

SERBIA AND GERMANY

FROM SUSPICION TO TRUST



SERBIA AND GERMANY

FROM SUSPICION TO TRUST

Nenad Milenović, Goran Nikolić, Predrag Arandjelović, Nikola Jovanović

Belgrade 2015

SERBIA AND GERMANY

FROM SUSPICION TO TRUST

TRANSLATED FROM

SRBIJA I NEMAČKA

OD PODOZRENJA DO POVERENJA

PUBLISHER

FRIEDRICH EBERT STIFTUNG

Dositejeva 51, Belgrade

FOR PUBLISHER

Ivana Račić

LEAD AUTHOR

Nenad Milenović

CO-AUTHORS

Goran Nikolić

Predrag Arandelović

Nikola Jovanović

TRANSLATION & PROOFREADING

Grainne Boyle Orlić

Stefan Orlić

DESIGN & PREPRESS

Marko Zakovski

PRINT

Grafolik Belgrade

Vojvode Stepe 375

PRINT RUN

500 pcs

ISBN 978-86-83767-53-3

Belgrade, 2015

This publication was produced in cooperation with BalkanSTRAT.

Attitudes, opinions and conclusions expressed in this publication do not necessarily express attitudes of the Friedrich Ebert Stiftung. The Friedrich Ebert Stiftung does not vouch for the accuracy of the data stated in this publication. Commercial use of all media published by the Friedrich Ebert Stiftung (FES) is not permitted without the written consent of the FES.

CONTENTS

Summary	5
1. The Butterfly Effect: Europe in turbulent times	7
Are the current crises the beginning of disintegration or an introduction to new European Union integration?	9
Solidarity and cooperation – European principles crucial to the outcome of the current crises	12
The Brexit announcement – a new potentially major crisis for the European Union	14
2. Belgrade and Berlin: closer links and overcoming challenges through partnership	17
The key framework to rapprochement and common points of interest between Serbia and Germany	19
The past as a stumbling block in relations	21
Looking for a solution to the Kosovo problem within the framework of Serbia’s European policy	23
The Balkans exposed to crises	26
OSCE chairmanship – a great challenge and a great opportunity for the international affirmation of Serbia	30
3. Reluctant hegemony: Germany and Serbia’s foreign policy	33
The perception of Germany as a potential hegemony in the heart of Europe	34
Is Berlin the only metropolis that can lead Europe in the right direction in order to overcome the crises?	37
The Balkans as a zone of (secondary) interest to Germany	40
The refugee crisis as a potential challenge to German’s leadership position	43
The <i>false asylum seeker</i> factor and its influence on Germany’s relationship with Serbia and the Balkans	45
4. The Chinese New Silk Road as an opportunity in economic relations	49
A coordinated effort of Balkan countries with the goal of increasing stability and the potential of the region	52
The place of Serbia and the Balkans in China’s new trade and economic strategy	54
5. Economic relations between Serbia and Germany:	
The current situation and the possibility for improvement	58
The renewed intensification of trade between Serbia and Germany since 2012	58
A qualitative analysis of the exchange of foreign trade between Serbia and Germany	60
German investment in Serbia	62
The importance of remittance and donations from Germany	63
Prospects of economic cooperation between Serbia and Germany in the coming period	65
The improvement of Serbian–German relations and the impact of the current international crises on it	68
Conclusion	70
Annexes	71

SUMMARY

- » In a time when the term crisis is increasingly used to describe the situation in which Europe permanently finds itself, it is becoming more difficult to find those willing to support the further expansion of European borders. Today, the success of Europe's framework is not measured solely by its social product, but rather its capacity and mechanisms to respond to global challenges.
- » Berlin must formulate appropriate policies and lead Europe in the right direction in order to overcome the current crisis. Putting all of its influence at the service of a cohesively and strategically focused foreign and security policy, Germany wants to simultaneously achieve its two main goals: a stronger and more capable European Union and a more European Germany.
- » It seems that Europe does not have fully constructive answers to the many challenges nor mechanisms for their adoption. In such circumstances, the Balkans and Serbia could be of added value to the European Union, and not just a noose around its neck or a liability.
- » Europe consists of a system of interconnected vessels to the Mediterranean and the Middle East. The Balkans will continue to be one of the directions from which crises from those regions spill over into Europe, while it could have been a platform for projecting European influence onto these parts of the world. The cooperation of the EU and the Western Balkans, and thus the cooperation of Germany and Serbia in this regard, are imperative.
- » Germany's commitment to stabilising the situation, the integration process of the Western Balkans, and the region's clear European perspective, was confirmed when it initiated and actively supported the Berlin process.
- » Serbian-German relations have a long and stormy history, full of ups and downs. The two countries and their people are connected by shared historical experiences, but divided by deep historical antagonism. However, the last few years have shown that this antagonism is not an insuperable obstacle to improving cooperation between the two countries.
- » Serbia's accession to the European Union is precisely one of those historical events or processes when certain perceptions are created or crucially changed in regard to the manner in which a great power (Germany) treats a small country (Serbia).
- » European integration, the solving of the migrant crisis, and other challenges Europe is faced with, as well as a common interest in exploiting the great potential of the new Chinese Silk Road, represent key connections, or points of contact on which mutual relations can be improved and cooperation with Germany strengthened.

- » The most complicated political obstacle to mutual cooperation between Belgrade and Berlin is a contrary vision regarding the ultimate destiny of Kosovo and Metohija. This may come up at any time during Serbia's European path.
- » A solid relationship has been built between Serbia and Germany in the past few years, both in terms of business and in terms of politics. However, the betterment of relations will be determined by a number of things, above all of which is our progress in fields that are important to Germany both in a business sense and politically. In addition, trust and partnerships in which these two countries reaffirm their friendship and commitment to the shared values of European society have become the most important connection.
- » Despite the number of factors which indicate closer action, Serbia and Germany are nowhere near achieving an optimal level of cooperation, or exploiting the full potential of economic trade. The upcoming years represent a period in which it will become clear whether the level of cooperation will rise to a qualitatively higher level, or that these ambitions will be abandoned and things will continue to run on well-established patterns and stereotyping.

1. THE BUTTERFLY EFFECT: EUROPE IN TURBULENT TIMES

“We believe far too much in the fact that the European Union project is indestructible, but everything can fall apart, including the European project.” With these words, the European Commission Vice President, Frans Timmermans, on 13th November 2015 at the Prague European summit, warned that nothing is indestructible, not even a joint European project. A few hours before the multiple terrorist attacks in Paris, he stressed that it is important not to raise fences and to avoid the disintegration of the Schengen system, because along with it, other systems and mechanisms of a joint Europe could disintegrate. For Eurosceptics, from the left and the right, the imminent collapse of Europe has never been so close. It has often been pointed out that Europe has never been in a deeper crisis, especially now at the peak of the refugee crisis when many lament over the fate of the Schengen zone.

In recent years, the European Union has been constantly present on the front pages of newspapers, and in the headlines of other media – less frequently in a positive context, and more often because it is constantly faced with multiple crises simultaneously. The turbulence that shook Europe is reminiscent of the butterfly effect. It is a term used to explain the causal relationships in the chaos theory. According to this theory, “little things, such as the movement of a butterfly’s wings in one place, can cause a typhoon on the opposite side of the world.” “The flapping wings of a butterfly” is a constant in every premise of the chaos theory, while the location of the “butterfly” itself, and the place where the effects of the “flapping” takes place are variable. Crises occur one after another in various parts of the world, quite often before the previous one has ended, and the location where all of these diverse and numerous “flapping wings” is now mostly felt, is in Europe itself.

