 28, 2022:** European Commission President Ursula von der Leyen on a visit to Belgrade says, “Serbia is well advanced on its EU path”.

- **November 2022:** the European Parliament adopts a recommendation to continue accession talks with Serbia only if it aligns with the European Union sanctions policy against Russia.

- **December 2022:** EU-Western Balkans summit in Tirana. The EU provides Belgrade and Priština with the draft of the “French-German proposal” on Kosovo.

2023

- **February 27:** The EU publishes the text of the “French-German proposal” on Kosovo following talks in Brussels – labelled “Agreement on the path to normalisation between Kosovo and Serbia”. It is followed by a March meeting in Ohrid, when the parties worked on the Annex of the document, focusing on implementation. Serbia’s president Aleksandar Vučić says he objects to parts to the documents and does not sign it.

- **May 10, 2023:** The European Parliament in resolution expresses regret for Serbia’s non-adherence to sanctions against Russia.

- **December 13, 2023:** The Council of the European Union requested the European Commission and High Representative Josep Borrell to urgently propose to the Council, before the end of January 2024, the amendments to the benchmarks of Chapter 35 of Serbia’s accession negotiations to reflect Serbia’s obligations stemming from the “Agreement on the Path to Normalization between Kosovo and Serbia” and its Implementation Annex.

CONTINGENCIES ASSESSMENTS

A) Opening of EU accession talks at the political level (January 21, 2014):

First EU-Serbia Intergovernmental Conference (IGC) opened in Brussels, marking the beginning of accession talks at the political level. The EU negotiating framework was presented, containing principles and procedures for accession talks. The focus was on the *acquis communautaire* which Serbia as candidate state has to adopt, divided into 35 thematic chapters. The first IGC followed important decisions in the previous two years, such as the EU adoption in March 2012 to award Serbia candidate status, the European Commission recommendation to the European Council in April 2013 to open negotiations with Serbia, and the green light of the European Council in June 2013. The negotiations framework was based on Article 49 of the Treaty on European Union (TEU), arguing it would also be based on Serbia's own merits and the pace will depend on Serbia's progress in meeting the requirements for membership. The EU pointed out that the shared objective of the negotiations

is accession, but that “by their very nature, the negotiations are an open-ended process whose outcome cannot be guaranteed beforehand”. Of particular concern, although expected, was a reference to the conditionality of EU accession talks on the “visible and sustainable improvement of relations with Kosovo*”. Such process would avoid the blocking of “European paths” of both Belgrade and Priština and would “gradually lead to the comprehensive normalisation of relations between Serbia and Kosovo, in the form of a legally binding agreement by the end of Serbia's accession negotiations”. Such formulation from the outset meant that the focus of the accession talks would to a large extent be based on Serbia's readiness to accept Kosovo as a “separate entity”, and as such placed an almost insurmountable obstacle. Such a scenario was to be expected given the linking with of the Kosovo dialogue with EU accession talks already in 2013 – the EC recommended a green light for accessions only three days after the signing of the “Brussels Agreement” between Belgrade and authorities in Priština.

B) Introduction of EU sanctions against the Russian Federation from March 2014.

As the EU introduced sanctions against Russia over the Crimean referendum, it was expected that Serbia would not align given Moscow's support to Serbia over the Kosovo issue. Two months earlier, at the opening of EU accession talks, Brussels stated that under Article 26 of its EU negotiations position "in the period up to accession, Serbia will be required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States". This meant that chapter 31, regulating the issue of foreign policy alignment, would prove to be a very contentious issue in the negotiations, as Belgrade made it clear that it would not align with restrictive measures against Moscow, but also against Beijing.

C) Opening of negotiation Chapters 23 "Judiciary and fundamental rights" and 24 "Justice, freedom and security".

The opening of these fundamental chapters for the EU negotiations process was a signal of progress in the accession talks, but also the introduction to a new phase in which conditionality could apply to a wide array of weak points of the Serbian side, from the reform of the judiciary to fight against corruption, freedom of expression and LGBT rights. While these points apply to all candidate countries, in the Serbian case they could be applied as additional political pressure points

regarding chapters 31 (CFSP restrictive measures) and 35 (Kosovo).

D) The European Commission's strategy "A credible enlargement perspective for an enhanced EU engagement with the Western Balkans" (February 2018).

The documents itself can be viewed both as a praise and motivation for Serbia, but also as an instrument of pressure. It explains the steps that Serbia and Montenegro need to take to complete the accession process in a 2025 perspective, as indicated earlier by EC President Jean-Claude Juncker. For Serbia, this meant further pressure on the Kosovo issue: "Urgent progress is needed in the EU-facilitated Dialogue towards the full normalisation of relations between Serbia and Kosovo, which should result in concluding and implementing a comprehensive, legally binding normalisation agreement." This was also reflected in Juncker subsequent visit to Belgrade, during which he said that "2025 is not a promise, it's a perspective, an indicative date, an encouragement", but that also no country with territorial disputes can enter the EU. Furthermore, the EC and Juncker's proposal were disregarded by the EU member states as the Council of the European Union at the May 2018 EU-Western Balkans and at further summits refused to endorse the EC strategy, dealing a further blow to the accession process.

E) Adoption of the new, revised Methodology on EU enlargement (February 2020).

Already at the EU-Western Balkans summit in Sofia in 2018, it was clear there was a lack of political will to go along with accelerated EU integration, and that, to the contrary, the accent was put on reasons why the process will be substantially delayed. This was particularly true for French President Emmanuel Macron, who in Sofia had said that thoughts of enlargement have “weakened Europe”, and that he was “not in favour of moving toward enlargement before having all the necessary certainty and before having made a real reform to allow a deepening and better functioning of the European Union.” Upon France’s suggestion, the EC hence presented a year-and-a-half later, in February 2020, a revised enlargement methodology to “reinvigorate the process”. The new methodology includes four principles – credibility, predictability, dynamism, and a stronger political steer. It is also composed of six thematic “policy clusters”, which contain the 35 already existing chapters – (1) fundamentals, including rule of law, (2) internal market, (3) competitiveness and inclusive growth, (4) green agenda and sustainable connectivity, (5) resources, agriculture, and cohesion, and (6) external relations. Yet, while this process was labelled as an attempt to reinvigorate the process, it also meant giving up to the countries which were not ready for enlargement.

F) The European Parliament adopts a recommendation to continue accession talks with Serbia only if it aligns with the European Union sanctions policy against Russia (November 2022).

The European Parliament, in a resolution on the “New EU strategy for enlargement” - adopted with 502 votes in favour, 75 against and 61 abstentions - recommended other EU bodies to “advance accession negotiations with Serbia only if the country aligns with EU sanctions against Russia and makes significant progress on the EU-related reforms”. While the EP resolutions are not legally binding, they are an indicator of political will and a considerable pressure point on other EU institutions. The EP decision also meant that, no matter the support at the level of the Council and among member states, the EP would not support Serbia’s progress without sanctions against Russia. This was a further hardening of the EP position on Serbia, as, under Chapter 31, a candidate country is nominally not obliged to adhere to EU’s foreign policy declarations.

G) Support for the “French-German plan” for Kosovo (January 2023).

In the fall of 2022, the cabinets of French President Emmanuel Macron and German Chancellor Olaf Scholtz prepared a plan on the “normalization of relations” between Belgrade and the Priština authorities, under which Serbia is supposed to abandon its policy of preventing “Kosovo” from joining international organizations and opposing “Kosovo statehood sym-

bols”, such as passports, diplomas, and vehicle registration plates This plan was backed by an ultimatum to Belgrade on January 20, 2023 by EU and US envoys for Serbia to accept the process or face political and economic consequences. Although there were different interpretations of its content and on its acceptance, the EU considered the plan and its roadmap as accepted (as “Agreement on the Path to Normalization between Kosovo and Serbia” and its “Implementation Annex”, also known as the “Ohrid Agreement”). Throughout 2023 it pushed for acceptance of this plan, in an atmosphere of rising tensions and incidents inside Kosovo and Metohija. Belgrade, on the other side, insisted it opposed certain elements of the proposals, saying it does not agree to “Kosovo” membership

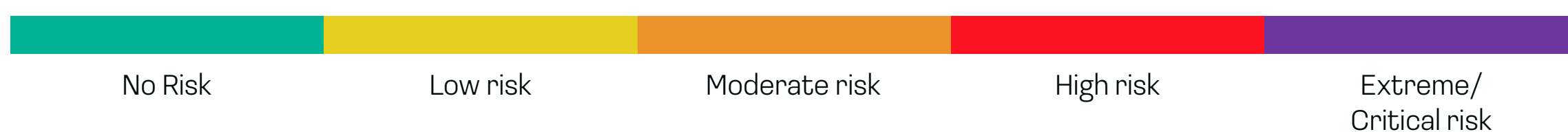
in the UN and its bodies. Nevertheless, in further pressure against Serbia, the Council of the European Union adopted in December 2023 conclusions requesting the EC and High Representative Josep Borrell to urgently propose to the Council, before the end of January 2024, the amendments to the benchmarks of Chapter 35 of Serbia’s accession negotiations to reflect Serbia’s obligations stemming from the “Agreement on the Path to Normalization between Kosovo and Serbia” and its “Implementation Annex”. If implemented, such process would preclude Serbia from completing talks with the EU without allowing “Kosovo” membership into the UN and, at least de facto recognizing “Kosovo” as a separate entity.



RISK ASSESSMENT

Political cooperation between Serbia and the EU – Serbia’s position in International System

Catastrophic					
Serious			G	B	
Moderate			C,F	A	
Moderate		D	E		
Minimal					
	Rare/ unlikely	Low	Medium	Highly likely	Certain



SUB-AREAS FOR CONTINGENCIES

Proposed sub-areas for Political area for COMPASS Platform:

1. EU Accession process
2. Belgrade-Priština dialogue
3. Serbia’s domestic politics
4. Diplomatic visits
5. Four pillars policy
6. Serbia and international fora
7. Other - political

SWOT Analysis

Strengths:

- EU enlargement process as political signal to foreign investors: as EU membership candidate, a strong political signal is sent to investors, particularly from EU countries.
- EU membership talks as motivator for internal political reforms: beyond just the end objective of EU integration, the negotiations process in itself motivates numerous reforms in the areas of politics and rule of law.
- Partial integration into EU sectoral policies: regional integration projects, the Stabilization and Association Agreement and visa liberalization are among those which have brought partial integration of Serbia into EU sectoral policies.

Weaknesses:

- EU integration process conditional on Kosovo and sanctions against Russia: Serbia's integration process is heavily conditioned by political demands damaging its territorial integrity, which is a unique case in the history of European integration.
- Slow progress of the integration process: the EU integration process has been extremely slow. Serbia has begun its EU path in 2000, following political changes, and on every step, the process has been slow. The EU negotiations process has been slowed down, not only by political conditionality, but also by the lack of political will and absorption capacity among EU members.

- Rising Euroscepticism in Serbia: political conditionality and slow progress have intensified disillusionment with the process and contributed to the constant rise of Euroscepticism, particularly among the youth.

Opportunities:

- Non-recognition of "Kosovo" by 5 EU member states: the non-recognition of "Kosovo's unilateral declaration of independence" by five EU member states (Spain, Slovakia, Greece, Cyprus, Romania) prevents formal EU positions urging Serbia to give up on its southern province.
- Acknowledgment of lack of political will among EU members: several EU member countries, and France in particular, have signalled their reluctance to proceed with EU enlargement before internal reforms within the EU, thus relieving certain responsibility from candidate countries, including Serbia, and particularly signalling there is no urgency to pursue certain policies which would be detrimental to the national interests of candidates.
- Economic integration strengthens political cooperation: over the last two decades, economic cooperation and integration has strengthened political cooperation between Serbia and the majority of EU member countries.

Threats:

- Unacceptable proposals, pressure, and urgency regarding Kosovo: the majority of EU member states, including leading members Germany and France, continue their policy of proposals supporting the legalization and legitimization of “Kosovo’s UDI”, in complete opposition to Serbia’s Constitution and national interests.
- Increased tying of EU integration process with the Kosovo talks: the process has gone from “EU and Kosovo are two

separate issues” in the late 2000s into strong conditionality of the accession process with progress on Kosovo talks, particularly regarding giving up on key elements of sovereignty.

- Geopolitical conditioning: although Serbia is, under Chapter 31, not formally obliged to harmonize its foreign policy with the EU before the conclusion of accession talks, EU member countries, the European Commission and the European Parliament are increasingly tying the two.

POLICY IMPLICATIONS

Relevant actors:

- Cabinets of the President and Prime Minister of Serbia
- Ministry of Foreign Affairs
- Ministry of European Integration
- All other ministries of the government of Serbia
- Office for Kosovo and Metohija
- Serbian Chamber of Commerce
- Research Institutes, NGOs, National Convention on the EU, media
- EU Delegation in Serbia

1. Upholding the principle of territorial integrity of the Republic of Serbia:

Recommendation:

- All institutions of the Republic of Serbia should actively uphold the principle of territorial integrity of the Republic of Serbia when interacting with EU in-

stitutions and member countries, regardless on their current stand on the status issue.

Action Steps:

- Serbia should urge the EU, particularly the EC and the Council, not to treat Kosovo as an entity separate from Serbia
- Serbia should refuse to accept the implementation of elements of the “French-German proposal”/Ohrid Agreement on “normalization of relations” between Belgrade and Priština which could be interpreted as “de facto recognition”, as it would pave the way for the five EU “non-recognizers” to recognize “Kosovo” without consequences for their particular internal cases of interest.
- Serbia should restrain from accepting the rhythm and agenda of the forces

within the EU pushing for a quick and unfavourable solution to the Kosovo issue.

- Serbia should continue the process of de-recognition of “Kosovo”.
- Serbia should devote more attention and offer more visible opportunities for cooperation to the EU countries not recognizing “Kosovo’s UDI” (five non-recognizers) or placing obstacles to its international legitimization (Hungary).
- Serbia should increase cooperation with political forces in EU member states (in power or in opposition), and in the European Parliament, which are respectful of Serbian national interests and its territorial integrity.

2. Maintaining political independence in crafting foreign policy:

Recommendation:

- The Republic of Serbia should maintain political independence in foreign policy decision-making, rejecting external pressure to renounce on key partners

Action Steps:

- Serbia should refuse to align with restrictive measures against the Russian Federation and the People’s Republic of China, as the two UNSC members are fundamental for the defence of Serbia’s territorial integrity. The risks of losing the support of these two countries outweighs the consequences of pressure by EU’s “Kosovo recognizers”, particularly since five EU countries do not recognize the UDI.

- Serbia should underline that its commitment to align with the CFSP is due on Day 1 of accession to the EU
- The institutions of the Republic of Serbia should work towards minimizing foreign interference/meddling in internal political developments.
- Serbia should maintain a balanced strategic communication towards all key foreign partners, ensuring fair communication on contributions (ie. donations, support in international fora).

3. Respecting international obligations, agreements and fair criteria

Recommendation:

- The Republic of Serbia should respect and implement all accepted international obligations and agreements, as well as established criteria requirements, including in the EU accession process

Action Steps:

- Serbia should respect the Copenhagen criteria in its EU integration process which are common and applied to all EU candidate states
- Serbia should refuse to accept “sui generis” criteria, and particularly the transformation of Chapter 35 into a “bottomless” well of political wishes, be it bilateral or through multi-actor “coalitions of the willing”

Sino-Serbian political relations, 2013-2023

WP: 1

Period analysed: January 1, 2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. Diplomatic visits
2. Sino-Serbian political cooperation
3. Four pillars policy

4. Serbia and international fora

Actors: Republic of Serbia; PR China

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EXCERPT

This report examines the risks of bilateral cooperation between the Republic of Serbia and the People's Republic of China in the political field from 2013 to 2023. Since 2009, when the Agreement on Strategic Partnership between two countries has been signed, relations between Serbia and China are on the ascending line. China, i.e., relations with it, became as important for Serbia as relations with the United States of America, the European Union and the Russian Federation. In other words, China became one out of four pillars of Serbian foreign policy. Impetus for continuous steady relations with China, gave two mechanisms of cooperation that China offered first to Central and Eastern European Countries – China-CEEC's cooperation and later to the entire world – the Belt and Road Initiative. As countries were invited to de-

cide without any pressure and conditions to join to these forms of cooperation, the Republic of Serbia decided to join. In following years Serbia became an example on an extraordinary cooperation which led to great achievements. Quality of political relations between Serbia and China even stood the test of time under very complicated circumstances. Not only that both countries were and remained united in their struggle to defend basic principles of the international law and the United Nations, that managed to keep away efforts of third parties to interfere into their internal affairs, they also provided each other necessary support and assistance during the Covid-19 pandemic which shook up the world from the bottom. Under such unusual circumstances, their relations emerged into an "ironclad friendship".

CHRONOLOGY OF THE CONTINGENCIES

2013

- **April 18-20, 2013:** Foreign Minister Wang Yi and Vice Foreign Minister Song Tao meets with State Secretary of the Ministry for Foreign Affairs of Serbia Vera Mavrić and held consultations
- **August 26, 2013:** Premier Li Keqiang meets with Serbian President Tomislav Nikolić stressing need to deepen China-Central & Eastern Europe Cooperation and to create new growth pole for China-Europe Cooperation
- **August 26, 2013:** President Xi Jinping holds talks with President of the Republic of Serbia Tomislav Nikolić deciding to deepen bilateral strategic partnership
- **August 26, 2013:** National People's Congress Chairman Zhang Dejiang Meets President Nikolic
- **August 26, 2013:** Vice Foreign Minister Song Tao Attends Reception Held by Serbian Embassy in China to Welcome Serbian President for His Visit to China
- **October 13, 2013:** Serbian Prime Minister Ivica Dačić and Foreign Minister, Ivan Mrkić, met with Vice Foreign Minister Song Tao
- **November 26, 2013:** during China Central-Eastern European Countries Summit, held in Bucharest, Serbia joined 16+1

2014

- **February 16, 2014:** Vice Foreign Minister Wang Chao attended reception celebrating National Day and Armed Forces Day of Serbia
- **September 10, 2014:** Li Keqiang Meets with Prime Minister Aleksandar in Tianjin in September 2014, where he participated in the World Economic Forum, and there the two prime ministers agreed on holding the 16+1 summit in Belgrade
- **November 5, 2014:** Vice Foreign Minister Wang Chao Meets with newly appointed Serbian Ambassador to China Milan Bačević
- **November 15, 2014:** Prime Minister Aleksandar Vučić of Serbia Meets with Vice Foreign Minister Wang Chao
- **December 16-19, 2014:** Li Keqiang came in three days visit to Belgrade to attend Meeting of Heads of Government of China and Central and Eastern European Countries and to pay an official visit to Serbia. He signed the contract on the construction of the Belgrade-Budapest high-speed railway, Agreement between the Government of the Republic of Serbia and the Government of the People's Republic of China on the mutual establishment of cultural centers and participated in the opening ceremony of the Pupin Bridge, which is the first visit of the Chinese prime minister to Belgrade after 28 years. Li Keqiang was declared an honorary citizen of Belgrade.
- **December 17, 2014:** The Belgrade

Guidelines for Cooperation between China and Central and Eastern European Countries has been adopted

- **December 18, 2014:** Wang Yi Meets with First Deputy Prime Minister and Minister of Foreign Affairs Ivica Dačić
- **December 18, 2014:** Li Keqiang Meets with Prime Minister Aleksandar Vučić, Prime Minister Viktor Orbán of Hungary and Prime Minister Nikola Gruevski of Macedonia, unanimously agreeing to jointly build land-sea express passage linking China and Europe
- **December 18, 2014:** Li Keqiang holds talks with Prime Minister Aleksandar Vučić, stressing significance of deepening of mutually beneficial cooperation to realize common development and promotion of China-Serbia Strategic Partnership to a new level

2015

- **February 24, 2015:** Wang Yi Meets with First Deputy Prime Minister and Foreign Minister of Serbia, Ivica Dačić
- **July 23, 2015:** Vice Foreign Minister Cheng Guoping Meets with Serbian Ambassador to China
- **August 31, 2015:** Xi Jinping Meets with President Tomislav Nikolić
- **September 2, 2015:** Li Keqiang Meets with President Tomislav Nikolic
- **September 3, 2015:** President of Serbia, Tomislav Nikolić, and the Guard of the Serbian Army attended the military parade in Beijing on the occasion of the 70th anniversary of the victory in the Second World War

- **November 26, 2015:** Li Keqiang Holds Talks with Prime Minister Aleksandar Vučić of Serbia, Stressing to Elevate China-Serbia Strategic Partnership to Create a New Highlight in China-CEEC Cooperation

- **November 27, 2015:** Xi Jinping Meets with Prime Minister Aleksandar Vučić

- Serbian Prime Minister Aleksandar Vučić visited China in Suzhou in November 2015, where he participated in the Fourth Summit of China and 16 Central and Eastern European countries, Vučić signed a Memorandum of understanding with the Chinese company HBIS, the second largest steel producer in the world

2016

- **March 24, 2016:** Vice Foreign Minister Li Baodong Meets with President of the 67th Session of the UN General Assembly Vuk Jeremic

- **May 17, 2016:** Assistant Foreign Minister Liu Haixing visited Serbia to hold political consultations and met President Nikolić, Prime Minister Vučić, Assistant Foreign Minister Liu Haixing Meets with Serbian Ambassador to China Milan Bačević

- **June 17-20, 2016:** The first visit of the Chinese president to Serbia after 30 years. Four-day state visit of President Xi Jinping to Serbia. During this visit two presidents jointly attended groundbreaking ceremony of Chinese Culture Center. They also pay condolences to Chinese martyrs died in NATO Bombing of Chinese Embassy in

Federal Republic of Yugoslavia. During the talks, two heads of state jointly announced establishment of China-Serbia Comprehensive Strategic Partnership (**June 18**). Additionally, during the visit, President Xi was awarded the Order of the Republic of Serbia on a necklace. The presidents of China and Serbia laid the foundation stone for the construction of the Chinese Cultural Center, then unveiled the monument to the Chinese philosopher Confucius and the sign of the newly named Confucius Street and “Serbia-China Friendship Square”, on the site of the former Chinese embassy in New Belgrade. Xi Jinping also visited HBIS Smederevo Steel Mill in Serbia. The visit of the President of the People’s Republic of China Xi Jinping R. was of particular importance for the improvement of relations between the two countries.

