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EVALUATION NOTE

BEHIND THE CURTAIN OF THE KOSOVO – SERBIA AGREEMENT

The Western Balkans has once again become a hot topic after the signing of an economic normalization agreement between Serbia and Kosovo on September 4, 2020, in Washington DC. Imposed by the Trump administration, many questions arose from this agreement since it mentions Israel, Hezbollah, energy diversification, and communications technology limitations; topics which do not have any direct impact on the Western Balkans. First and foremost, why was the US pushing to get this deal done so rapidly and in such unusual form? Neither Serbia nor Kosovo possesses global power to influence these geopolitical activities. Nevertheless, signing an economic normalization agreement without the preconditions of fostering inclusive diplomatic and political relations is irrational and bizarre. The event itself, where two separate agreements were signed with only one signature per country excluding the US as mediator, undermines the purpose of the agreement and its effectiveness. On the surface, it appears that the agreement serves US global interests rather than solving one of the numerous everlasting issues of the Western Balkans.

The fallacious agreement

The economic normalization agreement between Serbia and Kosovo is not a bilateral agreement and therefore cannot be effective because it is geared more towards geopolitical competition- not improving economic relations.

The unusual structure of the agreement, signed separately with only one signature per documents, opens many legal issues. It seems that both sides did not mutually agree to anything on their own accord. Instead, they agreed to fulfill the

¹ <https://www.tepav.org.tr/en/ekibimiz/s/1415/Zoran+Ivanov>

stated obligations of the US. To initiate the building of an economic relationship before moving onto diplomatic recognition was the idea of Richard Grenell, Trump's Special Envoy for Kosovo and Serbia. But it is a misjudgment in terms of fixing the longstanding Serbia-Kosovo issue. The reason is very simple, in order to have an inclusive economic cooperation the inclusive diplomatic relationship is required, which at this point is out of the picture in the agreement. On the other hand, it does serve US foreign policy interests by finding fast solutions to international issues and promoting Washington's global interests.

The signed agreement addresses three different areas. In the first area, five bullet points are referring to building a regional infrastructure; which can improve economic communication, but this is not a key factor required in the case of Serbia and Kosovo. Only one bullet point, No.5, refers directly to economic cooperation; exploiting opportunities of the mini-Schengen initiative, which has not been initiated as of now. The rest of the bullet points serve only US foreign policy interests; activities to counter Russian and China's influence in the region through energy diversification and prohibition of 5G networks, recognizing Jerusalem as Israel's capital and recognizing and promoting the freedom of religion, ethnicity and sexual diversity. The bullet points relating to geopolitical competition dominate the agreement. It shows that the US has created a window of opportunity to limit Russia and China's geopolitical position in the Western Balkans, rather than promoting the intended economic relations and eventual stability between the two Balkan nations.