Crises occur one after another in various parts of the world, quite often before the previous one has ended, and the location where all of these diverse and numerous “flapping wings” is now mostly felt, is in Europe itself.

The public debt crisis has produced deep cracks in Europe’s foundations, and has revealed the current institutional weaknesses, a lack of vision, a shortage of solidarity in cases of asymmetric shocks and a growing fragmentation, as well as the strengthening of centrifugal forces. The Eurozone has not yet recovered from the economic and financial crisis of 2008. The debt crisis in Greece gradually assumed massive proportions, talks began about leaving the Eurozone, and Europe’s leaders were, for a long time, split over the solutions to the problems. It did not just bring into question the survival of the common currency, but it also intensified doubt about the future of the European Union itself. Then in 2014, the Ukraine crisis rocked the European Union’s relations with Russia, and again put to the test the cohesion and solidarity of Member States when the question of sanctions against Moscow were on the agenda.

The wave of refugees from the Middle East has further shaken the European Union, putting to the test the rules that the Union formulated, and bringing into question the principles on which it is based. Faced with a seemingly endless wave of migrants, European leaders are currently arguing about quotas, sovereignty, border control and threats to national and cultural identity. Instead of searching for practical common solutions and highlighting the fact that Europe is a magnet for refugees because, despite all its problems, it has one of the highest GDP per capita and the least pronounced inequalities, European politicians are using the tide of populism to gain cheap political points.

The public debt crisis has produced deep cracks in the European construction industry, and has revealed the existing institutional weaknesses, a lack of vision, a shortage of solidarity in cases of asymmetric shocks, and the growing fragmentation and strengthening of centrifugal forces.

The Ukraine crisis rocked the EU's relations with Russia and again put to the test the cohesion and solidarity of Member States when the question of sanctions against Moscow was on the agenda.

The wave of refugees from the Middle East has further shaken the European Union, putting to the test the rules that the Union has formulated, and bringing into question the principles on which it is based.

Today, the success of Europe's framework is not measured solely by its social product, but rather its capacity and mechanisms to respond to global challenges.

Many Europeans once again feel threatened, not only by Russia, which is redefining its spheres of interest and strengthening its political and economic influence on its neighbours, but also by refugees and immigrants – the poorest of the poor. In almost all parts of Europe - 26 years after the fall of the Iron Curtain - appeals for isolation, mass deportations, and the erection of new walls and fences can be heard. Across Europe, nationalist parties are getting stronger, particularly those on the extreme right. Physical barriers have started to appear in the same places where they were dismantled over the past few years and decades, and mental barriers that were considered non-existent are also emerging.

It is important to emphasize that the tide of populism is not a matter of a political trend, but a consequence of a dysfunctional Europe in many respects: joint control of external borders, a common migration policy, a consolidated view on the division of costs caused by external crises etc. The authors of this study believe that a Europe integrated with the Western Balkans would be safer and more secure. In other words, it would be easier to define and effectively control the previously mentioned aspects (control of external borders, the migration policy, the costs caused by the crises). The aforementioned assumption could significantly improve Serbian-German relations in the upcoming period.

If we take 2008 as a reference point for the emergence of a "new era" – the outbreak of the huge global financial crisis and the beginning of the return of Russia as a geopolitical force on the international scene - then we can say that up to then Europe attempted (and managed) to function as a successful club of countries linked by economic interests and common rules of conduct. However, since then Europe has gradually become more

and more aware that in a very globalized and interconnected world, in which history and events accelerate radically, it must act as a political alliance and a global player. Today, the success of Europe's framework is not measured solely by its social product, but rather by its capacity and mechanisms to respond to global challenges. The emergence and construction of the institutions of the European Union during the Cold War years was accompanied by a more or less frozen situation in the Union's neighbourhood, and basic parameters and patterns of behaviour in a bipolar world that were known at least in the medium-term. In such circumstances, the European Union as a whole, and its Member States, have had enough time to look for a common consensus of (future) functions of the Union, and to define the institutions responsible for these functions (an excellent example of this are the long negotiations before the final adoption of the Lisbon Treaty). Today the situation is completely different, and international relations are anything but easily predictable, known or stable. They change dynamically and demand quick answers. The model of gradually defining the positions and policies within the European Union while taking into account all the specific national interests of Member States, has transformed from a benefit into a major obstacle to the adequate, rapid and efficient response of the EU to the new challenges within its environment. Therefore, decision makers in the European Union must abandon their old ways when defining the future of common policies. It seems to the authors that Europe still does not have fully constructive answers and mechanisms for such challenges, but they believe that in such circumstances the Balkans and Serbia could be of added value to the Union, and not just a noose around its neck or a liability.

Are the current crises the beginning of disintegration or an introduction to new European Union integration?

It is clear that Brussels needs to strengthen its foreign and security policy, as well as its policy towards its closest neighbours, in order to successfully resolve the causes of the crises and migration at its immediate source.¹ In each of these crises Germany not only takes the lead in attempts to find the best answers and the necessary solutions, but is also an (un)willing leader who is trying to coordinate a common European response and, in effect, formulate European foreign policy.² What many analysts see as not only a logical, but also a necessary

Would Europe with a stable and integrated Balkans be more functional? If the answer is entirely – or at least partly - yes, then there is a second essential question: can significant improvement in Serbian-German relations in the coming period be based on the aforementioned assumption?

¹ Europe is yet to feel the impact of waves of refugees in the coming years and decades, even if the turmoil in the Middle East and North Africa were to calm down. The pressure of 1.000.000 refugees has led to serious cracks in the construction of Europe. What will happen, for example, when millions of Africans and sub-Saharan Africa, dependent on subsistence farming, seek refuge in Europe due to global warming which will make it impossible for their survival?

² Germany's position on this issue is characterized by a kind of dichotomy. On the one hand, it is pleased with the fact that it (again) has the opportunity to use its economic strength to influence (foreign) policies, and do so through the European Union – an independent manifestation of the power and influence of Germany, because of its history, would at least awaken the suspicion and skepticism of many. On the other hand, Germany is aware that leadership entails responsibility and obligations (including those of a financial nature), which is not often approved of by the general public, or rather the electorate..

step in the vertical integration of the European Union would therefore come in to being as an indirect product of Europe dealing with many modern challenges. The above mentioned crises would thus be a baptism of fire from which Europe would once again emerge victorious in terms of improved functionality and the encouragement of further institutional development necessary to strengthen the European integration process. However, the crises successively alternate and any subsequent one appears more dangerous to the existence and functioning of the European Union than the previous one did. It is increasingly difficult for officials in Brussels to find the right answer to every new crisis, while a joint approach by Member States increasingly looks like an impossible mission. Their impatience is becoming more apparent and the internal pressures which they face leave less and less room for manoeuvre in order to achieve cooperation in finding answers to ever increasing extreme challenges.

It seems that Europe does not have fully constructive answers to the many challenges nor mechanisms for their adoption. In such circumstances, the Balkans and Serbia could be of added value to the European Union, and not just a noose around its neck or a liability.