- **October 25, 2016:** Assistant Foreign Minister Liu Haixing Meets with Advisor to the President of Serbia, Ivan Mrkić
- **November 5, 2016:** Li Keqiang Meets with Prime Minister Aleksandar Vučić at the China – CEEC’s Summit, held in Riga. On that occasion, the Agreement between the Government of the Republic of Serbia and the Government of the People’s Republic of China on the abolition of visas for holders of ordinary passports has been signed
- **December 2, 2012:** Assistant Foreign Minister Qian Hongshan Meets with Secretary-General of the Ministry of Foreign Affairs Veljko Odalović of Serbia

- **December 16, 2016:** Wang Yi Holds Talks with First Deputy Prime Minister and Foreign Minister Ivica Dačić of Serbia

2017

- **March 28-30, 2017:** Serbian President, Tomislav Nikolić, visited China and met his Chinese counterpart, Xi Jinping, and Li Keqiang, Prime minister of China. In joint statement, two heads of state, stressed that they constantly push China-Serbia Comprehensive Strategic Partnership for new achievements
- **April 5, 2017,** President Xi Jinping Sends Congratulatory Message to newly elected President of Serbia, Aleksandar Vučić
- **April 25, 2017:** China and Serbia Hold First Round of Consular Consultation
- **May 16-18, 2017:** Aleksandar Vučić, acting Prime minister and elected President, visited Beijing in order to participate in the First Belt and Road Summit. During his staying, he met President Xi Jinping and Prime minister Li Keqiang
- **July 16-18, 2017:** President of the All-Chinese People’s Congress Zhang Dejiang visited R. Serbia
- **November 29, 2017:** During the China CEEC’s Summit, held in Budapest, Li Keqiang met with Serbian Prime Minister Ana Brnabić
- **November 24 – December 1, 2017,** President of the Serbian National Assembly Ms. Maja Gojković paid a return visit to the People’s Republic of China

2018

- **March 17, 2018:** Xi Jinping was unanimously reelected as President of China
- **April 3, 2018:** Vice Foreign Minister Wang Chao Meets with Serbian Ambassador to China Milan Bačević
- **May 8, 2018:** Vice Foreign Minister Wang Chao Meets with Former President and President of National Council for Coordination of Cooperation with China, Tomislav Nikolić
- **May 10, 2018:** China and Serbia Hold the Second Round of Consular Consultation
- **July 7, 2018:** Li Keqiang Meets with Prime Minister Ana Brnabić of Serbia during the Seventh Summit of Heads of Government of China and Central and Eastern European Countries
- **September 18-19, 2018:** Serbian president visited China and met Chinese President and Chinese Prime minister
- **September 25, 2018:** Chinese MFA, Wang Yi Meets with First Deputy Prime Minister and Minister of Foreign Affairs Ivica Dačić on the sidelines of the United Nations General Assembly in New York

2019

- **February 3, 2019:** President Xi Jinping Appointed New Ambassador to the Republic of Serbia, Ms. Chen Bo
- **April 12, 2019:** Eight Summit of China-CEEC's Heads of State held in Dubrovnik, Serbian Prime minister, Ana Brnabić, met Chinese Prime minister, Li Keqiang

- **April 25-26, 2019:** Second Belt and Road Forum held in Beijing; Serbian President met President Xi Jinping
- **November 3-8, 2019:** Serbian Prime minister, Ms. Ana Brnabić, visited the People's Republic of China to participate in the Second China International Import Expo in Shanghai. During the visit she had a bilateral meeting with Chinese President

2020

- **February 15, 2020:** On the side line of the Munich Security Conference, Serbian President met Chinese State Counsellor and Foreign Minister Wang Yi, who stated that "China is proud to have a good friend like Serbia"
- **February 25 - 26, 2020:** First Deputy Prime Minister and Minister of Foreign Affairs R. Ivica Dacic of Serbia paid an official visit to the People's Republic of China as the only foreign official who visited China in the midst of the pandemic
- **February 26, 2020:** State Counsellor and Foreign Minister Wang Yi held talks with Serbian First Deputy Prime Minister and Foreign Minister Ivica Dačić stating that action of Serbia testifies to the unbreakable iron friendship between China and Serbia
- **March 21, 2020:** Chinese Foreign Ministry Spokesperson Ceng Shuang announced to help Serbia fight the COVID-19 pandemic, the Chinese government has decided to send a team of medical experts to Serbia. The team, organized by the National Health Commission, consisted of experts selected

by the Health Commission of Guangdong Province

- **March 22, 2020:** President Xi Jinping Sends Message of Sympathy to President Aleksandar Vučić
- **April 14, 2020:** President Xi Jinping and Serbian President Vučić had phone call
- **October 12, 2020:** Serbian President hosted Yang Jiechi, Member of the Political Bureau of the CPC Central Committee and Director of the Office of the Foreign Affairs Commission of the CPC Central Committee

2021

- **May 2021,** Minister of Foreign Affairs of the Republic of Serbia, Nikola Selaković, visited the People's Republic of China (Guiyang city)
- **June 24, 2021:** President Xi Jinping and Serbian President Vučić had phone call
- **October 27-28, 2021:** The former State Counsellor and Minister of Foreign Affairs of the People's Republic of China, Wang Yi paid an official visit to Serbia meeting Prime Minister Brnabić and President Vučić
- **December 17, 2021:** Chinese Embassy in the Republic of Serbia strongly condemned European Parliament resolution of 16 December 2021 on forced labour in the Linglong factory and environmental protests in Serbia (2021/3020(RSP)) stating that the European Parliament discredits Chinese-Serbian cooperation with malicious slander. The relevant resolution of the European Parliament is unfounded, a typical political manip-

ulation that discredits Chinese companies and Sino-Serbian cooperation based on false information and prejudices, baseless and malicious slander, and we strongly condemn it. Cooperation between Chinese companies operating in Serbia and Serbia is based on mutual respect and mutual benefit and operates within the framework of Serbian laws, making a positive contribution to the economic and social development of Serbia. Any sinister intention to undermine the friendly cooperation between China and Serbia and hinder the development of China and Serbia will not succeed.

2022

- **February 5, 2022:** Xi Jinping met with Serbian President Aleksandar Vučić who came to China for the Olympic Games opening
- **April 5, 2022:** Xi Jinping sent congratulation to Aleksandar Vučić on Re-election as Serbian President
- **April 9, 2022:** Wang Yi spoke with Serbian Foreign Minister Nikola Selaković on the phone
- **September 22, 2022:** Serbian President Aleksandar Vučić met with Wang Yi during the United Nations General Assembly session in New York
- **October 28, 2022:** Li Keqiang Sends Congratulatory Message to Serbian Prime Minister Ana Brnabić on re-election

2023

- **April 10, 2023:** Vice Foreign Minister, Deng Li, met with Serbian National Coordinator of Cooperation between China and Central and Eastern European Countries, Mr. Tomislav Momirović
- **April 28, 2023:** China held Foreign Policy Consultations with Italy, Serbia and Russia
- **August 1, 2023:** Vice Foreign Minister, Deng Li, met with member of the Presidium of the Serbian Progressive Party and Director of the Serbian Government's Office for Kosovo and Metohija, Mr. Petar Petković
- **September 22, 2023:** Vice President Han Zheng Meets with President of Serbia Aleksandar Vučić
- **October 16 -18, 2023:** Serbian President in two days visit to China attending the Third Belt and Road Forum. During the visit he met Wang Huning, Chairman of the Chinese People's Political Consultative Conference National Committee and President Xi Jinping. The delegation led by President Aleksandar Vučić signed a record 18 cooperation agreements with China in Beijing, including the Free Trade Agreement
- **November 6, 2023:** Xi Jinping met Serbian Prime Minister Ana Brnabić
- **November 24, 2023:** Special Representative of the Ministry of Foreign Affairs for China-CEEC Cooperation Affairs, Jiang Yu, visited Serbia.

A) Serbia joining China – Central and Eastern European Countries cooperation mechanism led to China-Serbia Strategic Partnership evolved into Comprehensive Strategic Partnership.

Serbian decision to join China-CEEC's, proved to be wise and long term beneficial political decision. Frequent and regular contacts and meetings between high officials of the Republic of Serbia and People's Republic of China in 2016 led to the agreement on the abolition of visas for ordinary passport holders. This action made possible realization of the people-to-people dimension as one of the most important constructive elements in promotion of political, cultural, educational, linguistic and other areas of cooperation. After 30 years, Chinese president visited Serbia announcing that political relations development is accelerated confirming that by concluding Comprehensive Strategic Partnership Agreement.

B) Joint struggle to preserve principles of the international law and the Organization of United Nations as the guardian of world peace and security.

Political relations between Serbia and China has an additional quality given to the fact that both countries are sincere advocates of the unambiguous implementation of the international law principles, in first line principle of respect of territorial sovereignty and integrity and principle of non-interference in domestic affairs of other countries. United around given principles, People's Republic of China strongly condemns pressures to which Republic of Serbia is exposed related to the status of its southern province, Kosovo and Metohija. From the other hand, Serbia holds its firm position on One China and disagrees with attempts of interfering into China's internal affairs on the ground of allegedly human rights breaching.

C) Cooperation between Serbia and China under the pandemic.

During period of pandemic, January 30, 2020, until May 5, 2023, as officially was proclaimed by the World Health Organization, relations between Serbia and China evolved to the next stage. Serbian Minister of Foreign Affairs, Mr. Ivica Dačić, was first foreigner who visited China after pandemic broke up. From the other hand, Serbia became first country in Europe that received vaccines from China in sufficient amount to immunize all its cit-

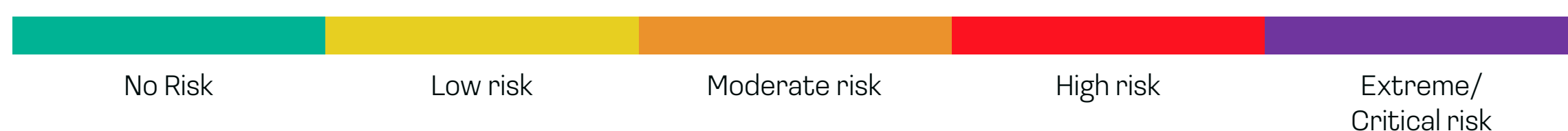
izens. Apart from vaccines, China sent to Serbia also other necessary medical supplies, including equipment for two laboratories and team of its medical experts to share their experience with Serbian col-

leagues. Instead of planned two weeks they remained two months contributing to new dimension of two countries relations. From that period, Serbia and China are in an “ironclad friendship”.

RISK ASSESSMENT

Political cooperation between Serbia and China – Serbia’s position in International System

Catastrophic					
Serious					
Moderate		B			
Moderate	C				
Minimal	A				
	Rare/ unlikely	Low	Medium	Highly likely	Certain



SUB-AREAS FOR CONTINGENCIES

Proposed sub-areas for Political area for COMPASS Platform:

1. Serbia’s domestic politics
2. Diplomatic visits
3. Sino-Serbian political cooperation
4. Four pillars policy
5. Serbia and international fora
6. Other - political



SWOT Analysis

Strengths:

- Strategic Partnership: existing strategic comprehensive partnership between two countries guarantees stability in their relations and offers broad basis for further development of cooperation
- Commitment to the same values: both Serbia and China highly value international law principles, including one on territorial sovereignty and principle of non-interference into internal affairs
- Excellent-developed people to people dimension: mutually expressed interest in other country's language, culture, tradition, etc, led to extensive exchange among different groups of people – tourists, journalists, students, businessman, scholars, politicians...

Weaknesses:

- Disproportion: there is notable disproportion between Serbia and China, in advance of China, in terms of size of the territory and number of population. These disproportions may seriously affect relations between two countries.
- Distance: given that Serbia is on the European and China on Asian continent, existing distance eventually may prolong assistance that China is providing to Serbia under some emergency situation.
- Different amount of political influence: being a Security Council permanent member, political influence of China is incomparable to Serbian which may cause sense of inferiority.

Opportunities:

- Realization of the Strategic partnership agreements: in political sense, Serbia has the opportunity to use its dignity and to firm its position in the region as the guarantor of peace, while from the economic perspective can use agreements for attracting more favourable investments.
- Positive solution of Kosovo and Metohija issue: with China's support within the United Nations, Serbia can expect that situation with Kosovo and Metohija would not get any worse, on the contrary, that Kumanovo Agreement finally will be implemented, and that Serbian military would get back to the province.
- Regional stability: partnership with China implies to China's active involvement in Serbian neighbourhood which will lead towards stabilization of relations in the region.

Threats:

- Worsening of the international relations: as the international relations are not as stable as they used to be fifty years ago, at certain point all countries may be challenged by its unfavourable development. Under such circumstances, there is an open question whether the existing partnerships, including this between Serbia and China, would persist.
- Rising pressures on Serbia: For decades, Serbia is confronted with various pressures and exposed to conditions in order to fulfil one of its foreign policy goals – joining the EU. Under such circumstances, it wouldn't be a surprise if an open demand for termination of relationship with China appears.
- Internal changes: although it is not very likely, there is always an open possibility that on future election some political party or coalition against cooperation with China will win.

POLICY IMPLICATIONS

Relevant actors:

- Cabinets of the President and Prime Minister of Serbia
- Ministry of Foreign Affairs
- Ministry of European Integration
- All other ministries of the government of Serbia
- Office for Kosovo and Metohija
- Serbian Chamber of Commerce
- Research Institutes, NGOs, National Convention on the EU, media
- EU Delegation in Serbia

Further development of cooperation:

1. Extending political cooperation of Serbia with China

Recommendation:

- Serbia should extend its cooperation with China, covering all areas that are envisaged by the Strategic Partnership Agreements.

Action Steps:

- Maintain high-level exchanges and dialogue to ensure mutual understanding and trust. Regular meetings between both governments and representatives of their ministries could help in identifying possible new areas of cooperation.

2. Further improvements of Sino-Serbian diplomatic relations

Recommendation:

- Communication with Chinese counterparts should be kept on regular basis in order to create joint platform for protecting national interests and territorial integrity of both countries within the United Nations.

Action Steps:

- Regular meetings and exchange of views can help align strategic interests, coordinate positions in the international venue and define specific activities that will be undertaken.

3. Further development of Sino-Serbian people-to-people relations

Recommendation:

- People – to – people dimension should be further supported and include even more people than so far.

Action Steps:

- Scholarships, student exchange programs, cultural festivals, creation of joint research teams could foster mutual understanding and friendship.

DOMAIN II: SECURITY

Comprehending Serbia's security strategy for a new era

In this section:

- Serbo-EU security relations, 2013-2023
- Sino-Serbian security relations, 2013-2023

Serbo-EU security relations, 2013-2023

WP: 1

Period analysed: January 1,
2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. International Security
2. Military cooperation
3. Statements and institutional activities

4. Serbia in EU CFSP/CSDP

Actors: Republic of Serbia;
European Union

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EXCERPT

This report examines the risks of bilateral cooperation between Serbia and European Union in the security and defence sector from 2013 to 2023, with a focus on the development and deployment of Serbia's accession process to the full membership within the EU. The relationship between Serbia and the EU has evolved significantly over the past decade, with both nations recognizing the importance of strategic collaboration in various sectors, particularly in security and defence. The EU is recognised as one of four pillars of Serbia's foreign policy agenda. In the early years of this period, Serbia focused on enhancing its cooperation with the EU in various security domains. The Stabilization and Association Agreement (SAA) signed in 2013 laid the groundwork

for closer ties, including alignment with EU foreign and security policies. Additionally, Serbia actively participated in EU-led initiatives such as the Common Security and Defence Policy (CSDP) missions, demonstrating its commitment to regional stability and security cooperation. In recent years, Serbian-EU relations in security and defence have entered a phase of enhanced cooperation and integration. Serbia's participation in the European Defence Fund and the Permanent Structured Cooperation (PESCO) framework underscores its growing alignment with EU defence initiatives. Moreover, joint projects in areas such as cybersecurity, counterterrorism, and border management have further solidified mutual trust and collaboration.

CHRONOLOGY OF THE CONTINGENCIES

2013

- The European Council agreed to launch accession negotiations with Serbia.
- Council adopted the negotiating framework with Serbia and agreed to hold the first Intergovernmental Conference with Serbia in January 2014.
- The Chairman of the EU Military Committee General Patrick de Rousier met during his visit to Serbia with Minister of Defence Nebojša Rodić and Serbian Armed Forces Chief of General Staff General Ljubiša Diković.
- The Agreement on Defence Cooper-

ation between the Government of the Republic of Serbia and the Republic of Italy was signed by Ministers of Defence Nebojša Rodić and Mario Mauro.

- Defence Minister Nebojša Rodić signed an administrative cooperation agreement between the MoD and the European Defence Agency with High Representative for Foreign Affairs and Security Policy Catherine Ashton.
- Serbia continued participation in two EU civil and military crisis management operations, the EU Navfor-Atalanta Somalia and EUTM Somalia.
- Regarding the common foreign and security policy (CFSP), Serbia aligned

itself, when invited, with 31 out of 35 EU declarations and Council decisions (89% alignment).

2014

- First EU-Serbia Intergovernmental Conference held, which marked the official start of Serbia accession negotiations.
 - The Ministry of Defence of the Republic of Serbia is actively involved in the negotiation process through the participation in negotiating groups for 20 negotiation Chapters.
- Explanatory Screening meeting for the Chapter 31 - Foreign, security and defence policy between Serbia and European Union held.
- Delegation of the Ministry of Defence participated at the meeting of European Defence Agency in Brussels.
- Catherine Ashton, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission visited Serbia and met with President Tomislav Nikolić, Prime Minister Aleksandar Vučić, and Foreign Minister Ivica Dačić.
- The Serbian parliament adopted a decision on the participation of the Serbian Army in multinational operations for 2014, including to EUTM Mali.
- The Serbian parliament adopted a decision on the participation of the Serbian Army in the EUFOR RCA.
- EDA Chief Executive Claude-France Arnould visited Belgrade to discuss cooperation opportunities with the Republic of Serbia.

- During the visit Chief Executive Arnould attended high-level meetings with several defence officials including Bratislav Gašić, Defence Minister, and Zoran Đorđević, State Secretary.

- During the year, the Ministry of Defence signed Bilateral Military Cooperation Plans with Austria, Bulgaria, Italy, Romania, France, Spain, Greece, and Poland.

- Serbia continued to participate in two EU civil and military crisis management operations, the EU NAVFOR-Atalanta operation and the EUTM Somalia operation.

- Regarding the CFSP, Serbia aligned itself, when invited, with 28 out of 45 EU declarations and Council decisions (62% alignment).

2015

- The Government of the Republic of Serbia adopted the Conclusion on the Accession to the EU Battle Group Concept.

- EU & Western Balkans Leaders agree on 17-point plan on migration.

- Members of the Serbian Armed Forces participated in the military exercise Combined Resolve IV.

- The exercise was held at the Hohenfels Training Center, Germany, in organization of the European Command of the US Armed Forces. Around 4,700 members of armed forces of Albania, Bulgaria, Croatia, Czech Republic, Denmark, Italy, Lithuania, Moldova, Romania, Slovenia, Serbia, U.S. and Montenegro took part.

- Chief of General Staff Ljubiša Diković attended the meeting of the EU Military Committee in Brussels.
- Members of the Serbian Armed Forces participated in the military exercise Combined Resolve V.
 - The exercise, held in the training centre Hohenfels in Germany involved about 4,600 soldiers from Albania, Bulgaria, Georgia, Lithuania, the Netherlands, Norway, Romania, the United States, Serbia, Slovenia, France, the Netherlands, and Montenegro. It was organized by the US European Command.
- During the year, the Ministry of Defence signed Bilateral Military Cooperation Plans with the Netherlands, Austria, and Slovenia.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.
- The Serbian parliament approved Serbia's participation in EUMAM RCA.
- Regarding the CFSP Serbia aligned itself, when invited, with 26 out of 40 EU declarations and Council decisions (representing alignment of 65%).
- In the European Commission's Progress Report on Serbia for 2015, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2016

- Joint border patrols consisting of policemen from Serbia and several EU countries, including Hungary, Slovakia,

and Czech Republic, started at the Serbia, North Macedonia, and Bulgaria borders in order to improve prevention of illegal border crossings.

- A note on Serbia's accession to a technical agreement on establishing the EU's HELBROC Battlegroup signed in Brussels.
 - The note was signed by the Serbian Armed Forces Chief of General Staff, General Ljubiša Diković, and his Greek counterpart, Admiral Evangelos Apostolakis. The Ministry of Defence expressed a readiness to participate with a military police platoon, a civilian and military cooperation team and up to five staff officers in the battlegroup command.
- Members of the Serbian Armed Forces participated in the exercise Combined Resolve VII, which took place in Hohenfels, Germany.
 - The exercise involved more than 3,500 soldiers from 15 countries: Belgium, Bosnia and Herzegovina, Bulgaria, Armenia, Hungary, Macedonia, Moldova, Norway, Poland, Romania, the United States, Slovenia, Ukraine, France and Montenegro and was organized by the US European Command.
- Serbia and Austria signed the Agreement on Cooperation in the Field of Chemical, Biological, Radiological and Nuclear Defence.
- Conference to strengthen police cooperation in the Balkans held in Skopje.
- EDA Chief Executive Jorge Domecq visited held Belgrade and held meetings with Serbian Minister of Defence Zoran

Đorđević, as well as Representatives of the Defence and Internal Affairs Committee at the Serbian National Assembly.

