



COMPASS ANNUAL YEARBOOK

Year in Rewind Serbia's COMPASS for 2025



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

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Belgrade, January 2026

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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 is shaping to be an annual publication, offering a comprehensive assessment of the evolving dynamics in Serbia's relations with both the EU and China. The Yearbook aims to 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 within the project 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 two online anonymous polls, 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 "pil-

lars" - 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 second issue of COMPASS Yearbook presents key insights gathered from the research conducted throughout the second project implementation year, and covers the period from January to December of 2025. The first part, "Serbia and Global Surrounding in 2025", gives an overview of the general trends and occurring phenomena at

the international level in the year 2025 and broadly explains how they affect and concern Serbia. The second, main part titled “Four Pillars of Serbia’s Foreign Policy in 2025” highlights key aspects regarding Serbia’s relations with four major partners, the EU, the US, 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. The third, concluding part, “Events and Trends to Follow in 2026”, is concerned with the future. It points out major known events of importance expected in 2026, 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 2026.





Serbia and Global
Surrounding in
2025

By the end of 2025, one can state with confidence that the year confirmed trends from earlier years. The international system set up after the Second World War weakened and lost its role as a clear and reliable framework. Unlike past turning points in history, the decline of the current order did not bring about a new one. Instead, the international landscape in 2025 showed deep divisions, selective enforcement of rules, stagnant institutions, and intensified power struggles.

Armed conflicts that started earlier, unfortunately, did not move toward resolution. The war in Ukraine continued as a long and tiring conflict without a real political solution in sight. The Middle East also remained unstable. Although a truce in Gaza began on October 10, 2025, it did not bring meaningful improvements to living conditions. Commitments related to the truce, especially those about the entry of enough food, humanitarian aid, medical supplies, and temporary housing, were not fully met. This allowed the humanitarian crisis to continue. This situation showed the limits of international institutions and major powers in stopping humanitarian disasters or consistently enforcing international law. Together, these crises reinforced

the belief that the global order no longer works based on shared rules and norms; it instead depends on short-term power and interest calculations.

Important political changes from 2024 reshaped the landscape in 2025. Donald Trump's return to the White House, so called Trump 2.0, brought new uncertainty to transatlantic relations, global trade, and international diplomacy. His administration took a confrontational stance on trade by imposing new tariffs and triggering disputes that raised tensions with key partners, especially China. Not surprisingly, this also increased pressure on the global economy. Meanwhile, the United States began to view foreign policy more in terms of transactions, focusing on short-term economic and political gains instead of long-term commitments. Long-standing alliances and international agreements faced scrutiny, which weakened trust within the Western alliance. At the same time, Trump tried to present himself as a mediator on the global stage. He made high-profile but inconclusive attempts to mediate between Russia and Ukraine, leading to limited outcomes and raising doubts about the reliability of U.S. security guarantees. These changes directly affected Europe and smaller states that had historically relied on stability, predictability, and shared norms within the transatlantic framework.

When comes to the European Union, it faced internal fragmentation. Right-wing and Eurosceptic forces are stronger than ever. Weakened unity and slowed

decision-making is direct consequence of that process. This can be most clearly seen in the areas of security, enlargement, and foreign policy. Notwithstanding the EU's efforts to remain an important economic player, 2025 highlighted its difficulty in acting as a unified geopolitical force in an increasingly confrontational global landscape.

At the same time, the world witnessed alternative centers of power continuing to strengthen. Among alternatives, the most prominent is BRICS which successfully enlarges its membership acting as a platform for all countries dissatisfied with Western dominance in global governance. No matter to significant internal differences, BRICS increasingly presented itself as a political and economic balancing force, advocating a multipolar world, alternative financial systems, and better representation for non-Western nations. Thanks to the ideas advanced by BRICS, the countries of the Global South have realized that they are, in fact, the "global majority" and that they are entitled to express its discontent with current power structures.

Likewise, the other countries in 2025, China also dealt with a complicated international environment marked by rising competition and ongoing economic changes. Despite challenges at home, Beijing kept a long-term strategic focus. Chinese authorities managed to balance domestic economic management while taking on a more assertive role globally. Beyond traditional diplomacy, following on from previous initiatives, China has in-

troduced a global governance initiative, aiming to create alternative governance frameworks outside of Western-led institutions. China's consistent promotion of respect for international legal norms such as state sovereignty, non-interference, and alternative governance models appealed to nations, especially those in the global majority, looking for more independence and flexibility in their policies amid a fractured and unpredictable global landscape.

In this divided international landscape, Serbia faced one of the most challenging periods of its foreign policy since starting its EU accession process. As a small state at key geopolitical intersections, Serbia has relied on a balancing strategy among the European Union, the United States, the Russian Federation, and the People's Republic of China. However, in 2025, this strategy came under significant strain as external forces became more entrenched, interconnected, and less amenable to traditional diplomatic tactics.

