

COMPASS ANNUAL YEARBOOK

# Year in Rewind

## Serbia's COMPASS for 2024

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Ivona Lađevac, Branislav Đorđević, Sanja Filipović,  
Katarina Zakić, Aleksandar Mitić, Nenad Stekić, Pavle Nedić

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Belgrade, January 2025

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**Authors:**

Ivona Lađevac, Branislav Đorđević, Sanja Filipović, Katarina Zakić, Aleksandar Mitić, Nenad Stekić, Pavle Nedić

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# 01

## Introduction



The primary goal of the Contributing to Modern Partnerships: Assessments of Sino-EU-Serbian Relations (COMPASS) project is to evaluate the key risks in Serbia's relationships with two of its principal international partners, the European Union and China, across three areas: politics, security, and economics.

The political area covers the impacts and implications of events such as bilateral and multilateral agreements, official meetings, visits by political figures, joint statements, and declarations. It also includes their practical outputs, such as legislative acts and government decrees influencing relations between the sides. In the security area, the emphasis is on interactions involving military officials, the participation of the Serbian Armed Forces in EU-led military missions, arms trades, joint military exercises, changes in military posture, defence cooperation agreements, and the effects of

security-related legislation. The economic area focuses on various aspects of Serbia's economic cooperation with the EU and China, including grants, loans, bilateral trade agreements, foreign direct investments, joint infrastructure projects, and the economic impacts of these collaborations on Serbia's economy. Collectively, these three areas provide a comprehensive overview for the assessment of the risks Serbia faces in managing its strategic partnerships with the EU and China.

The COMPASS Annual Yearbook will be an annual publication, offering a comprehensive assessment of the evolving dynamics in Serbia's relations with both the EU and China. The Yearbook will provide in-depth analysis and insights into the political, economic, and security dimensions of these partnerships, reflecting the ongoing changes and emerging trends in Serbia's foreign policy. The focus is placed on Serbia-EU and Serbia-China relations as these actors present two of the crucial international partners for Serbia, alongside the USA and Russia. This aligns with Serbia's "Four Pillar" foreign policy doctrine, which emphasizes strengthening ties with all four. The EU remains a primary focus of Serbia's foreign policy, being in its immediate geographical proximity, a leading economic partner, and a highly significant actor in political and security matters. Additionally, EU membership is one of the most important strategic goals of Serbia's foreign policy. Meanwhile, China's growing global influence and expanding partnership with Serbia,

initially focused on economic collaboration, has increasingly produced results in political and security spheres as well. This growing relevance of China for Serbia and the region reflects Beijing's more active role on the international stage.

The analysis begins from 2013, a pivotal year when the European Council approved the European Commission's recommendation to open accession negotiations with Serbia and when China launched its Belt and Road Initiative, both crucial developments for Serbia's foreign relations. The main conclusions regarding the period 2013-2023 have been collected and presented in the COMPASS Integral Report 1, as the first key project output. However, the main focus of research is placed on the project implementation years of 2024 and 2025.

The project outputs fall into several different categories. One strand concerns the gathering and analysis of expert's opinion through the application of the Delphi technique. The Delphi technique is used in order to gauge the existence of a possible consensus among the experts through several iterations of anonymous questionnaire rounds. The second strand gives attention to the public opinion on the subject of Serbia's foreign policy. It encompassed the collection, through an online anonymous poll, of the overall stances of the general population towards the strategic direction Serbia is taking, as well as various aspects of its relations with the four "pillars" - the EU, the USA, Russia, and China. The third,

most comprehensive strand focuses on the identification, classification and the subsequent analysis of individual contingencies relating to risks for Serbia's foreign policy. These contingencies are collected and presented through the COMPASS platform.

The COMPASS platform serves as the project's central hub, housing a database of all identified contingencies and their respective effects on Serbia's foreign policy standing. These contingencies are selected through an extensive literature review and content analysis of Serbia's relations with the EU and China across the three key domains during the analysed period. Each contingency is categorized within one of the three research areas and further divided into subcategories. Additionally, a risk assessment matrix is applied to each contingency in order to evaluate their risk likelihood and its potential consequences. There are accordingly assigned a corresponding place in the overall COMPASS risk scheme, with options ranging from extreme risk, through high, moderate, and low, to no risk, thus creating a systematic organization for them.

The Yearbook presents key insights gathered from the research conducted throughout the first project implementation year, and covers the period from January to December of 2024. The first part, "Serbia and Global Surrounding in 2024" and Serbia, gives an overview of the general trends and occurring phenomena at the international level in the year 2024 and broadly explains how they



affect and concern Serbia. The second, main part titled “Four Pillars of Serbia’s Foreign Policy in 2024” highlights key aspects regarding Serbia’s relations with four major partners, the EU, the USA, Russia, and China, in the three domains of politics, security, and economics. It briefly summarizes key point in Serbia-USA and Serbia-Russia relations, while describing in more detail most important contingencies for Serbia’s relations with the EU and China. Additionally, using the developed COMPASS risk matrix, it places these contingencies within the developed framework. The third, concluding part, “Events and Trends to Follow in 2025”, is concerned with the future. It points out major known events of importance expected in 2025, such as impactful elections, summits, conferences and other events. It also identifies trends to follow, indicating general processes, tendencies and phenomena that will impact international arena and Serbia’s position in it in 2025.





# Serbia and Global Surrounding in 2024

The events that marked international relations in 2024 unfortunately confirmed the thesis that the system, which was created after the Second World War, is definitely disappearing in front of an unstoppable world without order. If it were not so, the war in Ukraine would have ended before it began, while the war that Israel led in the Middle East would never have happened. Without a doubt, a hint of such development of the situation appeared as early as 1999, when Federal Republic of Yugoslavia was bombed. The fact that then the world was silent now has come to be paid for.

The year 2024 will also be recorded as the biggest election year in history, considering that it was a year in which 4.2 billion people in 76 countries had the opportunity to vote. Elections were held in eight of the ten most populous countries in the world (Bangladesh, Brazil, India, Indonesia, Mexico, Pakistan, Russia and the United States) - and in the European Union.

The year began with controversial elections in Bangladesh and Taiwan. In Bangladesh, the opposition completely boycotted the election, calling it a sham, with Prime Minister Sheikh Hasina securing a fourth consecutive term as expected. Taiwanese voters elect-

ed the ruling Democratic Progressive Party's (DPP) presidential candidate Lai Ching-te, explicitly rejecting Chinese warnings not to vote for him in an election Beijing has labeled a choice between war and peace. The DPP party, which advocates for Taiwan's separate identity and rejects China's territorial claims, ran for a third term in this election, which is unprecedented in Taiwan's current electoral system.

The elections held in the European Union for the new convocation of the Parliament represented a real political earthquake. According to predictions, right-wing parties recorded excellent results in both France and Germany, the pillar countries of the European Union. The biggest losers were French President Emmanuel Macron and German Chancellor Olaf Scholz. Macron somehow saved himself, he also survived the new extraordinary national elections and remained in his position, but this was not the case with the German chancellor, who experienced the complete collapse of his coalition in November.

When it comes to elections in Russia, the fifth presidential mandate of the current president, Vladimir Putin, was not even called into question. He simply had no credible rival. On the other hand, the outcome of the American elections was different from what many had expected a year earlier: Donald Trump returned to the White House for a second mandate.

For the world as a whole, international organizations also play an important role. And while, unfortunately, we are witnessing the decline of the influence (and importance) of the United Nations, at the same time we are witnessing the accelerated development of BRICS.

On January 1, the BRICS group (Brazil, Russia, India, China and South Africa) expanded its membership to include Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates. Obviously, the gap between East and West, North and South, is widening. The voice against the term “global South” is heard more and more often, and insists (fairly) on the term “global majority”.

The ten BRICS countries encompass now for more than a quarter of the global economy and almost half of the world’s population. The group is poised to influence the wars in Gaza and Ukraine, the shape of the global economic system, competition between China and the West, and efforts to transition to clean energy. For more than a decade, the BRICS countries have sought to reduce the primacy of the US dollar in international trade, primarily by increasing the use of their own currencies for trade, especially the Chinese Yuan. The introduction of a new currency at the BRICS level is also being sought, the main proponent of which is Brazilian President Lula da Silva. It is neither unusual nor unexpected that, as global tensions rise, countries increasingly embrace pro-

tectionist and nationalistic economic policies, increasing the risk of economic fragmentation and the emergence of rival trade blocs.

China in 2024 continued its trajectory as a major global power, navigating economic challenges, geopolitical tensions, and its ambitions for leadership in global governance. The year was marked by efforts to bolster its domestic economy, assert influence abroad, and manage complex relationships with other global powers. Thanks to the easing of policy and the short-term strength of exports, China achieved a growth in gross domestic product of 4.9%, just as the World Bank forecast.

Under overall circumstances, being a tiny part of international community, in 2024, Serbia put all its efforts to balance diverse international relationships while managing domestic priorities and regional challenges. Depending on the angle of observation, those attempts could be called successful or unsuccessful, but, regardless of the angle, definitely, very difficult, sometimes even impossible. Not only is Serbia’s geopolitical position at the crossroads of East and West, but its determination to base its foreign policy on four pillars has further complicated the situation. Under, conditionally speaking, normal circumstances, in which the principles of the United Nations and international law are observed, such a determination would be legitimate and would not entail any consequences. But, as already said, we live in an order without order and there

are many real problems. It turned not to be easy to keep a position of a mediator and collaborator, leveraging relationships with all major powers.

Actually, there is one major power with which Serbia has no problem. That is China. China does not dispute Serbia's right to develop cooperative relations with other countries, despite the fact that these two countries, during the visit of President Xi in June 2024, raised their relations from the level of strategic partnership to building a community with a shared future. Previously, in October 2023, Serbia and China signed the Free Trade Agreement which is also an event of great significance.

Two countries share the same values regarding the principles of international law. Another major country that is, civilizationally speaking, even closer to Serbia is Russia. Relations between Serbia and Russia are often described as relations between two brotherly people who share same Slav origin and orthodox religion. Serbia in Russia has strong and unquestionable support for the issue of Kosovo and Metohija in the United Nations Security Council. However, Serbia is in a deeply dependent position, since it is supplied with energy mainly from Russia.

From the other hand, there are Serbian relations with the European Union and the United States of America. Taking into account the confrontations that the EU and the USA have with Russia and China, Serbia is under constant pres-

sure to take sides and end its relations with these two eastern countries. The fact is that Serbia has resisted those pressures for decades, but like a noose around its neck is the obligations it has towards the European Union as a candidate country for membership. In the case of America, these are, among other things, the obligations arising from the (disputed) Washington Agreement and the intentions expressed by the Agreement on Strategic Cooperation in the Energy Sector.