In regards to an eventual and much hoped for demonstration of new solidarity, the desire to act as a global player and the will for further integration, Europe must not give up on the Balkans. Quite the contrary. The last decade has shown that the de facto suspension of the enlargement of some Balkan states - which geographically, culturally and economically unquestionably belong to Europe - has not led to the desired deepening of European integration, but to a reduced capacity of the EU to cope with the effects of the Middle East crisis, as well as to a narrowed vision towards the Russian Federation (this is of course helped by the crisis in Ukraine). It is precisely the relationship

between Serbia and Russia, which in the eyes of many in the European Union (especially in light of the Ukraine crisis) has the new potential to hamper Serbia's future steps on the path to Europe. This is likely to be actualised the moment other more important issues are "solved". It is a fact that Brussels needs to expand its vision towards Russia, as it is the largest, politically the strongest, and economically the most powerful neighbour of the European Union. However, the question remains whether the redefinition of Europe's policy towards Russia will be conducted through the European integration of the Western Balkans. History has shown that great powers often give themselves the right and the privilege to define mutual relations themselves, so that (smaller) mediators are not needed. The Balkan states, although territorially and economically small and weak, could reinforce the perception and the capacity of Europe as a global player were they a full member of the European Union, which would politically, territorially and symbolically complete the unification of Europe. The European Union would then be presented as a serious factor, due to the fact that, among other things, its powerful attraction would have managed to pacify and integrate a fragmented region destroyed by antagonisms and conflicts, such as the Western Balkans. This would be one of conditions for Europe to stop focusing only on itself, but instead define itself primarily by identifying its role and place in the world.

In a time when the term crisis is increasingly used to describe the situation in which Europe permanently finds itself, it is becoming more difficult to find those willing to

support the further expansion of European borders. Even the devoted long-standing advocates of the European Union can hardly keep their, until recently prevalent, optimism in regards to the speed and character of further expansion. Freezing or slowing down the European integration process would jeopardise the progress made in stabilizing regions, which, like the Balkans, are known for their periodic instability.

The authors do not want to suggest that by not including the remaining countries of the Western Balkans in its extension, a conflict in the region would occur. However, the fact that some States have been accepted, while for others Europe is not a near prospect, creates the perception of a European border that extends to the mid Balkans rather than coinciding with its geographical, cultural and historical borders – between Asia Minor and Asia, the Mediterranean and North Africa, as well as between Eastern Europe and Russia. Although at the beginning of the 21st century the concept of admitting the Western Balkan States was popular, during the first decade only some of these countries were accepted and it was subsequently announced that there would be a pause in their admission. Instead of, for example, “softening” the Serbian-Croatian border by doing this, and thereby easing historical tension, it actually became a limes, in the Ancient Roman and Huntington sense. This development further fuelled nationalism in Croatia, strengthening the always present opposition in Croatia’s collective consciousness and identity to its eastern neighbour, and awakening a feeling of superiority.

The migration which Europe faces today has its roots in the deep crises that have shaken its neighbouring countries: the prolonged economic uncertainty in the Western Balkans, and turmoil in the whole of the Middle East and civil wars and conflicts in Africa (possibly the intensification or spread of war in eastern Ukraine could soon become the fourth cause). Europe can, to some extent, help solve them, especially if it were to strengthen its foreign and security policy. The Western Balkans is a different story, in which Europe has great impact, and the region itself has the potential to help resolve the crises facing the European Union. Croatia has been a member of the European Union since 2013, Serbia and Montenegro started membership negotiations, Albania and Macedonia are candidates, and Bosnia and Herzegovina and Kosovo are potential candidates. Both Serbia and the region are a part of Europe, and all that happens in Europe and with Europe will inevitably be reflected in all the countries within the region. This is why there is justifiable criticism at Brussels’ expense in regards to why the European Union hasn’t provided more help in a region in which it could have done so much by supporting economic and administrative modernization, and infrastructure projects. Despite the fact that the European Union has made a certain amount of effort in the form of financial assistance and the implementation of structural and institutional reforms, there have been no large and significant projects which would pull the region

By not including the remaining countries of the Western Balkans in its extension, a conflict in the region would not occur. However, the fact remains that some states have been accepted, while others have not, which creates the perception of a European border that extends to the mid Balkans, rather than coinciding with its geographical, cultural and historical borders with Europe

out of economic apathy and lethargy, and send a clear signal showing how much the European Union cares about this region.³

As previously mentioned, a common strategy and approach to the region would be more suitable and politically wiser than performances which differ from case to case. In this way, mixed political messages would be avoided, tensions reduced between countries of the region, and Europe and the Balkans would function better regarding the admission of refugees and asylum seekers. Whatever the final answer to Europe's migrant crises is, the Western Balkans will be an important part of the problem, but also of the solution. Refugees and migrants coming from the Middle East to the European Union enter via Greece, Macedonia and Serbia. Would not the European response and mechanisms be more effective and coherent if Serbia and Macedonia were members of the European Union, and if Greece were strongly supported to cope both with their own difficulties as well as with this global problem?

Solidarity and cooperation - European principles crucial to the outcome of the current crises

None of the aforementioned crises have ended, nor is there a solution in sight, and at the end of 2015 new complications are expected. The refugee crisis has not yet reached its most dramatic phase and the largest wave of migrants is yet to come. Any intensification of the conflict and an increase in violence in the Middle East will result in an influx of refugees into Europe. Each new wave will further complicate the problems facing Europe, put solidarity and cooperation to a new test, and further strengthen nationalism and xenophobia. In this context, what will the effect of the terrorist attacks in Paris on 13th November 2015 be? The large number of casualties will put emphasis on certain political issues such as migration, tolerance, attitudes towards the Middle East, and so on. This will undoubtedly be a huge boost to right-wingers who have already based their campaigns on the fact that open borders and multiculturalism is a recipe for disaster. There are a significant number of those who believe that the terrorist attacks in Paris will result in the inevitable limitation of the number of refugees and tighter control of those who come to Germany and Europe in general. There is already talk of official requests for a temporary suspension of the Schengen agreement. The logical question is whether this is a prelude to the later abolishing of the agreement, and whether in this way the terrorists will achieve their goal, because in the short term such a move would contribute to the fight against terrorism, but in the long term it will be an introduction to the demolition of European values, traditions and institutions.

An a priori connection between the European refugee crisis and the threat posed by terrorism is not founded. Terrorism is well-organized, and terrorist attacks existed even before the wave of refugees swept across the European coasts, and they will

³ Like when the US through the *Marshall Plan* made it clear how important the rapid economic and political stability of Western Europe was to them after World War II.

probably continue after the wave passes. It is absurd to equate terrorism with Islam as a religion. The question of whether Islam is a religion of peace or war should be left to the orientalists and scientists. Ninety percent of the victims of the Islamic State are Muslims. ISIS as a transnational supra-state Muslim community was formed by the supporters of an extremist Sunni neo-Salafist sect, who do not believe in the Islam that today includes nearly two billion believers. It is a political entity that is not subject to the laws of classical geopolitics and international relations, but draws its legitimacy from religious motives, referring to the original Islam allegedly practiced by the Prophet Muhammad in the 7th century. It should be a radically religious concept of life in accordance with the Koran. Although spiritually fuelled, it is essentially totalitarian. It is a fight against the world and modernity, against an open society and liberal democracy, which is a provocation for all totalitarian ideologies.