Pressure from Washington and Brussels intensified at the same time, greatly limiting Serbia's strategic flexibility. The U.S. Congress passed the Western Balkans Democracy and Prosperity Act (H.R. 5274), marking a shift in American involvement in the region. Unlike previous statements, this Act created a legal framework linking evaluations of democratic governance, electoral integrity, and civil society to specific policy actions, including potential sanctions. Serbia was specifically mentioned

in congressional findings related to the December 2023 elections and later political events, indicating Washington's increasingly legal and conditional approach toward Belgrade.

Serbia's EU accession process remained stalled. After more than a decade of negotiations, no new accession clusters opened in 2025. This deepened the sense of stagnation and eroded confidence in the enlargement framework. The EU's criticism focused on the rule of law, media freedom, and judicial reform, but increasingly also addressed expectations for foreign policy alignment, particularly Serbia's refusal to support EU sanctions against Russia. As a result, the requirements for accession became clearer regarding geopolitical issues, complicating the separation of technical reforms from strategic alignment.

Dissatisfied with the lack of support from Brussels, the authorities in Belgrade decided not to send a representative to the EU–Western Balkans Summit. While this does not mark a formal break from the goal of EU membership, it carries significant symbolic meaning. It reflects rising dissatisfaction in Belgrade with a relationship perceived as unbalanced. There are ongoing demands and public criticism but few political rewards, highlighting a decline in mutual trust. This trend indicates that diplomatic gestures are now used more for political signaling than for genuine engagement.

Additionally, Serbia faced growing vulnerability in the energy sector. Sanctions on Russian-owned assets exposed critical dependencies in Serbia's oil industry, particularly due to the majority Russian ownership of "Naftna industrija Srbije" (NIS). While Serbia is not a direct target of U.S. sanctions, the broader impacts of these measures placed Belgrade in a tough position, affecting financing, insurance, supply chains, and investment certainty. Energy security, once viewed mainly as a technical issue, became a key part of Serbia's foreign policy strategy. This shift highlights the limits of strategic independence in a world influenced by sanctions and geopolitical tensions.

These developments indicate that Serbia's foreign policy challenges in 2025 are now structural, not just episodic. Legislative pressure from the United States, political conditions set by the European Union, diplomatic tensions, and energy issues all threaten the sustainability of Serbia's balancing strategy. While Belgrade aims for practical adjustments rather than drastic changes, the international climate favors clear alignment over ambiguity. It also rewards pressure that is integral to the system rather than that which can be negotiated.

To conclude, the global situation in 2025 was marked by instability, fragmentation, and a decline in the effectiveness of international institutions. Such environment was particularly challenging for Serbia. The country's experience shows the broader difficulties faced by small and medium-sized states in a world

where power politics often overshadow legal norms. Legal limitations and growing geopolitical competition have further restricted Serbia's strategic flexibility. In the short term, Serbia is therefore more likely to make small adjustments instead of major shifts, aiming to maintain some freedom while minimizing immediate risks. Over the longer term, however, the success of this approach will depend on Belgrade's ability to balance domestic political issues with external pressures. How well this balance is managed will influence Serbia's relations with major global actors and its political and economic stability in an increasingly chaotic international environment.



03

Four Pillars of Serbia's Foreign Policy

Serbia and the United States of America

Relations between Belgrade and Washington D.C. in 2025 were marked by the return of Donald Trump to the White House, sanctions against Serbia's Russian-owned NIS oil refinery imposed by the departing Joseph Biden administration, as well as expectations for the launch of the "strategic dialogue" between the two countries.

While Serbian officials and the media put high expectations regarding Trump's second term as U.S. President, by the end of 2025, the results were mixed. President Aleksandar Vučić declared at the Ambassadorial conference in December 2025 that Belgrade did not feel the changes from Washington it expected – either regarding NIS or tariff rates.

After Biden's administration introduced sanctions against NIS as part of its efforts to sanction Russia's energy companies, Belgrade hoped for either an agreement on ending the conflict in Ukraine or an understanding of Serbia's peculiar energy position as a land-locked country. Yet, despite pleas to the U.S. Office of Foreign Assets Control (OFAC),

sanctions against NIS were introduced in October 2025, putting the refinery on hold and Serbia scrambling to import sufficient oil.

Earlier in the year, Serbia also suffered a blow from Washington after the introduction of some of the highest tariffs in the world – at 35% – despite the fact is running a trade deficit with the U.S. Indeed, as in the NIS case, the tariffs could be perceived as an attempt to corner Serbia regarding its cooperation with the Russian Federation, primarily the non-imposition of sanctions against Moscow.

Such position was reflected in the December 2025 adoption in the U.S. Congress of the National Defense Authorization Act, which calls for the reduction of Russian natural gas supplies and fossil fuels in the Western Balkans (meaning primarily Serbia). The NDAA also warned against what it called growing China's influence, suggesting potential new targets of the geopolitical competition in 2026. Already in the days following the signing of the NDAA, the U.S. Customs and Border Protection blocked imports of automobile tires manufactured in Serbia by Linglong International Europe D.O.O. Zrenjanin (Linglong), due to what it called "evidence reasonably indicating the use of forced labor in their production".

The U.S. also signed an agreement with the authorities in Priština to send provide them with the modern mobile artillery system HUMVEE Hawkeye 105mm,

in breach of both UN Resolution 1244 and an official NATO position against attempts to transform the “Kosovo Security Forces” into an “army” by 2028.

