

# **Policy Analysis**

## *Kosovo: New Reality of Regional Cooperation*

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# ***Kosovo: New Reality of Regional Cooperation***

## **1. Introduction**

At present, Kosovo finds itself between two conflicted visions. On the one hand, there is the symbolism of Kosovo as the historical nucleus of Serbian statehood and cultural heritage, feeding the nationalistic emotions of a part of the Serbian society; on the other hand, emerging on the horizon is Kosovo\* (with the so-called footnote) – Kosovo with a blank denominator, the contents of which is open to relatively free interpretation in the international legal order<sup>1</sup>. Perhaps it is exactly this flexibility in footnote interpretation that holds the underlying reason for the recent start of normalization of the relations between Belgrade and Pristina. While for some, the footnote is an “anchor”, leaving Kosovo within the boundaries of Serbia under interim administration of the United Nations (UN), for others, it is a “flake”, [which will melt] when the winter is over<sup>2</sup>. It is clear that their agreement has not resolved all the political complexities surrounding the Kosovo issue, but it has surely paved the way for resolving technical problems (border crossings, recognition of university diplomas, status of the Serbs and the institutions in northern Kosovo, energy supply and telecommunications sectors, etc.), which, in turn, has the potential to pave the way for political solutions. The Kosovo reality, with the people living and working there, lies between these two extremes; we can only truly understand the issue of stability in the Balkans if we take into consideration the interaction between the above interpretations, as well as foreign policy relations in the Serbia-Kosovo-BiH (Bosnia and Herzegovina) triangle.

The purpose of this analysis is to examine the possibility for altering the course in BiH in relation to Kosovo, through the prism of the recent thaw in the Belgrade-Pristina relations. We should note that it is exactly for the reason of internal drifts that BiH lags significantly in the normalization of its relations with Kosovo, even behind Serbia. The starting points for the analysis are the underlying economic motives for the relations (trade and economic cooperation) and strategic political aspirations (EU). However, given the high polarity of the Kosovo case, it is impossible to avoid the tactical, political dimension, referring, primarily, to the power shift in Serbia and the constellation of power at the political scene in Bosnia and Herzegovina. On top of its mythological connotations that cannot be ignored, Kosovo has an economic aspect - people who live and work there; and developments in Kosovo, as well as its relations with the countries in its surroundings, have real consequences not only for security in the region, but also for people’s daily lives. Therefore, this analysis will be structured around the hypothesis that the future of the Western Balkans Region lies in stable relations between Serbia, Kosovo and Bosnia-Herzegovina. Depending on the positions of B-H political elites, it is possible to implement normalization of the relations between BiH and Kosovo based on the agreements reached between Belgrade and Pristina, and based on the normalization with Kosovo implemented from the very start by the EU member countries which, like BiH, have not recognized its independence.

In the first part of the analysis, we will address the power shift in Serbia after the Parliamentary Elections of May 2012, as well as the circumstances leading to it – primarily, the bad economic situation and the desire to accelerate the EU integration. The internal political situation in Serbia is a relevant input for the analysis of regional security and cooperation, because a shift in the regime has brought about a shift in Serbian foreign policy. The second part of the analysis is dedicated to the technical and political dialogue which had set the guidelines for normalization of the Belgrade-Pristina relations. The

1 Shipoli, E., 2012. *Kosovo\* – what next?* Trans Conflict. [Online] 5 March 2012. [Accessed: 14 November 2013] <http://www.transconflict.com/2012/03/kosovo-what-next-053/>

2 Statement by the Head of the Kosovo Negotiating Team, Edita Tahiri: B92, *Edita Tahiri: The footnote is a flake* [Online] 24 February 2012. [Accessed: 14 November 2013] [http://www.b92.net/info/vesti/index.php?yyyy=2012&mm=02&dd=24&nav\\_id=585368](http://www.b92.net/info/vesti/index.php?yyyy=2012&mm=02&dd=24&nav_id=585368).

third part is reserved for the analysis of implications of the Brussels Agreement for the entire region, primarily in economic, cultural and technical aspects. In this part, we will examine the possibility for the agreement to be implemented, as well as the possibility for the model to be transplanted to the BiH-Kosovo relations. As the topic of Kosovo carries a significant political charge in Bosnia and Herzegovina, the analysis of economic advantages resulting from normalization of the BiH-Kosovo relations must be completed by a scrutiny on motivations of various political players in BiH. In the conclusion, we will address the importance of the Serbia-Kosovo-BiH triangle for the overall stability and progress in the Western Balkans Region.

## **2. *Nixon in China, Vučić in Kosovo***

The previous government of Serbia, led by the Democratic Party (DS), had started the negotiation process with the Kosovo authorities, and the progress made under their mandate, although visible, was politically limited. The so-called technical dialogue began under the auspices of the European External Action Service (mediated by Robert Cooper, Advisor to Catherine Ashton) in March 2011. An agreement between the two parties was reached on freedom of movement, mutual recognition of university diplomas, customs seals and integrated border/administrative line management. However, after initial success, it became obvious that mutual trust was lacking, and agreements were not being fully complied with. This manifested itself during the North Kosovo crisis in the summer and fall of 2011. The causes of the stalemate reached in the negotiations in late 2011 included bad relations between the local authorities in northern Kosovo and the Belgrade government. It is important to note that elements of the technical dialogue could hardly be called "technical", given intense politicization of all spheres of life in Kosovo. In accordance with this nature of the dialogue, the European Union was forced to apply significant pressure on the negotiating parties, balancing between rewards and sanctions.