The simplified linking of the terrorist attacks in Paris with refugees fleeing from conflict areas and from the Islamic State, or with Islam as a religion, may have been one of the indirect goals of the attackers. If the Europeans were to accept this logic, it would not only actually constitute a victory for the terrorists, but also for extreme and populist policies, both those outside the EU and those promoted by certain Eurosceptic parties. Europe must defend its values of openness and tolerance in the face of a policy of fear. European countries must do everything in their power to prevent the success of terrorists and protect their citizens. However, terrorist acts can never be one hundred percent excluded, not even through the restrictions of human freedoms for greater security, as was seen after the attacks on New York in 2001. For terrorists only one success is sufficient, and with this one successful attack they can succeed in undermining a whole country, all of Europe, and the whole world. Such was the case on 13th November 2015 in Paris. Therefore, the destruction of the Islamic state has become the key objective because the only way to ensure security in Europe is to destroy terrorism and defeat the so-called Islamic State of Iraq and Syria (ISIS) and its affiliates, as well as Islamic terrorism in Africa. The war in Syria is an incubator for terrorists and there will be more and more of them, despite the bombardment of their strongholds and positions. However, to achieve this end, a European "soft power" approach is needed, and not only the use of military means. It is necessary that people in the Middle East are given prospects - primarily economic. How can a man who is ready to fight and lose his life be beaten if not by giving him a reason to live?

The Western Balkan countries, among which Serbia is the most interesting, can help and co-operate closely with the European Union and Germany in order to identify extremist threats and terrorists in transit from the Middle East, or those who already have a foothold in the Balkans. The Balkans, as the soft underbelly of Europe in the context of interaction with the Middle East and North Africa, can cease to be on the margin of Europe and become of strategic importance for the entire Ancient Continent. The key question before us is whether the realistic borders of Europe end at the Pannonian Plain, the Hungarian-Serbian border, or cover the entire continent, including the south? The authors believe that the symbolic and physical shifting of borders from the Mediterranean to the Pannonian Plain would have multiple negative consequences for Europe. The Western Balkans as a kind of enclave of the European Union cannot

be a long term sustainable solution for the European Union, nor for the enclave itself. European Union policy should be defined precisely so that this relatively small region can be more decisively integrated both politically and economically, and the Western Balkan countries should not be made into a potential European Gaza.

The Balkans, as the soft underbelly of Europe in the context of interaction with the Middle East and North Africa, can cease to be on the margin of Europe and become of strategic importance for the entire Ancient Continent.

The terrorist attacks came in the middle of the great refugee crisis in Europe, and suddenly worsened the crisis itself, exacerbating its negative effects on European states and societies. The question is whether there will be a big shift and a powerful blockade of European borders. Will the physical barriers become more numerous and longer, and the mental barriers become stronger and deeper rooted in the consciousness of the average European? This occurred in Hungary in September 2015, when they prepared to erect fences on their borders (a step which was to be undertaken as a last resort), and was followed by other countries (Slovenia, Macedonia, etc.) – some before and

some after the Paris attack. If certain countries toward which immigrants are moving attempt to limit or completely suspend the flow of people, it will automatically reflect on other countries on the refugee route, which will then be faced with large numbers of migrants. If there is a blockade of the borders between the Member States of the European Union, technically it ceases to exist. The terrorist attacks in Paris have their own political ends, representing a brutal blow with the goal of changing Europe. The turnaround of Europe to the right would play into their hands. It would worsen the position of European Muslims, which would make it easier to recruit people.

And here we return to solidarity and cohesion - the two aforementioned principles essential to the decennial persistence of the European Union, but also essential to solving the existing crises that threaten its future existence and functioning. This is probably only the beginning of the immigrant crisis because the conditions that make people leave their homeland will surely deteriorate. And it appears that Europe, with many of members that have the best social security systems in the world, cannot sustain this politically, financially or administratively. This paralysis is risky for Europe itself. Everyone knows that certain Member States - particularly Italy and Greece, which are the hardest hit – are unable to respond to the challenges of long-term migration alone. However, most members refuse to join the common European effort, thus speeding up the erosion of solidarity within the European Union and strengthening the growing trend for its disintegration. European countries, both members of the European Union and the candidate countries, must become aware of the importance of cooperation and solidarity despite the severity of the crisis and the varying levels of exposure to its negative effects. They have to understand each other more, because their positions arise from different historical experiences.

⁴ On the other hand, one should not lose sight of the fact parts of the Ottoman group are already members of the European Union: Greece, Bulgaria and Romania

The Brexit announcement - a new potentially major crisis for the European Union

Serious steps towards further enlargement of the European Union will definitely not happen before Britain's referendum concerning its future membership of the European Union. Although part of the Serbian elite and the public continues to believe that the enlargement process is based solely on objective criteria and merits of individual candidate countries, it simply is not so. For the rest of the Western Balkans, the so-called "Ottoman group"⁴, membership of the European Union depends primarily on the continued reconfiguration of relationships within this organization, as well as the geopolitical situation in the world, but also a more mature awareness of the political and social elite in the Member States regarding the true belonging of the remaining part of the Balkans in the European Union. A key part of the puzzle is precisely the status of Britain within the European Union. Why is this issue so important and what will be the final outcome?

The Brexit, or potential exit of the UK from the European Union, represents a new threat to Europe. There will be a new butterfly effect, whose consequences will be far faster and felt more directly. While the exit of a poor and weak member, such as Greece, would be painful, the possible exit of one of the most powerful states could prove catastrophic. The European Council President, Donald Tusk, warned that it will be very difficult to reach an agreement on the reforms sought by the British Prime Minister, David Cameron, and in turn help Great Britain to remain a member of the European Union. Tusk said there was no guarantee that an agreement would be reached in December, when EU leaders will consider Britain's demands. In a letter to Tusk dated 10th November, Cameron outlined four key British demands for the reform of the European Union. Cameron announced that there will be a referendum on Britain's membership of the European Union by the end of 2017, if changes are not made. With these conditions of stay, Britain keeps all its options open, thus continuing to balance its special relationship with the United States and its devoted membership of the European Union.

The essential character and position of the European Union depends on Britain's future status. If Britain withdrew, the European Union would become a more organized political-military federation, with a German-French engine at its core. This European Union would be sympathetic to a compromise with Russia, but would additionally slow down further expansion of the perimeter of the continent, including the Western Balkans. On the other hand, Britain's continued membership implies a looser organised European Union, which would be more of a zone of economic integration than a political union. Such an EU would be more inclined to further enlargement, but there would be different categories of membership and a *Europe with multiple gears*.

An important part of Britain's strategy is to remain formally in the European Union, but at the same time maintain full autonomy regarding its monetary and immigration policies. We believe that the British Prime Minister, in the referendum before the end of 2017, will

call on the people to vote to remain in the European Union and that the result will be to remain a member. The referendum is primarily a tactical and domestic political move by Cameron. With the global trend of social discontent, an identity crisis, and the rise of nationalism and xenophobia spreading across Europe, the referendum on EU membership is a good valve to channel this discontent and keep frustrated citizens within the existing institutional framework. On the other hand, seeking a guarantee of existing concessions from Brussels, with symbolic additional measures, would be actively legitimate.

Germany's stance will have a significant impact on the British referendum, and therefore also on the future character of the European Union, and Serbia's and the Balkans' place in it.

If we start from a different assumption, that the Western Balkans can be of added value to the politics of Europe – and not a burden – then the strengthening of relations and trust between Germany and Serbia will be an important link in the process.