On the positive note, the US-Turkish consortium (Bechtel-ENKA) completed a major portion of Serbia’s “Morava corridor” highway, linking pan-European corridors X and XI, by December 2025. The U.S. also opened a new American Resource Center in Belgrade’s Ložionica creative industry hub.

The long-awaited “strategic dialogue” between Belgrade and Washington is yet to become fully operational, despite a series of high-ranking meetings, including between Serbia’s Foreign Minister Marko Đurić and U.S. State Secretary Marco Rubio.

Serbia and the Russian Federation

Relations between Serbia and the Russian Federation were marked in 2025 by Washington’s pressure against Russian-owned NIS oil refinery but also president Aleksandar Vučić’s attendance of the Victory Day Parade on May 9 in Moscow.

Throughout 2025, Serbian authorities struggled to contain Western pressure aimed at changing Serbia’s long-term policy of non-sanctioning the Russian Federation, but also on relying on Russian energy.

U.S. sanctions against NIS, with a majority ownership by Russian Gazpromneft, have become throughout 2025 a point of friction between Belgrade and Moscow. The Serbian authorities – facing an intransigent Washington – repeated offers to Moscow to buy Gazpromneft’s shares.

Yet, in Moscow’s mind, the stakes are also geopolitical. The Russian company has not only invested over 3 billion dollars since the acquisition of NIS in the late 2000s, but it also became a symbol of Russia’s strategic presence in the Balkans energy sector, and thus of its geopolitical clout.

By the end of 2025, the NIS case was still unresolved. Belgrade is concerned that any abrupt decision on NIS might constrain a gas arrangement with Gazprom with the Turkish Stream, fundamental for Serbia’s economy. In December 2025, Serbia obtained a three-month agreement on the pursuit of the gas arrangement, a temporary relief, but also a testimony of the complex diplomatic situation.

Additionally, Moscow put pressure on Belgrade regarding the export of Serbian ammunition, pointing to evidence of its detournement from official recipients to the Ukrainian front. The Serbian authorities vowed to exercise tighter control over export licenses, yet the issue remains another tense diplomatic problem.

On the other side, Belgrade faced pressure and criticism from the West not only for non-harmonizing with the EU and the U.S. regarding anti-Russian sanctions, but also because of President Vučić's attendance of the Victory Day military parade in Moscow, marking the 80th anniversary of the end of World War II. The decision to attend was greeted by Moscow as a logical pursuit of historically close relations between the two nations.

Moscow continued to back Serbia on the issue of Kosovo and Metohija in the UN Security Council. Ministerial visits were frequent throughout the year, particularly in the economic field, which has seen a decline since 2022.

Serbia and the European Union

Serbia's relations with the European Union traversed another difficult year, marked by record-low public support for EU integration, and a year-end decision by Serbian President Aleksandar Vučić's decision to boycott the EU-Western Balkans Summit in Brussels.

This decision followed the failure by the EU to find a consensus on the opening of Cluster 3 of the EU membership negotiation framework. While the European Commission repeated in its report that Belgrade was technically ready to open the Cluster, a number of EU countries refused to support such a move, citing a host of reasons: from inadequate in-

ternal reforms, to insufficient progress of in the "normalization" process with Priština, up to lacking harmonization with the EU's sanctions policy against the Russian Federation.

Thus, since December 2021, Belgrade has not opened a single chapter/cluster in its EU negotiations. Since the start of the negotiations in 2014, Serbia opened 22 and closed two chapters out of 35.

Serbia's discontent was enhanced by its perception that it had completed substantial demands for internal reforms regarding electoral lists and electronic broadcasting.

Previously, the European Commission, in its yearly Progress report, warned against polarization in the Serbian society following a year of student-led protests, including backsliding in freedom of expression. It also criticized Serbia's non-alignment with EU's foreign policy positions on Russia, noting that, instead "high-level and frequent bilateral contacts with Russia intensified (...) raising further questions about Serbia's strategic direction". Furthermore, the EU qualified the Serbia-China Free Trade Agreement as "posing a strategic concern".

Nevertheless, high-level meetings between Belgrade and Brussels officials continued regularly, including President Vučić's meetings with the President of

the European Council Antonio Costa and the President of the European Commission Ursula von der Leyen, who visited Belgrade in October.

The EU's image in Serbia continued to be at the lowest levels in Europe. The September 2025 Eurobarometer poll put the figure at 38% of Serbian citizens who have a positive image of the EU. This figure reflects the results of the poll by COMPASS, which found the same percentage of those who fully or moderately support the designation of EU membership as Serbia's strategic foreign policy objective. Nearly 60 percent of those polled believed that Serbia would never join the EU. A December 2025 poll by the Regional Cooperation Council put the figure of Serbian citizens' support for the EU at 42 percent, by far the lowest in the Balkans.

President Vučić and Serbia's Foreign Minister Marko Đurić declared at the year's end that EU integration remained a strategic foreign policy objective for Serbia, adding that at the same time that Serbia would continue its independent, multi-vector foreign policy and its military neutrality.