In the first few weeks after the governmental shift in Serbia and after Tomislav Nikolić won the Presidential Elections, expectations for continuing and succeeding in the negotiations were very low. Given prior experience, many in Europe, and even in Serbia, expected a harder approach from the new government, possibly a proposal for secession of northern Kosovo. However, using the analogy that "only Nixon could have gone to China in 1972"<sup>3</sup>, Tomislav Nikolić and Aleksandar Vučić (Deputy Prime Minister of Serbia, who assumed the leading position in the Serbian Progressive Party (SNS) in September 2012) have opted for the path of continuing the negotiations with the authorities in Pristina. As it turned out, they made a series of major steps forward, which was sufficient to sign an agreement on normalization of the Serbia-Kosovo relations in April 2013 and for Serbia to be given a date of commencement of the EU accession negotiations.

While hardly anyone expected it, the course chosen by the new Serbian government led to concrete breakthroughs in April 2013. There are several reasons for this pragmatic approach of the SNS-led government, but notable among them is the particularly bad economic situation in Serbia and in northern Kosovo, as well as fulfillment of the strategic goal of accession to the European Union. Economic indicators in Serbia show a significant fall in activity by 2007, decrease in growth and increase in unemployment. The average real growth in Gross Domestic Product (GDP) between 2007 and 2012 was 1.1%, with a significant fall in 2009 (-3.5%). Furthermore, unemployment in Serbia rose from 16% in 2007 to nearly 24% in 2012. During the same period, public debt increased from 34.7% to 59.3% of Gross Domestic Product<sup>4</sup>. The economic situation in Kosovo has been even graver, although, according to the World Bank Report, Kosovo is number one in Central and Eastern Europe in terms of reforms

3 In 1972, Richard Nixon visited Mao Zedong, to general astonishment, starting the process of ice-melting in their relations with the former communist foe – China.

4 National Bank of Serbia, 2013: <http://www.nbs.rs/internet/latinica/80/index.html>.

aimed at improving business climate. Around 30% of the population lives below the poverty line (1.72 dollars a day), and in northern Kosovo, where about 140,000 Serbs live, the percentage is even higher.<sup>5</sup>

With the declaration of independence of Kosovo in 2008, the topic has gradually lost momentum in public debates in Serbia (which was most apparent during the 2012 Pre-Election Campaign). On the other hand, the worsening economic situation was becoming ever more acute. It was in this atmosphere that the technical dialogue was opened, and, in October 2012, it grew into political negotiations on normalization of the relations between Belgrade and Pristina. In light of such an economic situation, the new government, headed by the SNS, was fully aware of the necessity for economic reforms, as well as of the advantages brought about by opening the path to European integration. The European Union was using the leverage of EU membership to get both parties closer to compromise. Benefits of the Brussels Agreement will be felt both by official Belgrade and Pristina (as well as the Serbs in northern Kosovo). More specifically, Serbia has been given a date for commencement of the negotiations for EU accession, enabling the current government to transfer the focus from the issue of Kosovo to crucial internal economic and judicial reforms. Kosovo benefited in the form of the negotiations to sign the Stabilization and Association Agreement, as well as a guarantee by Serbia not to block their path to EU integration. Last but not least, the Serbs in northern Kosovo, who remain skeptical when it comes to the above agreement, will feel many economic advantages through the possibility to receive funds, not only from Belgrade (for schools, healthcare, etc.), but also from Pristina and the European Union.

Besides these steps forward, Serbia has been implicitly given the green light for increased exports to Europe and the United States of America (USA), as well as for an inflow of new foreign investments. The media covered investments by the United Arab Emirates (UAE) in Serbia in the value of around EUR one billion<sup>6</sup>, but these are merely a part of the overall turn in attitude towards the Serbian economy. In August this year, the Gulf airline Etihad purchased 49% of shares in the former JAT (already rebranded as Air Serbia), and Etihad is expected to invest EUR 100 million in the joint company over the coming period<sup>7</sup>. In early October 2013, another UAE-based company, the technology company Mubadala, signed a memorandum of understanding with the Serbian government on the construction of a center for research and development in the vicinity of Belgrade, which should be followed by the construction of a microchip factory<sup>8</sup>. Furthermore, there are indications that the American company NGP would buy 49% of ownership share in the failing Trepča mines in Kosovska Mitrovica, creating the possibility to open and close mines both north and south of the Ibar River<sup>9</sup>. In addition to investments, Serbia significantly increased exports after having signed the Brussels Agreement on normalization of the relations with Kosovo. For the first time in a rather long time, the Serbian automotive industry (primarily *Fiat Automobili Srbija* – FAS) received an order from the United States of America, and the first contingent of 3000 Fiat vehicles, manufactured in Kragujevac, was exported to the U.S.A. in late May<sup>10</sup>. This development contributed to Serbia's bumper exports in the value of EUR 1.1 billion in July 2013, with the exports in the first seven months of this year rising by as much as 24%<sup>11</sup>. It is certainly still too early to talk about a direct causal link between the normalization and economic shift, but it is apparent

5 The World Bank in Kosovo, *Country Snapshot*. Pristina: The World Bank, 2013, p. 6.

6 B92, *Dačić: UAE ulažu više od mlrd. €.* /UAE Invest Over Billion €/ [Online] 7 August 2013. [Accessed: 12 November 2013] [http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=08&dd=07&nav\\_id=740310](http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=08&dd=07&nav_id=740310).

7 Al Jazeera Balkans, *Predstavljena aviokompanija Air Serbia* /Airline Air Serbia Presented/. [Online] 1 August 2013. [Accessed: 15 November 2013] <http://balkans.aljazeera.net/vijesti/predstavljena-aviokompanija-air-serbia>.

8 Poslovni dnevnik, *Arapi otvaraju tvornicu čipova u Srbiji.* /Arabs Open Microchip Factory in Serbia/ [Online] 7 October 2013 [Accessed: 17 November 2013] <http://www.poslovni.hr/svijet-i-regija/arapi-otvaraju-tvornicu-cipova-u-srbiji-253953>.