Besides balancing international pressures, Kosovo and Metohija remained Serbia's key challenge. While having full support of Russia and China to seek a solution under the United Nations Resolution 1244, Serbia struggles with the EU and the US mediation focusing on implementing agreements like the Brussels and the Ohrid Agreements.

2024 was a very difficult and challenging year that turned international landscape into a more complex one, leaving Serbia to navigate between all visible and hidden challenges.

03

# Four Pillars of Serbia's Foreign Policy in 2024

# 1. Serbia and the United States of America

## US-Serbia diplomatic relations in 2024

In 2024, the relationship between the United States and Serbia experienced significant developments, marked by both collaboration and challenges. Washington-Belgrade relations were shaped substantially by the global context and Serbia's positioning within the international system as it navigated its intricacies. The intensifying great power competition, primarily between the US and China, alongside the ongoing war in Ukraine, were the primary external factors influencing bilateral ties. Additionally, the relations between Belgrade and Priština, as well as the situation in Bosnia and Herzegovina, remained key regional issues for US foreign policy interests.

The year was characterized by significant institutional and personal changes on both sides that have already influenced the relationship and are expected to do so even more in 2025. On the Serbian side, the new government led by Prime Minister Miloš Vučević was confirmed and commenced its work in

May 2024. Marko Đurić, who had previously served as Serbia's ambassador to the United States for four years, was appointed Minister of Foreign Affairs. This strategic choice reflects Serbia's growing emphasis on its relationship with the US.

On the American side, one of the year's most significant political events was the US presidential election. Serbia's approach to the American electoral competition was more measured and less overtly biased than in the previous two US election cycles. The resulting victory of Donald Trump presents the potential for further development of the US-Serbia relations during his second term, especially given the planned investments and business interests that some of Trump's close associates, including his son-in-law Jared Kushner, are envisioning in Serbia. Nevertheless, the existence of already good official relations between the two governments during the Biden presidency was demonstrated through careful, deliberate, and calibrated statements by US Ambassador Christopher Hill regarding the protests in Serbia throughout the year.

The year saw several important bilateral visits. The US Assistant Secretary of State for Europe and Eurasia, James O'Brien, visited Belgrade in April and met with President Aleksandar Vučić and Speaker of Parliament Ana Brnabić. Demonstrating US interest in the Western Balkans, CIA Director William Burns made an unannounced visit to the region in August, including stops in Sara-

jevo, Belgrade, and Priština. Conversely, State Secretary in the Serbian Ministry of Defense Nemanja Starović met with representatives of the US Department of Defense and Congress during his visit to the US in March.

Energy security emerged as a particularly prominent issue in 2024. In September, US Under Secretary for Economic Growth, Energy, and the Environment Jose W. Fernandez and Serbian Foreign Minister Marko Đurić signed an agreement on strategic cooperation in energy in Washington. This agreement aims to expand opportunities for US companies to invest in Serbia's energy sector, including renewable energy sources and potential US involvement in the construction of the Đerdap 3 hydroelectric power plant. US officials also expressed support for the controversial Jadar lithium project. Potential lithium mining in Serbia in partnership with the EU would prevent Chinese access to these reserves and lessened European dependence on China, which is consistent with American interests. On the other hand, the end of the year was marked by talks of potential US sanctions on NIS, Serbia's oil company majority-owned by Russian Gazprom Neft.

On the issue of Kosovo and Metohija, one of the most significant developments was the suspension of the use of the Serbian dinar by Kosovo\* institutions, effectively preventing the Serbian population from conducting financial transactions in their national currency. This decision prompted negative reactions from US

officials, including calls for reconsideration, but to no effect. Throughout the year, US officials, including Ambassador Hill, continued to reluctantly acknowledge Serbia's nuanced stance on the war in Ukraine, and opted to highlight the aspects aligning with the American position, such as Serbia's aid for Ukraine, indirect sale of ammo to Kyiv, and participation in the Peace Summit held in Switzerland in June.

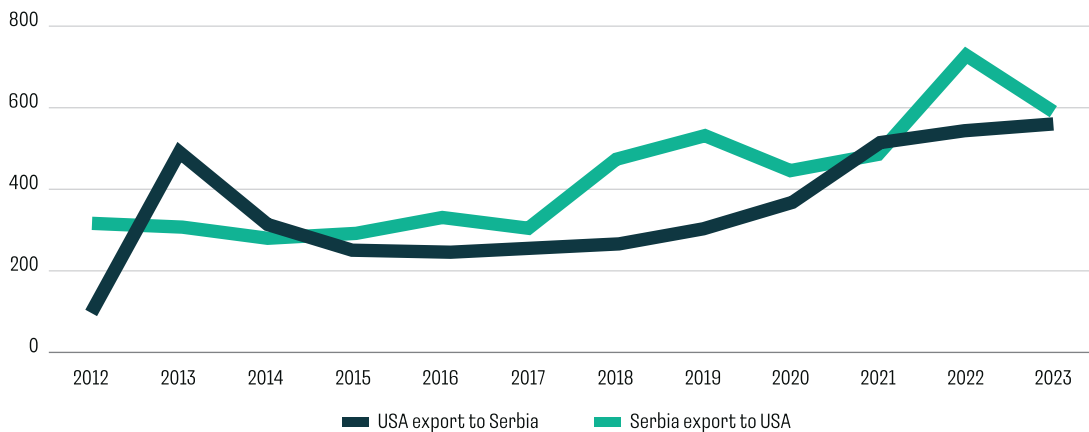
In summary, US-Serbia relations in 2024 continued to develop along previously established lines, with energy cooperation taking a more prominent role while Kosovo and Metohija remained a major point of divergence. Serbia's position on the war in Ukraine also continued to shape Washington's diplomatic attitude toward Belgrade.

## **US-Serbia economic relations in 2024**

The total bilateral trade volume between Serbia and the USA in 2012- 2023 was 9.3 billion USD. The USA exports to Serbia turbojets, turbo propellers and other gas turbines, instruments and appliances used in medical, surgical, dental or veterinary sciences, and coal, briquettes, and similar solid fuels manufactured from coal. Serbia exports nuclear reactors, boilers, machinery and mechanical appliances, rubber and articles thereof, and electric motors and generators to the USA. The volume of bilateral trade is improving in the last five years.



**Figure 1. Bilateral trade between Serbia and USA, thousands of USD**



Source: Trade Map

In addition to trading goods, Serbia has successfully exported ICT services to the United States. In 2023, Serbia recorded a surplus of 1.4 billion USD. During the first ten months of 2024, the trade surplus was 1.2 billion USD, indicating a strong likelihood that the record results from 2023 will be surpassed in 2024. Most ICT exports are composed of computer services, such as programming. The results are primarily driven by American IT companies operating in Serbia.

US companies have invested approximately USD 4 billion in Serbia thus far, creating around 20,000 jobs. The most notable companies that are operating in Serbia are NCR, Microsoft, Oracle, FIS, IBM, Philip Morris, Molson Coors, Ball Packaging, Coca-Cola, PepsiCo, Cooper Tire, Ametek, Van Drunen Farms, Bechtel, Visa, Citi, Palo Alto Networks, Pfizer, Merck, MSD, Archer Daniels Midland,

Organon, and USBC. In recent years, there has been a growing interest from US companies to invest in Serbian firms, especially those in the information technology sector, and more particularly, they are interested in companies in cloud computing, gaming, and IT security.

In September 2024, Jose W. Fernandez, the Under Secretary for Economic Growth, Energy, and the Environment, and Marko Đurić, the Serbian Foreign Minister, signed an agreement to establish a strategic partnership between Serbia and the US in the energy field. This agreement aims to enhance collaborative projects in clean energy and facilitate a faster energy transition in Serbia.

Since 2001, the US government agency USAID has been highly active in Serbia. Recently, during the promotion of new USAID projects in the country, Minister of European Integrations Tanja Mišćević announced that the USAID has provided

over 1.2 billion euros to Serbia through various funds aimed at supporting Serbia's path to European Union membership. The funds from USAID are focused on strengthening the rule of law, promoting democratization, fostering economic development, supporting human rights, aiding civil society, enhancing energy independence, and improving media capabilities.

## 2. Serbia and the Russian Federation

### Russia-Serbia diplomatic relations in 2024

The relations between the Republic of Serbia and the Russian Federation are unique in Europe due to positive historical context and cultural and religious closeness, which translate at both governmental and grassroots levels. Although it is an EU candidate member, Serbia did not align with the EU's packages of sanctions and various restrictive measures introduced from 2014, and particularly from 2022.

The public opinion in Serbia has continuously supported Moscow, and Russian President Vladimir Putin remains the most popular foreign leader in all polls.

Nevertheless, Belgrade condemned Russia's military operation in Ukraine and voted on several occasions against Moscow's actions. Under pressure from Brussels and Washington, Serbia was

urged to send "positive signals" towards Kiev. In 2024, this process was intensified, with Serbia providing considerable support to Ukraine's electricity grid system. The Financial Times reported that Serbian ammunition worth \$855 million had made its way indirectly to Ukraine.

The Serbian government denied direct dealings with Ukraine but admitted the export of ammunition to countries such as the United States of America or the Czech Republic, which, in turn, are known for fundraising arms destined for Kiev's forces.

On the other hand, the Chief of General Staff of the Serbian Armed Forces, General Milan Mojsilović, announced that Serbia was forced to cancel several agreements on acquiring weaponry from Russia due to the complicated international environment.

Brussels also attempted to undermine Serbia-Russia cooperation. The President of the European Commission, Ursula von der Leyen, cancelled a planned meeting with Prime Minister of Serbia Miloš Vučević in Belgrade after the PM had hosted the Russian Minister of Economic Development, Maxim Reshetnikov, who was also on a visit to Serbia. In its 2024 Progress Report on Serbia, the European Commission criticized Serbia for maintaining "high-level bilateral contacts with Russia", including visits by Serbia's former First Deputy Prime Minister / Minister of Foreign Affairs traveling to Moscow in March 2024, the new

Deputy Prime Minister visiting Moscow in June, August and September 2024 and the Russian Deputy Minister of Foreign Affairs visiting Serbia in July 2024.

Furthermore, the EC called on Belgrade to take “urgent action to counter anti-EU narratives propagated by numerous media outlets, and to counter foreign information manipulation and interference, most obviously in the context of Russia’s war of aggression against Ukraine”. It also called on Serbia to “decrease energy dependence on Russia”. In this context, Washington threatened to impose sanctions against Serbia’s petroleum refining company NIS, which has a Russian (Gazpromneft) majority stake. The move has been interpreted as yet another attempt to create wedges between Belgrade and Moscow.