Contingencies

Politics and Security

1. EU decision to end import of Russian gas by 2028. The EU's decision – opposed by member countries Hungary and Slovakia – to end imports of Russian gas by 2028, has

high impact not only on Serbia's energy security and economy, but also puts pressure on its bilateral political relations with Moscow.

2. European Parliament adopts harsh resolution on Serbia. The European Parliament adopted in October 2025 a resolution harshly criticizing the Serbian authorities for the polarization in the society following the year-long protests, lashing out at growing Chinese presence, and demanding that progress in EU negotiations be conditional on “full alignment with the EU's common foreign and security policy (CFSP), and sanctions against Russia”.

3. EC President Von der Leyen visits Belgrade. During her regular October visit to the Western Balkans, European Commission Ursula von der Leyen called on Serbia to “double down on its EU path”, diversify away from Russian energy imports and impose sanctions on Moscow.

4. EU commission declares Serbia ready, but EU cluster not opened. In its yearly Progress report on Enlargement, the European Commission repeated that Serbia was ready to open Cluster 3 of the negotiations framework, despite increased polarization, backsliding in freedom of expression and insufficient alignment with EU foreign policy declarations. Yet, several EU member countries

took precisely these concerns as reasons not to give a green light to the opening of the Cluster 3 at the December Summit.

5. President Vučić boycotts the Summit. Serbia's President decided not to attend the EU- Western Balkans Summit in December. His boycott was a deliberate message of discontent at the EU failure to open the Cluster 3 of the negotiations framework. However, he also reminded that, as long as he is Serbia's president, EU membership would continue to be the country's strategic objective.

Economy

Macroeconomic indicators for Serbia in 2025 suggest overall economic stability. However, certain metrics, such as foreign direct investment inflows, global demand for Serbian exports, and GDP growth rate, have been negatively affected by ongoing geopolitical challenges. The primary economic risks in 2025 are associated with Naftna industrija Srbije (NIS), the leading oil and gas company in Serbia. NIS is owned by Gazprom Neft (50%), Gazprom (6.15%), the Serbian Government (29.87%), and various shareholders (13.98%). Since October, NIS has been subject to US sanctions and has lost its OFAC license to operate. The Serbian Government is currently engaged in negotiations with the Russian Government to resolve this issue. Potential solutions include the sale of the Russian stake to another international entity or the repurchase

and renationalization of NIS by Serbia. Each option presents distinct advantages and disadvantages. NIS currently employs approximately 14,000 workers. Before 2020, when the conflict in Ukraine started, its contribution to GDP was an estimated 4-5%.

1. Serbia faces a decline in foreign direct investments from the EU.

In 2024, China emerged as the largest investor in Serbia. However, the investment landscape changed significantly in 2025. The ongoing Ukraine war, the US tariff war, and general geopolitical uncertainty that EU investors are experiencing, combined with the ongoing protests in Serbia, all influenced foreign investors' perceptions of Serbia.

Preliminary data from the National Bank of Serbia indicate that the European Union regained its position as the leading investor, contributing 590 million euros and accounting for 68.8% of total investments. The Netherlands led with 497 million euros, followed by Austria with 140 million euros and Germany with 48.7 million euros. Notably, during the first eight months of 2025, Serbia experienced a 54% decline in foreign direct investment (FDI), suggesting that the period of economic growth driven by FDI may be concluding.

2. Continuation of good trade relations with the EU in the first three quarters of 2025. According to the Serbian Statistical Office, Serbia ex-

ported goods worth 17.3 billion EUR to the EU from January to October 2025, up from 15.8 billion EUR in the same period last year. Imports from the EU reached 19 billion EUR, compared to 18.2 billion EUR the previous year. The main export destinations were Germany (4.3 billion EUR), Italy (1.8 billion EUR), Hungary (1.3 billion EUR), Romania (1.2 billion EUR), and the Czech Republic (1.1 billion EUR). The largest imports came from Germany (4.08 billion EUR), Italy (2.7 billion EUR), Hungary (1.6 billion EUR), Poland (1.2 billion EUR), and France (1.1 billion EUR). EU member states accounted for 58.4% of Serbia's total external trade.

3. Serbia becomes part of the SEPA. Serbia has officially joined the Single Euro Payments Area (SEPA), aligning its payment systems with EU rules. This will allow faster, cheaper, and more efficient euro transactions with SEPA countries, improving regional financial integration. Full implementation is expected by May 2026, demonstrating Serbia's commitment to European economic convergence and compliance with EU financial regulations.

4. Serbia's energy strategy and cooperation with the EU: Integrating nuclear power and renewable sources. Serbia has lifted its 35-year moratorium on nuclear power plant construction and is collaborating with France's EDF to explore viable nuclear energy solutions. The government is preparing a preliminary tech-

nical study to assess the feasibility of nuclear energy for peaceful purposes. The decision to pursue nuclear energy aligns with global trends, where many countries are revisiting nuclear power to meet growing electricity demands. The integration of nuclear energy is seen as a strategic move to diversify the energy mix and enhance energy security. Simultaneously, Serbia is advancing its renewable energy sector. The country plans to increase its capacity for wind and solar energy significantly by 2040, aiming to produce 45% of its electricity from renewable sources.