- During the year, the Ministry of Defence signed Bilateral Military Cooperation Plans with Austria, Germany, Bulgaria, Poland, and Sweden.
- Žbogar: Confidence between Serbs and Albanians is a precondition for Association of Serbian Municipalities.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.
- Serbia aligned itself, when invited, with 24 out of 41 EU declarations and Council decisions in the CFSP representing an alignment rate of around 59 %.
- In the European Commission's Progress Report on Serbia for 2016, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2017

- Federica Mogherini, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission visited Serbia.
 - This was her first visit to Serbia since taking the post. She met with President Tomislav Nikolić, Prime Minister Aleksandar Vučić and Foreign Minister Ivica Dačić.
- The continuation of joint border patrols of Serbia and EU member countries.
 - EU Delegation has signed a three-million euros worth contract with the In-

ternational Organization for Migration for the continuation of deployment of fifty members of the Serbian Border Police and fifty of their colleagues from several EU member countries in the area of Negotin, Zaječar and Pirot until June 2018.

- Serbia joins the EU's HELBROC Battle-group, with the note signed during Serbian Defence Minister Aleksandar Vulin visit to Athens.
- Members of Military Health Department of the Ministry of Defence participated in the exercise Saber Guardian 17 – Mascal in Romania.
 - They participated in the exercise as a part of the Balkan Medical Task Forces, together with members of the military health care from Bosnia and Herzegovina, Macedonia, Slovenia, and Montenegro. They were engaged in conducting training for numerous activities and procedures of providing assistance to the injured and ill, together with the members of US European Command and Romanian Armed Forces.
- Serbian Armed Forces nominated the first national officer for the liaison with the EU Military Staff, Commander Vladan Stanić.
- The Chairman of the EU Military Committee General Mikhail Kostarakos met during his visit to Serbia with Minister of Defence Aleksandar Vulin and Serbian Armed Forces Chief of General Staff General Ljubiša Diković.
- During the year, the Ministry of Defence signed Bilateral Military Cooperation Plans with Greece, the Netherlands,

Italy, and Poland.

- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.

2018

- EU increases support to Serbia for migration and efficient border management
 - EUR 28 million grant of sectoral budget support on integrated border management is designed to strengthen Serbia's border control capacities. More effective border control is aimed to improve capabilities to combat organised crime and illegal migration as well as to allow the smooth transit of people, goods, and services, in line with EU standards.
- Federica Mogherini, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission visited Belgrade during the Western Balkans tour which included Tirana, Skopje, and Podgorica.
- Chief of General Staff of the Serbian Armed Forces Lieutenant General Milan Mojsilović participated at the meeting of the Military Committee of the European Union in Brussels
- EU Global Strategy report - Year 2 - commitment to supporting cooperative regional orders as a way to ensure greater global stability and security in which it says, "the EU continued to support Serbia-Kosovo dialogue as an issue of regional stability importance".
- Mogherini hosted a meeting with Presidents of Serbia and of "Kosovo".

- During the year, the Ministry of Defence signed Bilateral Military Cooperation Plans with Germany and Greece.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.
- When invited, Serbia aligned with 34 out of 65 EU declarations and Council decisions, representing an alignment rate of around 52 %.
- In the European Commission's Progress Report on Serbia for 2018, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2019

- The Serbian Parliament adopted the Defence Strategy of the Republic of Serbia.
 - As one of the key elements of the Defence Policy is listed "the Improvement of national security and defence through the process of European integration".
- Brigadier General Georgios Bosmalis, Commander of the EU Battle Group HELBROC, visited Serbia.
 - He visited the "South" Base and the training area "Borovac" where he attended the evaluation of the Serbian Armed Forces for the participation in HELBROC battle group.
- Serbian Armed Forces took part in the international exercise Platinum Wolf 19 in Bulgaria.

- The exercise was organized by the US European Command and was conducted with participation of 800 soldiers from seven countries.
- Defence Minister Aleksander Vulin held a meeting with the Chairman of the European Union Military Committee, General Claudio Graziano.
- The Minister of the Armies of the Republic of France, Florence Parley, visited Serbia and met with President Vučić and Minister of Defence Vulin.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.
- Serbia aligned, when invited, with 46 out of 87 relevant High Representative declarations on behalf of the EU and Council decisions, representing an alignment rate of around 53%.
- In the European Commission's Progress Report on Serbia for 2019, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2020

- Josep Borrell, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission visited Serbia.
 - This was his first visit to Serbia since taking the post. He met with political leaders including President Aleksandar Vučić, Prime Minister Ana Brnabić, Foreign Minister Ivica Dačić, party representatives as well as representatives of civil society organisations.
- State of emergency declared in Serbia in response to the COVID-19 pandemic.
- Italian Minister of Defence, Lorenzo Guerini, visited Serbia and met with President Vučić and Minister of Defence Nebojša Stefanović.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, EUTM Mali and EUFOR RCA.
- Serbia aligned, when invited, with 58 out of 104 relevant High Representative declarations on behalf of the EU and Council decisions, representing an alignment rate of around 56%.
- In the European Commission's Progress Report on Serbia for 2020, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2021

- Minister of Defence Stefanović participated in the Second Ministerial Meeting of the Takuba Task Force
 - The Minister stated that Serbia is a credible contributor to UN and EU peacekeeping missions. The meeting was also attended by the Ministers of Defence of France, Belgium, Cyprus, Estonia, Greece, Hungary, Mali, Ukraine, and Sweden, as well as State Secretaries and Assistant Ministers of Defence of Spain, Denmark, Italy, Norway, Niger, the Netherlands, Portugal, the Czech Republic and Slovakia.
- The Chief of the Serbian Armed Forces General Staff, General Milan Mojsilović, attended the European Union Military

Committee meeting held in Brussels in Chiefs of Defence format.

- EU's provides support for demining and UXO disposal.
 - The Ministry of Defence and the Serbian Armed Forces will take part in the European Union project, which aims to build Serbia's capabilities in the field of demining and unexploded ordnance disposal. The project is implemented within the framework of cooperation with the European Union on human rights, democracy and peace.
- Minister of Defence, Nebojša Stefanović, met with the Minister of Defence of Slovakia, Jaroslav Nad', who visited Serbia.
- Austrian Minister of Defence Klaudia Tanner paid an official visit to Serbia and met with Minister of Defence Stefanović.
- Members of the Serbian Armed Forces participated in the multinational exercise Combined Resolve 16.
 - The exercise was conducted at the Joint Multinational Readiness Centre in Hohenfels, Germany and included approximately 4600 soldiers from ten countries. It was organized by the US Army Europe and Africa.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, and EUFOR RCA.
- Regarding the CFSP, Serbia's alignment rate with relevant High Representative declarations on behalf of the EU and Council Decisions was 64%.
- In the European Commission's Progress Report on Serbia for 2021, it has

concluded that Serbia is moderately prepared in foreign, security and defence policy.

2022

- National Security Council of Serbia adopted a conclusion in response to the war in Ukraine.
 - The Council concluded that "Serbia believes that it is not its vital political and economic interest to impose sanctions against any country at this moment".
- Vladimír Bilčík, Standing Rapporteur for Serbia, and Tanja Fajon, Chair of the Delegation to the EU-Serbia Stabilisation and Association Parliamentary Committee issued a statement: We expect Serbia to align fully with the Common Foreign and Security Policy of European Union, including the sanctions adopted against the regime in Russia.
- Statement by the EEAS spokesperson on recent increase in inflammatory rhetoric and tensions between Belgrade and Priština.
- Italian Minister of Defence Lorenzo Guerini visited Serbia and met with President Vučić and Minister of Defence Stefanović.
- The Serbian Armed Forces Peacekeeping Operations Centre has become an associate partner - member of the European Security and Defence College network.
- German Minister of Defence Christine Lambrecht paid an official visit to Serbia and met with Minister of Defence Stefanović.

- Minister of Defence Stefanović held a meeting in Belgrade with the Operational Commander for the EU Operation ALTHEA, Lieutenant General Brice Houdet.
- Under the European Peace Facility (EPF), the European Council has adopted an assistance measure worth €6 million to the Balkan Medical Task Force (BMTF)
 - The assistance measure, worth 6 million euros, will support capacity building for the BMTF by procuring the necessary equipment and materials for the medical units participating in the BMTF from the armed forces of Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia. It will finance mobility assets, components for field hospitals, laboratory equipment and supplies, and IT and communication equipment.
- Minister of Defence Miloš Vučević held a meeting with Italian Minister of Defence, Guido Crosetto, who visited Serbia along with Italian Minister of Foreign Affairs and International Cooperation Antonio Tajani.
- Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, and EUFOR RCA.
- Regarding the CFSP, Serbia's alignment rate with relevant High Representative statements on behalf of the EU and relevant Council Decisions was 46%.
- In the European Commission's Progress Report on Serbia for 2022, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.

2023

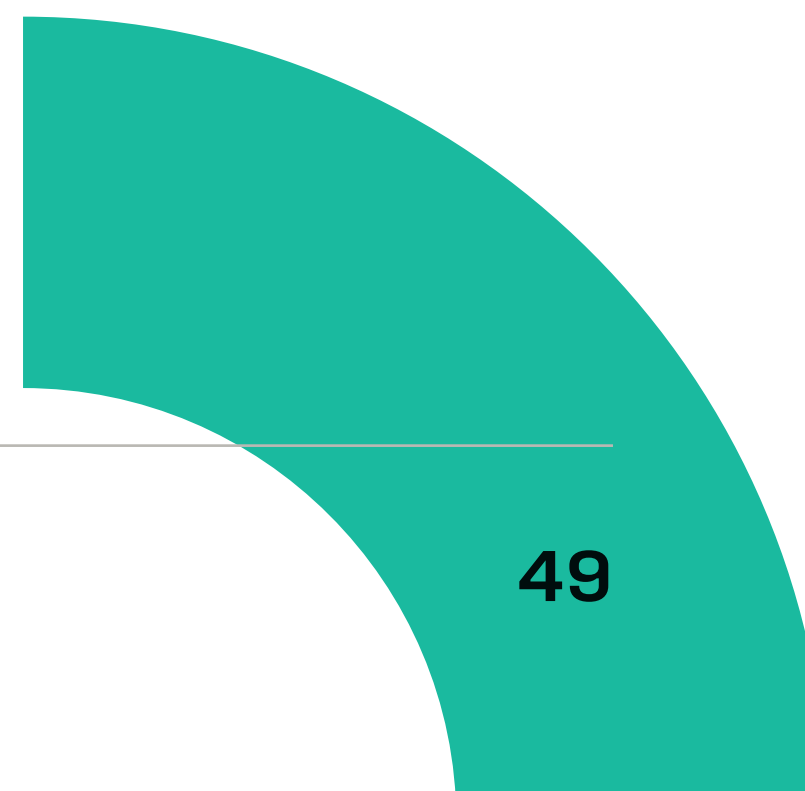
- Minister of Defence Miloš Vučević participated in the first Schuman Forum dedicated to security and defence partnerships, which took place in Brussels.
 - The first Schuman Forum gathered primarily ministers of defence from 45 partner countries and 27 EU member states, and international and regional organisations with which the EU cooperates in the matters of security and defence. During his visit to Brussels, Minister Vučević met with Chair of Foreign Affairs Committee of European Parliament David McAllister, Secretary General of EEAS Stefano Sannino, and European Enlargement Commissioner Oliver Varhelyi.
- The first session of Serbia – Hungary Strategic Cooperation Council was held in Palić
 - The session was attended by President of Serbia Aleksandar Vučić, President of Hungary Katalin Novák, and prime ministers of Serbia and Hungary Ana Brnabić and Viktor Orbán. Agreement between the Government of the Republic of Serbia and the Government of Hungary on enhanced strategic cooperation in the field of defence was signed during the event by the Ministers of Defence of Serbia and Hungary, Miloš Vučević and Kristóf Szalay Bobrovniczsky.
- Conflict of Kosovo* Police officers with armed Serbians in village of Banjska in Northern Kosovo.
 - In response, High Representative Borrell issued a statement: "I con-

demn in the strongest possible terms the hideous attack by an armed gang against Kosovo Police officers in Banjska/Banjskë in the north of Kosovo, which left one police officer dead and two injured. All facts about the attack need to be established. The responsible perpetrators must face justice”.

- European Parliament adopted a resolution on the event in Banjska.
 - The EP resolution condemns “in the strongest possible terms the hideous and cowardly terrorist attack on Kosovan police officers by well-organised Serbian paramilitaries in Banjska in the north of Kosovo”. Additionally, it calls for “on the Commission to freeze the funding provided to Serbia under the Instrument for Pre-Accession Assistance III if investigation findings indicate that the Serbian State was directly involved in these attacks”.
 - Serbia continued to participate in EU civil and military crisis management missions EU NAVFOR-Atalanta, EUTM Somalia, and EUFOR RCA.

- Regarding the CFSP, Serbia’s alignment rate with relevant High Representative statements on behalf of the EU and relevant Council Decisions was 51% as of August 2023.

- In the European Commission’s Progress Report on Serbia for 2023, it has concluded that Serbia is moderately prepared in foreign, security and defence policy.



A. Statement by the EEAS spokesperson on recent increase in inflammatory rhetoric and tensions between Serbia and “Kosovo”

In response to the recent increase in inflammatory rhetoric and tensions between Serbia and “Kosovo”, the EEAS spokesperson issued a statement expressing concern and urging both parties to exercise restraint. The statement emphasized the importance of dialogue and the normalization of relations between Serbia and “Kosovo” through the EU-facilitated dialogue process. The EEAS reiterated the EU’s commitment to the stability and prosperity of the Western Balkans region and called on both sides to refrain from actions that could escalate tensions further. Additionally, the spokesperson emphasized the need for compliance with existing agreements and international law to resolve disputes peacefully and ensure lasting stability in the region.

B. National Security Council of Serbia adopted a conclusion in response to the war in Ukraine

Following the outbreak of war in Ukraine, the National Security Council of Serbia adopted a conclusion outlining the country’s response strategy. The conclusion emphasized the importance of maintaining Serbia’s military neutrality while actively participating in diplomatic efforts to mediate the conflict. Additionally, the council underscored the need to enhance border security and preparedness mea-

asures to mitigate any potential spillover effects of the conflict. Furthermore, the conclusion emphasized the importance of solidarity with Ukraine’s territorial integrity and sovereignty, while advocating for a peaceful resolution to the crisis through dialogue and diplomatic channels. Serbia did not impose sanctions against Russia.

C. The Serbian Parliament adopted the Defence Strategy of the Republic of Serbia

The Serbian Parliament adopted the Defence Strategy of the Republic of Serbia, outlining the country’s strategic priorities and objectives in the defence sector. The strategy emphasizes the importance of maintaining a credible defence posture, enhancing interoperability with international partners, and modernizing the Serbian Armed Forces to address emerging security challenges effectively. Additionally, the strategy highlights the importance of multilateral cooperation, particularly within the framework of regional security initiatives and partnerships with NATO and the EU.

D. EU & Western Balkans Leaders agree on 17-point plan on migration

EU and Western Balkans leaders reached an agreement on a 17-point plan on migration, aimed at addressing the challenges posed by irregular migration flows in the region. The plan includes measures to enhance border management, im-

prove cooperation on migrant reception and asylum processing, and strengthen efforts to combat human trafficking and migrant smuggling. Additionally, the agreement emphasizes the importance of addressing root causes of migration, such as poverty, conflict, and instability, through enhanced development cooperation and support for socio-economic reforms in the Western Balkans region.

E. First EU-Serbia Intergovernmental Conference held, which marked the official start of Serbia accession negotiations

The first EU-Serbia Intergovernmental Conference was held, marking the official start of Serbia's accession negotiations with the European Union. During the conference, both parties reaffirmed their commitment to the European integration process and discussed key chapters of the EU acquis. The conference provided an opportunity for Serbia to present its reform progress and demonstrate its readiness to align with EU standards and regulations. Additionally, the conference underscored the importance of continued dialogue and cooperation between Serbia and the EU to address common challenges and advance the accession process effectively.

F. The European Council agreed to launch accession negotiations with Serbia

The European Council agreed to launch accession negotiations with Serbia, signalling a significant milestone in the country's path towards EU membership. The decision followed a positive assessment of Serbia's progress in implementing reforms and meeting accession criteria. The European Council reaffirmed its commitment to supporting Serbia's European integration process and called for continued efforts to address remaining challenges, including the rule of law, democratic governance, and the normalization of relations with "Kosovo". Additionally, the European Council emphasized the importance of sustained political will and commitment from both Serbia and the EU to advance accession negotiations effectively.



G. Defence Minister Nebojsa Rodić signed an administrative cooperation agreement between the MoD and the European Defence Agency with High Representative for Foreign Affairs and Security Policy Catherine Ashton

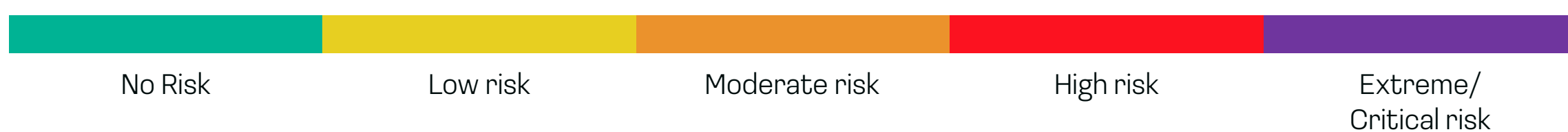
Defence Minister Nebojsa Rodić signed an administrative cooperation agreement between the Ministry of Defence of Serbia and the European Defence Agency, in the presence of High Representative for Foreign Affairs and Security Policy Catherine Ashton. The agreement aims to enhance cooperation and exchange of expertise between Serbia and the EU in the field of defence capabilities development, research, and innovation. It provides a framework for joint projects, training activities, and information sharing to strengthen defence capabilities and interoperability. Additionally, the agreement underscores Serbia's commitment to deepening its engagement with the EU in security and defence matters and advancing cooperation within the framework of the Common Security and Defence Policy (CSDP). With this Agreement, Serbia became the part of EU PESCO – Permanent structured cooperation within the EU framework.



RISK ASSESSMENT

Security and Defence cooperation between Serbia and European Union – Serbia’s position in International System

Catastrophic					
Serious			B		
Moderate		F	C	A, E	
Moderate		D			
Minimal		G			
	Rare/ unlikely	Low	Medium	Highly likely	Certain



SUB-AREAS FOR CONTINGENCIES

1. Human Security
2. National Security & Regional Stability
3. International Security
4. Military cooperation
5. Statements and institutional activities
6. Serbia in EU CFSP/CSDP
7. Other - security

SWOT Analysis

Strengths:

- **Alignment with EU Policies:** Serbia's alignment with EU foreign and security policies, demonstrated by its participation in EU-led initiatives like the Common Security and Defence Policy (CSDP), showcases its commitment to regional stability and security cooperation.
- **Accession Negotiations:** The initiation of accession negotiations with the EU signifies a significant milestone, providing Serbia with an opportunity to strengthen its security and defence capabilities through closer integration with EU defence initiatives.
- **Bilateral Cooperation:** Bilateral military cooperation plans signed with various EU member states, administrative cooperation agreements with the European Defence Agency, and participation in joint exercises demonstrate Serbia's commitment to enhancing collaboration and interoperability with EU partners.

Weaknesses:

- **Incomplete Alignment:** Serbia's varying alignment rates with EU declarations and council decisions in the Common Foreign and Security Policy (CFSP) indicate inconsistencies and potential challenges in fully aligning its policies with those of the EU.
- **Limited Resources:** Serbia's defence sector may face resource constraints, impacting its ability to fully participate in EU-led initiatives and align with EU standards and regulations effectively.
- **Political Challenges:** Tensions with "Kosovo" and reluctance to impose sanctions against Russia highlight potential political obstacles that could affect Serbia's alignment with EU foreign and security policies.

Opportunities:

- **Enhanced Integration:** Serbia's active participation in the European Defence Fund and Permanent Structured Cooperation (PESCO) framework presents opportunities for deeper integration with EU defence initiatives and access to resources for modernizing its defence capabilities.
- **Capacity Building:** Support from the EU, including grants for border management and assistance measures for demining and UXO disposal, provides opportunities for Serbia to strengthen its security and defence capacities and align with EU standards.
- **Diplomatic Engagement:** Continued engagement with EU institutions and member states, as evidenced by high-level visits and strategic cooperation councils, offers opportunities for Serbia to foster closer ties and leverage support for its security and defence priorities.

Threats:

- **Regional Tensions:** Escalating tensions with "Kosovo" and potential conflicts in neighbouring regions, such as the war in Ukraine, pose threats to regional stability and could undermine Serbia's security and defence objectives.
- **Geopolitical Pressures:** Pressure to fully align with EU foreign and security policies, including sanctions against Russia, could strain Serbia's relations with the EU and impact its pursuit of an independent foreign policy.
- **Resource Constraints:** Budgetary limitations and competing priorities may hinder Serbia's ability to fully engage in EU-led initiatives and implement necessary reforms to meet accession criteria in the security and defence sector.

POLICY IMPLICATIONS

Relevant actors:

- Serbian MFA
- Serbian MoD
- Serbian Ministry of European Integrations

1. Addressing Inflammatory Rhetoric and Tensions with “Kosovo”:

Recommendation:

- The MFA Serbia should prioritize diplomatic efforts towards the international community to deconstruct critiques addressed to Serbia related the tensions with “Kosovo”. This includes engaging in confidence-building measures, refraining from provocative actions or rhetoric, and reaffirming commitment to existing agreements.

Action Steps:

- Continue high-level diplomatic discussions with “Kosovo officials” under EU mediation, but under the auspices of the United Nations, to address underlying issues and prevent further escalation.
- Utilize diplomatic channels to convey Serbia’s commitment to regional stability and adherence to international law while advocating for peaceful resolution of disputes.
- Enhance communication and coordination with EU institutions and member states to garner support for dialogue and to transfer mediation efforts to the UN bodies.

2. Response to the War in Ukraine and general relations with Russia:

Recommendation:

- The Government should maintain Serbia’s policy of military neutrality while actively engaging in diplomatic initiatives to mitigate the impact of the conflict in Ukraine. This includes strengthening border security measures and fostering diplomatic dialogue to support peaceful resolution.