It remains to be seen how this process will impact other energy projects. In 2024, Serbia moved forward with a Feasibility Study regarding the construction of an oil pipeline via Hungary, possibly connecting to the Druzhba oil pipeline. One of the key bilateral Serbian-Hungarian projects, aimed at diversifying Serbia’s oil imports, received support from Druzhba’s headquarters in November. Serbia also has to renegotiate in 2025 its favourable gas agreement with Moscow, under which Serbia receives cheaper Russian gas through the Turkish/Balkan Stream.

Beyond energy cooperation, Russia has firmly supported Serbia’s territorial integrity regarding Kosovo and Metohija

in the UN Security Council and other international forums. Serbia also received strong support from Russia in its diplomatic fight against a German-sponsored resolution on Srebrenica in the UN General Assembly.

Furthermore, regarding Bosnia-Herzegovina, Moscow continues to support Republika Srpska and the letter of the Dayton Peace Accords, criticizing moves to undermine its competencies and property guaranteed by the Accords, which will mark their 30th anniversary in 2025.

One of the most intriguing questions for many Western diplomats, scholars and journalists has been Serbia’s link with BRICS. Serbian President Aleksandar Vučić, under pressure from Western capitals, did not participate at the October BRICS Summit in Kazan, although Belgrade sent a delegation of several ministers, including the Deputy Prime Minister. On the other hand, President Vučić said on the occasion that he will respond positively to an invitation from President Putin to attend the Victory Day parade in Moscow on May 9, 2025, on the occasion of the 80th anniversary of the defeat of Nazi Germany.

Throughout 2024, Serbia and Russia marked the 25th anniversary of the 1999 NATO aggression, while, at the end of the year, the RT Balkans TV network was launched in Belgrade.

## Russia-Serbia economic relations in 2024

The Russian Federation is an important economic partner of the Republic of Serbia, both in terms of the volume of foreign trade commodity exchange (primarily due to the import of gas and oil) and in terms of the presence of Russian capital (mainly in the oil and gas sector).

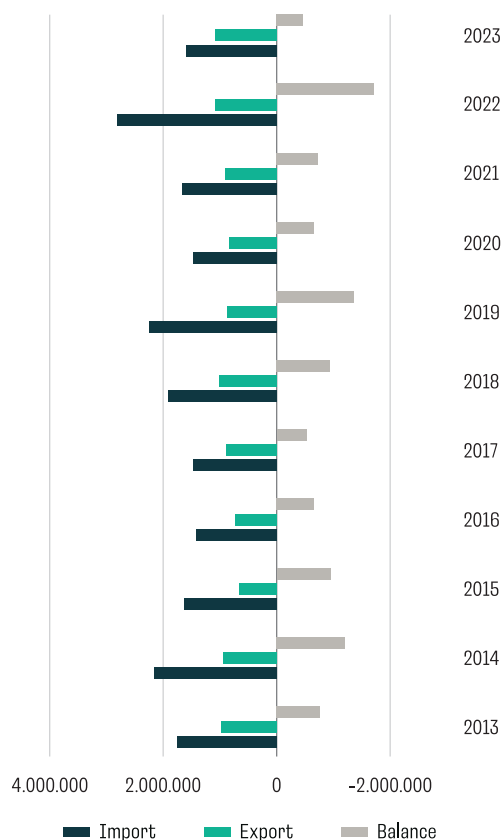
The Republic of Serbia signed the Free Trade Agreement with the Russian Federation in 2000, which was replaced in 2021 by the Free Trade Agreement between Serbia and the Eurasian Economic Union (EAEU). This agreement enables free trade, i.e., the export of goods from Serbia to the EAEU market without customs duties. The agreement should increase trade between Serbia and Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan, especially in agricultural products. Despite these Free trade agreements, Serbian exports to Russia did not change drastically, while the value of imports fluctuated (Figure 1). In the structure of exports in 2023, refrigerators, freezers, hula-hoop socks and food for dogs and cats had the largest share. In the structure of imports, gas dominates, followed by urea, fertilizers, processed tobacco, and carbon (since December 5, 2022 oil was no longer imported due to the sixth package of EU sanctions).

Since 2013, the highest volume of foreign trade exchange (USD 4.2 billion) was achieved in 2022, thanks to the growth of imports by more than USD 3 billion, of

which the value of gas and oil imports was more than USD 2 billion. However, the sanctions introduced by the EU against Russia had the effect of reducing the volume of foreign trade cooperation, even though Serbia did not impose sanctions on Russia.

At the end of 2023, the trade exchange was USD 2.9 billion, and according to the data for the first ten months of 2024, the volume of foreign trade exchange was only USD 1.9 billion.

**Figure 2. Foreign trade of goods between Serbia and Russia for the period 2013-2023, USD**



Source: Trade Map

According to ITC data for 2013-2023, the share of Serbian exports to Russia amounted to 5.3% on average (7.3% in 2013 and 3.9% in 2023), while the imports share was 7.8% (11.4% in 2014 and 4.4% in 2023). It is obvious that as a result of the EU sanctions, the total volume of foreign trade exchange and the relative importance of mutual exchange has decreased. According to the data of the Republic Statistical Office for the first ten months of 2024, the share of Serbian exports to Russia was further reduced to 3% (Russia is the 12th most important partner), while the share of imports from Russia was reduced to 3.4% (Russia the 6th most important partner).

The largest FDI from Russia are in the oil and gas sector. Based on the energy agreement with the Russian Federation from 2007, Russia's Gazpromneft and Gazprom bought 50% and 6.15% of the shares of Naftna industrija Srbije (NIS). With the privatization of NIS, the state of Serbia owns 29.87% while small shareholders hold the remaining shares. Due to the announced sanctions against Russia, in 2022 there was a change in the ownership structure of NIS, as the majority share of Gazpromneft (which is under sanctions) was reduced to 50% in favor of Gazprom (which was not under sanctions at the time). This allowed NIS to continue normal operations and to import Russian oil unhindered until December 5, 2022, when the EU introduced sanctions for the import of Russian oil by sea. As Serbia delivers the largest amount of oil through the Adria

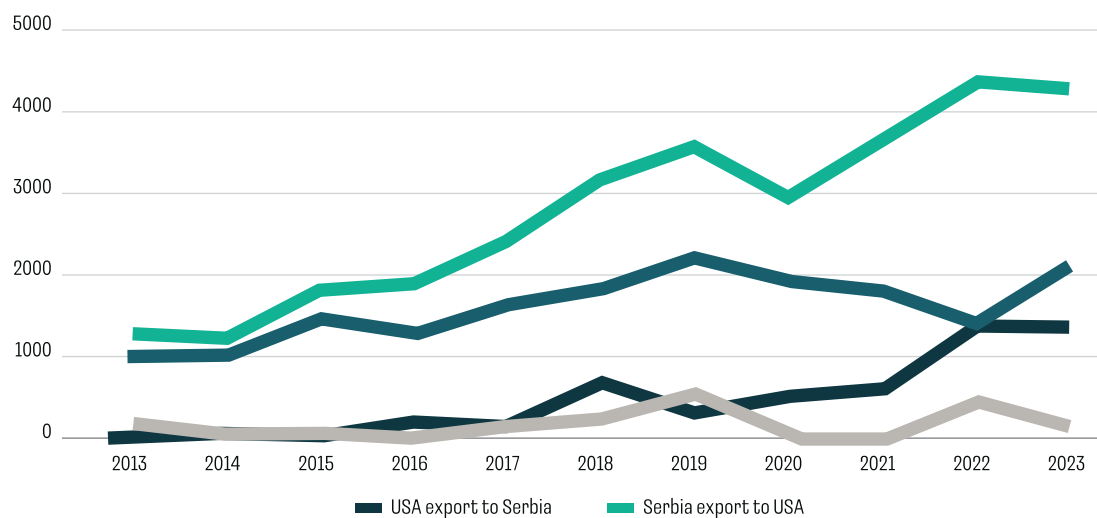
Oil Pipeline (JANAF), Serbia has completely stopped importing Russian oil (which had a share of about 23% in the total structure of oil imports). On January 10, 2025 the USA (supported by European countries) announced sanctions for more than 400 companies that are owned or controlled by GazpromNeft. NIS is conditioned to carry out an ownership transformation by February 25, 2025 in the sense of completely removing Russian ownership in the NIS company, or a complete blockade will be applied, which directly threatens the supply of oil to the Republic of Serbia.

In the gas sector, the Russian energy company Gazprom owns 50% of the shares in the Serbian-Russian company Jugorosgas, which since 2007 has acted as an intermediary between the Russian Gazprom and the public company Srbijagas. Srbijagas (set up in 2005 in the process of restructuring NIS) is in charge of transport, storage, distribution, and natural gas trade. Russian gas is delivered to the Republic of Serbia by TurkStream, a branch of the joint Russian-Turkish project TurStream, whose share in the Republic of Serbia is majority-owned by the Russian Gazprom. Until 2021, Serbia had a ten-year contract on the supply of Russian gas for USD 270 per 1,000 cubic meters. After that expiration, this contract was extended for another six months, and then a new three-year contract was signed at the end of May 2022, which enables import of 2.2 bcm of gas, the price of which is determined at prices 100% tied to oil

prices (a mechanism designed to guarantee their relatively low level and stability in the face of uncertainty, dynamic change and crisis).

Since 2013, the largest share of Russian FDI in total FDI in Serbia was in 2013 (15.8%) and 2019 (15.7%). After 2022, the value of FDI decreased (Figure 2), however, the number of newly created companies in Russian ownership increased. According to the data of the Agency for Business Registers, by May 2023, 1,260 Russian-owned companies were founded, and around 4,492 entrepreneurs were registered.

**Figure 3. Foreign direct investments, USD**



Source: National Bank of Serbia

### 3. Serbia and the European Union

#### EU-Serbia relations in 2024

In 2024, relations between the European Union (EU) and Serbia were marked by a series of significant events which in many ways reflected Serbia's current position in the international system and stance towards potential EU membership. While EU integration remains a strategic foreign policy goal for Serbia, it was not at the forefront of its foreign policy actions.

Nevertheless, the year saw notable progress in partnerships with key EU member states, particularly France and Germany. In July, German Chancellor Olaf Scholz visited Serbia alongside Maroš Šefčovič, Executive Vice-President of the European Commission for the European Green Deal. During this visit, the EU and Serbia signed a Memorandum of Understanding establishing a Strategic Partnership on sustainable raw materials, battery value chains, and electric vehicles. This agreement relates to the controversial Jadar lithium mining project, which has faced public opposition and protests in Serbia.