5. Serbia has not achieved progress in Cluster 3. As of December 2025, Serbia's progress toward European Union integration has encountered significant delays. Despite earlier expectations, the EU has not opened Cluster 3 (focused on competitiveness and inclusive growth) in Serbia's accession negotiations. Although Serbia is technically ready to open Cluster 3, the problems related to further progress in the rule of law and normalization of the issues with Kosovo

6. Serbia ratified the Law on the Confirmation of the Loan Agreement between the European Union under the EU's Instrument for Reform and Growth for the Western Balkans. On March 27, 2025, the National Assembly of Serbia ratified the Law on the Confirmation of the Loan Agreement between the European

Union (represented by the European Commission) and the Republic of Serbia under the EU's Instrument for Reform and Growth for the Western Balkans. This agreement formalizes a financial arrangement aimed at supporting Serbia's economic development and integration efforts. The main substantive grounds of the Agreement are: 1) loan amount and terms (Serbia is to receive up to €1.131 billion, with a 40-year repayment period and a 10-year grace period); 2) total allocation for Serbia (approximately €1.59 billion, comprising €1.131 billion in loans and €455 million in grants); 3) fund distribution (of the loan amount, about €738 million is designated for budgetary support, while the remaining €393 million—along with the €455 million in grants—is allocated for projects under the Western Balkans Investment Framework); 4) eligibility conditions, including general preconditions (such as advancements in democracy, human rights and the rule of law), general conditions (such as macroeconomic stability, budget transparency and progress in public finance reforms), and payment conditions (fulfilment of indicators outlined in the Reform Agenda).

Serbia and the People's Republic of China

Serbia's relations with the People's Republic of China remained stable and progressed steadily in all spheres through-

out 2025, despite NATO's warning over defense cooperation, and Washington's blockage of exports from Serbia-based Chinese company Linglong. Serbian President Aleksandar Vučić met with Chinese President Xi Jinping on two occasions in 2025 – both related to the celebrations of victory in World War II in Moscow and Beijing. In Moscow, on May 9, Xi and Vučić expressed satisfaction regarding the results of the first year of the China-Serbia Community with a Shared Future in the New Era, established during the Chinese President's visit to Belgrade in May 2024. The two leaders vowed to organize bilateral meetings at the highest level at least once a year.

Xi and Vučić met again in Beijing, on the occasion of the September 3 military parade. The Serbian President expressed immediate support for President Xi's newest global initiative – the Global Governance Initiative – unveiled two days earlier at the Shanghai Cooperation Organization Summit in Tianjin.

President Xi expressed full support for Serbia's territorial integrity regarding Kosovo and Metohija, while President Vučić repeated Belgrade's full adherence to the "One-China principle", including regarding Taiwan as an internal matter of the PRC.

Serbia-China military cooperation was continued with further integration of the Chinese HQ- 17AE Surface-to-Air system, following previous acquisition of the FK-3 air defense missile system.

Furthermore, Serbia and China held joint military drills aimed at interoperability in China's Hebei province in July 2025. Such cooperation was criticized by NATO's Secretary-General Mark Rutte who warned against China's growing military clout.

Serbia-China cooperation was also put under the spotlight by the December 2025 adoption in the U.S. Congress of the National Defense Authorization Act. The NDAA warned that China's growing influence in the Western Balkans – meaning primarily in Serbia – “could also have a deleterious impact on strategic competition, democracy, and economic integration with Europe”. In the immediate aftermath, the U.S. Customs and Border Protection blocked imports of automobile tires manufactured in Serbia by Linglong International Europe D.O.O. Zrenjanin (Linglong), due to what it called “evidence reasonably indicating the use of forced labor in their production”.

Nevertheless, throughout the year, the two countries celebrated 70 years of friendship, marking the anniversary of the establishment of diplomatic relations between Belgrade (then capital of Yugoslavia) and Beijing. Cultural, educational and travel exchanges continued to flourish, particularly with the 2025 start of operations of the two direct flights to Guangzhou and Shanghai. Beijing continued to strongly endorse the Expo 2027 in Belgrade, with Chinese movie star Jackie Chan becoming an “Expo ambassador”. The Institute of International

Politics and Economics hosted the 5 th “Dialogues on China”, one of the largest scientific conferences on Chinese foreign policy in the world.

The 2025 completion of the Serbian portion of the Belgrade-Budapest high-speed railway set the tone for the end of works in Hungary and the expected 2026 full operationalization of the Belt and Road's flagship infrastructure project in Europe.

Contingencies

Politics and Security

1. Xi and Vučić meet during World War II victory day parades in Moscow and Beijing.

The two leaders met both at the Victory Day Parade in Moscow on May 9 and at the September 3 parade in Beijing, commemorating the 80 th anniversary of the end of World War II. Despite criticism from Brussels, President's Vučić said his place was in Moscow and Beijing, along with allied victors over Nazism, fascism and imperialism.