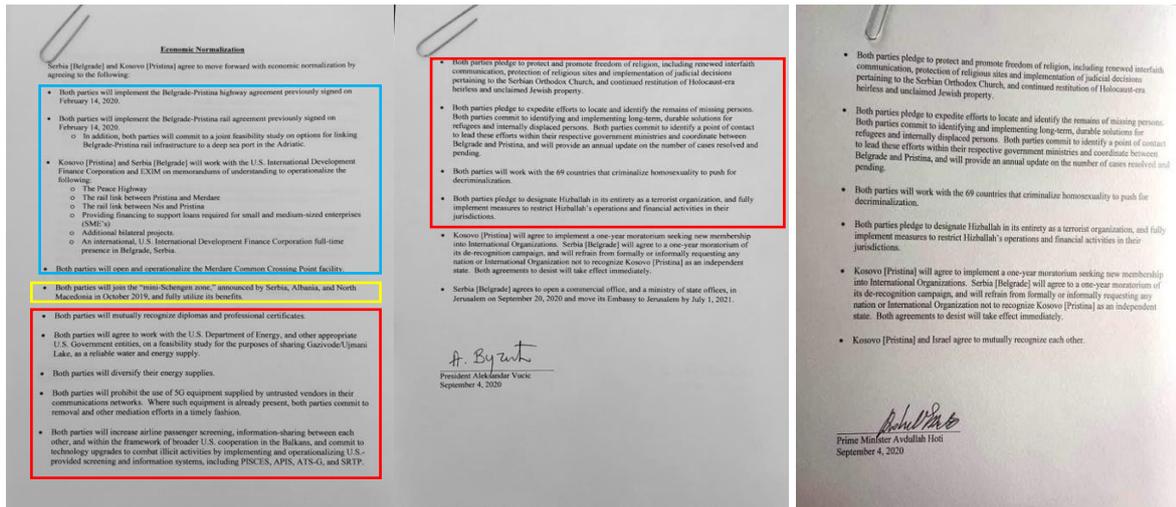
There are two main reasons observers should be doubtful of a successful economic normalization agreement. First, Kosovo is still in the phase of developing its state institutions. For the time being, the UNMIK is representing Kosovo in international institutions. It is unlikely that Kosovo, with its fragile democracy, lack rule of law, corruption, political instability and economic dependence on the international community will or even could carry out such economic responsibilities. Second, is the lack of regional trust for mutual cooperation? In the Western Balkans there are more than 70 regional cooperation initiatives with the majority of them still remaining only on paper with little to no action?² This agreement greatly risks falling into that very same aforementioned category. Only one bullet point refers to economic development and cooperation: bullet No.5 state that, "Both parties will join mini-Schengen and fully utilize its benefits." This is the latest mini-Schengen initiative for increasing the regional economic cooperation initiated by Serbia, Albania and Macedonia. Its future is uncertain, since it was rejected by Kosovo because Bosnia and Hercegovina (BiH) and Serbia do not recognize Kosovo's Independence, and BiH and Montenegro are still in the decision making process; they claim that the Regional Economic Area (REA) initiative under the Regional Cooperation Council (RCC)³ and the Center European Free Trading Agreement (CEFTA)⁴ cover enough measures for economic cooperation. Since the current Serbia – Kosovo Agreement has no actionable activities in its first year after being enacted, meaning any implementation of some kind of change is required, the agreement will most likely fall into the category of souvenir Western Balkan initiatives.

² <https://europeanwesternbalkans.com/2020/03/06/what-happened-to-the-mini-schengen/>

³ <https://www.rcc.int>

⁴ <https://cefta.int>

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So, who exactly are the beneficial parties?

According to the last 8 bullets from the agreement there are two beneficial parties: the US and Israel, with the US viably benefitting more than Israel. The agreement provides Washington the opportunity and legal authority for the US to directly counter the growing Russian and Chinese influences in the Western Balkans.

For example, taking control over the biggest lake on the Serbia – Kosovo border, Lake Gazivoda/Umljni, directly disrupts Gazprom's expansion in supplying Western Balkans with Russian energy. The man-made World Bank sponsored lake was built during the 1980s with a capacity to generate 35KW of electricity. It is main electricity supplier for Kosovo Energy Corporation, Trepca mining, and Feronikel. Likewise, it serves as the area's main water supply-Prishtina's drinking water and its outlying regions agriculture watering system.⁵ Thus, making Kosovo off limits, even unreachable, for further Russian energy expansion. Simultaneously, it provides the US opportunity to compete and limits the market space to the biggest oil supplier, the Oli Industry of Serbia (Naftena Industrija Srbije) which has a majority Russian stake. The US energy expansion continues to gain traction since the 2018 signing of the Trump – Juncker agreement. This agreement allowed for the US to increase its LNG exports to the EU from 3 billion cubic meter in 2018 to 17.2 bcm in 2019.⁶ The main motive behind this was the US assessment that with the Nord Stream 2 natural gas pipeline would make the EU and Western Balkans further dependent on Russian gas, thus giving the Kremlin new leverage over Germany and other NATO allies.⁷ In June 2020, a group of US senators even proposed expanding the current sanctions against Nord Stream 2 to encompass all of its subcontractors.⁸ Besides countering Russian influence, the US has used this opportunity to disrupt China's expansion as well.