9 Poslovni dnevnik, 2013. *Amerikanci kupuju pola Trepče, a Rusi posrnuli Simpo.* /Americans Buy half of Trepča, Russians Buy Failing Company Simpo/ [Online] 18 November 2013. [Accessed: 19 November 2013] <http://www.poslovni.hr/svijet-i-regija/amerikanci-kupuju-pola-trepce-a-rusi-posrnuli-simpo-257034>.

10 Al Jazeera Balkans, *Počinje izvoz Fiata 500L u SAD.* / Fiat 500L Export to USA Starts/ [Online] 10 May 2013. [Accessed: 16 November 2013] <http://balkans.aljazeera.net/vijesti/pocinje-izvoz-fiata-500l-u-sad>.

11 B92, *Dinkić: Najveći izvoz u istoriji.* /Highest Export in History/ [Online] 31 August 2013. [Accessed: 15 November 2013] [http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=08&dd=31&nav\\_id=748396](http://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=08&dd=31&nav_id=748396).

that some correlation does exist.

Just as the actual circumstances “in the field” and what was then the balance of powers forced Richard Nixon to make a pragmatic decision to loosen the relations with China in 1972, the current government of Serbia, led by reformed right-wing politicians (SNS), decided to normalize its relations with Kosovo, for the sake of economic growth, new investments and the strategic goal of EU accession. On the one hand, this confirms the thesis that politicians who initially put the strongest opposition to a decision have the most “credibility” to eventually implement it. On the other hand, the reasons for pragmatic moves of the Serbian government can be found, inter alia, in the shift in public opinion in Serbia. Namely, a survey conducted by *Ipsos Strategic Marketing* has shown that about 63% of Serbian citizens accept pragmatic independence of Kosovo, while 32% believe that Kosovo is not independent<sup>12</sup>. It is apparent that the atmosphere in Serbia has reached a significant degree of maturity for creation of greater stability in the region, not only due to the pragmatic need to redirect energy to necessary economic reforms and investment attraction, but also due to a gradual shift in perception of the Serbian electorate.

As already mentioned, after the entry of Croatia to the EU, the Serbia-Kosovo-BiH triangle became the key to regional integration and stabilization. We have seen major breakthroughs on one side of this triangle. A lot will depend on actual implementation of the agreements reached between Belgrade and Pristina, which, in turn, depends on the relation between Belgrade and the Serbs in northern Kosovo. On the other hand, the question arises as to the extent to which Bosnia and Herzegovina is ready for the loosening of the relations with Kosovo in order to solve technical problems, without prejudice to the status of Kosovo. Before we start addressing this aspect of regional relations, a brief analysis of the normalization of the Serbia-Kosovo relations is warranted. This development should constitute the very foundation of the thaw in the relations between BiH and Kosovo, both technically and politically.

### **3. Normalization Important, Implementation More Important**

In this context, the word “normalization” assumes quite a new meaning, different from the usual one. Given that the relations between Serbia and Kosovo are exceptionally complex and have followed a downward spiral of rapid decline over the last 25 years (which ended in war in 1999, and a total freeze in their ties after the unilateral declaration of Kosovo independence in 2008), the idea of returning to “normal” relations is practically absurd. Perhaps the notion of “normalization” should rather be viewed through the root of the word - norm (Lat. *norma* – a standard, rule). What has been achieved through technical and political dialogue between Belgrade and Pristina since March 2011 can be viewed as establishment and standardization of certain (often non-existent) relations, which are primarily of a practical character, as they are aimed at facilitating the daily lives of the Albanians, Serbs and all the others in Kosovo. Therefore, the implementation of the agreement is a true test for normalization of the relations and stabilization in the region.

Between July 2011 and February 2012, a number of deals were made between Belgrade and Pristina. Their importance to the relations in the region, as well as their implementation, is shown in the following table, offering a clear overview thereof<sup>13</sup>:

12 BalkanInsight, *Most Serbs Acknowledge Independent Kosovo, Poll*. [Online] 5 March 2013. [Accessed: 2 November 2013] <http://www.balkaninsight.com/en/article/serbians-acknowledge-kosovo-independence>.

13 Sources:

International Crisis Group (ICG), *Serbia and Kosovo: The Path to Normalisation*. Brussels, 2013.  
KIPRED, *The Implementation of Agreements of Kosovo-Serbia Political Dialogue*. Pristina, 2013.

Date	Agreement	Relevance	Implementation
2 Jul 2011	Agreement on freedom of movement	The purpose of the arrangement is to enable free travel through and across the territories of Kosovo and Serbia. Recognition of travel documents has enabled the citizens of Kosovo to travel by motor vehicles through the territory of Serbia, which has also greatly facilitated their travel to other parts of Europe.	It has been agreed that ID cards and drivers' licenses would be mutually recognized during travel across the border/administrative line. Inside Kosovo, citizens can choose between registration plates reading RKS or KS; however, when travelling to the territory of Serbia, they must have temporary registration plates. Between December 2011 and May 2012, about 810,000 persons traveled from Kosovo to Serbia. Regarding the implementation, vehicle insurance at the border remains a problem for both sides.
2 Jul 2011	Agreement on vital records	In the fifth round of the technical dialogue, an arrangement was made to set up a civil registry in Kosovo, and Serbia would send over copies of original vital records via EULEX. The government of Kosovo believes that with full implementation of the agreement, conditions will be created to abolish the parallel structures in the North (e.g. Ministry of the Interior of Serbia in Kosovo, issuing such documents).	The implementation is slow and depends on the speed of scanning and exchange of documents between Serbia and Kosovo. The EU has offered to provide funding for the equipment and training of personnel in Serbia.
2 Sep 2011	Agreement on customs seals	The arrangement is relevant to the flow of goods between Serbia and Kosovo, primarily to the exports from Kosovo. Current customs seals bear the name of "Kosovo Customs", in accordance with UNMIK Administration, whereby Pristina has renounced the name of "Republic of Kosovo". Failure to recognize customs seals had had adverse impact on trade in the entire region.	The implementation of the agreement is satisfactory. The Kosovo side complains of long queues formed by exporters at the border crossing, but exports and imports are accomplished without problems.
2 Sep 2011	Agreement on land registries	The establishment and returning of cadastre documents, transferred from Kosovo during the war in 1999, enables the filing of property claims.	The implementation has had a slow start. To date, a list of cadastre documents has been delivered, but not the scanned documents, totaling around 12 million pages.
21 Nov 2011	Agreement on mutual recognition of university diplomas	Mutual recognition of diplomas and degrees has been agreed. Diplomas certified by the EU (EUA) will enable persons with university diplomas from Kosovo to continue their study or look for jobs in Serbia, and vice versa.	The implementation is done through the European University Association (EUA), which certifies diplomas of both sides at students' requests. By June 2013, 186 diplomas were certified.
24 Feb 2012	Agreement on integrated border /administrative line management	The arrangement has appeased tensions in northern Kosovo. Joint management of borders/administrative lines in northern Kosovo opens the passage with the territory of Serbia and also alleviates fears in the Serbs in northern Kosovo.	The implementation was somewhat slow, but it was done faster than expected by the EU. Six integrated crossings have been established and they are all fully operational.