The future of Europe is certainly complicated and uncertain. This is a serious challenge, but it is not the first crisis that the European Union has faced. Overcoming crises is part of the EU's history. Today Europe is finally forced to review its geopolitical surroundings and realize that it will overcome the upcoming crises only if it starts to take an active role and stops considering itself a victim of historic events. Many illusions have been destroyed. Many lessons must be learnt. Only in this way will Europe emerge

stronger from this crisis. Europe must undergo a transformation and begin to anticipate the future instead of lagging behind. It should become a strategic factor on the global scene, and not just a passive ideal always falling behind. The refugee crisis marked the end of Europe's preoccupation with itself - as seen in the example of the Greek crisis. Europeans have discovered that they do not live in a gilded cage. Europe is – along with the Middle East - where the effects of the Syrian disaster are most directly felt. The European leaders have announced that they will work to achieve peace in Syria, and an agreement in Libya, and they will cooperate with Turkey and start a dialogue with sub-Saharan African countries – the list consist of all the regions that have in one way or another contributed to the influx of refugees, and especially black holes of anarchy.

In all of the listed external and internal challenges, the European Union can benefit from a politically stable, prosperous, functional and cooperative Western Balkans. Assumptions that further enlargement will prevent deeper integration, dissolve political union, or inflict economic damage to the European Union - have proved unfounded. It was precisely a non-integrated Western Balkans that prevented better communication between Europe and the Mediterranean, became a major corridor for refugees and migrants, accelerated the strengthening of neo-Salafism and increased tensions between the countries of the regions. If we start from a different assumption, that the Western Balkans can be of added value to political Europe - and not a burden – then the strengthening of relations and trust between Germany and Serbia, will be an important link in the process.

2. BELGRADE AND BERLIN: CLOSER LINKS AND OVERCOMING CHALLENGES THROUGH PARTNERSHIP

Serbia's path toward Europe, if we understand that its ultimate goal is membership of the European Union, began after the democratic changes in 2000. The changes did not mean there was a consensus in society about what had happened in the nineties. However, there was an agreement concerning people's unwillingness to tolerate bad living conditions and international isolation. The European Union, the epitome of integration and a better life, became a synonym for what most citizens sought after the changes. Also, it should not be forgotten that Serbia is traditionally prone to regional integration and federal experiments.

The European Council, at its meeting in the Portuguese city of Feira in June 2000, announced that all the countries that are part of the Stabilisation and Association Process (SAP) are potential candidates for EU membership, while at the Thessaloniki Summit in June 2003, the SAP was confirmed as an EU policy for the Western Balkans. Therefore, a European perspective was confirmed for these countries, including Serbia. The transition which commenced in Serbia after the democratic changes was difficult. In Serbia, the struggle for political support for the continuation of reforms was also complicated by the necessity to solve issues inherited from the nineties - the relationship between Serbia and Montenegro in a common state, dealing with the past, which was characterised by the necessity to cooperate with the International Criminal Tribunal for the former Yugoslavia (delivering indicted war criminals), and the status of Kosovo (normalization of relations within the region). The negotiations regarding the Stabilisation and Association Agreement which Serbia began in October 2005 slightly opened the door of the European Union, but because of numerous complications, at times the door was open and then closed, depending on the will of Brussels, the global situation and the pace at which Serbia solved its inherited problems. Finally, in March 2012, Serbia became an official candidate for membership of the European Union, and in January 2014 the first intergovernmental conference between the European Union and Serbia was held.

However, candidate status alone does not mark the end of Serbia having to deal with different challenges regarding its foreign policy and issues that are of a burden. Some of these challenges include further internal reforms, which are an integral part of the European integration process, modernization of the state and society, and the continuation of finding a solution to the Kosovo problem. In recent years, the global economic crisis, the Eurozone crisis, the war in Ukraine and the migrant crisis, have led to new global trends and changes in both the international environment and in the European integration process. As a new reality that is impossible to ignore, these changes require (re)examination of Serbia's foreign policy and the possible adjustment of its priorities with the aforementioned trends. The first, but not the only crisis, is of course the one within the European Union, which has also resulted in a decline of people's support for European integration. However, without the support of the European Union, and especially Germany as one of the key members of the organization, Serbia could

face new difficulties in its political, social and economic development. The so-called *Berlin process* could play a key role if emphasis is placed on functional cooperation in the Western Balkans, as well as between the EU and the Western Balkans.

The Berlin process, initiated at the first conference on the Western Balkans in Berlin on 28th August 2014, (symbolically, on the 100th anniversary of the outbreak of World War II), may constitute a springboard for a rapprochement between the Western Balkans and the European Union. Since the Thessaloniki summit of the Western Balkan countries and the European Union in 2003, a regular annual European Union-Western Balkans summit was envisaged to take place. However, after a pompous start where the future of Europe and the then Western Balkan countries was announced, high level meetings of this nature were put on hold. Therefore, in a way, the *Berlin process* is an attempt to, in at least a focused and limited manner, maintain the EU's integration process of the Western Balkans. Not all European Union Member States are participating in this, but only the few who are more interested in the Balkan region - Germany, France, Austria and Italy, with huge support from Slovenia and Croatia. Thus, the Berlin process is a kind of supplementary mechanism that should maintain the interest and enthusiasm of the Western Balkan countries and not discourage it, despite the attitude and statements made by European officials that further enlargement of the European Union will not be occur in the next few years. There are plans to hold a total of five conferences on the Western Balkans up to 2018 (one conference a year), where there would be continuous work on issues of crucial importance for the future of the Western Balkans.

Germany's commitment to stabilising the situation, the integration process of the Western Balkans, and the region's clear European perspective, was confirmed when it initiated and actively supported the process, and is something which was explicitly highlighted in the final statement of the *Presidency Conference* held in Berlin in 2014. Since then, significant steps have been taken and serious progress has been made through intense international political and economic contacts, as well as the active support of Berlin and Brussels, which has brought about

The Berlin process is, in a sense, an attempt to give new momentum to the European integration of the Western Balkans. Germany's commitment to stabilising the situation, the integration process of the Western Balkans, and the region's clear European perspective, was confirmed when it initiated and actively supported the process.

rapprochement between the Western Balkans and the European Union. One of the fundamental factors of the whole process is the development of infrastructure and the connection of the region with the European Union, which is a key prerequisite for the economic development and full integration of the West Balkan countries. More intensive engagement of Russia in the region is also one of the factors that has prompted EU Member States to actively operate in the region. It should be emphasized, however, that the aforementioned process is primarily supported by the European Union's realistic interest in a better energy and infrastructure connection between countries in the region, which would also be a functional connection with the European Union. This mechanism would therefore not only be a sort of parallel promotion of regional

cooperation and good neighbourly relations, but also a form of functional integration of the region into the European Union in the period until institutional links with the European Union are made possible.

In the framework of the Berlin Process, which began a year ago and was held in Vienna on 27th August 2015, and the second conference on the Western Balkans, two major themes dominated: the current refugee crisis and the process of strengthening relations between countries in the region, as well as cooperation on the issue of European integration and economic issues. The importance of infrastructure and transportation projects was once again emphasised, which would boost the economy and further stabilize the region. However, this time the importance of these projects was highlighted from the aspect of the current refugee crisis. The aim of the above-mentioned project is precisely to create a political, economic and social climate that would ensure that people would not feel the desire and need to leave the country in which they live, which would then be a partial contribution to solving the refugee crisis. Serbia actively participated in both the conferences held within the framework of the Berlin process, and it will probably continue to do so in the coming years. As we have emphasized, the process represents a specific revival of the countries of the region's European perspective, and therefore further strengthens potential cooperation between Belgrade and Berlin in the process of Serbia's integration into Europe.