⁵ <https://www.kosovo-online.com/vesti/politika/ljajmi-da-li-jezero-gazivode-ima-veci-kapacitet-od-trenutnog-za-proizvodnju>

⁶ https://ec.europa.eu/energy/sites/ener/files/eu-us_lng_trade_folder.pdf

⁷ https://www.washingtonpost.com/business/energy/why-the-world-worries-about-russias-natural-gas-pipeline/2020/09/07/59e10c1e-f0f9-11ea-8025-5d3489768ac8_story.html

⁸ <https://www.bloomberg.com/news/articles/2020-06-03/senators-to-back-expanding-nord-stream-2-sanctions-to-insurers>

As a part of trade wars between US and China, the US has created a window of opportunity to limit China's 5G technology in Serbia and Kosovo. According to the agreement Serbia and Kosovo will be prohibited from using 5G technology provided from Chinese vendors. This obligation is almost impossible to fulfil. There are two simple reasons. First, Serbia and especially Kosovo do not have the budget capacity to buy more expansive communication technologies from American or European vendors. Second, China's vigorous strategy to win over the communications markets offers such low prices that western nations simply cannot compete. Both Serbia and Kosovo got themselves into a very inconvenient situation and even possible direct confrontation with the US in the future if procurement of these lucrative communication technologies eventually do occur. The second beneficiary party, Israel, should not expect sustainable benefit from this agreement either.

With this agreement, Israel gains traction in its global pursuit of recognizing Jerusalem as being its capital. Nevertheless, this is not a sustainable solution since both Serbia and Kosovo were pressured to move their embassies to Jerusalem. Since this action is not done by free will it could eventually undermine future Israeli efforts. The US has used its leverage to convince Serbia and Kosovo to take such action against their wishes at a time when the issue is at the very bottom of their lists of mounting headaches. Kosovo almost single-handedly owes its independence to the US. Most of the current politicians were insurgents built, trained and equipped by Washington. As token of appreciation, Kosovo has built a statue of Bill Clinton in Pristina depicting him as a liberator.⁹ At the current moment, Kosovo's President Hashim Tachi will award President Trump with the nation's Order of Freedom.¹⁰ The US leveraged many activities into coercing the Serbians. Serbia is the only country that has begun EU accession talks without trying to become a NATO member. As geopolitical competition continues to fuel fires, power politics of coercive decision making is gaining further traction. Such activities can and will harm a state's international relations.

Implications on mutual international relationships

The agreement has more geopolitical consequences than benefits. First, Serbia could possibly undermine its relationship with Russia and China. Plus, it can weaken its traditional relationship with Palestine by directly taking sides in the Israel – Palestine conflict. Second, Turkey's position can be challenged in relationship with Kosovo and Israel. Third, the EU is once again marginalized.

First and foremost, this agreement has potential to drastically undermine Serbia's foreign policy. Signing this agreement, Serbia has put itself in a position to explain its actions to Russia, China and Palestine.¹¹ Serbia has tried to balance its position on both sides. Negotiating with EU for accession talks while at the same time strengthening its political, economic, military, and energy relationship with Russia. President Vucic's signature on the agreement did not find popular support by experts and opposition leaders in Serbia and Vucic has been accused of undermining Serbia's strategic relationship with Russia.¹² Furthermore, China's was put in a

⁹ <https://www.telegraph.co.uk/news/worldnews/europe/kosovo/6481057/Bill-Clinton-unveils-statue-of-himself-in-Kosovo.html>

¹⁰ <https://apnews.com/article/robert-obrien-kosovo-richard-grenell-serbia-hashim-thaci-48d83c2bbd072a24922154c60132e0da>

¹¹ <https://www.aa.com.tr/en/europe/serbia-to-boost-ties-with-israel-palestine-president/1974288>