Date	Agreement	Relevance	Implementation
24 Feb 2012	Agreement on regional representation and cooperation	It has been agreed that Kosovo would be represented within regional initiatives under the name of Kosovo* - with the footnote reading <i>"This designation is without prejudice to positions on status of Kosovo and is in accordance with UNSC Resolution 1244 and ICJ's opinion on Kosovo 2008 Declaration of Independence"</i> . The relevance of the arrangement is the opening of the possibility for Kosovo to participate in regional initiatives, as well as paving the path for further negotiations between Belgrade and Pristina.	The implementation proceeds as planned, but there are some ambiguities regarding the actual definition of the footnote. By July 2013, Kosovo sent applications for membership to 34 regional organizations, and had received 13 positive and 2 negative replies. Thanks to this arrangement, delegations from Kosovo have participated in 133 regional events, 65 of which were together with Serbia. On several occasions, Serbian (as well as Bosnian-Herzegovinian) delegations have refused to take part in an event giving the reason that the footnote has not been fully written. This vagueness of the arrangement has paved the way for varying interpretations. This has fostered regional cooperation, but it also has created a problem of lack of definition, which must be resolved in the future, in order to avoid unpredictable situations such as mentioned above.
4 Dec 2012	Agreement on exchange of liaison officers	Belgrade and Pristina have exchanged liaison officers, who should communicate with government institutions.	Kosovo liaison officer Lulzim Peci resigned merely two days into his appointment for being criticized by the Kosovo Prime Minister, having publically stated that normalization of the relations between Serbia and Kosovo will happen once Serbia has recognized the independence of Kosovo.
17 Jan 2013	Agreement to establish a special fund for northern Kosovo	As part of the agreement on integrated border/ administrative line management, an arrangement was made to collect customs duties and VAT into a separate fund. This money, if well invested, should have a positive impact on northern Kosovo.	Customs duties and VAT to be paid on the goods exported from Serbia, which is earmarked for consumption in northern Kosovo in the four municipalities with a Serb majority, will go directly to the special fund for northern Kosovo. When you add the money to be provided by the EU and Serbia, the fund will dispose of around EUR 16 million.
8 Sep 2013	Agreement on energy and telecommunications	This arrangement is among the last in the series (it is a part of the Brussels Agreement), and it has played a very important role in persuading the international community to propose the date of commencement of the EU accession negotiations with Serbia. The agreement provides for an international calling code for Kosovo (three digits +383) and for the Serbian telecommunication company <i>Telekom Srbija</i> to be able to continue operating in northern Kosovo in the municipalities with a Serb majority. Furthermore, the agreement on energy solves the issue between the Serbian electricity distribution company <i>Elektromreža Srbije</i> and the Kosovo electricity distribution company <i>KOSTT. Elektromreža</i> is enabled to continue operating in northern Kosovo.	The implementation has not yet started. The country code of +383 should be operational as of 2015.

#### 4. **Brussels Agreement – a Paradigm Shift**

The First Agreement on Principles Governing Normalization of Relations, better known as the Brussels Agreement, initialed by the Prime Minister of Serbia, Ivica Dačić, and the Prime Minister of Kosovo, Hasim Taçi, on 19 April 2013, constitutes the climax of all prior efforts by the two parties and the EU in the process of normalization of the relations. The technical dialogue, although it has opened a number of political issues, was qualitatively different from the Brussels Agreement, which has transferred the focus of normalization to the crucial topic – northern Kosovo and the position of the Serbs. The Agreement brings about a fundamental shift in the relations between the two parties,<sup>14</sup> because the former paradigm had been based on the notion of Kosovo as seen through the prism of the UNMIK Administration. If the items of the Brussels Agreement get implemented according to the implementation plan, the Serbs in Kosovo will get greater autonomy and the possibility of association into a community/association of Serb majority municipalities, remaining however within the framework of the judicial and police institutions of Kosovo. The basic points of the Agreement are: establishment of Association/Community of Serb majority municipalities in Kosovo, which will have full control in the fields of economic development, education, health care, urban and rural planning, as well as a representative role with the central authorities; there will be a single police force in the territory of northern Kosovo and it will be the Kosovo police, while members of other security Serb structures will be offered positions in appropriate Kosovo structures; the community will propose Serb candidates through the four municipalities for the regional police commander in northern Kosovo, who will be selected by Pristina; judicial authorities will be integrated and will work within the Kosovo judiciary; the Appellate Court in Pristina will set up a panel with a majority of judges from among Kosovo Serbs, which will deal with issues in all municipalities with a Serb majority; a division of the Appellate Court, including administrative staff and judges, will have a permanent seat in northern Mitrovica; the Agreement further envisages that the two parties will not obstruct each other, nor will they instigate others to obstruct the European integration of the other party. Under this Agreement, Serb institutions in northern Kosovo will be transformed and integrated into the Kosovo constitutional order, while the Serbs in northern Kosovo, in turn, will enjoy greater autonomy.