In August, French President Emmanuel Macron visited Serbia. The talks between Macron and Serbian President Aleksandar Vučić included the finalization of a deal for Serbia to purchase French Rafale jets. Additional high-profile visits included European Commission President Ursula von der Leyen, as well as Polish

and Greek Prime Ministers Donald Tusk and Kyriakos Mitsotakis, who all visited in October. The latter visit was particularly significant as President Vučić chose to meet with Tusk and Mitsotakis instead of attending the BRICS summit in Russia, signaling a potential shift in diplomatic priorities in the future.

Despite these developments, 2024 did not see major progress in Serbia's EU accession process. The European Commission approved Serbia's Reform Agenda, a key component of the Growth Plan for the Western Balkans, which aims to facilitate deeper economic cooperation and access to funding for WB countries through the Reform and Growth Facility. However, the Commission's 2024 report on Serbia largely mirrored the findings of previous years, highlighting limited overall progress. Some advancements were noted, but critical Chapter 23 (Judiciary and Fundamental Rights) remained categorized as showing some level of preparation.

Additionally, Serbia's alignment with the EU Common Foreign and Security Policy (CFSP) remained a contentious point, with only 51% alignment with statements by the High Representative on behalf of the EU and Council decisions on sanctions by September. This lack of major progress contributed to the failure to open negotiations on Cluster 3 by the end of the year. On the other hand, assurances of the new momentum

for the strategic partnership between the European Union and the Western Balkans were given at the EU-Western Balkans summit in Brussels in December.

The issue of Kosovo and Metohija continued to heavily influence EU-Serbia relations and presents an important aspect of Serbia's EU path via Chapter 35. In 2024, a key event was Priština's decision to ban the use of the Serbian dinar as currency, a move that significantly impacted the Serbian population in Kosovo\*. The EU's response was limited to expressions of concern and without concrete measures being taken. Meanwhile, the EU-facilitated Belgrade-Priština dialogue, led by Special Representative Miroslav Lajčák, failed to yield meaningful achievements. While not directly concerning EU, tensions were raised on the topic of Kosovo's aspirations for membership in the Council of Europe as Parliamentary Assembly of the organization voted in favor of its membership in April. Another diverging point was the United Nations General Assembly Resolution that characterizes Srebrenica war crime as a „genocide“ and introduces „International Day of Reflection and Commemoration of the 1995 Genocide in Srebrenica“. One of the sponsoring countries was Germany and out of 27 EU member states, 23 voted in favor.

External developments within the EU itself also introduced new dynamics to EU-Serbia relations. These included government collapses in France and Germany, elections for the European Parlia-

ment, and the subsequent appointment of a new European Commission. For Serbia, key personnel changes in the new Commission include the appointment of Kaja Kallas, former Estonian Prime Minister, as EU High Representative for Foreign Affairs and Security Policy, and Marta Kos, a Slovenian politician and diplomat, as EU Commissioner for Enlargement. Additionally, Croatian MEP Tonino Picula was named the European Parliament rapporteur for Serbia.

In summary, Serbia's relations with the EU and EU countries in 2024 showed improvements in strategic areas such as defense and energy cooperation. However, significant challenges remained, particularly concerning Chapters 23, 31, and 35, which are critical to Serbia's EU accession path.

## EU-Serbia political relations in 2024: Major contingencies

01

### UN General Assembly adopts Resolution on Srebrenica „genocide“

United Nations General Assembly adopted Resolution 78/282 on Srebrenica massacre characterizing it as crime of „genocide“. More specifically, the Resolution designates July 11 as the „International Day of Reflection and Commemoration of the 1995 Genocide in Srebrenica“. The resolution condemns denial and glorification of war criminals and emphasized reconciliation. It was



adopted on May 23, 2024 with the voting results being: 84 countries voting in favor, 68 abstaining, and 19 voting against. Serbia opposed the resolution, citing concerns over its implications for national identity, regional stability and interethnic relations. Additionally, official Belgrade questioned the timing of the Resolution. While the Resolution itself does not relate to the EU, its sponsors were Rwanda and Germany.

Additionally, out of the 27 EU member states, 23 voted in favor. Hungary voted against, while Cyprus, Greece, and Slovakia abstained. Srebrenica massacre was designated as „genocide“ previously by International Criminal Tribunal for the former Yugoslavia and International Court of Justice. However, the issue remains sensitive, has not achieved interpretational consensus, and the label has not gained acceptance in the whole region, with Serbia and Republika Srpska notably avoiding to acknowledge this characterization. Thus, the timing and content of the Resolution mainly contribute to the rise of ethnic and regional tensions and emphasizes regional divisions and conflicting interpretations of recent traumatic history.

02

### **Kosovo\* gets a positive vote for Council of Europe membership at the Parliamentary Assembly, but final decision delayed**

On March 27, Kosovo's\* membership application has received a positive recommendation from the Council of Europe's Parliamentary Assembly Committee on Political Affairs and Democracy, based on the report of the rapporteur for Kosovo\* Dora Bakoyannis. Serbian expressed strong objections and Serbian officials have hinted at possible responses, including considering withdrawal from the Council of Europe. This event follows Kosovo's\* concession of disputed land to the Serbian Orthodox Dečani Monastery. On April 16, the Parliamentary Assembly voted in favor of Kosovo's\* membership, with 131 votes for, 29 against and 11 abstentions. However, Kosovo's\* application to join the Council of Europe remains unresolved as discussions on its admission are delayed. After the positive vote in the Parliamentary Assembly, Kosovo\* required a two-thirds majority approval of the Council of Europe's Committee of Ministers. The critical issue concerned prerequisites like the Community of Serb-majority Municipalities, with the Quint countries (France, Germany, Italy and the United Kingdom) finding the progress insufficient. While the bid was ultimately unsuccessful, support for Kosovo's\* aspirations for membership could find more understanding from the leading European countries in the future. Although Council of Europe and EU are

not directly related, they share a strong partnership based on common values. Thus, Kosovo's\* potential membership in Council of Europe would present an important success for its status in the international and European community.

### 03

#### **Kosovo\* suspends use of Serbian dinar as currency**

The regulation adopted by the central bank in Priština prohibits the use of Serbian dinars in Kosovo\* starting from February 1, significantly affecting local residents, businesses, and trade in the region. Kosovo\* government claims the move addresses financial security, but its effect includes economic and logistical challenges particularly in areas with a high Serbian population in the north as it disrupts normal daily transactions, payments of salaries and pensions, and commerce.

Thus, the move further increases ethnic tensions and has caused widespread protest in the north, as the decision is being called discriminatory and a violation of the rights of the minority population.

Additionally, the regulation faced criticism and calls for postponement from key international actors, including the United States, France, Germany and the EU. The Kurti government introduced a transition period to facilitate accommodation to the new measures. The transition period lasted until May 12, after which the Kosovo\* officials

state euro should be the only currency allowed in Kosovo\*. On May 20, Kosovar police closed several Serbian-licensed Postal Savings Bank branches operating in the north of Kosovo\*, as well as National Bank of Serbia treasury, further destabilizing the situation. With these moves Priština contributed to further diminishing of quality of life for Serbian population in Kosovo\*, and the possible compromise solution remain unachievable without formation of Community of Serb-majority Municipalities.

### 04

#### **European Parliament elections held**

Elections for 720 members of the European Parliament were held from 6 to 9 June, 2024 across EU member states. Ahead of the elections, there were concerns over the growing popularity of populist and far-right parties. These parties, gaining traction in multiple EU member states, often advocate for reduced EU integration, stricter immigration controls, and a shift in EU foreign policy. The results showed that, while the centrist forces of European People's Party (EPP) and Progressive Alliance of Socialists and Democrats (S&D) held the first and second place respectively as party alliances with most seats won, the elections did see a rise of right-wing party alliances. The Patriots for Europe and European Conservatives and Reformists ended up at the third and fourth place in the election results, respectively. In the aftermath of elections, for Serbia the key new appointment is

that of Croatian MEP Tonino Picula as the European Parliament rapporteur for Serbia. Since his political group S&D places more concerns on fundamental values such as rule of law than on geopolitical considerations, his reporting is expected to be more critical than that of previous rapporteur Vladimir Bilčík from EPP.

The Serbian government also expressed concerns as it perceives that the fact Picula comes from Croatia will impact his opinions and lead to more biased reporting.

05

### **Chancellor Scholz visits Serbia and strategic partnership on critical raw materials with EU is signed**

German Chancellor Olaf Scholz visited Serbia for talks on critical raw materials on July 19, 2024. He met with President Aleksandar Vučić with the talks focusing on the topic of energy. Afterwards, the Summit on Critical Raw Materials in Serbia was held, which included participation of President Vučić, Chancellor Scholz, and Maroš Šefčovič, European Commission Executive Vice-President in charge of Interinstitutional Relations and Strategic Foresight. The outcome was the signing of Memorandum of Understanding on establishing a Strategic Partnership on sustainable raw materials, battery value chains, and electric vehicles between the EU and the Republic of Serbia. This agreement relates to the controversial planned Jadar lithium

mining project, which has faced public opposition and protests in Serbia. Lithium is a strategically important resource for electric vehicle batteries production, making it of significant relevance for Germany and its highly developed auto industry. The partnership with Serbia in this area has potential to decrease EU dependency on China in this production process as Brussels seeks to diversify sources.

It would also prevent for China to step in and acquire Serbia's lithium reserves, which could thus further narrow EU, and particularly Germany's, options in this aspect.

06

### **President Macron visits Belgrade and Serbia signs deal with France for Rafale jets**

On August 29, 2024, French President Emmanuel Macron came to Serbia for a two-day visit and was welcomed by Serbian President Aleksandar Vučić. The visit came less than five months after he hosted his Serbian counterpart in Paris. On the topic of his visit Macron posted on social networks: "In a world where everything is unstable, it's nice to have reliable friends and historical constants. We share them. It's a real joy to be back". The two sides also signed a number of contracts and statements, including plans to cooperate in the energy sector, particularly in the domain of nuclear energy. The two countries already display a high level of cooperation

as French companies are contracted to build Belgrade metro and Belgrade airport is managed by France's company Vinci. As the highlight of the visit, Serbia signed a contract to buy 12 new French Rafale fighter jets. Serbia signed a €2.7 billion deal with France for 12 Rafale fighter jets, marking a shift from reliance on Russian arms. Announced by President Aleksandar Vučić during French President Emmanuel Macron's visit, the agreement includes aircraft, spare parts, and logistics. Macron hailed it as a strategic move strengthening Serbia-EU ties. The EU accession of Serbia was also discussed between the two leaders.