Action Steps:

- Strengthen border security and surveillance to prevent spillover effects of the conflict and mitigate potential security threats.
- Engage in diplomatic dialogue with international partners, including EU institutions and neighbouring countries, to promote de-escalation and facilitate humanitarian assistance to affected populations.
- Continue to support diplomatic initiatives aimed at mediating the conflict and advocating for respect of Ukraine’s territorial integrity and sovereignty.

3. Implementation of Defence Strategy and Enhancing Interoperability:

Recommendation:

- The Government should prioritize the implementation of the Defence Strategy of the Republic of Serbia to modernize and enhance the capabilities of the Serbian Armed Forces. This includes strengthening interoperability with EU partners through participation in joint exercises and cooperation initiatives.

Action Steps:

- Allocate adequate resources and funding for the implementation of the Defence Strategy, focusing on modernization, training, and capacity building.
- Enhance interoperability with EU defence initiatives by participating in joint exercises, training programs, and information-sharing mechanisms.
- Strengthen bilateral military cooperation with EU member states through the signing of cooperation agreements and joint projects to address common security challenges.

4. Engagement in EU-led Migration Plan:

Recommendation:

- The MFA should actively engage in the EU-led migration plan by supporting initiatives to strengthen border management, combat human trafficking, and address root causes of migration. This includes aligning national policies with EU standards and leveraging EU support for capacity building.

Action Steps:

- Collaborate with EU institutions and member states to implement measures outlined in the 17-point migration plan, including enhanced border control and asylum processing.
- Align national legislation and policies with EU standards and regulations on migration and asylum to facilitate cooperation and streamline processes.
- Utilize EU funding and assistance programs to enhance capacity building and infrastructure development in border management and migration control.
- Joint exercises, training programs, and information-sharing mechanisms.
- Strengthen bilateral military cooperation with EU member states through the signing of cooperation agreements and joint projects to address common security challenges.

5. Advancing EU Accession Negotiations:

Recommendation:

- The Government should prioritize efforts to advance EU accession negotiations by demonstrating commitment to reform, adherence to EU standards, and proactive engagement in negotiation chapters related to security and defence.

Action Steps:

- Actively participate in negotiation chapters related to security and defence, demonstrating progress in alignment with EU policies and regulations.
- Address outstanding issues and challenges identified in the EU progress reports, particularly those related to the rule of law, democratic governance, and regional cooperation.
- Engage in dialogue and cooperation with EU institutions and member states to build trust, foster mutual understanding, and facilitate progress in accession negotiations.

6. Strengthening Diplomatic Engagement with EU Institutions and Member States:

Recommendation:

- The MFA should strengthen diplomatic engagement with EU institutions and member states to promote Serbia's interests, advocate for policy priorities, and enhance cooperation in security and defence.

Action Steps:

- Increase high-level diplomatic visits and exchanges with EU counterparts to build relationships, exchange information, and coordinate on shared security objectives.
- Utilize diplomatic channels to advocate for Serbia's perspectives and interests within EU decision-making processes, particularly on issues related to security, defence, and regional stability.
- Engage in proactive communication and outreach efforts to enhance public diplomacy and promote awareness of Serbia's European integration efforts and security commitments.

Sino-Serbian political relations, 2013-2023

WP: 1

Period analysed: January 1, 2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. National Security & Regional Stability
2. International Security
3. Military cooperation
4. Statements and

institutional activities

Actors: Republic of Serbia; PR China

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Cross-checked by: PI

EXCERPT

This report examines the risks of bilateral cooperation between Serbia and China in the security and defence sector from 2013 to 2023, with a focus on the development and deployment of the CH-95 drones and the medium- to long-range semi-active radar homing/radio-command guidance air defence system. The relationship between Serbia and China has evolved significantly over the past decade, with both nations recognizing the importance of strategic collaboration in various sectors, particularly in security and defence. Even before the analysed period, in 2008, Serbia and China signed bilateral defence cooperation agreement. The agreement included provisions for training, courses, joint exercises, and discussions on potential military-economic and military-technical collaboration. The bilateral ties have been

characterized by mutual respect and a shared commitment to enhancing each other's capabilities in the face of evolving global security challenges. Despite economic collaboration being paramount, military ties between Serbia and China have intensified, outlined in the 2009 National Security Strategy of Serbia during the presidential mandate of Boris Tadić, where China is recognized as a key defence partner. This alignment is particularly significant given Serbia's commitment to military neutrality, steering clear of formal alliances. The four pillars of Serbia's foreign policy recognise China as one of the cornerstones of foreign & security policy cooperation. Military and defence cooperation has culminated in 2023 with Serbia's acquisition of China's military equipment.

2014

- A plan for military cooperation in 2014 between Serbian Defence Ministry and the Ministry of National Defence of the People's Republic of China signed.
- Meeting between Chinese Defence Minister Chang Wanquan and Serbian Defence Minister Bratislav Gašić in Beijing, during which they agreed to push forward pragmatic cooperation between the two country's armed forces.

2015

- Signed protocol on Donation by the Ministry of the National Defence of the PR China, worth approximately one million euro.

2016

- Agreement on Defence Industry Cooperation between the Ministry of Defence of the Republic of Serbia and the State Administration for Science, Technology, and Industry for National Defence of the People's Republic of China.
- Intensifying cooperation with Chinese companies.
 - Defence Minister Zoran Đorđević received the delegation of the Chinese CPMIEC company led by Mrs Teng Chunhui, Vice President of the company. Djordjevic and Chunhui discussed further enhancement and streamlining of cooperation, primarily the military-economic and scientific-technical cooperation. Serbia and

China have signed an Agreement on Defence Cooperation and an Agreement on Cooperation between the Defence Industries.

- Prime Minister designate speaks about the defence and the military in his exposé.
- Cooperation with the Chinese company CETC.
 - (China Electronics Technology Group Corporation) Defence Minister Zoran Đorđević singled out the field of military-economic and military-technical cooperation as an important segment of the growing economic cooperation between the People's Republic of China and the Republic of Serbia and stressed that the visit of the President of China Xi Jinping gave a powerful impetus to the further intensification of cooperation between the two friendly countries.
- Chinese donation to Serbian Armed Forces.
 - Units of the Army received the donation by the People's Republic of China consisting of 24 non-combat lifeboats for rescuing the affected ones from the flooded areas and 30 GPS devices. The donation is worth about 650,000 euros and is intended to help the Serbian Armed Forces in the execution of tasks of its third mission, which relates to aid to the population in case of natural disasters and other accidents.

2017

- Defence Minister Zoran Đorđević held a meeting with the high-level delegation of the People's Liberation Army of China, led by general Zhao Keshi, Head of Logistics and Supply of the Central Military Commission.
- Meeting between the Chinese President's Special Envoy and Secretary of the Central Commission for Political and Legal Affairs, Meng Jianzhu and Serbian Interior Minister Nebojša Stefanović in Belgrade during which further security cooperation was discussed.

2018

- Programme for Bilateral Military Cooperation with China in 2018 signed.
- Serbian Defence Minister Aleksandar Vulin has met on the sidelines of the 8th Beijing Xiangshan Forum with the Minister of People's Liberation Army of the People's Republic of China, General Wei Fenghe.
 - The Serbian minister of defence emphasized the importance of joint participation of soldiers of the two countries in peacekeeping operations under the command of the United Nations and offered his Chinese counterpart our multinational operations pre-deployment training centres. He also made offer for schooling of Chinese Army officers in Serbian military educational institutions. Minister Vulin also invited his colleague, Minister Fenghe, to visit Serbia in the upcoming period.
- President Vučić makes a visit to Bei-

jing during which representatives of the Serbian Ministry of Defence negotiated the acquisition of Chinese armed drones.

2019

- Meeting between the Chief of the Serbian Armed Forces General Staff, Lieutenant General Milan Mojsilović and the newly appointed Ambassador of the People's Republic of China to the Republic of Serbia, Chen Bo.
- President Vučić states that Serbia is the most reliable partner, most sincere friend of China.
- Serbian Minister of Defence Aleksandar Vulin meets General Zhang Youxia, Vice-President of Central Military Commission of PR China.
- Minister Vulin: The Serbian Armed Forces appreciate the support and assistance of the People's Republic of China.
- Serbian Interior Minister Nebojša Stefanović and Chinese Minister of Public Security Zhao Kezhi signed a three-point memorandum of understanding in the field of security.
- Donation to Serbian Armed Forces.
 - The People's Republic of China has donated 40 assets to the Serbian Armed Forces, of which 28 were presented at public display which include self-propelled engineering machines, motor vehicles, integral transport means and special vehicles. According to Deputy Commander of River Flotilla, Colonel Dragan Bojić, the donated assets, primarily the engineering machines, will largely enhance operational

capabilities of the Army for realisation of engineering and counter-engineering actions, and also, they will be used during elimination of consequences of natural and other technical and technological disasters.

- Joint police patrols of Serbian and Chinese policemen established in Belgrade, Novi Sad, and Smederevo.
- Serbian and Chinese police forces held joint anti-terror drills in Smederevo, at the steel plant owned by Chinese HBIS Group Serbia Iron & Steel.

2020

- Donation of Medical Equipment from PR China for the Military Health System.
- Signed Memorandum between Serbia and China on cooperation in space technologies.
 - The Memorandum envisions Serbia and China developing bilateral cooperation in the field of the development and utilization of space technologies, satellite systems, and Earth observation systems, with applications in smart agriculture, telecommunications, ecosystems, remote sensing systems, and geolocation positioning.
- Serbia was delivered the six CH-92A armed drones it has purchased from China.
 - The additional aspect of the transaction is the “technology transfer” which is critical for the Serbian own Pegasus drone program, whose product will be based on the CH-92A drones.

2021

- Serbian President Aleksandar Vučić met with visiting Chinese State Councillor and Minister of National Defence Wei Fenghe.
- Ministers Stefanović and Fenghe: Cooperation in the field of defence at the highest level.

2022

- Serbia received the FK-3 air defence system it has purchased from China.
 - The FK-3 air defence system was purchased in 2019 and was first shown during the Shield 2022 military power demonstration at Batajnica air base. The Chief of the Serbian Armed Forces General Staff, Lieutenant General Milan Mojsilović said on this occasion: with this system, the Serbia’s airspace in peacetime will be completely secured.

2023

- Ch-95 drone Serbia acquired from China showcased for the first time during the Armed Forces capabilities demonstration.
- Minister Vučević met with Vice Chairman of Central Military Commission General Zhang Youxia.

- Minister Vučević: Regarding bilateral Serbia-China relations, I would single out military-to-military cooperation.
- Mobile scanners donated by China installed at the Gradinje border crossing with Bulgaria.
 - Serbian Interior Ministry stated that the scanners “will enable more effective detection of illegal goods as well as people who are illegally transported. The scanners are manufactured by the Chinese company Nuctech.
- The second battery of the FK-3 air defence system delivered to Serbia.



CONTINGENCIES ASSESSMENTS

A. Signed Memorandum between Serbia and China on cooperation in space technologies

The Memorandum, signed between Serbia and China, outlines a comprehensive framework for bilateral cooperation in the development and utilization of space technologies. Under this agreement, both countries aim to collaborate on various aspects of space technology, including satellite systems, Earth observation systems, and geolocation positioning. The cooperation is expected to have wide-ranging applications, spanning sectors such as smart agriculture, telecommunications, ecosystems management, remote sensing systems, and more. This strategic partnership in space technology underscores the growing synergy between Serbia and China in leveraging advanced capabilities for socio-economic development and national security.

B. Cooperation with the Chinese company CETC

Minister Djordjevic emphasized the significance of military-economic and military-technical cooperation with CETC, a prominent Chinese defence technology firm. This collaboration represents a crucial aspect of the expanding economic ties between Serbia and China, further propelled by high-level visits, in-

cluding that of President Xi Jinping. The involvement of CETC indicates a deepening partnership in defence technology transfer and joint development projects, reflecting the mutual commitment to enhancing defence capabilities and fostering strategic alignment between the two countries.

C. Serbia received the FK-3 air defence system it has purchased from China

In 2019, Serbia acquired the FK-3 air defence system from China, marking a significant milestone in its efforts to modernize its defence capabilities. The FK-3 system was publicly showcased for the first time during the Shield 2022 military power demonstration at Batajnica air base, highlighting its role in bolstering Serbia's aerial defence capabilities. Lieutenant General Milan Mojsilović, Chief of the Serbian Armed Forces General Staff, affirmed that the deployment of the FK-3 system would ensure the complete security of Serbia's airspace during peacetime. This acquisition underscores the strategic partnership between Serbia and China in defence procurement, with a focus on addressing emerging security challenges and safeguarding national sovereignty.

D. Serbia was delivered the six CH-92A armed drones it has purchased from China

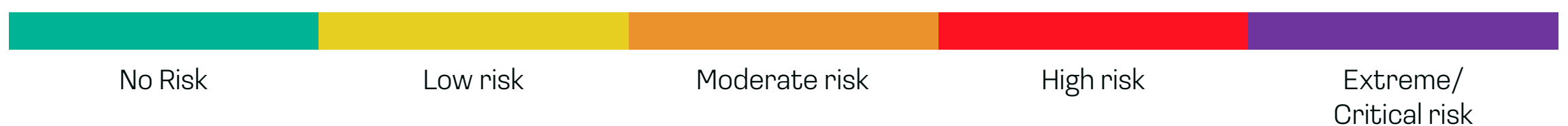
As part of a comprehensive defence procurement agreement, Serbia received delivery of six CH-92A armed drones from China. The significance of this transaction lies not only in the acquisition of advanced military hardware but also in the critical technology transfer component, which is vital for Serbia's indigenous drone program, known as the

Pegasus drone program. Leveraging the technology transfer from the CH-92A drones, Serbia aims to enhance its indigenous drone manufacturing capabilities, thereby strengthening its defence industry and reducing dependence on foreign suppliers. This acquisition reflects a strategic partnership between Serbia and China, aimed at fostering technological cooperation and indigenous defence capabilities, aligned with Serbia's national security priorities.

RISK ASSESSMENT

Security and Defence cooperation between Serbia and PR China – Serbia's position in International System

Catastrophic					
Serious					
Moderate				C	
Moderate	A, B				
Minimal		D			
	Rare/ unlikely	Low	Medium	Highly likely	Certain



SUB-AREAS FOR CONTINGENCIES

1. Human Security
2. National Security & Regional Stability
3. International Security
4. Military cooperation
5. Statements and institutional activities
6. Other - security

SWOT Analysis

Strengths:

- **Strategic Collaboration:** The long-standing bilateral defence cooperation agreement signed in 2008 laid the foundation for strategic collaboration, emphasizing joint exercises, training, and military-economic collaboration.
- **Mutual Respect:** The relationship has been characterized by mutual respect and commitment to enhancing capabilities, contributing to a strong foundation for security and defence cooperation.
- **Diversification of Collaboration:** The collaboration spans various areas, including the acquisition of military equipment, joint tactical matters, and even cooperation in space technologies, providing a diversified portfolio.

Weaknesses:

- **Dependency on China:** While the collaboration offers diverse benefits, there might be concerns about dependency on China for military equipment and technology, potentially limiting Serbia's autonomy in foreign affairs with another actors – EU, Russia, USA.

- **Limited Public Transparency:** Some military agreements are semi-secret, and there might be limited transparency regarding the terms of cooperation, raising potential concerns among the public and international stakeholders.

Opportunities:

- **Economic Benefits:** The collaboration, especially in defence industry cooperation, offers economic benefits, potentially boosting Serbia's defence capabilities while stimulating economic growth.
- **Technological Advancements:** The acquisition of advanced military equipment, including CH-95 drones and air defence systems, presents an opportunity for Serbia to advance its technological capabilities in defence.

Threats:

- **Geopolitical Tensions:** Given the geopolitical context, especially in the Balkans, there is a threat that the collaboration might be impacted by regional tensions or changes in geopolitical dynamics.

- **Overreliance on Military Solutions:** Depending heavily on military solutions may lead to increased tensions in the region, potentially jeopardizing Serbia's relations with neighbouring countries.
- **Technological Risks:** The acquisition and deployment of advanced military technology, such as drones and air defence systems, pose potential

risks, including technological failures or cybersecurity threats.

- **Technological Advancements:** The acquisition of advanced military equipment, including CH-95 drones and air defence systems, presents an opportunity for Serbia to advance its technological capabilities in defence.

POLICY IMPLICATIONS

Relevant actors:

- MoD
- Defence industry companies
- Serbian Armed Forces
- Serbian Chamber of Commerce

Policy recommendations for the stakeholders:

1. Diversify Defence Partnerships:

Recommendation:

- While maintaining cooperation with China, Serbia should diversify its defence partnerships to reduce dependency risks and enhance strategic autonomy. This includes strengthening ties with traditional allies such as EU member states, the USA, and NATO while exploring opportunities for collaboration with other emerging defence partners. Serbian authorities should address Western critiques through proactive engagement, transparent communication, and diplomatic outreach to reassure Western partners about the compatibility of Chinese defence acquisitions with Serbia's broader security objectives. Efforts should be made to empha-

size the complementarity rather than exclusivity of defence cooperation with China, highlighting Serbia's commitment to maintaining a balanced and diversified approach to security partnerships.

Action Steps:

- Prioritize engagement with EU defence initiatives and NATO partnership programs to enhance interoperability and security cooperation.
- Explore opportunities for defence cooperation with other non-traditional partners, including Russia, to diversify defence procurement and technology transfers.
- Seek to balance cooperation with China with strategic partnerships that align with Serbia's military neutrality and

long-term security interests.

2. Enhance Transparency and Accountability:

Recommendation:

- Increase transparency and accountability in defence cooperation agreements with China to address public concerns and ensure alignment with Serbia's strategic objectives and international commitments.

Action Steps:

- Improve public communication and outreach regarding defence cooperation agreements with China, providing clear explanations of terms, objectives, and benefits.
- Strengthen oversight mechanisms within the Serbian government to ensure accountability and adherence to legal and regulatory frameworks in defence procurement and technology transfers.
- Foster dialogue with civil society organizations, academic institutions, and the media to promote transparency and public understanding of defence cooperation activities.

3. Mitigate Geopolitical Risks:

Recommendation:

- Proactively manage geopolitical risks associated with defence cooperation with China by engaging in diplomatic dialogue, promoting regional stability, and adhering to international norms and principles.

Action Steps:

- Prioritize diplomatic engagement with neighbouring countries and regional stakeholders to address concerns and prevent potential escalation of tensions related to defence cooperation with China.
- Advocate for multilateral dialogue mechanisms and confidence-building measures to promote transparency and trust among regional actors.
- Align defence cooperation activities with Serbia's commitment to maintaining good neighbourly relations and respecting international law and territorial integrity.

4. Strengthen Technological Capacities:

Recommendation:

- Capitalize on defence cooperation with China to enhance Serbia's technological capacities and capabilities in defence industry and innovation.

Action Steps:

- Invest in research and development initiatives in partnership with Chinese defence companies to leverage advanced technologies and expertise in areas such as drone technology, air defence systems, and space technologies.
- Establish knowledge-sharing platforms and joint research projects with Chinese counterparts to facilitate technology transfer and skill development in key defence sectors.

- Promote collaboration between Serbian defence industry stakeholders and academic institutions to foster innovation and competitiveness in defence technology development.

5. Balance Economic and Security Considerations:

Recommendation:

- Strike a balance between economic benefits and security considerations in defence cooperation with China, ensuring that military acquisitions and technology transfers align with Serbia's long-term defence strategy and national security interests.

Action Steps:

- Conduct comprehensive risk assessments and cost-benefit analyses for defence procurement projects with China, taking into account both economic benefits and security implications.
- Strengthen strategic planning and coordination mechanisms within the Serbian government to integrate economic and security considerations in decision-making processes related to defence cooperation with China.
- Enhance dialogue and consultation with relevant stakeholders, including defence industry representatives, military experts, and foreign policy advisors, to ensure informed decision-making and consensus-building on defence policy issues.



DOMAIN III: ECONOMICS

Serbia navigating economic cooperation between the EU and China

In this section:

- Serbo-EU security relations, 2013-2023
- Sino-Serbian security relations, 2013-2023

Serbo-EU security relations, 2013-2023

WP: 1

Period analysed: January 1,
2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. Foreign trade
2. Foreign direct investments
3. Grants & Loans
4. Economic policies

Actors: Republic of Serbia;
European Union

Authored by: Sanja Filipović
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Cross-checked by: PI

EXCERPT

This section examines the risks (potentially harmful/unforeseen situations) of economic cooperation between Republic of Serbia and the European Union (EU) from 2013 to 2023, with a focus on foreign trade, foreign direct investments (FDI), grants and loans. The economic relationship between Serbia and the EU has evolved significantly after the Stabilization and Association Agreement (SAA) entered into force in 2013. The EU is Serbia's key foreign trade partner. According to data for 2022, Serbia exports 61.1% of goods to the EU, and imports 54.5% of goods from the EU. The coverage of imports by exports from the Serbian side is 84% (in 2009 it was 48%). Although the trade deficit in absolute terms does not show significant variations, the share of the deficit with the EU in relation to the total trade deficit decreased from 58.8% to 29.8%. In the trade exchange with the EU, Serbia records a surplus in trade in agricultural products. The most important export markets for Serbia are Germany (14% of total exports), Bosnia and Herzegovina (7.3%), Italy (7.3%), Hungary (5.1%) and Romania (4.3%). According to 2022 data, Serbia imports the most from China (12.9% of total imports), Germany (11%), Russia (7.6%) and Italy (6.8%). Among EU countries, Serbia has the largest deficit with Germany, Hungary and Poland, and the largest surplus with Romania, Bulgaria, and Slovakia. The largest amount of net FDI originates from the EU. Considering the period 2013-2022, the total amount of net FDI from the EU

was EUR 15,600 million, which is 59.3% of total FDI in Serbia. However, the relative importance of FDI from the EU is declining – the maximum share was in 2014 (82.2%), while in 2022 it was only 33%. Considering absolute figures, there was a decline in net FDI in 2015 and especially in the last three years (2020-2022). On the other hand, since 2019 there has been a noticeable increase in FDI from China. In 2022, the net amount of FDI from the EU and China was almost equal - EUR 1,429 million from the EU and EUR 1,377 from China. The largest net inflow by country is from the Netherlands (EUR 4,423 million), Germany (EUR 2,216 million) and Austria (EUR 2,096 million). The EU is the largest donor in the Republic of Serbia. In the period 2013-2023, Serbia received non-refundable financial support based on IPA projects in the amount of EUR 1.7 billion (mostly for the improvement of competitiveness, agricultural and public administration reforms), and EUR 712 million based on the Investment Framework for the Western Balkans (preparation and implementation of projects in transport, energy, social and digital infrastructure). Based on the IPARD program, Serbia received EUR 175 million in the period 2014-2020, and support of EUR 76 million is planned for the period 2021-2023. In addition to regular aid programs, Serbia received grants during the 2014 floods (162 million EUR) as well as funds for managing migration and overcoming the consequences of Covid-19.