2. Serbia's support for the Xi's Global Governance Initiative:

After President Xi unveiled his Global Governance Initiative at the Shanghai Cooperation Organization Summit in Tianjin on September 1, President Vučić expressed immediate support during his meeting with the Chinese president in Beijing on the sidelines

of the September 3 military parade. Serbia thus completed its support for Xi's new global initiatives launched since 2021.

3. First-ever China-Serbia military drills. From July 19 to 28, members of the Serbian Armed Forces' 72nd Special Operations Brigade and a special operations brigade of the People's Liberation Army of China conducted a joint training exercise in Hebei Province in northern China. It will be marked as the first-ever China-Serbia military drill.

4. NATO Secretary-General Mark Rutte criticized China-Serbia military cooperation. While arguing Serbia had a "sovereign right" to perform joint drills with China, NATO Secretary-General Mark Rutte warned against China's growing military presence and interoperability: "what is happening in the Indo-Pacific and in the Euro-Atlantic area is getting more and more connected and intertwined".

5. U.S. aims at countering China's "growing presence" in the Western Balkans. The National Defense Authorization Act (NDAA) adopted by the U.S. Congress and signed by President Donald Trump warned that China's growing influence in the Western Balkans "could also have a deleterious impact on strategic competition, democracy, and economic integration with Europe". In the immediate aftermath, the U.S. Customs and Bor-

der Protection blocked imports of automobile tires manufactured in Serbia by Linglong International Europe D.O.O. Zrenjanin (Linglong), due to what it called "evidence reasonably indicating the use of forced labor in their production".

Economy

Macroeconomic indicators for Serbia in 2025 suggest overall economic stability. However, certain metrics, such as foreign direct investment inflows, global demand for Serbian exports, and GDP growth rate, have been negatively affected by ongoing geopolitical challenges. The primary economic risks in 2025 are associated with Naftna industrija Srbije (NIS), the leading oil and gas company in Serbia. NIS is owned by Gazprom Neft (50%), Gazprom (6.15%), the Serbian Government (29.87%), and various shareholders (13.98%). Since October, NIS has been subject to US sanctions and has lost its OFAC license to operate. The Serbian Government is currently engaged in negotiations with the Russian Government to resolve this issue. Potential solutions include the sale of the Russian stake to another international entity or the repurchase and renationalization of NIS by Serbia. Each option presents distinct advantages and disadvantages. NIS currently employs approximately 14,000 workers. Before 2020, when the conflict in Ukraine started, its contribution to GDP was an estimated 4-5%.

1. Serbia faces a huge decline in FDI from China. In the first ten-month of 2025, China invested in Serbia only 44.7 million euros, while in 2024 it invested 1.7 billion euros, and that year it was the single biggest investor in Serbia. Besides already mentioned factors that influenced European investors to show less interest in investing in Serbia, the additional factor for China was related to the work of Chinese company on the collapse of the canopy of the railway station in the city of Novi Sad.

2. Further increase of trade deficit with China. Trade volume between Serbia and China continues to grow. Preliminary data from the Serbian Statistical Office show that, in the first ten months, trade reached 6.7 billion euros, exceeding last year's 5.7 billion. Serbian exports in this period nearly matched the total for all of 2025, while Chinese exports to Serbia rose to 5.1 billion euros, surpassing the 2024 figure of 4.2 billion. Imports from China are increasing annually, and Serbia is likely to experience its largest trade deficit with China to date. As final data will not be available until April 2026, it is currently unclear whether the Free Trade Agreement has helped Serbia diversify its exports to China.

3. Belgrade prepares for 2027 Expo with Chinese-led infrastructure projects. Chinese firms are leading major infrastructure projects in Belgrade, including the Expo complex, a metro system, and a central

tunnel. Serbian authorities stress timely execution, while China's ambassador commends the companies' dedication and pledges intensified efforts to avoid delays. These projects support Serbia's preparation for the 2027 Expo, expected to attract millions of international visitors and enhance the city's international profile.

4. Announcements of Sino-Serbian diversification of the investment cooperation. Even though there were no major Chinese investments in Serbia this year, several new projects have been announced for 2026. Serbia is expecting a Chinese investment in a train manufacturing plant in Vranje, as well as the possible acquisition of the furniture company Simpo. Additionally, Minth Holdings Limited announced plans to invest EUR 950 million over the next five years in the construction of new industrial facilities for the automotive industry. There are also plans by Shanghai Fengling Renewables to build a green hydrogen facility in the city of Bor, valued at EUR 2 billion, while China Energy International Group plans to construct facilities to produce oil and oil derivatives, also worth around EUR 2 billion.

5. Zijin further investments and plans to relist Bor copper on the London Metal Exchange. Chinese mining company Zijin committed \$5 million to explore gold and copper on Rogozni Mountain near Novi Pazar. The

investment secures a 2.4% stake in Australian firm Strickland Metals and accelerates geological research at the Gradina site.

Serbia Zijin Copper Bor plans to re-introduce its premium copper to the London Metal Exchange. The company is updating supply chain practices, branding, and packaging to meet LME standards. Successful registration will enhance global recognition, increase market value, and strengthen Serbia's presence in the international metals trade.