¹² <https://www.youtube.com/watch?v=qzpWyHDkm9Y&t=9s>

limiting position in the field of communication technology besides its already standing substantial investments and loans in Serbia. Strategically, Serbia played a key role for China's long-term plan for the Belt and Road Initiative in hopes of China gaining a larger footprint in the EU market. To ensure its strategy China has signed the agreement with Serbia to invest 3 billion euros into its economy and provide military assistance.¹³ If Serbia's continue with its strategy to balance and appease the EU, US, Russia, and China it will find itself on an increasingly slippery surface.

Second, Turkey's position is challenged on multiple levels. First, Turkey is a third largest investor in Kosovo after Germany and Switzerland. Ankara's development investments in 2016 was over 6 billion euros. Kosovo unilateral decision to recognized Jerusalem as Israel's capital means that Turkey cannot expect a trustworthy mutual relationship in the future. Likewise, this agreement further deepens the gap between Turkey and Israel. Although their relations date back to 1957 with the establishment of military and intelligence cooperation in areas of common interests, throughout their history, this relationship has been challenged by both sides pursuing their own regional foreign policy goals. Considering both countries position in the correlation to challenges in the wider region of the Middle East and Eastern Mediterranean provides compelling reasons for the two to restore their mutual relationship.¹⁴

Third, the EU remains passive in solving Eastern European issues. Since the President Trump took over the presidency, relations between the EU and US has become quite the rocky road. Protectionism promoted in the last three year has made US more vigilant and aggressive in fulfilling its national interests especially in the foreign policy.

Washington has been accusing the EU for not doing enough for the World Trade Organization, is imposing additional tariffs on EU products and seeks to increase the defense contributions of NATO members.¹⁵ Meanwhile, in the past decade the EU has become rather passive in solving global challenges. The EU's political and economic division of northern and southern countries, including the Visegrad group (V4), undermines its effort in promoting a mutual EU identity. The US stepping up to the plate in solving European problems instead of the EU itself, especially in the Western Balkans, is reminiscent of the intervention in Bosnia during the 1990s. Again, no surprise in seeing that the majority of conditions in this new agreement serves the interests of the US.

Myopia of power politics

Throughout history, it has been proven that pursuing foreign policy goals does not correlate to sustainable strategic solutions. The only way to achieve sustainable strategic goals is when solutions come from within the states that are involved themselves. In the Western Balkans however, solutions have been imposed since the 1990s by outside players and this shows itself in the result of having two major unsolved issues: BiH and Kosovo. Meanwhile, this region is the soft underbelly challenging the European strategy and leaving it unattended opens it up to external influence.

¹³ <https://www.balkancrossroads.com/chinese-investments-in-serbia>

¹⁴ <https://geopoliticalfutures.com/the-ups-and-downs-of-turkish-israeli-relations/>

¹⁵ <https://www.dw.com/en/us-tariffs-eu-products/a-54548656>

Both Serbia and Kosovo have minimal to no global influence to make changes and inspire other countries to follow any of their decisions or serve as an example. Hence, there is very little meaning in global geopolitical competition if they move their embassies to Jerusalem, the move is only a symbolic lip service enforced while trying fix a much bigger quagmire.

Signing economic normalization between Serbia and Kosovo has very little to no impact or meaning for US public opinion. If the US was stable, not facing internal protests and civil unrest, then maybe the agreement would have some limited impact. With the American public preoccupied with internal political polarization, poverty, and ethnic and racial divisions of society, the agreement is unlikely to boost Trump's standing in the upcoming presidential elections.

There is a plethora of conceptualized Balkan national myths stemming from the 19th and early 20th century to build an ethnically *clean* nation state. Unfortunately, some countries withstanding their EU membership processes continue with their ethnic stereotyping rhetoric. Maybe if this agreement fails at serving its sole purpose of economic normalization, it may at least serve as the beginning of building some sort of bridge to overcome these divisive myths.