CHRONOLOGY OF THE CONTINGENCIES

2013

- Serbian import of goods from the EU amounted USD 12.488 mil (60.8% of total import).
- Serbian export of goods to the EU was USD 8.995 mil (61.5% of total export).
- Trade deficit with the EU was USD 3.493 mil, which is 58.8% of total trade deficit.
- The highest amount of import originated from Italy (USD 2.358 mil), Germany (USD 2.255 mil) and Russian Federation (USD 1.903 mil).
- The most important export markets were Italy (USD 2.379 mil), Germany (EUR 1.734 mil) and Bosnia and Herzegovina (USD 1.201 mil).
- Net FDI from the EU amounted EUR 994.169 mil, which is 76.6% of total net FDI.
- The highest amount of net FDI originated from Netherlands (EUR 379.548 mil), followed by Austria (EUR 151.833 mil), France (EUR 98.155 mil) and Germany (EUR 82.742 mil).
- Serbia received EUR 174,783 million in grants based on IPA projects, and EUR 4,833 million based on the Investment Framework for the Western Balkans.
- **On 19 April** the European Parliament adopted report on Serbia's progress in the EU integration.
- **On 22 April** the EC recommended start of accession talks with Serbia.

- **On 28 June** European leaders at the meeting in Brussels decided to start accession negotiations with Serbia in January.
- **On 22 July** the EU Council confirmed that the SAA ratification was finalised in the Member States.
- **On 1 September** Stabilization and Association Agreement (SAA) entered into force, while Interim Agreement on Trade and Trade-related Matters (IAT-TM) was repealed.

2014

- Serbian import of goods from the EU amounted USD 12.757 mil (61.9% of total import).
- Serbian export of goods to the EU was USD 9.439 mil (63.6% of total export).
- Trade deficit with the EU was USD 3.318 mil, which is 57.6% of total trade deficit.
- The highest amount of import originated from Germany (USD 2.426 mil), Russian Federation (USD 2.340 mil) and Italy (USD 2.308 mil).
- The most important export markets were Italy (USD 2.576 mil), Germany (USD 1.773 mil) and Bosnia and Herzegovina (USD 1.318 mil).
- Net FDI from the EU amounted EUR 1016.620 mil, which is 82.2% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR

374.572 mil), followed by Austria (EUR 116.251 mil), Italy (EUR 100.93 mil) and Greece (EUR 87.292 mil).

- Serbia received EUR 111,890 million in grants based on IPA projects, and EUR 4,250 million based on the Investment Framework for the Western Balkans.
- **On 21 January** in Brussels was held the First Intergovernmental Conference which marked the formal start of Serbia's negotiations to join the EU.
- **On 14 December** in Brussels was held the Second Intergovernmental Conference which marked the opening of Chapter 32 on financial control and Chapter 35 on normalization of Belgrade-Pristina ties.

2015

- Serbian import of goods from the EU amounted USD 11.128 mil (61.2% of total import).
- Serbian export of goods to the EU was USD 8.578 mil (64.2% of total export).
- Trade deficit with the EU was USD 2.550 mil, which is 52.9% of total trade deficit.
- The highest amount of import originated from Germany (USD 2.254 mil), Italy (USD 1.922 mil) and Russian Federation (USD 1.739 mil).
- The most important export markets were Italy (USD 2.158 mil), Germany (USD 1.668 mil) and Bosnia and Herzegovina (USD 1.170 mil).
- Net FDI from the EU amounted EUR 1460.82 mil, which is 81% of total net FDI.

- The highest amount of net FDI originated from the Netherlands (EUR 361.797 mil), followed by Austria (EUR 351.523 mil), Luxemburg (EUR 169.605 mil) and Italy (EUR 144.085 mil).
- Serbia received EUR 196,600 million in grants based on IPA projects, and EUR 16,722 million based on the Investment Framework for the Western Balkans.

2016

- Serbian import of goods from the EU amounted USD 11.902 mil (61.9% of total import).
- Serbian export of goods to the EU was USD 9.544 mil (64.4% of total export).
- Trade deficit with the EU was USD 2.357 mil, which is 53.7% of total trade deficit.
- The highest amount of import originated from Germany (USD 2.162 mil), Italy (USD 1.981 mil) and China (USD 1.602 mil).
- The most important export markets were Italy (USD 2.162 mil), Germany (USD 1.936 mil) and Bosnia and Herzegovina (USD 1.227 mil).
- Net FDI from the EU amounted EUR 1307.59 mil, which is 68.9% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR 341.362 mil), followed by Luxemburg (EUR 251.959 mil), Austria (EUR 230.863 mil), and Germany (EUR 177.043 mil).
- Serbia received **EUR 166,400 million** in grants based on IPA projects, and EUR 50,305 million based on the Investment

Framework for the Western Balkans.

- **On 18 July** in Brussels was held the Third Intergovernmental Conference which marked the opening of Chapter 23 on judiciary and fundamental rights and Chapter 24 on justice, freedom, and security.
- **On 13 December** at the Fourth Intergovernmental Conference in Brussels was made a decision on the opening of negotiating Chapters 5 and 25 was made. The negotiating positions of the Republic of Serbia for Chapter 5 - Public procurement and Chapter 25 - Science and research.

2017

- Serbian import of goods from the EU amounted USD 13.532 mil (61.2% of total import).
- Serbian export of goods to the EU was USD 10.895 mil (64.3% of total export).
- Trade deficit with the EU was USD 2.637 mil, which is 50.9% of total trade deficit.
- The highest amount of import originated from Germany (USD 2.803 mil), Italy (USD 2.225 mil) and China (USD 1.816 mil).
- The most important export markets were Italy (USD 2.247 mil), Germany (USD 2.132 mil) and Bosnia and Herzegovina (USD 1.353 mil).
- Net FDI from the EU amounted EUR 1634.55 mil, which is 67.6% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR

501.857 mil), followed by Austria (EUR 242.95 mil), Italy (EUR 193.359 mil), and Germany (EUR 185.215 mil).

- Serbia received EUR 138,200 million in grants based on IPA projects, and EUR 40,917 million based on the Investment Framework for the Western Balkans.
- **On 27 February** was made the decision on the opening of negotiating Chapters 20 and 26 (the Fifth Intergovernmental Conference in Brussels). The negotiating positions of the Republic of Serbia for Chapter 20 – Enterprise and Industrial Policy and Chapter 26 – Education and Culture were presented at the conference.
- **On 20 June** was made decision on the opening of negotiating Chapters 7 and 29 (the Sixth Intergovernmental Conference in Luxembourg). The negotiating positions of the Republic of Serbia for Chapter 7 - Intellectual Property Law and Chapter 29 - Customs Union were presented at the conference.
- **On 26 June** the National Assembly of the Republic of Serbia adopted the Law on Amendments to the Law on Ministries, establishing the Ministry of European Integration. The Ministry started operating on the date when this law entered into force, on 27 June when the European Integration Office of the Government of the Republic of Serbia ceased to exist.
- **On 11 December** was made the decision on the opening of negotiating Chapters 6 and 30 (the Seventh Intergovernmental Conference in Brussels). The negotiating positions of the Republic of Serbia for Chapter 6 - Company Law

and Chapter 30 – External Relations were presented at the conference.

2018

- Serbian import of goods from the EU amounted USD 15.305 mil (59.3% of total import).
- Serbian export of goods to the EU was USD 12.543 mil (65.5% of total export).
- Trade deficit with the EU was USD 2.762 mil, which is 41.5% of total trade deficit.
- The highest amount of import originated from Germany (USD 3.473 mil), Italy (USD 2.419 mil) and China (USD 2.167 mil).
- The most important export markets were Italy (USD 2.351 mil), Germany (USD 2.296 mil) and Bosnia and Herzegovina (USD 1.510 mil).
- Net FDI from the EU amounted EUR 1837.350 mil, which is 58.2% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR 390.601 mil), followed by France (EUR 716.76 mil), Germany (EUR 259.77 mil) and Austria (EUR 202.163 mil).
- Serbia received EUR 179,100 million in grants based on IPA projects, and EUR 54,277 million based on the Investment Framework for the Western Balkans.
- **On 25 June** was made decision on the opening of negotiating Chapters 13 and 33 (the Eighth Intergovernmental Conference, Luxembourg). The negotiating positions of the Republic of Serbia for Chapter 13 - Fisheries and Chapter 33 -

Financial and Budgetary Provisions were presented at the conference.

- **On 10 December** was made decision on the opening of negotiating Chapters 17 and 18 (the Ninth Intergovernmental Conference, Brussels). The negotiating positions of the Republic of Serbia for Chapter 17 - Economic and Monetary Policy and Chapter 18 – Statistics were presented at the conference.

2019

- Serbian import of goods from the EU amounted USD 15.290 mil (57.6% of total import).
- Serbian export of goods to the EU was USD 12.695 mil (64.9% of total export).
- Trade deficit with the EU was USD 2.595 mil, which is 37.1% of total trade deficit.
- The highest amount of import originated from Germany (USD 3.445 mil), China (USD 2.506 mil) and Russian Federation (USD 2.458 mil).
- The most important export markets were Germany (2.477 mil USD), Italy (1.479 mil USD) and Bosnia and Herzegovina (1.495 mil USD).
- Net FDI from the EU amounted EUR 2186.57 mil, which is 61.6% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR 801.621 mil), followed by Hungary (EUR 512.327 mil), Germany (EUR 339.857 mil) and Austria (EUR 301.479 mil).
- Serbia received EUR 138,550 million in grants based on IPA projects, and EUR

25,976 million based on the Investment Framework for the Western Balkans.

- **On 27 June** was made decision on the opening of negotiating Chapter 9 (the Tenth Intergovernmental Conference, Brussels). The negotiating position of the Republic of Serbia for Chapter 9 - Financial Services was presented at the conference.
- **On 10 December** was made decision on the opening of negotiating Chapter 4 (the Eleventh Intergovernmental Conference, Brussels). The negotiating position of the Republic of Serbia for Chapter 4 - Free movement of capital.

2020

- The EU economy experienced a deep recession (-5.6%) due to the Coronavirus pandemic, despite the swift and comprehensive policy response at both EU and national levels.
- Serbian import of goods from the EU amounted USD 15.384 mil (58.8% of total import).
- Serbian export of goods to the EU was USD 12.579 mil (64.9% of total export).
- Trade deficit with the EU was USD 2.804 mil, which is 41.4% of total trade deficit.
- The highest amount of import originated from Germany (USD 3.599 mil), China (USD 3.249 mil) and Italy (USD 2.197 mil).
- The most important export markets were Germany (USD 2.505 mil), Italy (USD 1.627 mil) and Bosnia and Herzegovina (USD 1.361 mil).

- Net FDI from the EU amounted EUR 1932.37 mil, which is 65.8% of total net FDI.
- The highest amount of net FDI originated from the Netherlands (EUR 607.109 mil), followed by Slovenia (EUR 476.749 mil) and Cyprus (EUR 62.557 mil).
- Serbia received EUR 156,260 million in grants based on IPA projects, and EUR 15,020 million based on the Investment Framework for the Western Balkans.

2021

- Cross domestic product showed a strong economic rebound and increased by 5.4% (0.8% below the 2019 pre-COVID level), even if economic activities were still affected by the containment measures.
- Serbian import of goods from the EU amounted USD 19.312 mil (57.1% of total import).
- Serbian export of goods to the EU was USD 16.492 mil (64.5% of total export).
- Trade deficit with the EU was USD 2.819 mil, which is 34.3% of total trade deficit.
- The highest amount of import originated from Germany (USD 4.457 mil), China (USD 4.158 mil) and Italy (USD 2.726 mil).
- The most important export markets were Germany (USD 3.242 mil), Italy (USD 2.177 mil) and Bosnia and Herzegovina (USD 1.846 mil).
- Net FDI from the EU amounted EUR 1882.820 mil, which is 49.2% of total net FDI.

- The highest amount of net FDI originated from the Netherlands (EUR 534.207 mil), followed by Germany (EUR 419.179 mil) and Austria (EUR 180.476 mil).
- Serbia received EUR 122,140 million in grants based on IPA projects, and EUR 3,550 million based on the Investment Framework for the Western Balkans.
- **On 22 June** was made decision on the opening of negotiating Cluster 1 - Fundamentals (the Twelfth Intergovernmental Conference, Luxembourg). The meeting marks a milestone in the evolution of the accession negotiations since it is the first to have taken place since the Council approved the revised enlargement methodology, which now also applies to the accession process of Serbia.
- **On 14 December** was made decision on the opening of negotiating Cluster 1 - "Green agenda" and sustainable connectivity (the Thirteenth Intergovernmental Conference, Luxembourg).

2022

- The EU's economy slowed down – GDP was 3.4%, driven by fiscal stimulus and the releasing of pent-up demand from the pandemic period.
- Serbian import of goods from the EU amounted USD 21.647 mil (54.5% of total import).
- Serbian export of goods to the EU was USD 18.315 mil (64.1% of total export).
- Trade deficit with the EU was USD 3.331 mil, which is 29.8% of total trade deficit.
- For the first time, Serbian import from

China (USD 5,139 million) exceeds the import from Germany (USD 4,676 million), while the Russian Federation (USD 3,043 million) was the third import important partner.

- The most important export markets were Germany (USD 3.986 mil), Italy (USD 2.098 mil) and Bosnia and Herzegovina (USD 2.076 mil).
- Net FDI from the EU amounted EUR 1429.21 mil, which is 33% of total net FDI.
- The highest amount of net FDI originated from Cyprus (EUR 354.053 mil), followed by Germany (EUR 292.170 mil), Austria (EUR 240.698 mil) and Slovenia (EUR 159.423 mil).
- Serbia received EUR 162,200 million in grants based on IPA projects, and EUR 214,751 million based on the Investment Framework for the Western Balkans.

2023

- The highest amount of net FDI originated from Cyprus (EUR 354.053 mil), followed by Germany (EUR 292.170 mil), Austria (EUR 240.698 mil) and Slovenia (EUR 159.423 mil).
- Economic growth in the EU slowed from a 3.4% annual pace in 2022 to only 0.4% in 2023. Among countries, Germany was the poorest performing of the major eurozone nations, contracted by 0.3% in 2023, after growing 1.8% in 2022.
- The EU regulation on the Carbon Border Adjustment Mechanism (CBAM) was adopted on 17 May 2023 and implementation started on 1 October 2023.
- For the first three quartiles, net FDI

from the EU amounted EUR 1607.3 mil, which is 53.7% of total net FDI.

- The highest amount of net FDI originated from the Netherland (EUR 630.8 mil), followed by Germany (EUR 292.17 mil), Austria (EUR 209.7 mil), and Romania (EUR 151.1 mil).
- Serbia received EUR 165,000 million in grants based on IPA projects, and EUR 281,261 million based on the Investment Framework for the Western Balkans.
- **On 8 November** was adopted a new Growth Plan for the Western Balkans, with the aim of bringing some of the benefits of membership to the region in advance of accession, boost economic growth and accelerate socio-economic convergence. A new EUR 6 billion Reform and Growth Facility for the Western Balkans has been proposed for the period 2024-2027. Payments will happen only after the fulfilment of agreed reforms.
- The European Bank for Reconstruction and Development (EBRD) invested a record EUR 846 million in Serbia in 2023, which is almost EUR 200 million more than in 2022 and significantly above the previous maximum of EUR 679 million in 2020.



A. Serbian export on EU market is directly threatened by the deterioration of EU economic performances

- During the two years (2021 and 2022) Serbia recorded a strong increase in exports to the EU market, however, the slowdown of the EU's economy and the recession in the most important export markets are reducing aggregate demand in these countries, which has a direct negative impact on Serbia's exports. In 2023, Germany as the most important export market of Serbia, recorded a recession of -0.3%. Italy, as the second most important EU market, achieved a modest economic growth of 0.7%, while Hungary, as the third most important export market, was in recession -0.3%.
- Serbian export is the most affected in those products where the diversification of export markets has not been developed. For example, the EU market is the most important export destination for Serbian agricultural products, as more than half of Serbian agricultural exports are delivered to the EU.
- Foreign trade exchange between Serbia and the EU has evolved significantly after the Stabilization and Association Agreement entered into force in 2013, however, the most sensitive agricultural products (customs protection on all types of meat, yogurt, butter, certain types of cheese, honey, some types of vegetables and flour vary from 20 to 50% compared to the MFN customs du-

ties that Serbia applies in trade with the rest of the world) will remain protected by paying customs duties until Serbia becomes a member of the EU.

B. The relative share of the net FDI from the EU is decreasing

- Even though net FDI from the EU have a dominant share of 59.3% in total net FDI (2013-2022), there is a noticeable decrease trend of their relative importance. Thus, the relative participation of net FDI reached peak in 2014 and 2015 (82.2% and 81%), but after that their participation decreased and in 2022 it amounted to 33%. On the other hand, there is a noticeable increase in the share of net FDI from China - from 1.7% (2013) to as much as 31.8% in 2022.
- If the amount of net FDI is considered in absolute terms, in the period 2013-2022, the cumulative amount of FDI from the EU was EUR 15,600 million (from China EUR 4,127 million). A decline in net FDI was recorded in 2016 and in the last three years (2020-2022). Considering the whole period, the largest net amount of FDI originated from the Netherlands (EUR 4,423 million), Germany (EUR 2,216 million) and Austria (EUR 2,096 million).
- In the observed period, the EU invested the most into tradable sectors, most notably manufacturing (automotive, food and beverage, electrical and electronics, textile and clothing, construction, machinery and equipment). FDI not only increased employment, re-

vitalized certain regions of Serbia and reduced migrations of the young population, but the EU's companies brought know-how and modern technologies, which improved productivity and competitiveness of Serbian economy, as well as export potential, budget revenues and economic growth. Finally, the opening of the Serbian market to companies from the EU led to greater choice and lower prices for consumers.

C. The CBAM mechanism makes the export of certain products more expensive so that these products become less competitive on the EU market

- The Cross Border Adjustment Mechanism is a form of carbon tax on products from six energy-intensive sectors (iron, steel, aluminium, cement, artificial fertilizers, electricity, and hydrogen) that are imported into the EU from the third countries. As the price of these products on the EU market is increased by the carbon tax, they become less price competitive. Even if the EU continue to export these products, carbon tax will be EU revenue and it will be used for decarbonisation of the EU industry instead of national economy. Only if Serbia introduce the EU regulations and set up carbon tax or develop its emission permit market, those tax revenues would remain in Serbia and could be used for the process of decarbonization of Serbian industry.
- CBAM was set up on 1 October 2023 and until the end of 2025 there will be a transition period that considers a certain number of free permits for carbon

emission. From 2026, free permits will be gradually abolished and the sectors to which the tax applies will be expanded. From 2034 every company on the EU market must pay for an emission certificate whose price is determined on a weekly basis depending on the price on the EU ETS market.

- Participation of the six sectors (iron and steel dominate, followed by aluminium, fertilizers, electricity, and cement) in total export to the EU is about 11%. The fact that as much as 70% of the total export of goods from the mentioned sectors is exported to the EU market is worrying and indicates the need to diversify exports to other markets outside the EU.

D. Serbia is turning towards other regional and bilateral economic integrations, which disrupts Serbia's economic cooperation with the EU

- Due to new circumstances (e.g. reduced demand from the EU, introduction of CBAM, etc.), Serbia has to diversify its export markets.
- Germany had been the most important import partner until 2022, while China became in 2022. China entered on the list of the three most important import countries in 2016 and since then it has recorded a constant increase - in 2019 China was on second place, and in 2022 it was on the first place.
- Serbia can enter into trade agreements with other countries or organizations before joining the EU, provided that they do not conflict with the As-

sociation and Stabilization Agreement. In the context of EU accession negotiations, Serbia undertook to withdraw from all bilateral free trade agreements on the day of EU accession, and this is a general rule that applies to all candidate countries that wish to join the EU. In this sense, Serbia will have to withdraw from bilateral agreements with China, the Eurasian Economic Union, the CEFTA agreement (Bosnia and Herzegovina is one of the three most important export markets) and Turkey.

E. Serbia relies significantly on EU grants, funds and loans

- The EU is the largest donor in the Republic of Serbia. Since 2001, the EU has provided, through several various instruments and funds, more than 3 billion EUR in grants in order to support the reforms. The Instrument for Pre-accession Assistance (IPA) is the means by which the EU has been supporting reforms in the enlargement region with financial and technical assistance since 2007. The Republic of Serbia was the beneficiary of the IPA II 2014-2020, with around EUR 1.5 billion. Approximately 50% of the funds were envisaged for socio-economic development and investment in human resources, 36% for reforms in rule of law, democracy, and public administration, and 14% for agriculture and rural development. In addition to the above, one of the main purposes of the IPA instrument is to build administrative capacities for implementing funds available after the accession to the EU, that is, in particular, the EU Cohesion policy funds. Besides,

Serbia takes part in 13 EU Programmes financed from the common EU budget, cross-border cooperation programmes and transnational cooperation programmes.