04

Events and
Trends to Follow
in 2026

Major events 2026

Chinese National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) - 4-5 March 2026

China's annual "Two Sessions" will convene in early March 2026, bringing together the National People's Congress and the Chinese People's Political Consultative Conference. On these occasions, national lawmakers and political advisers will gather in Beijing to review the work reports of governmental and judicial authorities. They will also deliberate the country's crucial economic and social issues. These meetings serve as a central moment in China's political calendar, used to announce major economic objectives, defense spending plans, and governance reforms.

Hungarian Parliamentary Election - April 2026

Hungary's parliamentary election in April 2026 will be a major political test for Prime Minister Viktor Orbán and his Fidesz-KDNP coalition. The vote will determine whether Orbán can maintain his long-standing dominance amid ongoing EU rule-of-law disputes, domestic economic pressures, and a shifting regional political landscape. Opposition continues to struggle but has rallied around Péter Magyar and TISZA party. Economic grievances and dissatisfaction with governance could influence turnout

and competitiveness. The outcome will shape Hungary's position within the EU, particularly on sanctions on Russia, defense policy, and enlargement.

EU-Western Balkans Summit, Montenegro - 1 June 2026

The EU-Western Balkans Summit in Montenegro will be the most significant high-level engagement between the European Union and the region in 2026. The meeting will address the pace of EU enlargement, rule-of-law reforms, economic convergence, and security cooperation. With Montenegro hosting, the summit will also highlight the country's ongoing accession efforts and its emerging frontrunner status, as well as the need for renewed momentum in EU-Balkan integration amid the rising geopolitical tensions.

G7 Summit, Évian-les-Bains, France - 14-16 June 2026

France's hosting of the G7 Summit will bring together the leaders of the world's largest advanced economies to address macroeconomic stability, emerging technologies, global development, and geopolitical tensions. The 2026 agenda is expected to focus heavily on supply-chain resilience, energy security, China's global role, and ongoing challenges arising from the Russia-Ukraine war. For Europe in particular, the summit will be an important platform to coordinate strategic economic and security prior-

ities with the United States and Japan. Of particular interest is possible invitation for Chinese leader Xi Jinping to the summit.

NATO Summit, Ankara, Turkey - 7–8 July 2026

The NATO Summit in Ankara will serve as the key transatlantic security meeting of 2026, bringing together heads of state and defense ministers amid heightened geopolitical uncertainty. Discussions are expected to center on long-term support for Ukraine, strengthening collective defense posture, modernization of NATO forces, and burden-sharing commitments. Turkey's role as host reflects its strategic importance within the Alliance and offers Ankara a platform to shape debates on regional security issues, defense procurement, and NATO–EU cooperation. With rising tensions across Atlantic and diverging positions on a number of security related issues between the US and European member states, the summit will serve as a test for NATO resilience.

United States Midterm Elections -3 November 2026

The 2026 US midterm elections will decide the composition of the House of Representatives, one-third of the Senate, and a wide range of state-level offices. Occurring midway through the presidential term, the elections will serve as a referendum on domestic economic management, immigration policy, and foreign engagement — in-

cluding support for Ukraine, relations with China, and NATO commitments. Their results will significantly influence US legislative dynamics and the global political environment heading into the 2028 presidential cycle.

APEC Leaders' Meeting, Shenzhen, China - 18–19 November 2026

China's hosting of the APEC Economic Leaders' Meeting in Shenzhen will highlight the country's role in the Asia-Pacific economic system and its ambitions in digital innovation and trade connectivity. The gathering will potentially bring together leaders from 21 economies, including the United States, Japan, and Australia, to discuss regional trade architecture, digital economy governance, supply-chain diversification, and sustainable growth. The meeting will also provide an important channel for major-power diplomatic engagement amid intensifying US-China competition.

BRICS 2026 Summit, India - TBD

The 2026 BRICS Summit, hosted by India, will focus on the group's expanding global role following the enlargement process of recent years. Discussions are likely to prioritize economic cooperation mechanisms, alternative financial arrangements, energy partnerships, and institutional reforms designed to increase the bloc's cohesion, as the enlargement also brought diverging positions on a number of international topics. With China and Russia playing

leading roles, the summit may also emphasize the narrative of a multipolar international order and seek to broaden engagement with the Global South.

Ukrainian War Negotiations - Throughout 2026

Multiple diplomatic tracks, within the, EU, NATO, and bilateral formats, are anticipated to intensify in 2026 as international actors push for frameworks to end the Russia–Ukraine war. The UN General Assembly session in September 2026, as well as NATO and EU summits earlier in the year, are likely to serve as major negotiation windows, combined with regular bilateral and multilateral meetings at the highest level between the US, Ukraine, Russia, and leading European countries. Talks are expected to revolve around security guarantees for Ukraine, territorial questions, sanctions conditionality, and long-term reconstruction commitments. While a breakthrough remains uncertain, 2026 is seen by many governments as a critical year for exploring settlement options.