The key framework to rapprochement and common points of interests between Serbia and Germany

Due to a series of factors, the European integration process is a key framework of both the German and Serbian foreign policy. In terms of foreign policy this is one of the three closest points of common interest between the two countries. The development and strengthening of democracy, peace and security, coexistence and cooperation with its neighbours, overcoming the conflicts and consequences of recent past events, and economic development, constitute an impulse to keep Serbia's foreign policy directed towards European integration.

Another point of contact is cooperation between the European Union and the Western Balkans in connection with the control and channelling of the effects of the Middle East and North African crises in Europe. The influx of refugees, economic migrants, asylum seekers and extremists from these areas is via the Western Balkans. Cooperation between Serbia and Germany in this field is imperative.

The third point of contact could be coordination in the utilization of new global corridors of international trade. The entry point of China's *New Silk Road* into Europe is precisely the Balkans. This project of physically connecting China and Western Europe is the most ambitious public investment programme of our time. Cooperation between Serbia and Germany in relation to this initiative could be of great economic benefit to both countries.

Due to a series of factors, the European integration process is a key framework of both the German and Serbian foreign policy. It is also one of the three closest points of common interest between the two countries.

Another point of contact is cooperation between the European Union and the Western Balkans in connection with the control of the effects of the Middle East and North African crises in Europe. Cooperation between Serbia and Germany in this field is imperative.

The third point of contact may be the establishment of new global corridors of international trade. Cooperation between Germany and Serbia on the issue of the Chinese project "The New Silk Road" will be of great economic benefit to both countries.

Cooperation with Germany should be one of the priorities in the further European integration process, not only because of its geopolitical importance and its strength, but also because Germany is one of Serbia's the biggest investors and trading partners.

Over the past decade, the authorities and the general public in Serbia have become acquainted with the fundamentals and dynamics of the accession process to the European Union, its institutions, knowledge of what constitutes the accumulated legislation of the European Union (*acquis communautaire*), the conditions and criteria that must be met for a membership, etc. The focus of politicians and the public so far has been more directed to the formal aspects, i.e. the accession requirements to the European Union, rather than the essence of the process, and how to use the accession process to provide the best possible results for Serbia. If Serbia wants to approach the process of European accession in a manner that will allow it to become a capable and credible Member State and not simply as a project to achieve the member state status, it will have to reform its (public) policy system from the ground up. In order to *speak with one voice* in the complex arena of creating European Union policies and achieve maximum benefits from its membership (and not suffer losses), Serbia will have to ensure that the position it represents in Brussels are based on consistent, well-analysed, factual-based and well-coordinated policies.

Cooperation with Germany should be one of the priorities in the European integration process, not only because of its geopolitical importance and its strength, but also because Germany is one of Serbia's biggest investors and trading partners. In Serbia there is awareness that cooperation with Germany is essential for Serbia, especially because of the importance of the European integration process. However, on the road to further improvement of relations with Germany, there are certain obstacles of a political and historical nature. European integration or German investment is not the only important point of interest in mutual communication, and the past is not the only stumbling block in relations or a cause for mutual misunderstanding and mistrust. The two countries and their people are connected by shared historical experiences, but divided by deep historical antagonism. However, the last few years have proved that this antagonism is not an insuperable obstacle to improving cooperation between the two countries and resolving many problems, both those concerning mutual relations and the European integration of Serbia.

Serbian-German relations have a long and stormy history, full of ups and downs. The ambivalent character of these relations is best demonstrated by the fact that they were filled with strong cultural interaction and economic cooperation, on the one hand, and political conflicts and bloody wars, on the other. During the twentieth century Serbian-German relations were marked by three major military conflicts, although prior to that there had been no conflict. Before the 20th century, there had been no difficult and traumatic historical experiences between the two countries, only a long history of close cultural contacts and economic cooperation. Analysis of relations between the German and Serbian people in the 20th century cannot bypass the discourse of war or the catastrophic consequences which mutual hostility during both world wars had on their relationship. The extent and nature of both conflicts, as well as their far-reaching consequences, inevitably left deep traces in the historical consciousness and collective memory of both nations, especially Serbia's. A component of strong animosity appeared in relations between the two nations.

The past as a stumbling block in relations

When we talk about the past as a stumbling block in relations between Germany and Serbia, historical problems, where due to circumstances the two countries found themselves on opposing sides during the first half of the twentieth century in two conflicts of global proportion, are not the only important factor. During the wars in the former Yugoslavia, German-Serbian relations suffered a heavy blow, and diplomatic relations were completely cut off due to the NATO bombing of the Federal Republic of Yugoslavia, in which Germany participated. Conflicts in the former Yugoslavia influenced the negative images which Serbs and Germans had of about each other, thereby renewing and strengthening the existing stereotypes. The recent past and its interpretation is an even greater stumbling block, and so it is important to critically review and overcome it, not only for Serbia as a country and its people, but for future relations between Serbia and Germany. Serbian society still has a strong and largely justified impression that Germany, in every critical and historically crucial moment, has been against Serbian interests.⁵

Serbian-German relations have a long and stormy history, full of ups and downs. The two countries and their people are connected by shared historical experiences, but divided by deep historical antagonism. However, the last few years have shown that this antagonism is not an insuperable obstacle to improving cooperation between the two countries.

⁵ Germany participated in the implementation of international sanctions against Serbia, as well as in the action of peacekeepers in Bosnia and Herzegovina 1992-1995. The negative perception of German policy was influenced by the German support of Kosovo Albanians in their effort to create an independent state, as well as the passivity of German peacekeeping troops during the pogroms against Kosovo Serbs in March 2004. Germany was then among the first to recognize the decision of Kosovo Albanians to proclaim independence in 2008. Negative understanding of German politics shaped over the past decade, were further strengthened by the conflicts between German soldiers and Serbs in northern Kosovo in 2011 and 2012. Then the German KFOR contingent took part in removing the barricades put up by Serbs to prevent the Kosovo police from taking control of administrative crossings with Serbia.

At the same time, Germany over the last decade has been, and remains, one of the most resolute and most consistent countries regarding the conditions of Serbia on its path towards membership of the European Union. The source of disagreements and problems in mutual relations was Germany's view about the need for Serbia to urgently confront recent past events, to understand the importance of this confrontation for social reform in Serbia, its further progress in European integration and overall reconciliation within the region. Willingness to confront these issues in a specific way determined the level of sincerity of each new government to adopt European values. In the eyes of the German authorities, distancing itself from the politics of the nineties was a necessary condition for the continuation of Serbia's progress towards European integration.

Serbia's accession to the European Union is precisely one of those historical events or processes when certain perceptions are created or crucially changed in regard to the manner in which a great power (Germany) treats a small country (Serbia).

This was considered an expression of abandonment of authoritarian politics and a true democratization of state and society. A consequence of all of the above is the fact that among the Serbian public, parallel with the emergence of Germany as the biggest investor and donator in Serbia, there is a strong impression that Germany's policies towards the region are one-sided and often not objective. Although one of the primary interests of Germany in the Balkans was, and is, to prevent political, economic or social destabilization that could have negative consequences in a wider European context, some methods of preventing the destabilization of the Western Balkans were not optimal.