Local elections in Kosovo, held on 3 November this year, were the litmus test for the Brussels Agreement. For the first time, the Kosovo Administration, in cooperation with the OSCE and EULEX, organized the elections, in which the Serbs from northern Kosovo would take part. There was a harsh campaign between the government of Serbia and the opposition party - Democratic Party of Serbia (DSS). The leading parties tried to support the Brussels Agreement, encouraging as many Serbs in northern Kosovo as possible to participate in the elections, while DSS boycotted the elections, as well as the remaining negotiations between Belgrade and Pristina. Despite having repeated the elections in three municipalities of northern Kosovska Mitrovica, due to disturbances at the polls, the elections were relatively smooth; although the voter turnout was very low. The polling at the level of all of Kosovo was 45.8%<sup>15</sup>, while polling by Serb voters on repeated elections was between 20% and 23%<sup>16</sup>. If we bear in mind that during the previous elections in northern Kosovo, organized by the government in Belgrade, Serb voter turnout was 30%<sup>17</sup>, the result is not unsatisfactory. Nevertheless, differences in Serbia, and particularly in northern Kosovo continue to exist, and the crucial ingredient in the implementation of the Brussels Agreement over the coming period will be the position of the Serbs in northern Kosovo and their relation with the government of Serbia. SNS candidates for municipal mayors have won the most votes in northern Kosovo, which, judging by prior experience, is an indicator of an actual chance for the Brussels Agreement to be fully implemented.

14 EU Commission, *Kosovo\*: 2013 Progress Report*. Brussels: EU Commission, 2013.

15 SEEBiz, *Izlaznost na kosovskim izborima 45,79%*. /Voter Turnout in Kosovo Elections 45.79%/. [Online] 3 November 2013. [Accessed: 20 November 2013] <http://www.seebiz.eu/izlaznost-na-kosovskim-izborima-4579/ar-75945/>.

16 Tanjug, *Ashton satisfied with voter turnout in northern Kosovo*. [Online] 19 November 2013. [Accessed: 21 November 2013] <http://www.tanjug.rs/news/106636/ashton-satisfied-with-voter-turnout-in-northern-kosovo.htm>.

17 Žilović, Marko, *Kosovo pre-election report: Why who participates is more important than who wins*. Washington Post. [Online] 1 November 2013. [Accessed: 17 November 2013] <http://www.washingtonpost.com/blogs/monkey-cage/wp/2013/11/01/kosovo-preelection-report-why-who-participates-is-more-important-than-who-wins/>.

It is obvious from the above-mentioned that there has been a change in the quality of Serbia's relation with Kosovo. Many technical issues have been resolved and true progress has been made towards normalization of the relations. This has had direct impact not only on the two sides, but also on the entire region. Serbia will get a date for the EU accession negotiations, and Kosovo gets to negotiate the signing of the SAA (Stabilisation and Association Agreement). Furthermore, the daily lives of the people in the region are made easier, while the governments of both sides can dedicate themselves to crucial economic reforms. Is it possible to see a similar development between Bosnia-Herzegovina and Kosovo? During the last two years, Serbia has made significant progress in the creation of a favorable climate for regional stabilization, compared to BiH. In the next part, we will deal with the relations between BiH and Kosovo, as well as the possibilities created by the recent thaw in the relations between Serbia and Kosovo.

## **5. Bosnia-Herzegovina and Kosovo – Quo Vadis?**

Bosnia and Herzegovina has not recognized the independence of Kosovo; hence, diplomatic relations are nonexistent. Moreover, other relations are also reduced to a minimum. Taking into consideration the importance of regional cooperation and economic exchange for the preservation of stability, and the recently developing normalization of the relations between Serbia and Kosovo, a question arises as to what BiH can (or should) do in this light in order to contribute to regional stability. Over the last two years, Serbia has taken a number of important steps contributing to the thaw in the relations, which has been accepted by other countries not recognizing Kosovo, adapting their policy accordingly. Still, Bosnia and Herzegovina continues to be silent, even on the issue of practical aspects of cooperation with the citizens of Kosovo.

Just as Kosovo finds itself in a political limbo between recognition and lack of recognition, between myth and reality, Bosnia and Herzegovina is troubled by the same dichotomies in its relation to Kosovo. It has become clear through various statements and gestures by B-H officials that, in the near future, no internal consensus on the issue of Kosovo would be reached. However, its policy towards Kosovo is characterized by an implicit recognition of the impossibility to return to the *status quo* of before 2008. This is best illustrated in a statement by the president of Republika Srpska (RS), Milorad Dodik, in which he claims that "Kosovo is being ravished by the big and the powerful and it has become fully apparent that Serbia cannot stop it anymore". Although for the current situation he blames the international community, the important thing from the aspect of removing obstacles to better connectivity of the Western Balkans is the acknowledgment that any attempts to return to the previous state would be counterproductive for Serbia and the region. In light of regional cooperation, it is apparent that recognition of Kosovo's independence by BiH would also be counterproductive, because it would surely disturb its relations with Serbia. However, this fact should not be allowed to create yet another black hole in the relations among the countries in the Balkans.