07

### **Polish Prime Minister Donald Tusk and Greek Prime Minister Kyriakos Mitsotakis visit Serbia**

On October 23, 2024, Polish Prime Minister Donald Tusk came on a two-day visit and was welcomed by Serbian Prime Minister Miloš Vučević. During his stay, Prime Minister Tusk met with Serbian President Aleksandar Vučić in a tete-a-tete format, followed by a plenary meeting of Serbian and Polish delegations headed by Vučić and Tusk. Tusk emphasized that the European Union would be incomplete without Serbia's membership. Tusk's remarks reflect growing support for Serbia's integration among certain EU member states, but they also underscore the challenges of reconciling differing views within the EU on the pace and conditions of Serbia's accession.

At the same time, Serbia was visited by Greek Prime Minister Kyriakos Mitsotakis and leader of Germany's largest opposition party Christian Democratic Union (CDU) Friedrich Merz. Tusk, Mitsotakis, and Merz jointly met with President Vučić to discuss Serbia's European prospects in their capacity as representatives of the European People's Party (EPP), of which Serbian Progressive Party is an associate member. The visits and subsequent talks between political leaders were particularly significant as President Vučić chose to meet with European politicians instead of attending the 16th annual BRICS summit held in Kazan, Russia, signaling a potential shift in diplomatic priorities for Serbia in the future.

08

### **President of European Commission Ursula von der Leyen visits Serbia**

EU Commission President Ursula von der Leyen visited Serbia on October 25, 2024 as part of a four-day trip to the Western Balkans.

During her tour, she met with the leaders of Albania, North Macedonia, Bosnia and Herzegovina, Serbia, Kosovo\*, and Montenegro. In her statement, von der Leyen highlighted three initiatives essential for further development of cooperation between Serbia and EU: Growth Plan for the Western Balkans, partnership on e-mobility and critical raw materials and Investment Plan for the Western Balkans. Serbian President

Aleksandar Vučić expressed that the European path and advocacy for a European Serbia are of “crucial importance for progress” and the country will work to stay on that path.

Despite the widespread opposition to the lithium mining project, von der Layen attempted to give assurances that the project would “respect and preserve nature” in Serbia and that mining operators will “always listen and cooperate with local communities”. The visit to Serbia, as well as the whole Western Balkans tour is part of a wider effort by Commission President and EU to strengthen the belief in the region of its European future. To that end, during the visit von der Layen emphasized positive aspects of Serbia-EU relations and neglected the criticism towards Serbian government regarding corruption, rule of law and its ties with Russia and China.

09

### **EU Commission Progress Report on Serbia for 2024 issued and does not point to major progress**

The 2024 Serbia Report from the European Commission was issued on October 30, 2024 and assesses Serbia’s progress toward EU membership. The report was handed to Prime Minister Miloš Vučević by the Head of the Delegation of the EU to Serbia Emanuele Ciaufret.

The positive aspects include good progress in Chapters 18 (Statistics) and 27 (Environment), as well as the fact that

no chapter demonstrated backsliding. Additionally, one of two most important chapters of Cluster 1 (Fundamentals), Chapter 24 (Justice, freedom and security), showed an improved grade and is characterized as being between some level of preparation and moderately prepared.

On the other hand, some notable chapters showed no progress in the 2024 report. These include Chapters 8 (Competition), 31 (Foreign, security and defense policy), and 32 (Financial control). Furthermore, the other key Cluster 1 chapter, Chapter 23 (Judiciary and fundamental rights) has not displayed progress and remains at some level of preparation. Overall, the report shows limited levels of progress, emphasizing advances in economic reform and regional cooperation while highlighting persistent challenges in the rule of law, media freedom, and judicial independence. As the wider international, European and Serbian political context demonstrate that chapters 23, 21 and 35 remain crucial for Serbia’s EU path, the lack of progress in these areas is of particular note.

10

### **New European Commission formed and appointed**

After positive vote in the European Parliament, the new European Commission, again led by Ursula von der Layen, was appointed by European Council and started its mandate on December 1. The

Commission has established several priorities, including defense and security, sustainable prosperity, democracy, and social fairness. The European People's Party (EPP), representing the EU's center-right conservative parties, will hold 14 portfolios in the new Commission.

Together with right-leaning commissioners from Italy and Hungary, this will form the most right-wing European Commission to date. For Serbia, key personnel changes in the new Commission include the appointment of Kaja Kallas, former Estonian Prime Minister, as EU High Representative for Foreign Affairs and Security Policy, and Marta Kos, a Slovenian politician and diplomat, as EU Commissioner for Enlargement. Of particular importance is the fact that, given her previous record and political stances, as well as her country of origin which is one of Russia's most staunch critics, High Representative

Kallas is expected to adopt a less tolerant view of Serbia's position towards Russia and war in Ukraine. On the other hand, new Commissioner for Enlargement Kos stressed that the fulfillment of criteria will be of primary concern for advancement on the EU path, especially those on rule of law and fundamental values. She emphasized that the process remains merit-based, and geopolitical interests of the EU will not bring discounts for candidate countries.

## 11

### **EU expands sanctions against Russia**

On December 16, EU has adopted the 15th sanctions package against Russia for its war against Ukraine. This package aims to fight sanctions' circumvention and, for the first time, adds also Chinese actors as targets, as sanctions (freezing assets, travel ban) are also imposed on them. This package targets 52 additional vessels from Russia's shadow fleet and adds 84 new listings for undermining sovereignty and territorial integrity of Ukraine, including one person and six entities from China. The package also lists additional 32 companies for the support of Russian military-industrial complex.

Among these companies are also two from Serbia, seven under Chinese jurisdiction, twenty Russian firms, as well as one each from India, Iran, and United Arab Emirates. The sanction package builds on previous 13th and 14th sanction packages also adopted in 2024, which have expanded the list of sanction persons and entities and included specific restrictions on the LNG sector and an investment ban on LNG projects under construction in Russia, respectively. As Serbia maintains its policy of no sanctions towards Russia, the evolving sanction packages further decrease overall level of Serbian alignment with EU Common Foreign and Security Policy, which presents a crucial aspect of Chapter 31 in EU accession process.

## EU states do not agree to open Cluster 3 with Serbia

The Council for General Affairs of the European Union adopted conclusions on enlargement on December 17, including the acknowledgment of the European Commission's assessment that Serbia is technically ready to open chapters from Cluster 3 (Competitiveness and Inclusive Growth) which consists of two chapters: 16 (Taxation) and 19 (Social Policy and Employment).

However, the Council decided it will revisit this issue once Serbia makes further significant progress. The failure to agree on opening of Cluster 3 comes after a series of attempts by presiding country, Hungary, to negotiate a breakthrough. During this phase Serbia submitted a non-paper that highlights its commitment to resolve the remaining obstacles for opening of Cluster 3 and points to obligations it has accepted as part of the Reform Agenda. However, the Council's conclusions state that the expected progress must first be achieved in issues of the rule of law and normalization of relations with Priština.

Additionally, during the meetings at the ambassadorial level, Serbia's failure to align with EU foreign policy and sanctions against Russia and its unclear geopolitical orientation emerged as other prominent obstacles. This outcome showcases the possibility that in rising environment of geopolitical tensions the

technical fulfillment of conditions will not be enough for progression in the accession process and that the political criteria will be paramount.

## EU-Serbia economic relations in 2024: Major contingencies

### 01

EU economy shows signs of recovery in 2024. After a prolonged period of stagnation, the EU economy is returning to modest growth, while the disinflation process continues. The European Commission's Autumn Forecast projects GDP growth in 2024 at 0.9%, while inflation is set to 2.4%. The unemployment level is projected to stand at 6.1%. Employment growth and recovery in real wages continued to support disposable incomes, but household consumption was restrained. As the purchasing power of wages gradually recovers and interest rates decline, consumption is set to expand further. Investment is expected to rebound on the back of strong corporate balance sheets, recovering profits, and improving credit conditions. The impulse of the Recovery and Resilience Facility and other EU funds will also drive an increase in public investment over the forecast horizon. Overall, domestic demand is projected to drive economic growth going forward. The EU general government deficit is set to decline in 2024 to 3.1% of GDP, while the aggregate debt-to-GDP ratio is projected to be around 83%.

## 02

The EU is still the most important Serbian partner in foreign trade, although there is a noticeable decline in the relative share in total foreign trade of commodities. External trade between Serbia and EU member countries accounted for 58.6% of total external trade from January to November 2024. The largest share of exports went to Germany (14.8%), Bosnia and Herzegovina (6.6%), China (6.2%) and Italy (5.9%), while the largest share of imports came from Germany (13.3%), China (13.2%) and Italy (7.1%).

## 03

The EU is still the biggest investor in Serbia, although there is a noticeable decline in investments. Serbia attracted a record EUR 5.1 billion in foreign direct investments in 2024, of which 37.2% came from EU countries and 34% from Asian countries, with China emerging as the top investor. In 2024 China became Serbia's leading foreign investor, cumulatively calculated from 2010 through the third quarter of 2024. China has overtaken the Netherlands, which had held an uncontested first place as the leading foreign investor for years.

However, it should be noted that even Dutch investments are often multinational companies registered subsidiaries in the Netherlands before investing in Serbia. In terms of the number of realized projects in Serbia, Germany is the leading country with 17%, while the sec-

ond position is held by Italy with 11.1%, and in third place is the United States of America with 7.7%. Austria is fourth with 6.2%, and China is fifth with 5.9%.

## 04

Deindustrialisation in Germany negatively affects related sectors of industry in Serbia and reduces the inflow of investments from Germany. The auto industry as the dominant sector that made up 17% of German exports in 2023, and employs over 750,000 people, showing declining key performing indicators. Including automobiles, overall industrial production in remains about 10% below pre- pandemic levels. The crisis in the German auto industry will have a negative impact on Serbia, where around 500 companies, which employ almost 100,000 people, work in the car parts production sector. For example, ZF moves microswitch production from Serbia. Continental has announced that it will lay off 7,000 employees globally by 2028, and it has three factories in Serbia and employs more than 4,000 people. In the first half of 2024, the number of insolvent companies in Germany increased by as much as 41%, while more than 10,000 companies have already declared bankruptcy, an increase of 30% over the same period in 2023, which is the highest recorded since the 2008 financial crisis.



05

Serbia has access to New Growth Plan funds. The European Union has introduced a comprehensive Growth Plan for the Western Balkans, allocating EUR 1.58 billion to Serbia. This funding is contingent upon the implementation of 98 specific measures across four key areas, which are prerequisites for disbursements.

06

The Government of the Republic of Serbia adopted the Economic Reform Programme (ERP) for the period 2024-2026. The ERP outlines the mid-term framework for macroeconomic, fiscal, and monetary policies, along with a detailed presentation of structural reforms aimed at enhancing the competitiveness of the national economy, promoting economic growth and development, creating new jobs, and improving the living conditions of the citizens in the next three years. Consequently, all reform measures included in the ERP provide details on their estimated costs and sources of financing, while the implementation of identified reforms is significant not only for improving competitiveness, fostering new employment opportunities, and facilitating social inclusion but also for meeting the economic criteria in the process of accession to the EU.