- Serbia takes significant loans from EU institutions, as well as from EU member countries. From the EU institutions, Serbia took loans from the European Investment Bank, the Development Bank of the Council of Europe, and the European Bank for Research and Development. In addition, Serbia took loans from the French Development Agency (AFD), German Development Bank KfW, Hungarian Export Bank and Czech Export Bank. According to the data from the budget for the period 2013-2023, the average participation of direct loans that Serbia received from the mentioned institutions in the total amount of loans was about 16%. In addition, Serbia borrowed indirectly from the aforementioned institutions based on the issuance of guarantees.

F. The slow and lengthy process of the EU accession slows down Serbia's access to cohesion funds

- The EU negotiation process has been going on for ten years, and in the meantime the negotiation methodology has been changed, not only by organizing negotiation chapters through clusters and by giving priority to cluster the Fundamentals (the rule of law with stable democratic institutions, the reform of state administration, economic criteria, horizontal monitoring of the struggle against corruption and through following the rules of public procurement), but

also by introducing many more political elements into the process itself. Thus, Serbia conducts negotiations with an emphasis on the rule of law, and only Serbia has Chapter 35, where the implementation of agreements from the normalization process between Belgrade and Pristina is monitored. So far, 22 out of a total of 35 negotiation chapters have been opened, and criteria for opening have been given for 7 chapters. Currently, the procedure before the competent EU bodies is to decide on the EU's common positions for 4 chapters that are technically ready for opening, and the same number of reports on the fulfilment of the criteria for opening the chapter. The work on the necessary negotiation documents for all other chapters, for which there are screening reports, is being completed - only Chapter 31 - Common Foreign and Security Policy remains, because we have been waiting for the report (prepared by the European Commission and adopted by the EU Council) since 2015.

- The slow dynamics of the EU negotiation process is taking place at a time when the EU is reviewing its capacity to accept new members. Serbia, until it becomes a full member, does not have access to the Cohesion policy (Regional Policy), as the main investment policy of the EU, which contributes to creating new jobs, improving the quality of life of citizens, and increasing the overall economic development. The basic instruments through which support is implemented and directed to specific programs and operations are: The European Regional Development Fund

(ERDF), The European Social Fund (ESF) and Cohesion Fund (CF). Serbia will be able to use assets from the mentioned funds when it becomes a member of the EU. Negotiations on the accession of the Republic of Serbia to the EU in the field of cohesion policy, in terms of meeting the requirements and principles, and preparations for its effective implementation, are realized through Chapter 22 - Regional Policy and Coordination of Structural Instruments.

G. Never worse public opinion for joining the EU, which affects that Serbia's economic cooperation with the EU is not perceived in the right format

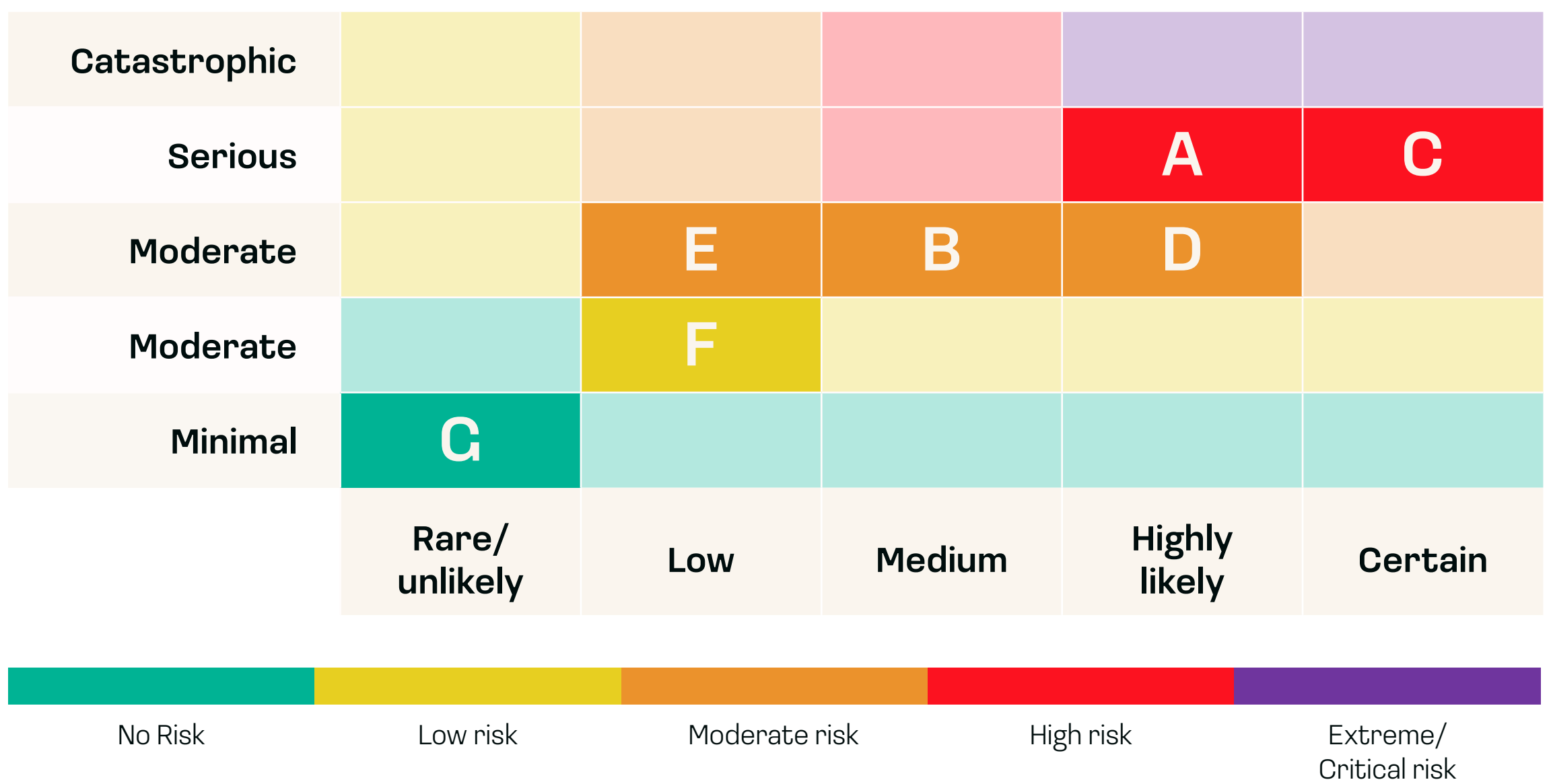
- In the observed period, the percentage of citizens who support the EU accession has never been lower. According to the survey from December 2022, only 43% of citizens voted positively for EU membership, and 32% oppose membership (the maximum was 37% in September 2022). The largest percentage of citizens (33%) believe that the EU will face more and more problems in the future and that it is more likely that it will completely close, or even disintegrate, than that it will continue to expand and strengthen. 17% of citizens single out the Dialogue with Pristina as the most significant event in the process of Serbia's accession to the EU in the last year. At the same time, the largest percentage of citizens believe that these relations should be resolved independently of joining the EU.

- Serbian citizens do not have a clear picture of the importance of economic

cooperation with the EU. Thus, 28% of citizens believe that the EU is the biggest donor, and even 25% believe that the biggest donor is China.

RISK ASSESSMENT

Security and Defence cooperation between Serbia and European Union – Serbia’s position in International System



SUB-AREAS FOR CONTINGENCIES

Proposed sub-areas for Economy area for COMPASS Platform:

1. Foreign trade
2. Foreign direct investments
3. Grants&Loans
4. Economic policies
5. Other - economical

SWOT Analysis

Strengths:

- Serbia's geographical position within the Europe, and closeness to the EU border, along with the knowledge about the EU market provides for Serbia competitive advantage.
- Developed and diversified economic cooperation with the EU in all fields – investment, trade, loans, grants.
- Reduction of trade deficit with the EU.
- The implementation of autonomous trade measures represented the most extensive system of trade preferences that the EU has ever granted to a country or group of countries.
- Serbia has surplus in trade of agricultural products with the EU.
- The implementation of the Stabilization and Association Agreement should raise business standards in Serbia, gradually preparing Serbian companies for market competition with companies from the EU on the single market, but also increasing their competitiveness in the long run.
- High level of FDI investments improve competitiveness of Serbian economy.

Weaknesses:

- Serbia's alignment with other regional integrations and countries that are not EU allies (for example BRICS, China, Azerbaijan, United Arab Emirates etc.) could destabilize its economic relations with the EU.
- Export of low added value products to the EU.

- High reliance on exports exclusively to the EU market (e.g. more than 50% of agricultural products or 70% goods from the six sectors covered by the CBAM) in the event of a disruption poses a threat to domestic exports.
- The slow process of decarbonization of the domestic economy threatens competitiveness and export possibilities to the EU market.
- Serbia does not have access to Cohesion policy (Regional Policy) funds, which are crucial for certain structural reforms of the economy.
- The structure of Serbian economy dominated by energy-intensive sectors.

Opportunities:

- Better economic conditions and trend within the EU economy will enable better economic cooperation with Serbia.
- Improvement of the EU and China political and economic relations will positively influence Serbia's stable economic position.
- Improvement of global economic conditions and trends can help Serbia's economic development.
- New plan for Balkan Development
- Attracting FDI to sectors with higher technological added value.

Threats:

- Decreasing volume and share of the EU FDI in Serbia.
- Slow EU accession process of Serbia due to political issues, is preventing Serbia to reach full capacity of economic cooperation with the EU
- Increase of strikes in the countries that are Serbia's biggest trade and investment partners such as Germany and Italy.
- The development of Serbia will depend

on the structure of FDI inflows from the EU.

- Raising standards without adequate help to restructure the economy (e.g. CBAM).

POLICY IMPLICATIONS

Relevant actors:

- Ministry of European Integration
- Ministry of Economy
- Ministry of Trade, Tourism and Telecommunications
- Ministry of Interior and Foreign Trade
- Ministry of Finance
- Ministry of Environmental Protection

- Ministry of Construction, Transport and Infrastructure
- Ministry of Mining and Energy
- Ministry of Foreign Affairs
- Ministry Agriculture, Forestry and Water Management
- Chamber of Commerce and Industry of Serbia

Policy recommendations for the stakeholders:

1. Improvement of negotiation process with the EU will boost economic cooperation with the EU

Recommendation:

- Even though slowing of the EU accession process has contributed to flagging public support for EU membership and open a discussion who will be the most important economic partner of Serbia,

it is necessary to improve business environment and ensure a transparent and predictable regulatory framework.

Action Steps:

- Serbian Government along with the Ministries should work together on better informing the citizens of the Republic of Serbia about the benefits of joining the EU, and particularly about the diffi-

culties our economy could face if we do not cooperate with the EU any more.

- Work on procedures that will enable fairer and more transparent procurement practices, reduce corruption, etc.

2. Increase the share of national companies into global value chains:

Recommendation:

- Even though Serbia has potential (favourable geographic position, inexpensive inputs, macroeconomic stability and education quality) to increase its share in global value chains, it is necessary to support this process.

Action Steps:

- Carry out detail analysis in order to define sectors that are more prominent.
- Define the main bottlenecks and obstacles for greater integration in global value chains.
- Define measures that will increase the value added/GVA growth.

3. Maintain competitiveness in the export of products that are part of the CBAM regulation

Recommendation:

- In order to maintain competitiveness in the export of products defined by the CBAM regulation, it is necessary to determine the best method for introducing the “polluters pay principle”.

Action Steps:

- Make a cost-benefit analysis of pos-

sible solutions for Serbia (CO2 tax or tradable permits) in order to maintain the price competitiveness of products on the one hand, and on the other hand to maintain the income that would be used for the decarbonization process in Serbia.

- Ensure the involvement of all interested parties in the decision-making process (relevant ministries, companies from the mentioned sectors, associations, etc.).
- Define the main bottlenecks and obstacles for greater integration in global value chains.
- Define measures that will increase the value added/GVA growth.

4. Improve the institutional capacities of competent institutions in order to apply for a larger amount of EU grants.

Recommendation:

- Carry out EU related reforms and the Reform Agendas to access funding under the newly adopted EUR 6 billion Growth Plan for the Western Balkans.

Action Steps:

- Employ more competent experts into administration.
- Provide trainings for public servants.

Sino-Serbian economical relations, 2013-2023

WP: 1

Period analysed: January 1, 2013 – December 31, 2023

COMPASS Platform Sub-Area:

1. Foreign trade
2. Foreign direct investments
3. Grants & Loans
4. Economic policies

5. Belt and Road Initiative

Actors: Republic of Serbia; European Union

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EXCERPT

This section examines the economic cooperation between Serbia and China while assessing potential risks that could threaten this cooperation. The Strategic Agreement on Cooperation between the Republic of Serbia and the People's Republic of China was signed in Beijing in 2009, which led to more prominent economic cooperation between the two countries. Serbia's accession to the 16+1 format (now called China-Central and Eastern European countries) in 2012 further improved economic cooperation. However, comprehensive economic collaboration began in 2016 with Serbia's accession to the Belt and Road Initiative and the signing of the Comprehensive Agreement on Cooperation between the two countries. Over 10 years, economic cooperation between Serbia and China has improved in all areas analysed in this document, including trade, investments, and loans. In 2022, trade reached \$5 billion, but Serbia recorded a

significant foreign trade deficit, which is increasing annually. The copper exported to China is raw (unprocessed), which worsens the export structure, as it is a low-value product. Investments, on the other hand, have improved significantly. Chinese private companies are investing mostly in the auto industry. Chinese loans that Serbia used were invested in the restoration of road and railway infrastructure and the modernization of a thermal power plant, which was necessary for the development of the Serbian economy. However, the lending conditions are mostly undisclosed, and in certain situations, the project costs are significantly higher than the preliminary analysis showed. Moreover, despite the world's economic slowdown, the Serbian government continues to borrow, raising concerns about timely loan repayment. The report's preliminary risk matrix lists the most significant risks in the cooperation between Serbia and China. The risk

assessment considers both internal and external risks that can affect the economic cooperation between Serbia and China. The most significant potential risks are the structure and volume of Serbian exports to China, the volume of Chinese loans taken and the possibility

of returning them, uncertainties related to the Free Trade Agreement signed between Serbia and China, the slowdown of the Chinese and world economy, and finally, the ongoing geopolitical events and the escalation of conflicts.

CHRONOLOGY OF THE CONTINGENCIES

2012

- Serbian import of goods from PRC amounted USD 1.385 mil (7.05% of total import).
- Serbian export of goods to China was USD 19.8 mil (0.2% of total export).
- Trade deficit with China was 1.365,2 USD mil, which is 17.8% of total trade deficit.
- Net FDI from China amounted EUR 1.1mil, which is of 0.15% of total net FDI.
- Serbia joins the 16+1 format, nowadays known as China-Central and Eastern Europe (China-CEE) cooperation framework.
 - In 2012, China proposed to 16 Central and Eastern European countries (the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Czech Republic, the Republic of Croatia, the Republic of Estonia, Hungary, the Republic of Latvia, the Republic of Lithuania, Montenegro, the Republic of North Macedonia, Poland, Romania, the Republic of Serbia, the Slovak Republic, and the Republic of Slovenia) the establishment of cross-regional cooperation platform that will enable

better cooperation. One of the most important parts within this cooperation framework was and still is economic cooperation, mainly focused on trade, investment and loans but encompassing other economic-related fields such as agriculture, science and technology, education etc.

- Serbia was one of the first countries that accepted the invitation and joined this format. In the first four years, all economic projects that Serbia had with China were realized through this platform. In that sense, this platform enabled Serbia a better understanding of the Chinese way of cooperating and doing business and provided an excellent base for joining the Belt and Road Initiative.
- Serbia has achieved the highest level of economic cooperation among the listed group of countries. Other countries, such as Hungary, Bosnia and Herzegovina, and Greece, have also achieved solid results in economic cooperation. However, some countries have achieved modest results, which can be attributed to political reasons.
- Even though the cooperation start-

ed very strong, with a large number of projects that each European country nominated, the achieved results are modest. The exit of 3 countries and the rising political circumstances, along with the pandemic and wars, have influenced results in the economic field. Although the format still exists, and there are still official summits, meetings and conferences, the format is not as important nowadays as the BRI. The last China-CEEC summit was held in 2021, in online format due to the pandemic, but after that, in 2023, it was not held, although all previous summits followed two years dynamic.

2013

- Serbian import of goods from China amounted USD 1509 mil (7.3% of total import).
- Serbian export of goods to China was USD 9.1 mil (0.06% of total export).
- The trade deficit with China was USD 1500 mil, which is 25.3% of total trade deficit.
- Net FDI from China amounted to EUR 22.2 mil, which is 1.71% of total net FDI.
- June 2013 – Serbia signed agreement for the construction of the part of the highway Ljig-Preljina with company Shandong Caosu worth 330 million US\$.
- November 2013 - The construction of the new Kostolac B3 unit and mine Drmno worth USD 715 million is done

by Chinese state-owned company, and the funds (80%) are provided by Chinese loan.

- China Machinery Engineering Corporation (CMEC) is in charge of works in Kostolac TPP. Elektro Privreda Srbije (EOS) provides 15 percent of funds for the project, while the remaining part is financed by the China Exim Bank loan. EPS will invest 613 million US\$ for the construction of the new unit, and together with the increase of the mine Drmno's capacity, the investment will amount to 715.6 million dollars. The Export-Import Bank of China is providing 80% of the funding for the entire project of \$715 million through a 20-year loan.

2014

- Serbian import of goods from China amounted USD 1561 mil (7.6% of total import).
- Serbian export of goods to China was USD 14.2mil (0.10% of total export).
- The trade deficit with China was USD 1546.8 mil, which is 26.8% of total trade deficit.
- Net FDI from China amounted to EUR 80.5 mil, which is 6.5% of total net FDI.

Greece joined the format in 2019, while in 2021, Estonia, Latvia and Lithuania exited the format. The new name for the cooperation framework is the China-CEEC format.

2015

- Serbian import of goods from China amounted USD 1538 mil (8.5% of total import).
- Serbian export of goods to China was USD 20.2 mil (0.15% of total export).
- The trade deficit with China was USD 1517.8 mil, which is 31.5% of total trade deficit.
- Net FDI from China amounted to EUR 66.4 mil, which is 3.7% of total net FDI.

2016

- Serbian import of goods from China amounted USD 1603 mil (8.34% of total import).
- Serbian export of goods to China was USD 25.3 mil (0.17% of total export).
- The trade deficit with China was USD 1577.7 mil, which is 36% of total trade deficit.
- Net FDI from China amounted to EUR 218 mil, which is 11.5% of total net FDI.
- Serbia joins the Belt and Road Initiative
 - The Belt and Road Initiative is by far the most significant and comprehensive project in which Serbia is included, which can be rated as successful. The BRI marked its 10th anniversary in 2023, and thus far, 150 countries and international organizations joined this initiative. Like the China-CEEC cooperation framework, the BRI primarily aims at enhancing economic cooperation while also improving other aspects of the partnership. Serbia joined the BRI in 2016, the same year

in which Chinese President Xi Jinping visited Serbia and the same year in which Serbia signed a Comprehensive Strategic Partnership Agreement with China. Serbia is among countries that pursued economic cooperation with China in this format in a positive way and is leader in the Balkan region regarding achieved result in this field.

- Chinese state-owned company HBIS Group acquired Serbian company Železara Smederevo, worth 330 million US\$.

- When HBIS acquired Železara Smederevo, the situation in this company was difficult due to multiple problems such as low production levels, old equipment, debt, and 5,000 workers who received only the minimum salary provided by the Serbian Government. Since the previous owner, US Stell, sold this company in 2012 to the Serbian Government for USD 1, the domestic Government could not find an adequate business partner to privatize this company. After many years of trying to find a good business partner, Serbia started negotiations with the Chinese Government to find a new partner. Finally, in 2016, the Chinese Government approved the acquisition of Železara by state-owned company HBIS Group and later on Serbian Government accepted the offer. The results from the end of 2022 indicate that Hesteel became the number two exporter in Serbia due to the many changes introduced in the production process and management of the company.

- First joint venture between Serbian Government and Chinese private company was realized with establishment of company Mei Ta.

- Chinese private company Mei Ta opened its production facility for automotive parts and engines in Belgrade municipality Obrenovac. The Serbian side invested 20 million, while the Chinese side invested USD 77 million in this joint venture. The company started with one production facility, and nowadays there are two, which employ 3,000 workers.

- December 2016 - China Communication Construction Company signed a contract with the Serbian Government to build part of the E-763 highway from Surčin to Obrenovac, worth 230 million USD.

2017

- Serbian import of goods from China amounted to USD 1816.1 million (8.21% of total import).

- Serbian export of goods to China was USD 62.1 million (0.37% of total export).

- The trade deficit with China was USD 1754 million, which is 33.9% of total trade deficit.

- Net FDI from China amounted to EUR 177.5 million, which is 7.3% of total net FDI.

- A loan contract was signed in May 2017 with the China Export-Import Bank to build the first part of the Belgrade - Budapest Railway in Serbia (Beograd Centre - Stara Pazova), worth USD 367.4 million.

- Railway Belgrade-Budapest is the first trilateral project (China, Hunga-

ry, and Serbia) realized within the former 16+1 cooperation framework. The Serbian part encompasses three sections: 1. Beograd Centre - Stara Pazova; 2. Stara Pazova - Novi Sad and 3. Novi Sad - Subotica. Chinese companies are in charge of part one and three. Part 1, from Belgrade - Stara Pazova, is worth 367.4 million USD, and 85% is financed by a Chinese loan (USD 297.6 million) and the rest of it is financed by Serbia. This part of the railway, as well as the second part (which was done by Russian companies and with Russian loans), were finished in 2022.

- November 2017 - Loan for building part of E-763 between Preljina and Požega worth 520 million US dollars was signed with China Communication Construction Company.

- December 2017 - Loan for the construction of the heating pipeline of Novi Beograd- Obrenovac worth 230 million US dollars. Company Power Construction Corp. (PowerChina) is in charge of this project.

2018

- Serbian import of goods from China amounted to USD 2167.8 million (8.4% of total import).

- Serbian export of goods to China was USD 92.6 million (0.48% of total export).

- The trade deficit with China was USD 2075.2 million, which is 31.2% of total trade deficit.