One of problematic aspects of the relations between BiH and Kosovo is always evoking parallels between Republika Srpska and Kosovo. Although no concrete measures have yet been taken for secession of the RS, politicians from this entity often use the secession scenario as an example of compensation to Serbia for the loss of Kosovo. There are two reasons for this position: firstly, this is a symbolic gesture of support to Serbia, and, secondly, this is a way to win internal political points. Therefore, Kosovo remains in the domain of the abstract, which is why the costs are often borne by economic and cultural relations (trade, investments, cultural cooperation, etc.). Judging by a statement by the director of the Chamber of Commerce of Republika Srpska, Kosovo is an important market also for the companies in the RS. In its opinion, political speculations carry the danger of losing the Kosovo market to other countries.<sup>18</sup>

<sup>18</sup> Sarajlić-Maglić, Denisa. *The Current State of Relations Between Bosnia and Herzegovina and Kosovo and Prospects for Evolution*, published in *Kosovo Calling: International Conference to Launch Position Papers on Kosovo's Relations with EU and Regional Non-*

Supporting this claim is also the statement by Kosovo Deputy Minister of Foreign Affairs, Ibrahim Gashi, that 75% of B-H exports to Kosovo comes from Republika Srpska.<sup>19</sup> However, it is important to note that after the power shift in Serbia and following the initial normalization of the relations between Belgrade and Pristina, variables are changing even in Republika Srpska. Taking also into consideration the allegedly fragile relations between the ruling Alliance of Independent Social Democrats in the RS and SNS in Serbia, we can single out two possible trajectories of forming the positions of politicians in the RS towards Kosovo in the medium run: the first is accepting the normalization of relations between Belgrade and Pristina and adapting to the policy of cooperation without recognizing Kosovo independence. The second path is continuing to boycott it, despite the shift in the approach of official Belgrade, whereby the politicians from the RS would try to win political points by trying to be present themselves as better defenders of Kosovo and being “more Catholic than the Pope”.

From the above-mentioned list of arrangements between Belgrade and Pristina, BiH has achieved very little in its relations with Kosovo. For political players in BiH, Kosovo continues to be a relatively abstract notion, which is used to win internal political points by expressing symbolic support to Serbia. For easier comparison, we will present the relations between BiH and Kosovo in a tabular overview:

Relation	Status
Freedom of movement	In this aspect, BiH has done much less than Serbia. While citizens of Kosovo have the option to cross the border/administrative line with Serbia with an ID card, for travelling to Bosnia and Herzegovina or through its territory, they need a visa. Until recently, visas were granted by the Council of Ministers of BiH using the criteria for determining “persons of relevance to BiH”, who were the only ones to be granted visas. At the moment, citizens of Kosovo may apply for a B-H visa in one of three Embassies of BiH (Belgrade, Skopje or Podgorica), and they must have letters of invitation. For this reason, visas are predominantly granted to persons invited to certain regional initiatives (such as RCC) or by foreign embassies in BiH. On the other hand, citizens of BiH may travel to Kosovo without a visa. It is important to note that Slovakia, which also does not recognize Kosovo independence, accepts Kosovo travel documents with a Schengen visa.
Customs seals and trade	In this light, BiH had had economic relations with Kosovo until 2008, but after Kosovo declared its independence, BiH (like Serbia) imposed an embargo on the import of Kosovo products due to unacceptability of the customs seal reading “Republic of Kosovo”. In 2011, Kosovo introduced a customs duty of 10% on the import of B-H products, which forced B-H authorities to accept Kosovo customs seals. During the three months the customs duty was in force, B-H exports fell by EUR 3 million. At the moment, economic relations are aggravated by insufficient freedom of movement (for example, the goods from Kosovo can cross the border with BiH, but often truck drivers from Kosovo cannot).
Regional representation	Kosovo has become a member of a number of regional initiatives after making an arrangement with Serbia on regional representation under the name of Kosovo*. Prior to this arrangement, representatives of Republika Srpska in the authorities of BiH were boycotting events to which Kosovo was invited. This happened, for instance, at the 5 <sup>th</sup> Conference of Speakers of Parliaments of the Western Balkan Countries in Budapest, when the then Chairperson of the House of Peoples from among the Serbs refused to attend the Conference because of the announced attendance by Kosovo representatives.
Recognition of university diplomas	Bosnia and Herzegovina does not recognize university diplomas from Kosovo.
Liaison officers	Bosnia-Herzegovina and Kosovo have not exchanged liaison officers. Communication with the authorities and citizens of Kosovo is done through the embassy in Belgrade (as well as the embassies in Skopje and Podgorica).

In the relations between BiH and Kosovo, there is not a single aspect worth mentioning for functioning at a satisfactory level. The relations are highly asymmetric and partial, which is best reflected by the

*Recognizing Countries*, 2011, p. 165.

<sup>19</sup> Kosovo Ministry of Foreign Affairs, *Bosnia soon will recognize Kosovo's documents* [Online] [Accessed: 29 November 2013] <http://www.mfa-ks.net/?page=2,133,957>.

example of (non)recognition of Kosovo travel documents and, until recently, failure to recognize customs seals (whereby BiH achieved a major surplus in the trade with Kosovo). While citizens of BiH can travel to and through Kosovo, for the citizens of Kosovo this was impossible until 2010. Following the decision by B-H Council of Ministers rendered in May 2010, the B-H Ministry of Foreign Affairs, using diplomatic and consular representations in Belgrade, Skopje and Podgorica, started issuing visas for citizens of Kosovo who were of special importance for BiH, as assessed by the B-H Council of Ministers. Nonetheless, the issuing of visas is still subject to assessment by the B-H Council of Ministers, which sets the criteria for deciding who the persons of relevance to BiH are, and applications are evaluated on a case-by-case basis. For these reasons, very few citizens of Kosovo can visit Bosnia and Herzegovina. These are mostly delegations attending sessions of regional initiatives (such as RCC).<sup>20</sup> On top of having strict criteria for the issuing of visas, the process is lengthy and, for many citizens of Kosovo, complicated, as it involves a personal visit to one of the three embassies of BiH. The procedure for issuing visas has not been simplified for business persons and students, which further impoverishes economic and cultural cooperation. This issue has been resolved between Belgrade and Pristina by mutual recognition of ID cards and drivers' licenses, and by temporary replacement of registration plates at the border/administrative line. It is worth noting that the five other countries that have not recognized the independence of Kosovo do not recognize their travel documents (Greece, Slovakia, Romania, Surinam and Israel).