07

The European Commission has approved the Reform Agenda for Serbia, following the EU Member States' positive opinion. These agendas outline key socio-economic and governance reforms that will drive growth and bring these countries closer to the EU under the Growth Plan for 2024-2027.

08

The European Investment Bank (EIB) and the EU have committed EUR 96 million to upgrade Serbia's electricity distribution network and enhance waterborne transport infrastructure. The EIB signed an €80 million loan agreement with Serbia's Elektro distribucija Srbije d.o.o to replace around 400,000 outdated meters with smart meters. This project aims to reduce electricity losses, improve billing accuracy, and support the integration of renewable energy sources. The initiative is part of a broader effort to enhance energy efficiency and provide a reliable electricity supply in Serbia. An additional EUR 16 million EU grant under the Western Balkans Investment Framework will be used to remove sunken vessels from the Danube River. The project is expected to boost cargo transport on the river, promoting a shift from road to waterways, which is a more environmentally friendly mode of transport.

## 09

The European Bank for Reconstruction and Development (EBRD) and the EU are stepping up their support for green economy investments in Serbia. The EBRD, with the support of the EU, is launching a new credit line to local financial institutions for on-lending to small and medium-sized enterprises (SMEs) under the SME Co Green programme. In its initial phase, the programme will provide EUR 120 million of targeted SME financing in the Western Balkans region, including Serbia. The expectation is that the programme will reach EUR 400 million in overall size over the next few years. The programme is regional and supported by grants from the EU via the Instrument for Pre-accession Assistance under the Western Balkans Investment Framework (WBIF). The EU is providing EUR 24.94 million (split into EUR 19.45 million for investment incentives for SMEs and EUR 4.9 million for technical assistance) to support EUR 120 million of EBRD credit lines.

## 10

The EU fail to reach agreement on opening Cluster 3 with Serbia. Even though the European Commission's Annual Report on Serbia 2024 shows that the country has met the criteria for opening Cluster 3 on competition and inclusive growth, the Cluster 3 was not open. Cluster 3 includes eight chapters, five of which were opened before the cluster concept was introduced: Economic and

Monetary Policy (Chapter 17), Entrepreneurship and Industrial Policy (20), Science and Research (25), Education and Culture (26) and Customs Union (29). Three chapters await the opening: Information Society and Media (10), Tax Policy (16) and Social Policy and Employment (19). At the last meeting, seven countries, including the Baltic and Scandinavian states, the Netherlands, and Croatia, rejected Hungary's proposal to begin the procedure for opening Cluster 3. These countries cited several concerns: Serbia's failure to align with EU foreign policy and sanctions against Russia, unclear geopolitical orientation, rule of law issues, and relations with Pristina. Countries supporting the opening of Cluster 3 – Competitiveness and Inclusive Growth – argue that the European Commission's assessment, which found Serbia had met the technical criteria, should be accepted.

## 11

EU and Serbia sign strategic partnership on sustainable raw materials, battery value chains and electric vehicles. Serbia signed the memorandum of understanding (MoU) with the EU regarding mineral resources and cooperation in the field of energy, as well as environmental protection. This MoU, in accordance with the SAA, establishes close cooperation between Serbia and the EU in the following five areas: 1) Enhance the development of value chains for raw materials, batteries and electrical vehicles, 2) Cooperation on research and inno-

vation (R&I), 3) Application of high environmental, social and governance standards and practices, 4) Mobilisation of financial and investment instruments to support investment projects under the Partnership, notably through Invest EU, the Western Balkans Investment Framework and a Single Project Pipeline in Serbia as well as under the European Raw Materials Alliance and European Battery Alliance, 5) Developing necessary skills for high-quality jobs in raw materials and battery sectors. Following the signature of the MoU, the EU and the Republic of Serbia will jointly develop within six months a roadmap with concrete actions to put the Strategic Partnership into practice.

12

The German government has committed to providing the Serbian government with a new amount totalling EUR 208.4 million for the 2025–2026 period. This includes EUR 188 million for financial cooperation projects and EUR 20.4 million for technical cooperation projects. Since 2000, the Federal Republic of Germany has directly provided more than EUR 2.5 billion in bilateral technical and financial support to the Republic of Serbia.

13

Elektroprivreda Srbije sets up wind farm in EU-backed energy shift. Funded by a combination of a EUR 31 million

EU grant through the Western Balkans Investment Framework (WBIF) and a substantial financial package from KfW Bankengruppe, the Kostolac Wind Farm

will feature 20 turbines, boasting a capacity of 66 MW. Anticipated to produce 187 GWh of electricity annually, it will power around 45,000 households and significantly reduce CO2 emissions by 174,000 tonnes each year.

14

On 25 July 2024, the Directive on corporate sustainability due diligence (Directive 2024/1760) entered into force. The Directive creates an obligation for large companies to undertake risk-based due diligence to identify, assess, address and remedy potential and actual adverse impacts on human rights and the environment in connection with a company's activities and broader business operations. While the Directive is an EU instrument, it will apply to some non-EU companies and have far-reaching implications through global value chains, including in countries outside the EU.

15

On 24 January 2024 the European Commission proposed a new EU regulation on the screening of direct foreign investments in key sectors with new economic security plans. The Proposed Regulation would constitute a major revision of the screening framework and it puts forward a more comprehensive and con-

sistent set of rules and procedures for screening of FDI across the EU, while EU candidate countries should develop within reasonable period of time, their own FDI screening mechanisms as instruments to address security or public order concerns.

## 4. Serbia and the People's Republic of China

### China-Serbia relations in 2024

In 2024, Sino-Serbian relations strengthened significantly, marked by enhanced economic cooperation, major Chinese investments, and political alignment. This partnership, situated within China's global strategy and Serbia's aspirations to develop its economy, has become crucial for both nations in the realms of trade, infrastructure, and energy. Politically, Serbia and China continued to support each other on global issues. Serbia's sovereignty over Kosovo remains a sensitive topic, and China has been a staunch supporter of Serbia in international forums, notably at the United Nations. In return, Serbia has backed China on key issues like Taiwan and Hong Kong. This mutual political backing has fostered trust and helped solidify the relationship. A key moment in their relationship was Chinese President Xi Jinping's visit to Serbia in May 2024, where 29 agreements were signed across various sectors, including infrastructure, technology, and energy.

This visit highlighted the growing commitment between the two nations to work together for mutual benefit, with China keen on expanding its influence in Eastern Europe and Serbia positioning itself as a key partner in this effort.

Economically, trade between China and Serbia reached \$6.86 billion by November 2024, marking an impressive increase. Serbian exports to China, largely raw materials like copper, totaled \$1.77 billion, while imports from China, especially high-tech products, amounted to \$5.09 billion. The complementary nature of their economies, with Serbia providing raw materials and China offering advanced technology, has driven mutual growth. Chinese companies, such as Zijin Mining, continue to play a crucial role in Serbia's mining sector, benefiting both countries. Foreign direct investment (FDI) from China has been particularly significant in 2024, making China Serbia's largest foreign investor. Total Chinese FDI reached \$1.046 billion in the first three quarters of the year, focusing on sectors such as automotive manufacturing and renewable energy. A notable project was the €2 billion investment in renewable energy near Bor, including wind and solar power plants and a green hydrogen production factory. This aligns with both China's commitment to sustainability and Serbia's energy diversification efforts. The Free Trade Agreement (FTA) between Serbia and China, which took effect on July 1, 2024, has further boosted economic cooperation. The agreement eliminates tariffs on 90% of traded goods, providing Ser-

bian exporters easier access to China's vast market. Key sectors, such as agriculture, pharmaceuticals, and industrial goods, stand to benefit from this tariff-free access. In manufacturing, China has continued to expand its footprint in Serbia. One example is the opening of the Lianbo Precision Technology factory in the Kać industrial zone, which represents a €57.4 million investment in producing energy-efficient components for the automotive industry. This factory will create 500 jobs, further integrating Serbia into Chinese supply chains.

Infrastructure development has been another cornerstone of Sino-Serbian relations in 2024. A key project is the China-Europe high-speed rail center in Indija, which enhances Serbia's logistics capabilities and strengthens its position as a central hub in the Belt and Road Initiative (BRI). Additionally, China's involvement in the Belgrade Metro Line 1 project, with a €720 million contract awarded to PowerChina, will improve urban mobility and further connect Serbia to European trade routes. Energy infrastructure received a major boost with the inauguration of the new Kostolac power plant, built by China's CMEC. This €618 million facility will generate up to 2.5 billion kilowatt-hours annually, strengthening Serbia's energy security. Sino-Serbian relations in 2024 have flourished, marked by expanding trade, strategic investments, and growing political cooperation. Chi-

na's role in Serbia's infrastructure and energy sectors has deepened, while the Free Trade Agreement has provided a boost to both economies.

Despite geopolitical challenges, the partnership between the two countries is set to continue growing, with Serbia solidifying its position as an important player in China's European strategy.

## **China-Serbia political relations in 2024: Major contingencies**

**01**

### **President Xi Jinping's State Visit to Serbia**

On May 7-9, 2024, Chinese President Xi Jinping made a historic state visit to Serbia, marking a significant milestone in their bilateral relations. The visit coincided with the 25th anniversary of the NATO bombing of the Chinese embassy in Belgrade, symbolizing the deep historical connection between the two countries. During the visit, Serbia became the first European nation to establish a 'community with shared future' with China, elevating their relationship to a new level of strategic partnership. Additionally, 28 agreements were signed across various sectors, including trade, digital economy, culture, and education, further solidifying the cooperation between the two nations. Xi's visit underscored the "ironclad friendship" between China and Serbia, with both countries emphasizing shared values

of mutual respect and commitment to international fairness. This visit marked Serbia's strategic importance to China in Central and Eastern Europe.

02

### **Establishment of Community with Shared Future**

China and Serbia elevated their bilateral relations by officially establishing a 'community with shared future' during President Xi Jinping's visit to Belgrade in May 2024. This decision marked a strategic shift from their previous partnership, reflecting deeper political alignment and a shared commitment to mutual development and cooperation.

03

### **Joint Statement on Strategic Partnership**

Presidents Xi Jinping and Aleksandar Vučić signed a comprehensive joint statement enhancing their strategic partnership. The document covers various cooperation areas, including infrastructure, green development, digital economy, and mutual support in international forums, demonstrating a holistic approach to their relationship.

04

### **Security and Military Cooperation Expansion**

Serbia and China expanded their security collaboration significantly, including joint military exercises, police cooperation, and technology exchanges. While China seeks to expand its presence in the European defense market, Serbia aims to modernize its defense systems while balancing its foreign policy between Eastern and Western powers.