- Net FDI from China amounted to EUR 686.6 million, which is 21.8% of total net FDI.

- The biggest acquisition of Chinese state company in Serbia realized in June 2018, by Zijin Mining company. This company acquired the state copper mine RTB Bor for 1.72 billion US\$.

- Serbian Government has tried for ten years to privatize the state copper mine RTB Bor and find a partner that could invest in the production facility and that would keep all 5.000 workers. After three failed privatization tenders, Serbia approved the acquisition of this mine by the Chinese state company Zijin Mining Group. Currently, Zijin is Serbia's largest exporter, mainly exporting raw copper to China. Although the business results in previous years were excellent, the company faced many complaints from local citizens due to air pollution. To address this issue, Zijin announced in 2023 that it will open a green hydrogen production facility in the upcoming year, which will reduce air pollution caused by copper production.

- July 2018 – PowerChina signed contract to build bypass motorway E70/E75 around Belgrade (bridge across river Sava near Ostružnica-Bubanj Potok (section 4, 5 and 6), worth 268 million US\$.

- A loan contract signed with the China Export-Import Bank to build the third part of the Belgrade - Budapest Railway in Serbia (Novi Sad - Subotica), worth USD 1.16 billion.

- Railway Belgrade-Budapest is the first trilateral project (China, Hungary, and Serbia) realized within former 16+1 cooperation framework. Serbi-

an part encompasses three sections: 1. Beograd Centre – Stara Pazova; 2. Stara Pazova – Novi Sad and 3. Novi Sad – Subotica. Chinese companies are in charge for part one and three. Part 3, from Novi Sad – Subotica, is worth 1.16 billion US\$, and 85% is financed by Chinese loan (USD 988.4 mil) and the rest of it is financed by Serbia. The construction work started at the end of 2021, and the plan is for this part to be finished by 2024.

2019

- Serbian import of goods from China amounted USD 2506.1 mil (9.44% of total import).

- Serbian export of goods to China was USD 318.3 mil (1.63% of total export).

- The trade deficit with China was USD 2.187,8 mil, which is 31.3% of total trade deficit.

- Net FDI from China amounted to EUR 339.4 mil, which is 9.5% of total net FDI.

- Private Chinese company Shandong Linglong made the biggest FDI worth 896 million US\$ in Serbia, from the time Serbia was solemn country until 2019.

- The company Shandong Linglong tyre company is situated in the city of Zrenjanin. Due to the COVID-19 pandemic, the production facility is still not open at the beginning of 2024. Although the impact of this company on the Serbian economy will be more visible in the upcoming years, the work of this company is negatively perceived by the Serbian public due to many problems that foreign workers who

are working on the construction site face (such as low wages, inadequate living conditions, and mobbing).

2020

- Serbian import of goods from China amounted USD 3249 mil (12.42% of total import).
- Serbian export of goods to China was USD 369 mil (1.9% of total export).
- The trade deficit with China was USD 2880 mil, which is 42.5% of total trade deficit.
- Net FDI from China amounted to EUR 528.5mil, which is 17.9% of total net FDI.

2021

- Serbian import of goods from China amounted USD 4158.7 mil (12.3% of total import).
- Serbian export of goods to China was USD 944.5 mil (3.7% of total export).
- The trade deficit with China was USD 3214.2 mil, which is 39.1% of total trade deficit.
- Net FDI from China amounted to EUR 630.8 mil, which is 17.3 % of total net FDI.

2022

- Serbian import of goods from China amounted USD 5139.5 mil (12.9% of total import).
- Serbian export of goods to China was USD 1186.1 mil (4.15% of total export).
- The trade deficit with China was USD 3953.4 mil, which is 35.3% of total

trade deficit.

- Net FDI from China amounted to EUR 1377.3 mil, which is 31.8% of total net FDI.

2023

- Serbian import of goods from China amounted 4801.1USD mil (12.1% of total import).
- Serbian export of goods to China was 1159.9USD mil (3.77% of total export).
- The trade deficit with China was 3.641,2USD mil, which is 41% of total trade deficit.
- In the first three quarters Chinese FDI were worth EU 533.3ml.
- Net FDI from China amounted to 1372.4 EUR mil, which is 32.5% of total net FDI.
- According to database China Global Investment Tracker, Serbia took in period 2013-2023, USD 13.65 billion worth of loans to finance infrastructural projects, such as highspeed road, railway, modernization of thermal power plan, and communal utilities.
- Serbia signs a Free Trade Agreement (FTA) with China
 - At the end of 2023, the Serbian Government published a lengthy version of the FTA (850 pages long), which represents a document that needs to be ratified by the Serbian National Assembly and the Chinese Government to become an operational Free Trade Agreement during 2024 or 2025. The document provides the list of products that will have customs benefits in

upcoming years, namely 10.412 products from the Serbian side and 8.930 products from the Chinese side. The import of products from around 60% of tariff codes when importing to Serbia and the People's Republic of China will be immediately liberalized, an additional 16% after five years, another 10% after ten years, and another 4% after fifteen years. After fifteen years, full liberalization (exemption from paying customs duties and other fees) will apply to products from about 90% of tariff codes. Serbian Government officials have highlighted that this agreement will increase the export of the following domestic products: apple, plum, peach, soya oil, vine, pharmaceutical and industrial products.



A. Continuation of unfavourable trade structure of Serbian export to China and huge trade deficit.

- Serbian exports to China are unfavourable since it exports raw materials (copper, silver, wood) and imports final products with high value-added (phones, computers). Unfavourable terms of trade and pronounced disbalance are challenging and could create middle- and long-term serious disadvantages for the Serbian economy. Additionally, Serbian trade deficit with China has been significantly increasing in observed period compared to Serbian total trade deficit. In 2012, trade deficit with China within total trade deficit was 17.5%, while in 2022 it was 35.3%. It even reached out 45.5% during 2020 in the first year of COVID pandemic. Signing a Free Trade Agreement with China can be used to reduce existing imbalances and improve the long-term benefits of trade for the Serbian economy.

B. An excessive amount of Chinese loans that threatens the normal functioning of the Serbian economy.

- Judging by collected data, Serbia borrowed at least USD 5 billion worth of Chinese loans in the last 15 years, which were invested in transportation infrastructure and modernization of thermal powerplant. Serbia planned those loans according to the normal functioning of the Serbian and global economy. However, a global recession, followed by two wars (Ukraine and Gaza) that have

a huge impact both on China and Serbia, followed by a further detachment of the USA and the EU economy from China, can seriously affect Serbian economic performances and endanger its ability to pay loans not only to China but to other creditors as well.

C. Free Trade Agreement that Serbia signed with China.

- Free Trade Agreement, although seen as a positive turn of events in the Serbian economy, it can be qualified as such only if it is used to enhance Serbian export trade volume and structure and additionally decrease the trade deficit with China.

D. Worsening economic conditions and trends within Chinese economy, that could affect Chinese cooperation with Serbia.

- The Chinese economy has been exposed to volatility in the last three years. Although recovery from the pandemic started soon, the consequences of this health crisis are still affecting China's economic performance. The GDP growth rates are still below planned. The real estate sector is heavily hit, with many companies facing difficulties and even some filing for bankruptcy. The youth unemployment rates are at their highest peak, preventing young graduates from finding a job. What is even more important is that domestic demand has not recovered from the pandemic, and that is a crucial part of

the Chinese economic recovery. Without the increase in private and public spending, the Chinese economy will face numerous problems. Due to these domestic problems in China, Sino-Serbian economic cooperation can be affected as well.

E. New geopolitical conflict between China and the West following possible attempts of China's unification with Taiwan, that could affect Sino-Serbian economic cooperation.

- The Chinese government desires to reclaim Taiwan as its territory, and it has been investing time and resources towards this goal. Many political analysts believe this is a highly probable outcome, so numerous economists have started analysing the potential impact on the global economy if the unification leads to a military conflict. The prognosis is quite pessimistic, and recent events such as the US and the EU decoupling (de-risking) from China should be evaluated with this possibility in mind. If a military conflict does occur, the Serbian economy will be severely affected on all fronts. Serbia would be forced to choose a side, as neither would accept neutrality from it. The political consequences will be the first to manifest, but the economy will also suffer greatly in terms of trade, investments, and loans.



RISK ASSESSMENT

Security and Defence cooperation between Serbia and European Union – Serbia’s position in International System

Catastrophic					
Serious			E	A	
Moderate			C,B,D		
Moderate					
Minimal					
	Rare/ unlikely	Low	Medium	Highly likely	Certain



SUB-AREAS FOR CONTINGENCIES

Proposed sub-areas for Economy area for COMPASS Platform:

1. Foreign trade
2. Foreign direct investments
3. Grants&Loans
4. Economic policies
5. Belt and Road Initiative
6. Other - economical

SWOT Analysis

Strengths:

- Volume of trade that Serbia has with China.
- Volume and structure of Chinese investments in Serbia.
- Modernization of Serbian road and railway infrastructure that enables better economic development that was funded by Chinese loans.
- Free trade agreement that Serbia signed with China, that will enable better structure of Serbian export, and that will attract Chinese and the EU investors to open their companies (production, services) in Serbia.

Weaknesses:

- Significant Serbian trade deficit with China, which is increasing each year.
- Structure of Serbian export to China – raw materials and ore.
- Significant volume of loans that Serbia took for infrastructure, with unknown terms of loans and sometimes expensive price of infrastructural projects.
- With joining the EU, Serbia will no longer have the FTA with China, so potential benefits that could be utilized in mid or long period can be lost.
- Slowdown of Serbian economy could pose a problem for returning loans to China.

Opportunities:

- Improvement of global economic conditions and trends.
- Stabilization of Chinese economy.
- Improvement of the EU and China political and economic relations.
- Worsening political relations between China and the EU could pose an opportunity for Serbia to host EU investments in production field, since the EU companies are starting to withdraw from the Chinese market, and more focusing on other markets.

Threats:

- Geopolitical tensions that will endanger Serbia's relations with China (such as China's military attempt to unify with Taiwan).
- Further deepening of economic recession – inflation, unemployment, slow down of the global economy, that will consequently slowdown Serbian and Chinese economy.
- Worsening economic results and trends in Chinese economy.

POLICY IMPLICATIONS

Relevant actors:

- Ministry of Economy
- Ministry of Trade, Tourism and Telecommunications
- Ministry of Interior and Foreign Trade
- Ministry of Finance
- Chamber of Commerce and Industry of Serbia
- Ministry of Environmental Protection
- Ministry of Mining and Energy
- Ministry of Foreign Affairs

Policy recommendations for the stakeholders:

1. Stop/downsize the export of raw ore from copper mine Bor:

Recommendation:

- The Serbian Government (along with the Ministry of Mining and Energy and the Ministry of Internal and Foreign Trade) should negotiate with Zijin Mining to increase the volume of processed copper in Bor, instead of just exporting raw ore. It would mean that Zijin (Serbia) exports copper with higher added value instead of raw minerals.

Action Steps:

- Initiate negotiations with the management of Zijin Mining Group (ZMG) to evaluate what steps should be taken to improve this situation.
- ZGM owns one of the biggest copper reserves in the world, thanks to the Čukaru Peki site, and Serbia should advocate that the extraction process would bring excellent benefits and profit to this company in many years to come. In such a scenario, Serbia is a valuable partner to this company.
- The opening of a green hydrogen production facility in Bor is excellent news for Serbia regarding investments and ecology, but that should not stop our government from asking for a better export structure.

2. Relevant Government bodies and institutions should help Serbian domestic companies export to China:

Recommendation:

- The Serbian Government, relevant Ministries and the Chamber of Commerce should help prepare and organize Serbian companies to export Serbian products to the Chinese market, through workshops, training courses and marketing solutions for working in the Chinese market.

Action Steps:

- Identify Serbian companies that are ready or are close to being ready to export to the Chinese market. Send an info kit to all companies in Serbia about the possibilities of entering the Chinese market, as well as about opportunities and challenges they can face.
- Provide extra time and resources to help them in navigating the Chinese market, and the Serbian Chamber of Commerce should be in charge of this process.
- Set up thematic courses in various parts of Serbia dedicated to the subject of doing business in China (e.g. related to marketing, management practices, business law, accounting, taxes).
- Find adequate Chinese partners/provinces/cities that can provide additional help for Serbian companies. This process is not an easy one, and it can take years, but after that, results can be excellent.

3. Downsize the volume and project that are realized through loans, especially in infrastructure field:

Recommendation:

- The public debt in Serbia has been stable for several years. Most of the macroeconomic indicators are stable. However, stable economic growth of Serbia is connected to stable international growth and relatively stable political environment. However, recent geopolitical conflict, pandemic and economic recession are endangering Serbian economic predictions and plans.

Action Steps:

- Carefully assess infrastructural projects that have been planned, and make a list of priorities, along with their costs and benefits, and then decide to invest only in those that are really necessary.
- In times of crisis, which is now, funds should be saved and not spent, so precise assessment of priorities will enable better allocation of funds.
- Instead of financing projects by using loans, Serbian Government should increase buying gold reserves, as well as rare earth minerals, because in times of conflict they will not lose value.

4. Serbian Ministry of Foreign Affairs should be more included in informing relevant economic ministries about the possible and current geopolitical conflicts:

Recommendation:

- Due to budget distribution, the analytical department within the Ministry of Foreign Affairs (MFA) has experienced a decrease in state funds. This department has been responsible, among other things, for providing information on main geopolitical risks. To overcome this obstacle several actions can be proposed.

Action Steps:

- MFA should conclude contracts with different institutes, faculties, or researchers with international politics, economics, or law expertise. This action will ensure that current and relevant analyses are available to various governmental bodies and institutions, which can make plans following current geopolitical and geoeconomic changes and challenges.
- MFA should organize different types of briefings for their staff and staff of other ministries, especially those dealing with the economy in those regards. These briefings should provide proper data and analysis that could help them navigate geopolitical risks effectively.





04

Conclusion

4. Conclusion

The results of Serbian relations with the EU and with China were presented in six individual reports covering three research fields: political, security, and economic. Researchers involved in the COMPASS project utilized their expertise to collect, analyse, and understand the processes, events, and circumstances that led to Serbian unique position in its relations with the EU and China. Firstly, they identified the main contingencies within those relations and secondly, they positioned them in the risk matrix. Thirdly, due to a multidimensional approach to the topic, a strategic analysis tool - SWOT analysis, was deployed to enhance the analysis. Finally, in Work Package 1, policy recommendations were given to minimize or avoid risks altogether.

Table 1 presents all identified contingencies according to their respective fields. The importance of this step lies in identifying the most significant contingencies

since they were used in formulating risk matrixes. According to the presented findings, there are more identified risks in cooperation with the EU than with China. Serbia's orientation towards becoming an EU member state while simultaneously trying to leverage other connections and relations (such as with China and the Russian Federation) led to these outcomes. Several political issues are related to such findings, with the main one being the slow EU admission process due to the Priština problem, open chapters 23 and 24, which are the most problematic ones, and the Serbian stance on the Ukraine crisis. Those political issues corresponded with Serbian security and economic problems with the EU. Although the political relations with China are at the highest level thus far, there are nevertheless concerning issues, such as high debt levels and a significant trade deficit along with structure of Serbian export to China.

Table 1. Selected COMPASS contingencies

RESEARCH FIELD	CONTINGENCIES
POLITICAL FIELD	<p>EU</p> <ol style="list-style-type: none"> 1. Opening of EU accession talks at the political level (January 21, 2014) 2. Introduction of EU sanctions against the Russian Federation from March 2014. 3. Opening of negotiation Chapters 23 “Judiciary and fundamental rights” and 24 “Justice, freedom and security”. 4. The European Commission’s strategy “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans” (February 2018). 5. Adoption of the new, revised Methodology on EU enlargement (February 2020). 6. The European Parliament adopts a recommendation to continue accession talks with Serbia only if it aligns with the European Union sanctions policy against Russia (November 2022). 7. Support for the “French-German plan” for Kosovo (January 2023).
	<p>CHINA</p> <ol style="list-style-type: none"> 1. Serbia joining China – Central and Eastern European Countries cooperation mechanism led to China-Serbia Strategic Partnership evolved into Comprehensive Strategic Partnership. 2. Joint struggle to preserve principles of the international law and the Organization of United Nations as the guardian of world peace and security 3. Cooperation between Serbia and China under the pandemic.
SECURITY FIELD	<p>EU</p> <ol style="list-style-type: none"> 1. Statement by the EEAS spokesperson on recent increase in inflammatory rhetoric and tensions between Serbia and “Kosovo”. 2. National Security Council of Serbia adopted a conclusion in response to the war in Ukraine. 3. The Serbian Parliament adopted the Defence Strategy of the Republic of Serbia. 4. EU & Western Balkans Leaders agree on 17-point plan on migration 5. First EU-Serbia Intergovernmental Conference held, which marked the official start of Serbia accession negotiations. 6. The European Council agreed to launch accession negotiations with Serbia. 7. Defence Minister Nebojša Rodić signed an administrative cooperation agreement between the MoD and the European Defence Agency with High Representative for Foreign Affairs and Security Policy Catherine Ashton.
	<p>CHINA</p> <ol style="list-style-type: none"> 1. Signed Memorandum between Serbia and China on cooperation in space technologies. 2. Cooperation with the Chinese defence technology company CETC. 3. Serbia received the FK-3 air defence system it has purchased from China. 4. Serbia was delivered the six CH-92A armed drones it has purchased from China.

EU

1. Serbian export on EU market is directly threatened by the deterioration of EU economic performances.
2. The relative share of the net FDI from the EU is decreasing.
3. The CBAM mechanism makes the export of certain products more expensive so that these products become less competitive on the EU market.
4. Serbia is turning towards other regional and bilateral economic integrations, which disrupts Serbia's economic cooperation with the EU.
5. Serbia relies significantly on EU grants, funds, and loans.
6. The slow and lengthy process of the EU accession slows down Serbia's access to cohesion funds.

CHINA

1. Continuation of unfavourable trade structure of Serbian export to China and huge trade deficit.
2. An excessive amount of Chinese loans that threatens the normal functioning of the Serbian economy.
3. Free Trade Agreement that Serbia signed with China.
4. Worsening economic conditions and trends within Chinese economy, that could affect Chinese cooperation with Serbia
5. New geopolitical conflict between China and the West following possible attempts of Chinas unification with Taiwan, that could affect Sino-Serbian economic cooperation.

According to preliminary combined Risk matrix (refer to Table 2), many contingencies are put into category of high risk and moderate risk. This was expected as the researchers put the emphasis on the most significant potential events, processes and values that can lead to different issues and present risks.



Table 2 Preliminary risk matrix contingencies in PSE fields

Extreme/ Critical risk	
High risk	<ol style="list-style-type: none"> 1. Support for the “French-German plan” for Kosovo in 2023 [4,3] 2. Introduction of EU sanctions against the Russian Federation from March 2014 [4,4] 3. National Security Council of Serbia adopted a conclusion in response to the war in Ukraine [4,3] 4. Serbian export on EU market is directly threatened by the deterioration of EU economic performances [4,4] 5. The CBAM mechanism makes the export of certain products more expensive so that these products become less competitive on the EU market [4,5] 6. New geopolitical conflict between China and the West following possible attempts of Chinas unification with Taiwan, that could affect Sino-Serbian economic cooperation [5,3] 7. Continuation of unfavourable trade structure of Serbian export to China and huge trade deficit [4,4]

Numbers in the brackets, for example [4,3], correspond to the place of each contingency within the risk matrix. The first number presents consequences and the second likelihood. Also, please note that with blue colour are noted contingencies related to EU-Serbia relations, while with red colour are marked China-Serbia relations.

Moderate risk	<ol style="list-style-type: none"> 1. Opening of negotiation Chapters 23 “Judiciary and fundamental rights” and 24 “Justice, freedom and security” [3,3] 2. The European Parliament adopts a recommendation to continue accession talks with Serbia only if it aligns with the European Union sanctions policy against Russia in 2022 [3,3] 3. Opening of EU accession talks at the political level in 2014 [3,4] 4. The European Council agreed to launch accession negotiations with Serbia [3,2] 5. Joint struggle (Sino-Serbian) to preserve principles of the international law and the Organization of United Nations as the guardian of world peace and security [3,2] 6. The Serbian Parliament adopted the Defence Strategy of the Republic of Serbia [3,3] 7. Statement by the EEAS spokesperson on recent increase in inflammatory rhetoric and tensions between Serbia and “Kosovo” [3,4] 8. First EU-Serbia Intergovernmental Conference held, which marked the official start of Serbia accession negotiations [3,4] 9. Serbia received the FK-3 air defence system it has purchased from China [3,4] 10. Serbia relies significantly on EU grants, funds, and loans [3,2] 11. The relative share of the net FDI from the EU is decreasing [3,3] 12. Serbia is turning towards other regional and bilateral economic integrations, which disrupts Serbia’s economic cooperation with the EU [3,4] 13. Free Trade Agreement that Serbia signed with China [3,3] 14. An excessive amount of Chinese loans that threatens the normal functioning of the Serbian economy [3,3] 15. Worsening economic conditions and trends within Chinese economy, that could affect Chinese cooperation with Serbia [3,3]
Low Risk	<ol style="list-style-type: none"> 1. The European Commission’s strategy “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans” (February 2018) [2,2] 2. Adoption of the new, revised Methodology on EU enlargement (February 2020). [2,3] 3. The slow and lengthy process of the EU accession slows down Serbia’s access to cohesion funds [2,2]
No Risk	<ol style="list-style-type: none"> 1. Serbia joining China – Central and Eastern European Countries cooperation mechanism led to China-Serbia Strategic Partnership evolved into Comprehensive Strategic Partnership [1,1] 2. Cooperation between Serbia and China under the pandemic. 3. Defence Minister Nebojša Rodić signed an administrative cooperation agreement between the MoD and the European Defence Agency with High Representative for Foreign Affairs and Security Policy Catherine Ashton [2,2] 4. Signed Memorandum between Serbia and China on cooperation in space technologies [2,1] 5. Cooperation with the Chinese defence technology company CETC [2,1] 6. Serbia was delivered the six CH-92A armed drones it has purchased from China [1,2] 7. Never worse public opinion for joining the EU, which affects that Serbia’s economic cooperation with the EU is not perceived in the right format [1,1]

The COMPASS project researchers identified the most important 32 contingencies categorized into five risk categories. In the political field, researchers identified ten contingencies and eleven in the security and economic fields. The breakdown of identified risks is as follows: none were categorized as Extreme/Critical risk, seven as High risk, fifteen as Moderate risk, three as Low risk, and seven as No-risk contingencies. The majority of the contingencies fell into High risk and Moderate risk categories. The most prominent risks in the political and economic fields are related to Serbian cooperation with the EU, while in the security field, they are related to China. The significant issues and risks are associated with Serbian territorial integrity, particularly problems with Priština and slow EU accession talks, while simultaneously strengthening political, security, and economic ties with China. The strategic decision of Serbia to be politically neutral has been challenging to maintain, but there is still room to continue with this orientation.