It is apparent that the relations between BiH and Kosovo remain in the domain of political rhetoric; for this reason, an introduction of economic connections through trade, social and cultural cooperation is warranted, in order for these relations to be translated from the sphere of the arbitrary and abstract into the more stable and predictable domain of the tangible. Why is this relevant? First of all, isolation does not contribute to economic development. One of the factors behind the dissolution of the former Yugoslavia was gradual economic isolation and uneven development in its republics and autonomous provinces. Zdravko Petak noted this in his Article "Economic Background of Dissolution of Socialist Yugoslavia": "Kosovo, the least developed part, was at the level of Pakistan [1985]. The most developed part (Slovenia) was comparable to Spain and New Zealand." The ratio of GDP per capita between Kosovo and Slovenia at this time was 1:8. Due to ever increasing indebtedness of the SFRY, uneven development among the republics and provinces gave an impetus to the strengthening of centrifugal forces, which manifested themselves through isolation and nationalistic tensions. In this case, nationalism was the symptom, not the cause of the problem. Unequal development still constitutes an obstacle to stronger regionalization; however, increased cooperation and trade can mitigate or even eliminate the above-mentioned centrifugal forces.

The issue of freedom of movement between BiH and Kosovo is directly tied to the issue of asymmetric and scarce economic cooperation. After Kosovo declared its independence in 2008, Serbia and Bosnia-Herzegovina imposed embargos on the import of Kosovo products for unacceptability of the customs seal reading "Republic of Kosovo". Until 2008, Kosovo exported mostly to the countries in the region, but after embargos on the import of Kosovo products were imposed, the EU became the largest export partner of Kosovo.<sup>21</sup> However, on 20 July 2011, Kosovo decided to introduce reciprocal measures, which prohibited any import of products from Serbia, while imposing a customs duty of 10% on the products from BiH. Prior exchange between BiH and Kosovo was largely done in favor of the B-H economy, and the only trade surplus achieved by BiH in the region was with Kosovo. In 2010, Bosnia and Herzegovina's export to Kosovo amounted to between EUR 83 and 155 million (the source of the first figure is the Kosovo Agency of Statistics, and the source of the second figure is the B-H Agency for Statistics via BalkanInsight),<sup>22</sup>

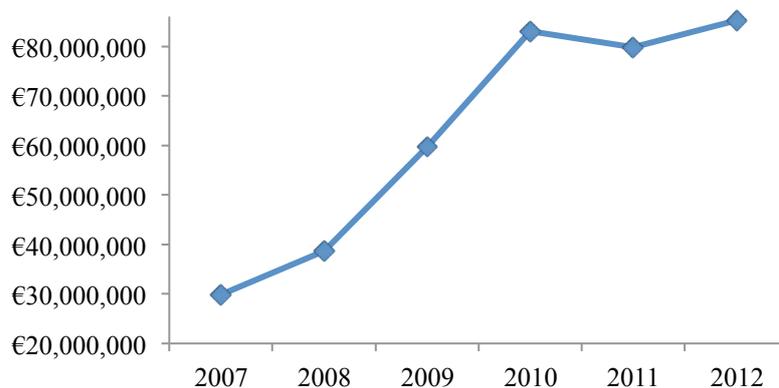
20 Sarajlić-Maglić, Denisa. *The Current State of Relations Between Bosnia and Herzegovina and Kosovo and Prospects for Evolution*, objavljeno u *Kosovo Calling: International Conference to Launch Position Papers on Kosovo's Relations with EU and Regional Non-Recognizing Countries*, 2011, str. 161.

21 Berisha, Agim, *Foreign Trade of Kosovo and Impact of Fiscal Policy*, European Scientific Journal, Vol. 8. No. 1, 2011.

22 Kosovo Agency of Statistics: [http://esk.rks-gov.net/ENG/publikimet/cat\\_view/14-external-trade](http://esk.rks-gov.net/ENG/publikimet/cat_view/14-external-trade); BalkanInsight, Bosnia Losing Millions in Kosovo Blockade. [Online] 3 August 2011. [Accessed: 18 November 2013] <http://www.balkaninsight.com/en/article/bosnia-loses-millions-due-to-the-kosovo-crisis>; RFE/RL, Pristina's New Customs Duties Aimed At Pressuring Bosnia.

with the import to BiH constituting only a tiny portion thereof. After exporters from BiH had suffered significant losses due to the ban on export, and after Belgrade had made a deal with Pristina on the customs seals, the B-H Ministry of Foreign Trade and Economic Relations decided to accept Kosovo customs seals on 22 September 2011 and the reciprocal measure was revoked. According to data of the B-H Foreign Trade Chamber, exports from Bosnia and Herzegovina to Kosovo during the three months of the export ban (July-September 2011) fell by 7-8%<sup>23</sup>; however, it is possible that more damage is yet to be felt, given a partial loss of market to the companies from Bulgaria, Macedonia and Croatia. This is supported by the fact that the then Prime Minister of Croatia, Jadranka Kosor, decided to visit Pristina with an economic delegation exactly at the time of the trade dispute between Kosovo, BiH and Serbia.<sup>24</sup>

### BiH Export to Kosovo



Graph 1: BiH Export to Kosovo  
Source: Kosovo Agency of Statistics

Between July and September 2011, B-H exporters were trying to find alternative ways for export to Kosovo, in order to keep the market of 1.8 million people. Thus, for example, the company Swisslion Tools, with its seat in Trebinje, continued exporting to Kosovo through a company in Podgorica. The company management believes Kosovo to be an important market and they find political disagreements to be disastrous for economic cooperation.<sup>25</sup> Graph 1 shows the negative impact of Kosovo's trade barriers on the export from Bosnia and Herzegovina. The continuous growth since 2007 was interrupted by a sudden fall in exports during the three months of 2011; however, after reciprocal measures were revoked, B-H export returned to the previous level the following year.