05

### **UN Security Council Diplomatic Support**

China continued to support Serbia's position on Kosovo through its permanent membership in the UN Security Council. This diplomatic support helped Serbia maintain its sovereignty and territorial integrity on the international stage.

06

### **Scientific and Educational Exchange Program**

China committed to supporting 50 young Serbian scientists in research exchanges and inviting 300 Serbian students to study in China over the next three years. This initiative aims to foster long-term bilateral understanding and strengthen people-to-people connections.

07

### **Free Trade Agreement Implementation**

The China-Serbia Free Trade Agreement took effect on July 1, 2024, opening new economic opportunities. This agreement is expected to significantly enhance trade, investment, and economic cooperation between the two countries.

08

### **Belt and Road Infrastructure Projects**

The two countries continued their collaboration on key infrastructure projects, such as the Belgrade-Budapest railway, under the Belt and Road Initiative. Both nations committed to completing these strategic developments, enhancing regional connectivity.

09

### **Digital and Technological Cooperation**

Serbia welcomed Chinese digital technologies, including surveillance systems and facial recognition technologies. This collaboration deepened technological partnerships and security ties between the two countries.

10

### **Military Technology Transfer**

Serbia procured Chinese military weapons and defense systems, modernizing its military capabilities and expanding military-technical cooperation beyond its traditional Western alliances.

11

### **Multilateral Forum Coordination**

Serbia and China agreed to maintain close coordination in multilateral forums, jointly opposing hegemonism and advocating for the principles of the UN Charter.

12

### **High-Level Political Exchanges**

Frequent visits by Chinese Communist Party officials to Serbia highlighted the growing political ties. These visits underscored the strategic alignment and mutual commitment between the two countries.

13

### **Public Security Collaboration**

Serbia and China conducted joint counterterrorism exercises and police cooperation, with their special forces collaborating on security operations to address common challenges.

14

### **Agricultural and Economic Cooperation**

China agreed to increase imports of Serbian agricultural products, while Serbia welcomed greater Chinese investment in various sectors, strengthening their economic ties.

15

### **Cultural and Media Exchange**

The two countries signed agreements in media, information, communication, and cultural cooperation. These exchanges promoted mutual understanding and strengthened the people-to-people relationship.

16

### **Strategic Non-NATO Partnership**

Serbia's neutral military status and non-NATO membership make it an attractive partner for China's European strategy. This unique diplomatic and security relationship offers China an opportunity to expand its influence in the region.

## **China-Serbia economic relations in 2024: Major contingencies**

01

### **China macroeconomic indicators for 2024**

China achieved its planned GDP growth rate of 5% for the year 2024. The sectors that showed significant improvement compared to the previous year included the service sector and industrial production. Within the service sector, software and IT services, leasing and business services, and financial services were the leading ones. In manufacturing, equipment manufacturing and high-tech manufacturing stood out, while the mining sector also experienced notable year-on-year growth. Total exports from China increased by 6.7% year-on-year, while imports fell by 3.9%. Notably, the markets with the highest growth in China's exports were the ASEAN countries, the USA, and the EU. Despite elevated geopolitical tensions, trade patterns displayed resilience. The unemployment rate was around 5.1% until November, but a pressing concern remains the youth unemployment rate, which hovered around 15-16% throughout 2024, highlighting a significant challenge for the Chinese economy. Other weaknesses in the Chinese economy include low domestic consumption and a sluggish real estate sector. Conversely, the main growth drivers are the high-tech industry, services, and renewable energy products and services. In re-



sponse to economic challenges, the Chinese government introduced two sets of domestic stimulus measures—one focused on monetary policy and the other on fiscal policy—aimed at stabilizing the domestic economy.

02

### **Further rise of the Sino-Serbian trade volume between January-November 2024**

According to the Statistical Office of the Republic of Serbia, the trade volume between Serbia and China from January to November 2024 reached 6.86 billion USD. Serbian exports to China were at their highest to date, totalling 1.77 billion USD, while imports from China amounted to 5.09 billion USD. Serbian exports to China represented 6.1% of the country's total exports, whereas imports from China comprised 13.2% of total imports. The structure of trade remained unchanged throughout 2024. Serbia primarily exports raw ores, specifically copper and copper concentrates, a trend supported by the operations of Chinese companies Zijin Mining and Zijin Copper. In return, China exports computer equipment and mobile phones to Serbia.

03

### **Chinese FDI in Serbia Q1-Q3 2024**

In November 2024, the National Bank of Serbia announced that Chinese foreign direct investments (FDIs) in Serbia

during the first three quarters amounted to \$1.046 billion, making China the largest foreign investor in the country. As in previous years, Chinese investments were mostly in the automotive industry. However, this trend is set to change due to the announcement of several significant Chinese investments in renewable energy projects.

04

### **Memorandum of Understanding with Shanghai Fengling Renewables Co Ltd and Serbia Zijin Copper**

Serbia signed Memorandum of Understanding with Shanghai Fengling Renewables Co Ltd and Serbia Zijin Copper on investments of 2 billion euros in renewable energy facilities. The project refers to the construction of facilities with a total capacity of 2GW in the vicinity of Bor. It includes the construction of a wind power plant (1500 MW), a solar power plant (500 MW) and a factory for green hydrogen production.

05

### **Serbia announces auction for 5G network in 2024**

During the Kopaonik Business Forum, Minister of Information and Telecommunications Mihailo Jovanović announced that the auction for the 5G network in Serbia will be announced in 2024. The objective is to ensure that, by the time

the EXPO takes place, the entire country is equipped with 5G coverage, facilitating the use of autonomous vehicles during the international exhibition.

06

### **President Xi visits Serbia**

On May 7, Chinese President Xi Jinping visited Serbia. On May 8, a general reception and welcome by the crowd was organized. President's Xi and Vučić expressed commitment for a shared future between the two countries. The visit included signing on 29 agreements on cooperation in various areas. Additionally, it was highlighted that the Free Trade Agreement between China and Serbia will commence from July 1, 2024.

07

### **Opening of “Lianbo Precision Technology Serbia d.o.o.” in the Kać industrial zone of Novi Sad**

Miloš Vučević, the Vice-President of the Government of the Republic of Serbia, officially opened the “Lianbo Precision Technology Serbia d.o.o.” factory in Kać, which is set to create 500 jobs. This facility marks the first European manufacturing site for the Chinese company “Jiangsu Lianbo Precision Technology Co., Ltd.” that has been producing metal components, including rotors and stators for various types of engines in

the automotive sector, with a focus on delivering energy-efficient and environmentally sustainable solutions globally. Investment is worth 57.4 million EU.

08

### **New Chinese investments in Serbia's energy sector**

Minister of Mining and Energy Dubravka Đedović Handanović has signed a framework agreement with China Energy International Group and a MoU with Hunan Rich Photovoltaic Science and Technology

The investment from China Energy International Group is estimated at €2.4 billion, which is expected to create 700 direct jobs and around 2,400 indirect jobs. Hunan Rich Photovoltaic Science and Technology will invest €30 million in the solar panel production facility, employing 180 workers, and an additional €280 million for the solar power plant.

09

### **Free trade agreement between Serbia and China comes into force**

The Free Trade Agreement (FTA) between China and Serbia went into effect on July 1, 2024. approximately 90 percent of the products traded between China and Serbia will be exempted from tariffs, while over 60 percent of them will enjoy zero tariffs immediately after the FTA goes into effect. Serbia and China's Free Trade Agreement encom-

passes over 20,000 products, opening China's 1.4 billion- people market to Serbian exporters. It progressively removes tariffs, facilitating Serbia's entry into Chinese supply chains. Key exports include fresh produce, pharmaceuticals, and industrial goods.

Expected economic advantages include higher exports, reduced trade deficits, and increased investments, positioning this agreement as a cornerstone for Serbia's economic development.

10

### **Serbian Government discusses MintH Memorandum and implements new economic policies**

The Serbian government approved a Memorandum of Understanding with MINTH Holdings Limited for a €870 million investment project in Indija, creating 2,220 jobs over ten years. The initiative includes facilities for electric vehicles, photovoltaic components, and construction materials. Additionally, six economic decrees were adopted to support SMEs, allocating €17 million in grants and loans for programs such as entrepreneurship development, women-led businesses, and dual education employer support in 2024.

11

### **China-Europe high-speed rail center in Indija boosts Serbia-China cooperation**

The Shandong-Kin Europe high-speed railway center was inaugurated in Indija, marking the arrival of the first Chinese train with raw materials for Linglong tire production. This project enhances Serbia's role as a key logistics hub between Europe and China. It boosts freight and passenger transport efficiency, strengthens economic ties, and supports intermodal terminal expansion. This collaboration underscores Serbia's strategic position in the China-Europe supply chain.

12

### **Linglong starts mass tire production at its Zrenjanin factory**

On September 13, 2024, President Aleksandar Vučić attended the launch of mass production at the Linglong tire factory in Zrenjanin, Serbia's largest green-field investment, valued at \$1 billion. The factory employs 1,235 workers, with plans to add 600 more. It expects to export €200 million this year, increasing to €500 million in 2025, positioning Linglong as one of Serbia's top exporters in the coming years.

13

### **Air Serbia launches its second direct flight route to China**

Air Serbia launched a direct flight between Belgrade and Guangzhou, China, starting with flight JU988. This marks the second destination in China for the Serbian national carrier. The flights, operated twice weekly on Mondays and Fridays, will use an Airbus A330-200. The route strengthens Serbia-China economic, cultural, and tourism ties, providing greater travel options and connecting Guangzhou to numerous European cities via Belgrade.

14

### **Belgrade advances metro construction with 'PowerChina' agreement**

Serbia has signed a €720 million contract with PowerChina for Lot 2 of Belgrade Metro Line 1. The project includes design, construction, and procurement of tunnel boring machines, with a completion timeline of 45 months plus two years. This development aims to enhance urban connectivity, enabling travel from Železnik to Mirijevo in approximately 30 minutes.

15

### **EPS inaugurates 350 MW power plant in Kostolac**

Public enterprise 'Elektroprivreda Srbije' (EPS) has officially commissioned the new 350-megawatt thermal power plant, Block B3, in Kostolac—the first major energy facility completed in over three decades. Constructed by China's CMEC at a cost of \$618 million, the plant will produce up to 2.5 billion kilowatt-hours annually, enhancing Serbia's energy stability.

The background is a solid teal color. It features several faint, light-teal circular patterns that resemble stylized gears or interlocking rings. In the center, the number '04' is displayed in a large, light-teal, sans-serif font. Below the number, the text 'Events and Trends to Follow in 2025' is written in a white, sans-serif font, arranged in four lines.