Major trends 2026

TREND 1: Race for rare earths: Need for speed

The race for rare earths continues to intensify and intertwine with geopolitics. In 2025, it featured in the U.S.-Russia-Ukraine triangle, in Washington’s “quest for Greenland”, in the U.S. deals with ASEAN countries and Pakistan, as well as

in China’s robust response to U.S. tariff threats. In 2026, it will continue to be an important instrument of geopolitical leverage. The U.S. will seek opportunities to secure deals which could increasingly reduce China’s dominance in rare earths processing, while boosting its own. However, from the 2026 perspective, it is still a long shot.

TREND 2: Industrial policy as national security

The United States, the European Union and China will increasingly use state interventionism – including subsidies, tariffs and trade restrictions - to boost competitiveness of companies in strategic sectors, such as AI and semiconductors, and align them with foreign policy and security interests. Expect more state control over digital infrastructure, AI and data. Difficult times ahead for free markets.

TREND 3: Techno-battles rage on: from chips to 6G

The U.S. with its export controls on most advanced chips used for AI and supercomputing, including NVIDIA with its Blackwell technology, still has an advantage, but China is reducing the gap, and seeking to reject less advanced U.S. chips while bolstering Huawei and other domestic companies. In 6G, it is the other way around, as China leads with 40% of global patent applications and establishment of technological standards under the auspices of the Inter-

national Telecommunication Union, while the U.S. is trailing. As with 5G, Washington will likely use geopolitical leverage to reverse the trend.

TREND 4: Will Trump's transactional diplomacy lose steam?

Donald Trump has shaken the world with his transactional diplomacy 2.0 throughout 2025, sowing feelings of insecurity over the future of alliances, security commitments, international institutions and trade agreements. Great powers, such as China, Russia, but also India, have already shown resilience to U.S. pressure. Small and middle powers could increasingly opt for more hedging.

TREND 5: Generative AI: The Battle of Narratives

As leading technological powers discover the might of AI application, they are increasingly attracted to the notion of using it for geopolitical narrative battles. Expect more bias and ideological clashes over your favorite generative AI.

TREND 6: Is Washington-Moscow détente possible?

Donald Trump's initiative to end the conflict in Ukraine, and the December 2025 U.S. National Security Strategy definitely think so. But there will be a lot of testing ahead: from the end of the conflict in Ukraine, talks on the new security architecture in Europe, up to strategic weaponry arrangements beyond the expiry of the New START treaty in February 2026.

TREND 7: Will China continue to boost its diplomatic influence in the Global South?

With the U.S. moving towards transactionalism and an "America first" approach, China's "Community With a Shared Future in the New Era" – with its focus on global development and recalibration of UN-based multilateralism – appeals to a wide range of countries in the Global South. This does not necessarily mean choosing sides – and Beijing itself is clearly pointing against alliance-making – but China's global initiatives – from the Belt and Road Initiative to the September 2025 Global Governance Initiative continue to gather steady support. Implications for international norms will follow in due time.

TREND 8: European sovereignist push to continue, with France 2027 in sight

Boosted by Trump's support – including in the U.S. National Security Strategy – as well as with a continued rise demonstrated inter alia by the victory of Andrej Babiš in the Czech Republic, European sovereignists will face several important steps – and challenges – in their continuous rise. First and foremost, the April 2026 parliamentary elections in Hungary, where Victor Orban has been trailing in polls. If he succeeds in turning the tide, the Central European sovereignist bloc (Hungary's Orban-Slovakia's Robert Fico-Czech Republic's Babiš) will be consolidated. In turn, this would boost expectations of

a sovereignist victory in the 2027 presidential elections in France, which could be a major turnaround in European politics. A lot of “ifs”, but a major possibility.

TREND 9: All-round militarization: from hybrid to nuclear to space

Militarization is growing in 106 countries, which is not surprising given the record 59 active conflicts, and 78 states engaged outside of their borders. Securitization discourse is at all-time highs, predictions abound about a 2030 Russia-NATO showdown, military service is back on the agenda, defense budgets are steadily rising, legal restrictions are loosened, and tensions expand from the ice of the Arctic to the undersea infrastructure, and from cyberspace to drones and into the orbit. Hybrid warfare continues to expand away from the classic battlefields. Nuclear arms control has weakened, with increasing talks about ending a moratorium on nuclear weapons testing. A prospect of a nuclear showdown has increased beyond Ukraine, with the India-Pakistan and Israel-Iran conflicts. The IAEA inspections in Iran are suspended, Saudi Arabia has signed a mutual defense agreement with a nuclear-armed Pakistan. And in space, Trump’s Golden Dome plan is back on the agenda, while an increasing number of countries are investing in their space programs – from France, Germany and Finland to India and Brazil. The new “star wars” will be multipolar.

TREND 10: Global debt and warming increase while assistance dwindles: a dangerous recipe

Western development assistance is increasingly dwindling – with a projected fall of up to 17 percent in 2025. At the same time, record-high greenhouse gas emissions have led to the last four years being the hottest on record. Global public and corporate debt are increasing, reaching beyond 250 percent of global GDP. While illegal migration in Europe is down, it is a matter of time before structural conditions push for renewed pressure on key migrant destinations. However, the two engines of Europe’s economy are struggling – France’s debt is reaching USD 4 trillion, and Germany can barely get its head above recession. It could be a recipe for more tension, polarization and radicalization.

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