Too often in the past, Serbia stood at historical crossroads in situations when its elite needed to say *yes* or *no* to someone or be *for* or *against* something. There have been too many fateful moments and decisions for such a small country and its people. However, at the beginning of the twenty-first century, Serbia is in a position to decide once again about its future, to once again choose which road to take and how to weather the storms in the international arena. Serbia's aspirations to one day become a member of the European Union put it in a position to perform certain state and social reforms, but also, due to specific situations and events of the recent past, fulfil some specific and very difficult demands. It turned out that the strength and position of Germany, together with the nature of the conditions that were placed before Serbia in the context of European integration and the Kosovo problem, contributed again to it identifying Berlin with politics that opposed Serbian interests.

Serbia's accession to the European Union is precisely one of those historical events or processes when certain perceptions are created or crucially changed in regard to the manner in which a great power (Germany) treats a small country (Serbia). The process of Serbia's European integration and the positive view of Germany as a key partner, is an opportunity to create a different picture of Germany's attitude to the interests of Serbia, especially as a consensus among Serbian political parties concerning Serbia's European path has almost been reached. Rapprochement between Belgrade and Berlin will, in all

probability, dominantly be decided by two interrelated processes - the Kosovo issue and Serbia's European integration. German-Serbian relations are of fundamental importance not only for the solution of the Kosovo problem, but also for the European future of Serbia. Germany wants the European integration process to continue and to encompass the whole of the Western Balkans, and therefore Serbia. Nevertheless, it certainly will not encourage acceleration of the process, not only because of Serbia's insufficient preparedness for accession, but also because of the European Union's reduced readiness to admit new members due to the multiple crises, as well as the unpopularity of this idea in the public domain and among the electorate of the Member States. The crises did not stop the expansion of the EU to the Western Balkans region, but greatly slowed it down. Berlin believes that the period before the start of accession negotiations will also be the period when Belgrade will be under the most pressure, and be most prepared to make concessions regarding the Kosovo issue.⁶ This method should be subject to certain adjustments. A departure from the perspective of EU membership reduces the potential "carrot and stick", policy, i.e. direct and immediate conditionality. At the same time, certain global processes, such as the wave of refugees from the Middle East, as well as the commencement of the construction of the New Silk Road, open up new perspectives for coordination and cooperation between Germany and Serbia.

Looking for a solution to the Kosovo problem within the framework of Serbia's European policy

The main political problem that has burdened relations between Berlin and Belgrade over the last decade constituted resolving the status of Kosovo and Metohija. The dialogue between Belgrade and Pristina, mediated by the European Union, which began in March 2011, included three main areas: regional cooperation, freedom of movement and the rule of law. Several agreements were achieved (on freedom of movement, civil registries, cadastre, mutual recognition of university diplomas, custom seals and integrated management of administrative crossings) before substantial progress was made between Belgrade and Pristina in Brussels on 19th April 2013 and then on 25th August 2015. Issues that were previously negotiated, as well as problems that are yet to be discussed as part of the complete normalization of relations, are reminiscent of the themes that were the subject of the 1972 agreement between the two Germanys (Grundlagenvertrag).

The method of solving the Kosovo problem from 2013 to 2015, as well as the gradual but definite normalization of relations between Belgrade and Pristina, affected the relaxation of previously strained relations between Serbia and Germany (especially from 2010 to 2012). The problem which burdened mutual relations became the problem whose solution would make rapprochement possible between Belgrade and Berlin. Looking

⁶ Another feature of this approach is the further splitting of – technical – steps in the process of European integration and their political conditionality. Except for slowing it down, the process of European integration in this way becomes a dominant political process. The big question is whether this approach contributes substantially to the quality of European integration, and is good for both the European Union and its future members.

for a solution to the Kosovo problem outside the framework of European politics, or even against the European Union, would be doomed to failure, while Serbia would again become part of the problem rather than part of the solution. Such a policy is no longer an alternative to Serbia's official policy, but this does not mean that the problem of Kosovo does not still have the potential to negatively affect European integration and Serbian-German relations.

The most complicated political obstacle to mutual cooperation between Belgrade and Berlin is a contrary vision regarding the ultimate destiny of Kosovo and Metohija. This may come up at any time during Serbia's European path.

The source of new misunderstandings could come from the collision of two diametrically opposed visions of the essence of the final solution to the Kosovo problem, which is reflected in mutual relations between Germany and Serbia. Where most Serbs see strong hostile pressure to definitely withdraw from Kosovo, as something that has not yet been lost and which is of supreme national interest, the Germans see the incentive for Serbia not only to deal with the past, but with reality, and that by accepting the independence of Kosovo it redefines its national interests and the manner of their manifestation. What from Belgrade's point of view looks like a catastrophic defeat with unforeseeable negative consequences for the state and national interest, from Berlin's point of view takes on quite different proportions and a positive connotation, and brings with it the possibility of establishing national interests and a foreign policy on substantially different basis and concepts. The most complicated political obstacle to mutual cooperation is precisely a contrary vision regarding the ultimate destiny of Kosovo and Metohija. It may come up at any time during negotiations, because each negotiation chapter comes down to chapter 35, and no negotiation chapter will be successfully closed if chapter 35 is not successful. In the document *Enlargement Strategies and Main Challenges 2012- 2013*, the European Commission pointed out that it would propose to start accession negotiations the moment when it estimated that Serbia had reached a satisfactory level of compliance with the criteria required for membership, and primarily when it met the key priority of taking steps towards a visible and sustainable improvement of relations with Kosovo. In this sense, the process of visible and substantial improvement of relations should gradually result in the full normalization of relations between Belgrade and Pristina. The idea of Brussels was that normalization would happen gradually through a deeper connection of this process with the European integration process. Thus, in addition to the conditions necessary for the start of accession negotiations, during the process, other issues which were important for Kosovo, Serbs in the north or the international community, were to be solved. In this way, Brussels created conditions where they could slow down or even stop the accession negotiations, which had already started, if the set criteria were not fulfilled. The negotiation platform for Chapter 35 is a reflection of this decision.

In mid-October 2015, Belgrade officially expressed dissatisfaction with the proposal platform of the European Union regarding Chapter 35, and subsequently Germany's amendment of this document. This launched Serbian public debate on a range of issues, from whether the requirements in connection with Kosovo were already known, to whether the Turkish scenario would happen to Serbia regarding negotiations with the

European Union, to whether integration could continue under these circumstances, and to whether, because of the new situation, early elections or a referendum would be called. Berlin denied that the essence of the platform and the amendment was a request for the recognition of Kosovo's independence, while the Serbian Prime Minister stressed that he would rather leave office than spoil friendship with Germany. However, it is difficult to ignore the fact that Berlin unofficially considers that for a final solution to the Kosovo problem it is essential to make a legally binding bilateral agreement between Belgrade and Pristina which would be based on the *two Germany model*, and would outline in detail the issues that are still open. There is no doubt that the signing of agreements on good neighbourly relations can be brought to the table at any time of the negotiations regarding the normalization of relations between Serbia and Kosovo. Therefore, this serves as a condition for moving forward in the accession negotiations with the European Union, but will at the latest be brought to the table before Serbia becomes a full member.