# 04

Events and  
Trends to Follow  
in 2025

## 10 Events to Follow in 2025

### **JANUARY 20:**

**Inauguration of Donald Trump as President of the United States of America, Washington D.C., USA.** Upon his election victory in November 2024, Trump announced a series of measures during his second mandate that could impact issues ranging from the resolution of the conflict in Ukraine to militarization, migration, global supply chains, climate change, and the future of alliances.

### **FEBRUARY 23:**

**Snap German federal elections, Berlin, Germany.** After another year of economic recession and the dismantling of the 'traffic light' coalition amid growing disparities among the Social Democrats, the Greens and the Liberals, the elections are likely to see a return to power of the Christian Democrats (CDU-CSU) and the confirmation of the rise of the sovereignist Alternative for Germany (AfD), backed by Elon Musk.

### **MARCH 5:**

**China's Two Sessions, Beijing, China.** The annual plenary sessions of the National People's Congress and the Chinese People's Political Consultative Conference are a prime indicator of Beijing's assessment of its economic, political and social programs, as well as of its plans for the current year. The 5 per cent annual growth, announced at the 2024 session,

was achieved, showing the resilience of dual circulation and focus on high-quality development. On May 6, China will mark the 50th anniversary of establishing relations with the European Union amid Brussels' tariffs on Chinese EVs.

### **MAY 9:**

**Victory Day, the 80th anniversary of the end of the Second World War, Moscow, Russia.** The defeat of Nazi Germany and Soviet victory in the Great Patriotic War will be celebrated during the Victory Parade on Red Square in Moscow, with the attendance of dozens of leaders from former USSR countries and worldwide.

### **JUNE 15-17:**

**G7 Summit in Kananaskis, Canada.** The G7 leaders will meet in Kananaskis, Alberta, for a three-day annual meeting of the top industrialized countries of the Global North. The G7 Summit has become a key political event of the 'political West'. The 2025 edition will see brand new faces, as five out of seven leaders present in 2024 are now out of office.

### **JUNE 24-26:**

**NATO Summit in The Hague, Netherlands.** NATO's new Secretary General, Mark Rutte, will host his first Summit in his country, the Netherlands. The 32 member states will discuss challenges

ranging from the conflict in Ukraine to increased militarization and defence spending, likely in the shadow of Donald Trump's return to the format.

#### **JULY:**

**BRICS Summit in Rio de Janeiro, Brazil.** After the key meetings of the Global North and "political West", it will be the turn of the East and „Global South“. At its 17th Summit, BRICS will welcome for the first time its new full member Indonesia – which joined on January 1, 2025 – as well as new BRICS+ partner countries, to discuss paths to multipolarity and de-dollarization.

#### **AUGUST 1:**

**50th anniversary of the Helsinki Final Act, Helsinki, Finland.** In 1975, the signing of the Act established a model of cooperation between East and West during the remaining period of the Cold War, as well as commitments regarding the inviolability of territorial integrity of states. The latter were broken already at the outset of the end of the Cold War, with the breakup of Yugoslavia in the early 1990s, particularly "Kosovo's unilateral declaration of independence" in 2008, setting the stage for the crises still affecting European and world security. The 50th anniversary will be an opportunity to reflect on these failures and the future of the Organisation for Security and Cooperation in Europe (OSCE).

#### **OCTOBER 24:**

**The UN @ 80, New York City, USA.** The United Nations Charter turns 80, commemorating the day in 1945 when representatives of 50 countries met in San Francisco at the United Nations Conference on International Organization to draw up the United Nations Charter. The anniversary will likely be held in a gloomy mood as UN-led multilateralism has been considerably undermined by growing disrespect of the UN Charter and the promotion of „minilateralism“ of the „rules-based international order“

#### **NOVEMBER 10-21:**

**COP 30 in Belem, Brazil.** The UN Climate Change Conference will convene in Belem, in the northern Brazilian Amazon. The focus will range from local, due to conflicts over the disruption of Amazon wildlife, to global, due to disagreements over the future of the fight against climate change, particularly as Donald Trump announces the US return to focus on fossil fuels.

## **10 Trends to Follow in 2025**

### **01. Truce or Peace**

Conflicts in Ukraine and the Middle East continue to preoccupy the attention of world leaders and public opinion as their ramifications extend well beyond war zones. Yet, peace remains elusive. Although a positive step, focusing on finding agreements on a truce lacks the

depth of conflict resolution thinking. Indeed, on June 25, the 75th anniversary of the outbreak of the Korean War will be marked. The armistice signed in 1953 has served as an example of encouragement for a truce in Ukraine. However, a truce cannot replace a peace agreement enforced by guarantees and a political solution addressing the causes of the conflict. The issue of military neutrality in the case of Ukraine and the issue of the two-state solution in the case of Gaza remain key obstacles to long-lasting agreements, and their avoidance would be no more than a condition of simmering conflict.

## **02. Militarization and the explosion of conflicts**

There are 56 conflicts underway in the world, more than ever since the end of World War II and the founding of the United Nations. Some 110 million people have been displaced due to conflicts, and their economic impact has reached 19 trillion dollars or 13.5% per cent of global GDP. The Sahel and the Middle East appear particularly vulnerable, fuelling further migration pressure on Europe. What will be the future of Syria after the transitional period, and how will it impact the Turkish-Kurdish conflict and Turkish-Israeli relations? What will the impact of the Russia-Iran agreement be on strategic partnership? Will the eviction of French forces from the Sahel and Western Africa lead to more security? How will internal conflicts in Sudan and Myanmar play out? How stable is the Korean DMZ? However, first and foremost,

where is militarization – which has increased in 108 countries – leading us? China’s military budget is increasing by seven per cent each year, Russia has a war economy, and the US, under Donald Trump, is pushing for an increased budget spending target devoted to defence in NATO, from two to five per cent of GDP. In parallel, the new age of Nuclear is just ahead of us, with implications for energy, economy, technology, but also armed conflict.

## **03. Future of multilateralism**

As the UN Charter marks its 80th anniversary in October and the Helsinki Charter Act its 50th in August, the UN and the Organisation for Security and Cooperation in Europe must reflect on the current deplorable state of multilateralism at both European and global levels.

The so-called “rules-based world order”, which has championed “minilateralism” and “coalitions of the willing” in the forms of alliances, has led to severe breaches of the UN Charter and the Helsinki Final Act. The responses of the Global South, be it in the form of BRICS+ or the Shanghai Cooperation Organization, could be tempted to counter-balance the G7-NATO-EU-AUKUS formats. However, they would be more valuable as vehicles for return to the UN charter amid the path to multipolarity.



#### **04. The false illusion of protectionism as model of competitiveness**

With the neoliberal model in deep crisis, the question remains on how to fix its troubling consequences, from disparities to de-industrialization. While the focus has turned to Donald Trump over his announcement of new tariffs against both (Western) allies and (non-Western) rivals, the European Union – itself a long-term champion of free trade – is increasingly becoming accustomed to deploying de-risking and other protectionist measures. It remains to be seen whether drastic tariffs – such as those against Chinese EVs – will save the EU's competitiveness dilemma or prolong the agony.

#### **05. The race for rare minerals**

With China controlling the processing of 85 per cent of rare earth elements (REEs) – a group of 17 critical metals indispensable for components in military defence systems, consumer electronics and renewable energy technologies – the United States and the European Union have been rushing to compete for remaining or new sources. Diplomats from all leading EU countries are now mandated by their governments to put the issue of rare minerals at the forefront of their activities, particularly in resource-rich countries, from Serbia to Chile.

#### **06. The geopolitics of connectivity**

Beyond its value in rare earth materials, Greenland has been increasingly mentioned due to its importance for the race among great powers related to infrastructure and connectivity. The northern Arctic routes have become (no pun intended) a hot competition area, particularly as Russia and China progress with the construction of the Northern Sea route. In Africa and Asia, the resounding success of China's Belt and Road Initiative has led the US to try alternatives: from the Lobito project aiming to connect Angola to Zambia (ultimately connecting the Atlantic to the Pacific) to the India-Middle East-Europe Economic Corridor (IMEC), on hold due to the conflict in Gaza. In Latin America, Donald Trump is re-opening the issue of the Panama Canal, while China has opened a major port in Peru's Chancay, thus increasing China-South America connectivity. In Eurasia, the China-Europe Express, passing through the Russian Federation, has become a key transport corridor, particularly after the tensions in the Red Sea. And the January 2025 Russia-Iran strategic partnership could finally boost the North-South Corridor, a planned railway route that will connect Russia to the Indian Ocean via Iran.

#### **07. Climate change vs energy security**

Energy security and the fight against climate change remain two extremely complex and intertwined issues. As the European Union moved away from Rus-

sian gas, it has become more dependent on the United States. On the other hand, with Donald Trump in the White House, the US will push for more fossil fuels, which will exacerbate Europe's green causes. Indeed, Europe has become a vicious circle and a perfect entanglement.

## **08. Continued rise of sovereignist politics in Europe**

De-industrialization and emigration of companies to the US, adverse effects of trade imbalances and loss of competitiveness in relation to China, expensive energy due to sanctions against Russia, farmer fears over a free trade agreement with South America's Mercosur, failure to address illegal migration from Africa and the Middle East. All these and more have impacted European politics and will continue to do so in 2025. From the German elections in February to possible legislative elections in France in the summer, sovereignist politics in Europe will continue to rise, boosted by Trump's connections with leaders such as Hungarian Prime Minister Viktor Orban.

## **09. No-limit technological competition**

From the rise of initiatives (and summits) on Artificial Intelligence to the application of AI in defence, intelligence and industrial production, technological competition will continue to speed up, with regulation lagging and being fraught with the "freedom vs security" dilemma. This competition will unfold from Underwater Rockets, through Unmanned Aerial

Vehicles to Model Satellites, and from Chip technology, through Blockchain, to Biotechnology. However, with rising militarization (see Trend 2), protectionism (see Trend 4), and race for rare minerals (see Trend 5), in the atmosphere of declining multilateralism (see Trend 3), the prospects for international cooperation and governance solutions look dim.

## **10. Future of alliances**

The return of Donald Trump to the White House will have multiple implications for the US-led alliances and political groupings, from old familiar formats of NATO and G7 to Joseph Biden's AUKUS and various Asia-Pacific alliances countering China. The EU will also be impacted by Trump's close links with Viktor Orban or the affinities of his team for sovereignist political movements and governments willing to abide by his proposals on energy and defence spending. While the EU has long prepared for Trump's return, whether the US President was predictable enough remains to be seen. Greenland, anyone? On the other hand, China and Russia insist that BRICS and SCO are not formal alliances. However, they, too, will have to address the complexities of managing the focus and effectiveness of expanding organizations amid the rising Western wedging strategies and sanctioning.

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