Further analysis was continued through SWOT assessments. There is no consensus in the literature about the origins and authorship of SWOT (an acronym for Strengths, Weaknesses, Opportunities, Threats) analysis, nor is there a strict definition. However, it is widely recognized that SWOT analysis is an essential component of strategic management, specifically strategic planning, as it exam-

ines both internal and external factors that impact a company's operations. Internal factors encompass the company's strengths and weaknesses, while external factors refer to those in its surrounding environment. The company can influence and change internal factors, but it cannot impact external factors. The company can only adapt to them. The analysis is versatile and is not only used to evaluate a company's market position and determine appropriate strategic decisions but also in a wide range of fields such as medicine, pharmacy, and technical sciences, as well as in political, security, and macroeconomic contexts. It's important to note that strengths in this analysis should not be confused with opportunities, and weaknesses should not be confused with threats.

Table 3 outlines the findings regarding the strengths and weaknesses within Serbia while also discussing the opportunities and threats, which are beyond Serbia's control. Serbia has sufficient strengths to enhance its relations with both entities. However, there are weaknesses that Serbia needs to address. Some weaknesses could be easily changed, but others cannot be changed at all. Therefore, it is important to offset these weaknesses with additional strengths. As for the opportunities identified in the report, many of them can be utilized to mitigate the threats.

4a. SWOT analysis for political, security, and economic field

Political Field

STRENGTHS

EU

- EU enlargement process as political signal to foreign investors.
- EU membership talks as motivator for internal political reforms, motivates numerous reforms in the areas of politics and rule of law.
- Partial integration into EU sectoral policies regional integration projects, the Stabilization and Association Agreement and visa liberalization are among those which have brought partial integration of Serbia into EU sectoral policies.

China

- Existing strategic comprehensive partnership between two countries guarantees stability in their relations and offers broad basis for further development of cooperation
- Both Serbia and China highly value international law principles, including one on territorial sovereignty and principle of non-interference into internal affairs
- Excellent-developed people to people dimension: mutually expressed interest in other country's language, culture, tradition, etc, led to extensive exchange among different groups of people – tourists, journalists, students, businessman, scholars, politicians...

WEAKNESSES

EU

- EU integration process conditional on Kosovo and sanctions against Russia.
- Slow progress of the integration process.
- Rising Euroscepticism in Serbia.

China

- There is notable disproportion between Serbia and China, in advance of China, in terms of size of the territory and number of populations. These disproportions may seriously affect relations between two countries.
- Given that Serbia is on the European and China on Asian continent, existing distance eventually may prolong assistance that China is providing to Serbia under some emergency situation.
- Different amount of political influence: being a Security Council permanent member, political influence of China is incomparable to Serbian which may cause sense of inferiority.

OPPORTUNITIES

EU

- Non-recognition of “Kosovo” by five EU member states prevents formal EU positions urging Serbia to give up on its southern province.
- Acknowledgment of lack of political will among EU members - several EU member countries, and France in particular, have signalled their reluctance to proceed with EU enlargement before internal reforms within the EU, thus relieving certain responsibility from candidate countries, including Serbia, and particularly signalling there is no urgency to pursue certain policies which would be detrimental to the national interests of candidates.
- Economic integration strengthens political cooperation.

China

- Realization of the Strategic partnership agreements: in political sense, Serbia has the opportunity to use its dignity and to firm its position in the region as the guarantor of peace, while from the economic perspective can use agreements for attracting more favourable investments.
- Positive solution of Kosovo and Metohija issue: with China’s support within the United Nations, Serbia can expect that situation with Kosovo and Metohija wouldn’t get any worse, on the contrary, that Kumanovo Agreement finally will be implemented, and that Serbian military will get back to the province.
- Partnership with China implies to China’s active involvement in Serbian neighbourhood which will lead towards stabilization of relations in the region.

THREATS

EU

- Unacceptable proposals, pressure, and urgency regarding Kosovo.
- Increased tying of EU integration process with the Kosovo talks - the process has gone from “EU and Kosovo are two separate issues” in the late 2000s into strong conditionality of the accession process with progress on Kosovo talks, particularly regarding giving up on key elements of sovereignty.
- Geopolitical conditioning: although Serbia is, under Chapter 31, not formally obliged to harmonize its foreign policy with the EU before the conclusion of accession talks, EU member countries, the European Commission and the European Parliament are increasingly tying the two.

China

- As the international relations are not as stable as they used to be fifty years ago, at certain point all countries may be challenged by its unfavourable development. Under such circumstances, there is an open question whether the existing partnerships, including this between Serbia and China, would persist.
- For decades, Serbia is confronted with various pressures and exposed to conditions in order to fulfil one of its foreign policy goals – joining the EU. Under such circumstances, it wouldn’t be surprise if an open demand for termination of relationship with China appears.
- Although it is not very likely, there is always an open possibility that on future election some against cooperation with China political party or coalition will win.

Economic Field

STRENGTHS

EU

- Serbia's geographical position within the Europe, and closeness to the EU border, along with the knowledge about the EU market provides for Serbia competitive advantage.
- Developed and diversified economic cooperation with the EU in all fields – investment, trade, loans, grants.
- Reduction of trade deficit with the EU.
- The implementation of autonomous trade measures represented the most extensive system of trade preferences that the EU has ever granted to a country or group of countries.
- Serbia has surplus in trade of agricultural products with the EU.
- The implementation of the Stabilization and Association Agreement should raise business standards in Serbia, gradually preparing Serbian companies for market competition with companies from the EU on the single market, but also increasing their competitiveness in the long run.
- High level of FDI investments improve competitiveness of Serbian economy.

China

- Volume of trade that Serbia has with China.
- Volume and structure of Chinese investments in Serbia.
- Modernization of Serbian road and railway infrastructure that enables better economic development that was funded by Chinese loans.

- Free trade agreement that Serbia signed with China, that will enable better structure of Serbian export, and that will attract Chinese and the EU investors to open their companies (production, services) in Serbia.

WEAKNESSES

EU

- Serbia's alignment with other regional integrations and countries that are not EU allies (for example BRICS, China, Azerbaijan, United Arab Emirates etc.) could destabilize its economic relations with the EU.
- Export of low added value products to the EU.
- High reliance on exports exclusively to the EU market (e.g. more than 50% of agricultural products or 70% goods from the six sectors covered by the CBAM) in the event of a disruption poses a threat to domestic exports.
- The slow process of decarbonization of the domestic economy threatens competitiveness and export possibilities to the EU market.
- Serbia does not have access to Cohesion policy (Regional Policy) funds, which are crucial for certain structural reforms of the economy.
- The structure of Serbian economy dominated by energy-intensive sectors.

China

- Significant Serbian trade deficit with China, which is increasing each year.
- Structure of Serbian export to China – raw materials and ore.
- Significant volume of loans that Serbia took for infrastructure, with unknown terms of loans and sometimes expensive price of infrastructural projects.
- With joining the EU, Serbia will no longer have the FTA with China, so potential benefits that could be utilized in mid or long period can be lost.
- Slowdown of Serbian economy could pose a problem for returning loans to China.

OPPORTUNITIES

EU

- Better economic conditions and trend within the EU economy will enable better economic cooperation with Serbia.
- Improvement of the EU and China political and economic relations will positively influence Serbia's stable economic position.
- Improvement of global economic conditions and trends can help Serbia's economic development.
- New plan for Balkan Development
- Attracting FDI to sectors with higher technological added value.

China

- Improvement of global economic conditions and trends.
- Stabilization of Chinese economy.
- Improvement of the EU and China political and economic relations.

- Worsening political relations between China and the EU could pose an opportunity for Serbia to host EU investments in production field, since the EU companies are starting to withdraw from the Chinese market, and more focusing on other markets.

THREATS

EU

- Decreasing volume and share of the EU FDI in Serbia.
- Slow EU accession process of Serbia due to political issues, is preventing Serbia to reach full capacity of economic cooperation with the EU.
- Increase of strikes in the countries that are Serbia's biggest trade and investment partners such as Germany and Italy.
- The development of Serbia will depend on the structure of FDI inflows from the EU.
- Raising standards without adequate help to restructure the economy (e.g. CBAM).

China

- Geopolitical tensions that will endanger Serbia's relations with China (such as China's military attempt to unify with Taiwan).
- Further deepening of economic recession – inflation, unemployment, slow down of the global economy, that will consequently slowdown Serbian and Chinese economy.
- Worsening economic results and trends in Chinese economy.

Security Field

STRENGTHS

EU

- Alignment with EU Policies showcases Serbian commitment to regional stability and security cooperation.
- The initiation of accession negotiations with the EU signifies a significant milestone, providing Serbia with an opportunity to strengthen its security and defence capabilities through closer integration with EU defence initiatives.
- Bilateral military cooperation plans signed with various EU member states, administrative cooperation agreements with the European Defence Agency, and participation in joint exercises demonstrate Serbia's commitment to enhancing collaboration and interoperability with EU partners.

China

- The long-standing bilateral defence cooperation agreement signed in 2008 laid the foundation for strategic collaboration, emphasizing joint exercises, training, and military-economic collaboration.
- The relationship has been characterized by mutual respect and commitment to enhancing capabilities, contributing to a strong foundation for security and defence cooperation.
- The collaboration spans various areas, including the acquisition of military equipment, joint tactical matters, and even cooperation in space technologies, providing a diversified portfolio.

WEAKNESSES

EU

- Serbia's varying alignment rates with EU declarations and council decisions in the Common Foreign and Security Policy (CFSP) indicate inconsistencies and potential challenges in fully aligning its policies with those of the EU.
- Serbia's defence sector may face resource constraints, impacting its ability to fully participate in EU-led initiatives and align with EU standards and regulations effectively.
- Tensions with "Kosovo" and reluctance to impose sanctions against Russia highlight potential political obstacles that could affect Serbia's alignment with EU foreign and security policies.

China

- While the collaboration offers diverse benefits, there might be concerns about dependency on China for military equipment and technology, potentially limiting Serbia's autonomy in foreign affairs with other actors – EU, Russia, USA.
- Some military agreements are semi-secret, and there might be limited transparency regarding the terms of cooperation, raising potential concerns among the public and international stakeholders.

OPPORTUNITIES

EU

- Serbia's active participation in the European Defence Fund and Permanent Structured Cooperation (PESCO) framework presents opportunities for deeper integration with EU defence initiatives and access to resources for modernizing its defence capabilities.
- Support from the EU, including grants for border management and assistance measures for demining and UXO disposal, provides opportunities for Serbia to strengthen its security and defence capacities and align with EU standards.
- Continued engagement with EU institutions and member states, as evidenced by high-level visits and strategic cooperation councils, offers opportunities for Serbia to foster closer ties and leverage support for its security and defence priorities.

China

- The collaboration, especially in defence industry cooperation, offers economic benefits, potentially boosting Serbia's defence capabilities while stimulating economic growth.
- Technological Advancements: The acquisition of advanced military equipment, including CH-95 drones and air defence systems, presents an opportunity for Serbia to advance its technological capabilities in defence.

THREATS

EU

- Escalating tensions with "Kosovo" and potential conflicts in neighbouring regions, such as the war in Ukraine, pose threats to regional stability and could undermine Serbia's security and defence objectives.
- Pressure to fully align with EU foreign and security policies, including sanctions against Russia, could strain Serbia's relations with the EU and impact its pursuit of an independent foreign policy.
- Budgetary limitations and competing priorities may hinder Serbia's ability to fully engage in EU-led initiatives and implement necessary reforms to meet accession criteria in the security and defence sector.

China

- Given the geopolitical context, especially in the Balkans, there is a threat that the collaboration might be impacted by regional tensions or changes in geopolitical dynamics.
- Depending heavily on military solutions may lead to increased tensions in the region, potentially jeopardizing Serbia's relations with neighbouring countries.
- The acquisition and deployment of advanced military technology, such as drones and air defence systems, pose potential risks, including technological failures or cybersecurity threats.

The geographical position of Serbia, as a country on the crossroads between the East and the West, once again proves to be challenging. Since the end of the 12th century, which was the time when Serbia started to be an autonomous state, those East-West relations and conflicts were intertwined with domestic circumstances, development and regional wars. As our country has developed, this position has become even more prominent.

While managing this position is difficult, it also provides unique opportunities for the Serbian government and its citizens.

Serbia's strategic neutrality, combined with a carefully implemented hedging strategy, has the potential to lead to societal improvements. However, decision-makers must be mindful of the delicate global political and security situation, which poses a threat to the world and has great potential to escalate. The Serbian government should aim to maintain a neutral position similar to that of Switzerland, for example.

4b. Policy Recommendations

Because of this, COMPASS team members suggested following list of recommendations to decision makers in Serbia:

1. Upholding the principle of territorial integrity of the Republic of Serbia.

2. Maintaining political independence in crafting Serbian foreign policy, especially with the EU.

3. Serbia should respect international obligations, agreements and fair criteria.

4. Extending political cooperation of Serbia with China.

5. Further improvements of Sino-Serbian diplomatic relations.

6. Further development of Sino-Serbian people-to-people relations.

7. Serbia must address inflammatory rhetoric and tensions with "Kosovo".

8. Serbian Government should maintain Serbia's policy of military neutrality while actively engaging in diplomatic initiatives to mitigate the impact of the conflict in Ukraine.

9. Serbian Government should prioritize the implementation of the Defence Strategy of the Republic of Serbia to modernize and enhance the capabilities of the Serbian Armed Forces, while strengthening cooperation with the EU partners.

10. Serbian Ministry of Foreign Affairs should actively engage in the EU-led migration plan by supporting initiatives to strengthen border management, combat human trafficking, and address root causes of migration.

11. Advancing EU accession negotiations is beneficial for EU-Serbian security and defence cooperation.

12. Strengthening diplomatic engagement with EU institutions and member states should be one of the Serbian priorities.

13. Serbia needs to diversify defence partnerships.

14. Enhancing transparency and accountability in security and defence cooperation with China.

15. Serbia should mitigate geopolitical risks associated with security and defence cooperation with China.

16. Serbia can strengthen technological capacities in security field with China

17. Serbia should balance economic and security considerations in relations with China.

18. Serbia should improve negotiation process with the EU which will boost economic cooperation with the EU.

19. Increase the share of Serbian national companies into global value chains.

20. Maintain competitiveness in the export of Serbian products that are part of the CBAM regulation.

21. Improve the institutional capacities of competent Serbian institutions in order to apply for a larger amount of EU grants.

23. Relevant Government bodies and institutions should help Serbian domestic companies export to China.

24. Serbia should downsize the volume and project that are realized through Chinese loans, especially in infrastructure field.

22. Stop/downsize the export of raw ore from copper mine Bor.

25. Serbian Ministry of Foreign Affairs should be more included in informing relevant economic ministries about the possible and current geopolitical conflicts.

4 c. Outputs for COMPASS Dataset

The COMPASS database is a unique database developed by the project team. Young researchers from the Institute of International Politics and Economics entered data into the database. Project team members provided all the data for the period covered by the COMPASS project. The COMPASS database can be used free of charge, and interested parties will have easy access to wanted information.

Data presented in this Report are used to create the COMPASS database. Each research team analysed events, circum-

stances, and actions, selecting those that were deemed as the most important. The initial version of this database is named COMPASS Dataset Historical (or Version 1.0), and this version will be continually updated.

To enhance objectivity, additional inputs provided by the Delphi panel, which includes experts and public surveys, will be used to verify the presented data. By doing this, researchers will include events or processes that might have been overlooked in previous processes.

Identified inputs:

a. List of relevant sub-areas for COMPASS Dataset

POLITICS

- EU Accession process
- Belgrade-Priština dialogue
- Serbia's domestic politics
- Diplomatic visits
- Sino-Serbian political cooperation
- Four pillars policy
- Serbia and international fora
- Other - political

SECURITY & DEFENCE

- Human Security
- National Security & Regional Stability
- International Security
- Military cooperation
- Statements and institutional activities
- Serbia in EU CFSP/CSDP
- Other - security

ECONOMICS:


- Foreign trade
- Foreign direct investments
- Grants&Loans
- Economic policies
- Belt and Road Initiative
- Other – economical

b. Historical contingencies for one of three versions of COMPASS Dataset

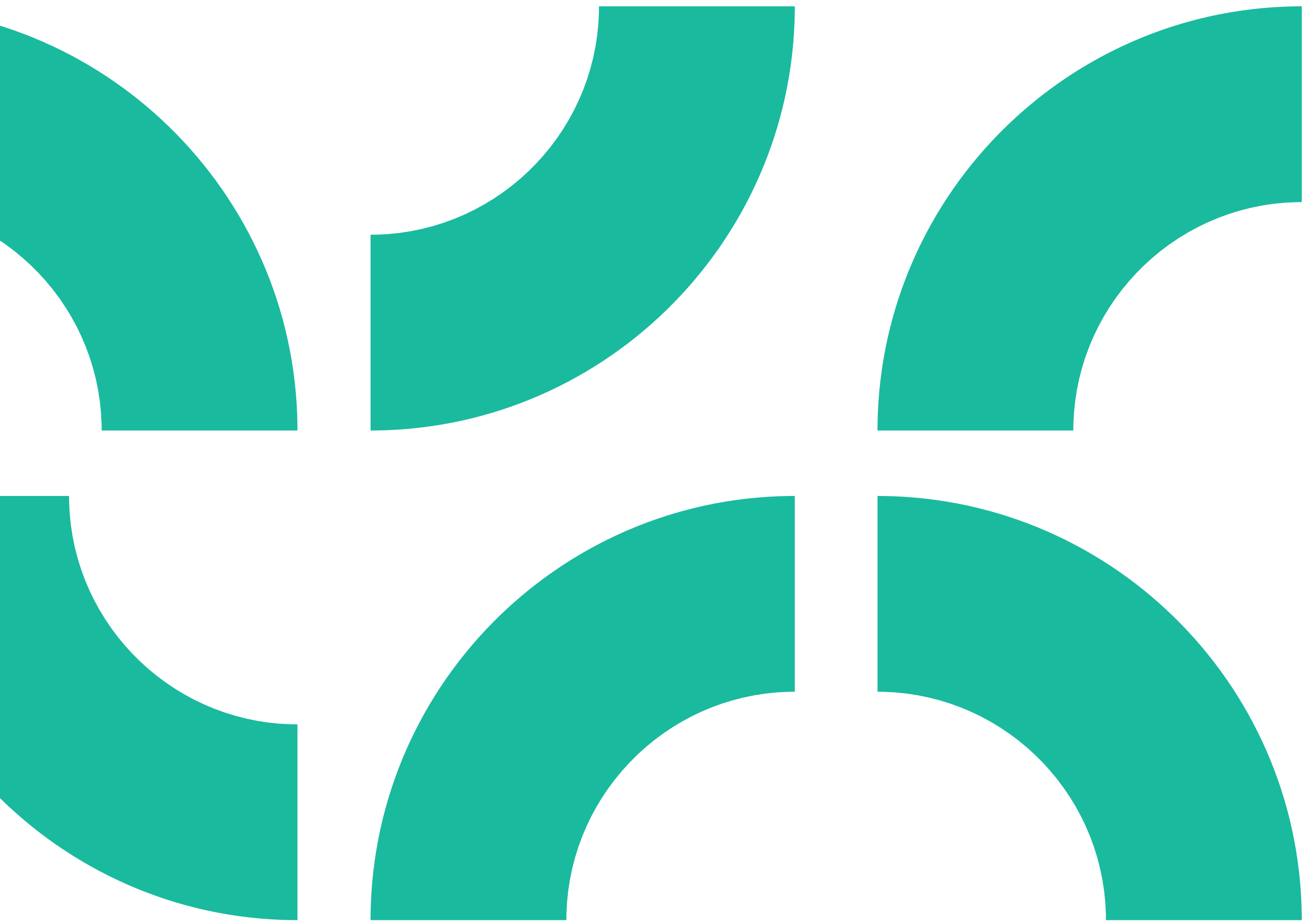
- Integral COMPASS project report, Version 1.0, consists of roughly 600 contingencies. This version of report is part of the COMPASS Dataset Historical.

c. Historical contingencies for one of three versions of COMPASS Dataset

The Integral COMPASS project report, Version 1.0, includes a total of 32 preliminary risks identified for the period 2013-2023. Among them, none were categorized as Extreme/Critical risk, seven as High risk, fifteen as Moderate risk, three as Low risk, and seven as No-risk contingencies. The majority of the contingencies fell into High risk and Moderate risk categories. The most prominent risks in the political and economic fields are related to Serbian cooperation with the EU, while in the security field, they are related to China. The significant issues and risks are associated with Serbian territorial integrity, particularly problems with Priština and slow EU accession talks, while simultaneously strengthening political, security, and economic ties with China. Those results are concerning but, at the same time, present an opportunity to reduce risk levels by implementing effective public policies.



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Disclaimer

While every effort has been made to ensure the accuracy and reliability of the data collected and analyzed within the COMPASS Project, it is important to note that COMPASS project team can not guarantee the completeness or accuracy of all data. Users should interpret the results

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with caution and acknowledge the inherent uncertainties and limitations associated with forecasting and risk assessment methodologies.

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