Opportunities for export to and investment in Kosovo are great, and BiH should seize them by facilitating travel and goods exchange. Kosovo is an open, import-based economy, with exceptionally liberalized foreign economic policy. The export-import ratio is almost 1:9, with the most important import categories of Kosovo being machinery, fuel, food and chemicals. Furthermore, the Kosovo taxation system is among the most liberal in the region, with the profit tax of 10%, income tax of 0% to 10%, and value-added tax of 16%. Moreover, it should be noted that in the last report of the World Bank, *Doing Business 2013*, Kosovo has moved up 28 ranks in the table comparing reforms in the field of business climate and rule of law<sup>26</sup>.

[Online] 9 August 2011. [Accessed: 18 November 2013] [http://www.rferl.org/content/pristinas\\_new\\_customs\\_duties\\_put\\_pressure\\_on\\_bosnia/24291458.html](http://www.rferl.org/content/pristinas_new_customs_duties_put_pressure_on_bosnia/24291458.html).

23 SEEbiz, Duljko Hasić: Ulazak Hrvatske u EU veliki problem za izvoz BiH. /Entry of Croatia to EU - Major Problem for BiH Export/ [Online] 1 November 2011. [Accessed: 18 November 2013] <http://www.seebiz.eu/duljko-hasic-ulazak-hrvatske-u-eu-veliki-problem-za-izvoz-bih/ar-16873/>.

24 Dnevnik.hr, Posjet Jadranke Kosor prva vijest u svim prištinskim medijima. /Visit by Jadranka Kosor Prime News in All Pristina Media/ [Online] 24 August 2011. [Accessed: 18 November 2013] <http://dnevnik.hr/vijesti/hrvatska/posjet-jadranke-kosor-prva-vijest-u-svim-pristinskim-medijima.html>.

25 Sarajlić-Maglić, Denisa. *The Current State of Relations Between Bosnia and Herzegovina and Kosovo and Prospects for Evolution*, published in *Kosovo Calling: International Conference to Launch Position Papers on Kosovo's Relations with EU and Regional Non-Recognizing Counties*, 2011, p. 165.

26 The World Bank in Kosovo, *Country Snapshot*. Pristina, The World Bank, 2013, p. 6

It is clear that the lack of stability and undefined political relations have had impact on the economy not only of Bosnia and Herzegovina, but also of Kosovo. Customs seals are one example where the pragmatic approach of Serbia was also applied by BiH. Unfortunately, it is unclear whether the decision of the B-H Ministry of Foreign Trade and Economic Relations was influenced by economic rationale or simply by getting the green light from Belgrade. It is probably a combination of the two; however, it would be advisable to take the relations between BiH and Kosovo to a pragmatic and predictable level, independent of political rhetoric.

## **6. Conclusion and Recommendations**

Relations between and among Serbia, Kosovo and Bosnia-Herzegovina are crucial to the future of regional cooperation in the Western Balkans. This triangle constitutes the key test for deeper integration of the region, and the recently commenced normalization of relations between Belgrade and Pristina is the first step in the right direction. Through talks on the technical and high levels, Serbia and Kosovo have initiated a process aimed at stabilization and improvement of quality of life of all citizens of Kosovo. In turn, both parties have embarked on the path to European integration; Serbia will soon start EU accession negotiations, while Kosovo will enter SAA negotiations. The reasons for a shift in paradigm are multiple: a power shift in Serbia, a bad economic situation and accession to the European Union.

The question arises as to what Bosnia and Herzegovina could do in this context. Serbia has set up guidelines that could apply to the relations between BiH and Kosovo, although we must take into account certain specificities. Namely, should BiH decide to normalize its relations with Kosovo on any of the items given in the above table, the European Union would play a smaller role than was the case with Serbia and Kosovo. For Serbia, the Kosovo issue is the crucial condition for making progress in the EU integration process, while for BiH it is yet another foreign policy issue. In other words, normalization of the relations with Kosovo is for Serbia what implementation of the Sejdić-Finci Judgment is for Bosnia and Herzegovina.

Hence, what can be expected if recognition of Kosovo independence is unacceptable, and the EU motivation in this case is relatively weak? We can hope that the desire for stability in the region and economic rationale will push BiH onto the path Serbia has already taken. The path has already been partially trodden and it would not be good if BiH were the last country in the region with unsettled relations with Kosovo. In this light, initial recommendations for B-H politicians would be to:

- Visa liberalization regime for citizens of Kosovo who have a Schengen visa: the current regime constitutes a considerable impediment for Kosovo citizens travelling to BiH which weakens economic and cultural cooperation, and poses a risk of reciprocal measures.
- Improve trade exchange and investments with Kosovo: BiH has recorded a trade surplus with Kosovo which imports the goods which is worth nine times the value of its export. Politically motivated decisions should not hinder the obvious potential that BiH products have on Kosovo market.
- Exchange liaison officers following Serbia's example: this will contribute to improved communication and help to avoid potential misunderstandings within the regional cooperation.

These steps are just the beginning of normalization, but they would greatly help in removing from the territory of the former Yugoslavia one of the last barriers standing in the way of deeper regional integration.

