



Policy Brief

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The new Serbia: fast forward towards the EU?

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Background

Enlargement Commissioner Olli Rehn has declared his ambition to make 2009 “the year of the Western Balkans”, ushering in a new phase in the EU’s relations with Serbia and the rest of the region.

The Stabilisation and Association Agreement (SAA) and the Interim Trade Agreement which Serbia signed with the EU almost a year ago should set the stage for the country to file a formal application for EU membership in 2009/2010. This is likely to be followed by the granting of ‘candidate’ status and the liberalisation of the visa regime for the country’s citizens. But stumbling blocks remain.

Serbia has yet to meet the final condition for moving to this new phase in the transition process: namely, the extradition of Ratko Mladić and Goran Hadžić to the International Criminal Tribunal on former Yugoslavia (ICTY). Finding the two men is proving harder than expected and the government still has to convince some EU Member States that it is cooperating ‘fully’ on this issue.

The signs are positive, however. Last December, the ICTY praised Belgrade’s new efforts to improve, among other things, its capacity to locate fugitives (as demonstrated by Karadžić’s extradition to The Hague last summer), and the quality of its cooperation with the tribunal.

The Kosovo problem will also continue to weigh on Serbia’s Euro-Atlantic integration process. But it will not hinder it directly in the short term. The step-by-step approach adopted by the international community towards Kosovo’s status suggests that the big decisions (recognition of Kosovo by the remaining five EU Member States and the final status of the North Kosovo Serb enclaves) will be dealt with once Serbia gets closer to EU accession.

Also, at the domestic level, the splitting of the nationalist Serbian Radical Party in two has further marginalised the extreme right wing in domestic politics.

All this means that the promise made by the last President of the Federal Republic of Yugoslavia, Vojislav Koštunica (in a speech

after the overthrow of Slobodan Milošević on 5 October 2000) to make Serbia “a normal, boring country” may thus finally be fulfilled, almost ten years later and under someone else’s leadership – that of current Serbian President Boris Tadić.

But even ‘boring’ countries have serious problems which, if not dealt with appropriately, can quickly destabilise their political system – as has been demonstrated even by Croatia, with the recent wave of organised crime-related murders in a country on the verge of EU accession. This is all the more true of Serbia, despite all the recent positive changes.

The January 2008 presidential elections and the subsequent parliamentary vote in May demonstrated the appeal of the EU perspective to Serbia’s electorate and the ability of its citizens to resist nationalistic demagoguery and overcome the anger of the alleged losers in the transition process. Even Kosovo’s Unilateral Declaration of Independence did not trigger the electoral victory for the

nationalists that some pundits had predicted.

The September 2008 splitting of the Radical Party into the more moderate Serbian Progressive Party (led by Tomislav Nikolić) and the extremist right-wing core of the old party (led by the ICTY indictee Vojislav Šešelj) has further weakened the anti-European political forces in Serbia. The November 2008 by-elections in four municipalities, although by no means representative of the whole country, demonstrated the declining popularity of nationalist political parties.

The Serbian Progressive Party did much better than the old party, which failed to reach the threshold for representation in two of the four municipalities (although the results were not entirely comforting for Mr Nikolić, since the two new parties won fewer votes between them than the unified Serbian Radical Party did in the May 2008 parliamentary elections).

The performance of the former President Koštunica's centre-right Democratic Party of Serbia and its allies, while not catastrophic, indicates a steady fall in the

popularity of this political bloc. Without some internal transformation and a broadening of its agenda beyond Kosovo, the party risks struggling to meet the electoral threshold in the future.

By contrast, the unequivocally pro-European bloc did extremely well: both the ruling coalition grouped around the Democratic Party and the Liberal Democratic Party repeated their successes of May 2008 and did even better.

An opinion poll in October reflected the results of the municipal by-elections: the Democratic Party-led coalition had the support of 36.6%, the Serbian Progressive Party 23.8%, the old Radical Party only 6.9%, the Liberal Democratic Party 6.7% and former President Koštunica's Democratic Party of Serbia 6%, while other political parties (including the Socialists) remained below the threshold.

This does not mean, of course, that nationalist ideology has disappeared in Serbian society – only that its political significance is diminishing. Extreme nationalist rhetoric will continue to be heard, but only

in the political discourse of fringe right-wing organisations and the remaining extremist mainstream party – the Serbian Radical Party.

The period leading up to the next parliamentary elections is likely to see the emergence of two blocs: an alliance of centre-right conservative forces (grouped around Mr Nikolić's party and the coalition previously led by Mr Koštunica) and the pro-European bloc around President Tadić and the ruling coalition.

Finally, as far as Kosovo is concerned, the United Nations General Assembly's request for an advisory opinion from the International Court of Justice on whether Kosovo's Unilateral Declaration of Independence was in accordance with international law is likely to put the whole issue on ice for some time, in both Belgrade and Brussels.

As a result, Serbia's struggle to preserve its territorial integrity and its negotiations with the EU are likely to remain two separate processes for some time – at least until Serbia's membership hopes move closer to being realised.

State of play

A November 2008 public opinion survey carried out by the Centre for Free Elections and Democracy found that living conditions and the economy remain the most important issues for Serbian citizens, with EU integration and Kosovo lagging a long way behind.

In Serbia, the power of business monopolies drives up the price of basic products, with Serbs paying up to three times more for some staple foods than shoppers in the EU and at least 20% more than people in neighbouring countries. Food prices tend to be equal to or

higher than in Croatia, despite the fact that average salaries in Serbia's northern neighbour remain significantly higher.

The negative political impact of this difficult economic situation will be exacerbated in 2009, as the global financial crisis begins to affect the Serbian economy more directly. It began having an impact in October, with the Dinar coming under pressure on foreign exchange markets and stock market indices taking a dive. According to a November 2008 report by the Economist

Intelligence Unit, Serbia's real GDP growth in 2009 will be just 4%, compared with 6.5% in 2008 – and many independent economic experts consider this forecast optimistic.

Antitrust – and no trust

The Serbian Commission for the Protection of Competition (CPC) is obliged to operate without political backing from the government. Several ministers have even sided publicly with powerful business companies in their disputes with the CPC.

Furthermore, although the 2005 Law on the Protection of Competition regulates markets largely in line with EU standards, the CPC has a limited authority to impose sanctions on monopolies and those who abuse the rules.

Serbian anti-trust law requires the CPC to start 'misdemeanour' proceedings before the courts in order to impose sanctions. This means that market regulation ultimately depends on the Serbian court system, which lacks specialised knowledge of the issues involved, is exposed to political pressure and, more often than not, is unable to assure speedy proceedings. Serbia's competition authority has tried to take legal action against presumed monopolies, but gets bogged down in court procedures.

While acknowledging that some progress has been made in this area, the European Commission concluded in its 2008 Report on Serbia that: "The existing anti-trust legislation is not yet fully aligned with the requirements of the SAA and Interim Agreement."

In 2007, the Ministry for Trade and Services tasked a working group with drafting amendments to competition law. To date, however, no new text has been presented to parliament, despite the declared December 2008 deadline (which has now moved to "the beginning of 2009"). If enacted by parliament, these amendments are expected, among other things, to give the CPC the right to impose sanctions directly – although concerns persist about the government's desire to retain political control over the staffing and operation of the new, supposedly independent, body.

Lower consumer prices resulting from greater competition would make it possible for more Serbs to enjoy a decent standard of living

during the transition process, and would contribute to strengthening the country's middle classes. This would play an important role in mitigating the negative political impact of the transition process and thus preventing the return of nationalism.

This goal cannot, of course, be achieved simply by boosting the powers of the country's competition authority. More foreign direct investment is also required. But even though Serbian government officials have pledged to create incentives for international retail chains to open stores in the country, there are still relatively few of them. The global financial crisis will hardly help attract the required foreign investment, but the government can help by creating a better business climate, starting with modernising trade legislation.

The power(s) that be

A small number of powerful businesses continue to exert control over a large portion of Serbia's economy. Consequently, their influence over the country's political authorities remains (intolerably) high. The dependence of almost all political parties on large business interests makes liberalising Serbia's markets and bringing prices down extremely difficult – and the lack of transparency in party financing only makes matters worse.

The centralised and leader-driven nature of Serbia's political parties constitutes an additional obstacle to increased accountability. Attempts by the Democratic Party to introduce the concept of primary elections in Serbia's political life (allowing supporters to choose the party's leadership through direct elections) have remained symbolic and have contributed little to decentralisation within the party,

and the rest of Serbia's political parties are even less democratic.

There are also major legal and practical limitations on exercising parliamentary mandates freely. For example, constitutional provisions paving the way for the use of instruments such as pre-signed undated resignations to assure parliamentary discipline (MPs who switch sides or vote with the opposition on important issues are thrown out of parliament and replaced by the candidate next on the electoral list). These strengthen party leaderships even further, which not only has a negative effect on democracy within political parties, but also renders parliament a 'tool' of the executive branch.

They also contradict the recommendations of the European Commission, the European Commission for Democracy through Law (better known as the Venice Commission – the Council of Europe's advisory body on constitutional matters), and the Organisation for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR).

Yet the practice of replacing undisciplined parliamentarians – notwithstanding the 2003 Constitutional Court ruling declaring this unconstitutional – continues to be supported by all the mainstream political parties.

This is once again related to powerful business interests buying off MPs in the first two post-2000 legislatures, leading to a situation where the Serbian National Assembly was often jokingly referred to as a 'stock-market', with MPs playing the roles of shares bought and traded by the country's tycoons. If individual legislators are not immune to corruption, neither are the leaders of Serbia's political parties, which

makes the argument that they are less likely to be corrupted than individual parliamentarians less plausible.

Despite recent improvements with regard to the de-politicisation of public administration and the independence of the judiciary, further progress in this field will be extremely difficult if the current centralised nature of the country's political system endures. Last, but certainly not least, another

important requirement for the speedy integration of Serbia into the EU is a thorough reform of its security services.

The formation of the new government and the personnel changes at the top of the country's civilian security agency (BIA) have indeed opened up the possibility of a genuine reform of Serbia's security services, with the arrest of Karadžić a first positive result of this change.

Making secret service files accessible to the country's citizens (a measure never taken by any post-Milošević democratic government), together with increased transparency of the BIA, remain necessary preconditions for accelerating the democratisation of Serbia. The inability of consecutive governments to enact a comprehensive legislative package to this effect has hindered the country's democratic development.

Prospects

Since 2002, as a result of the negative effects of being excluded from power, the Serbian Radical Party has continuously attracted protest votes from citizens unhappy with the lack of domestic reform and social solidarity, and the spread of corruption.

Only a small fraction of the Radicals' vote was inspired by the party's nationalist ideology. Generally speaking, Serbian elections are guided by four dominant feelings: fear of a return to the 1990s, anger directed against the post-2000 political elites, the negative effects of transition and the disregard for the rule of law. The Radicals were quite successful in capitalising on all of this, but they were unable to convince enough voters that their fears about the party's possible return to power were vastly exaggerated.

The essence of Mr Tadić's campaign in the 2008 presidential elections and the May 2008 parliamentary elections was feeding fear of the Radicals, but the plebiscitary nature of those two campaigns cannot be repeated. It is likely that the next elections will be fought over the economy

and the rule of law. In the longer run, the country only risks a resurgence of the nationalist element in Serbian politics if these issues are not addressed adequately – and the role of the EU in this process will be crucial.

In order to encourage Serbia to fulfil the criteria for further progress towards EU integration, the European Commission should make this process more transparent. A good case in point is the road map for visa liberalisation. Greater transparency in relation to benchmarks and conditions would make it more difficult for local politicians to blame the EU and the international community for a lack of progress – unlike Kosovo's Unilateral Declaration of Independence, which still provokes anger among most Serbs.

In the light of Serbia's current cooperation with the ICTY, the EU should also speed up the procedure for granting the country 'candidate' status, with a view to starting the screening process and, later on, formal accession negotiations as soon as possible.

Moreover, the Commission should encourage and help the Serbian government to continue

implementing the conditions necessary to put the country on the Schengen free-movement zone's 'white list', and avoid unnecessary delays – Serbia's fulfilment of the criteria should be the sole consideration.

Concerning Kosovo's still uncertain status, the EU should keep the two processes – integration of Serbia and the settlement on Kosovo – separate.

Staying away from 'conversation stoppers' such as Kosovo's final status and concentrating on the concrete policy issues affecting the integration process will make Serbian democracy stronger and its transformation irreversible. This, in turn, will have a positive effect on regional stability and speed up the integration of the Balkans in the Union – making their goal of joining the 'club' in the next decade more realistic.

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