In a situation where full agreement on this issue between the two countries cannot be achieved, and when new doors for cooperation between Germany and Serbia are opened, it is necessary to relax the Kosovo issue and put it into the context of a broader framework of cooperation. Instead of instant solutions and attempts to persuade the other party to share their views, which currently only produces frustration and animosity, it is more important to begin to understand other views on this issue. From a German perspective, a bilateral agreement on normalization represents a step toward calming and stabilizing the Balkans, as well as Serbia dealing with its mistakes of the past and paying the price for these mistakes. Germany has suggested this proposal from experience regarding its own past, and with the political enthusiasm of a country which has made a similar transition and succeeded in coming out of it stronger. Serbia, again drawing from its own experience in the Balkans and aware of the fact that reconstruction of the Balkans is not currently a priority of the European Union nor the acceptance of new Member States, sees these pressures as a continuation of the humiliation and doctrine that only a weak Serbia means a peaceful Balkans.

Achieving candidate status in March 2012 was only the first step on Serbia's path to Brussels. Until the completion of the European integration process, the European Union will use this process as a framework for solving the Kosovo problem in accordance with their views and the interests of most Member States, and therefore Germany's. This process will not only be a prism through which Serbia's progress will be viewed and assessed, but also an important factor that will, among other things, largely determine the character and future of German-Serbian relations. That is why Serbia should insist and act in a constructive manner so that all agreements with Pristina are applied. It is essential that both sides, in a European spirit, approach each other and adhere to the agreements. At the same time, Brussels, as a mediator in the dialogue, is obliged to insist on the fulfilment of agreements. Serbia is one of the key players among the countries of the Western Balkans, and rapprochement between countries of the region and the EU depends largely on Serbia's progress. That is why Serbia has a special regional responsibility. There is no better example of the importance of Serbia to Europe than the current refugee crisis and the conduct of the Serbian government and citizens towards migrants. Serbia has shown

that to a high degree it represents and defends European values, although it is still not a member state.

By acting in this way, Serbia receives more and more support from Germany in its further European integration and economic modernization. Germany also becomes Serbia's partner in the dialogue directed towards solving the Kosovo problem. In order to improve and stabilise relations, it was necessary to add a political dimension to the economic component. It was clear that the way in which the existing problems were to be solved, would have an influence on this. Their solving will certainly continue to depend on eliminating the causes of mutual misunderstanding and mistrust. However, European integration continues to be one of the most significant common interests. Differences between the Serbian and German political elite in connection with the accession of Serbia to the European Union are based on a different understanding, i.e. different views, of the dynamics of this process. While Serbia counts time in years, Germany does the same in decades. However, Europe's idea undoubtedly has the potential to be a meeting point that is most likely to contribute to the formulation and implementation of policies, which, in the end, will not bring the two countries into any new conflicts, but towards the establishment of lasting cooperation. Due to the fact that European integration has become a key framework for solving the Kosovo problem, it will also be one of the decisive factors which will define relations between Serbia and Germany in the future. And it was during a visit to Belgrade on 8th July, 2015, that Angela Merkel made it clear how much Berlin appreciated the readiness of Serbia to compromise when it came to dialogue with Pristina (which has not always been the case in previous years), and the fact that Belgrade expressed a large number of initiatives aimed at peace and stability in the Western Balkans (until recently the unthinkable meeting of the Serbian and Albanian Prime Ministers, the Serbian Prime Minister's two visits to Srebrenica, etc.). The German Chancellor clearly stated then that Belgrade could count on the support of Berlin because of its contribution to regional stability, its policy on peace and reconciliation, the implementation of difficult economic reforms and its commitment to European integration.

In a situation when there are new directions for cooperation between Germany and Serbia, and when it can be seen that the stability of the region depends on a much stronger factor than just a dialogue between Belgrade and Pristina, it would be useful to realise that relations between Germany and Serbia must not be held hostage because of differences over the recognition of Kosovo. At one time it was believed that the differences between Belgrade and Pristina were the main problem for stability of the Balkans, but it is now becoming clear that the picture is much more complex. Dialogue should be given enough time, and concurrently bilateral relations between Germany and Serbia on additional premises should be built.

Due to the fact that European integration has become a key framework for solving the Kosovo problem, it will also be one of the decisive factors which will define relations between Serbia and Germany in the future.

The Balkans exposed to crises

Membership of the European Union is the official target of Serbian foreign policy, both for political and economic reasons. Only through the European integration process can Serbia overcome the economic crisis which is hitting it harder and harder, complete internal reforms, strengthen its influence on the international stage, and build a modern and functional democratic state with a successful and competitive economy. Also, only through the promotion of regional stability and co-operation with Berlin and Brussels, can Serbia reach an acceptable and peaceful solution to the Kosovo problem. Serbia is aware that it cannot enter the European Union with an unresolved conflict like that of Cyprus, and that the Kosovo problem must be solved before its formal acceptance. From a German point of view, resolved means that it will not pose as a source of future instability in the Balkans, it will allow for the withdrawal of international (including German) military presence, and it will not pose as an obstacle to the future economic and democratic development of Kosovo. Europe is going through a series of crises which will be solved by reforms that will, among other things, probably involve deeper political and fiscal integration - if not of the whole of the European Union, then a part of it (the so-called concentric circles of Europe). European integration is a process that has taken place and is taking place on different tracks, at a different pace and in different time periods, and it has often contributed greatly to overcoming the crises and obstacles that have stood in the way of further implementation of the European idea. The European Union will only be complete when the Balkan countries become members. Serbia is essential to Europe, just as Europe is essential to Serbia. This has been best seen in situations where a number of negative international trends intersect.

Serbia must have rational answers ready, despite facing a situation where irrational reactions are more frequent – both of individual and specific countries. In August and September, it was enough to pass by the train or bus station in Belgrade, or walk through Subotica, to understand to what extent the Middle East tragedy had affected our country. Although the Serbian public during the last 18 months has been largely preoccupied with the Ukrainian crisis, a new cold war and the ways in which the evolution of relations between Germany and Russia have reflected on Serbia, many relevant trends in the world have slipped under the radar. Primarily we mean the political, ideological and social revolutions which are simultaneously shaking the Middle East like an earthquake and whose tremors are (in) directly being felt in Serbia.

A fact that is stubbornly overlooked is that Serbia in the post-Cold War period has nothing in common with Yugoslavia of the Cold War, and that geopolitical obsession and the imperatives of that time are not relevant to the present moment, even if there is a new cold war. The Former Yugoslavia was geopolitically spread primarily horizontally,

Serbia must be part of a comprehensive solution to the migrant crisis and treated as an equal partner by Berlin and Brussels - if not because one day it will become a part of the European family, then because of the geographic factor which demands that it be consulted.

serving as a neutral zone between East and West, while contemporary Serbia is, in the geopolitical sense, predominantly vertical, one that connects the Pannonian Plain with the eastern Mediterranean. In addition, Serbia, Bosnia and Herzegovina, Montenegro and Macedonia are surrounded by members of the European Union and NATO, and therefore are not on the immediate geographical edge of Russia. That is why its influence is significantly limited, and lately this has manifested itself primarily in the economy and energy. A new Cold War, although the name is not appropriate, is taking place in the Central European lowlands, north of Serbia, from the Baltic to the Black Sea. In Serbia this has awoken some old reflexes and internal divisions, but essentially does not affect the status and position of Serbia in Europe and worldwide. Russia today, although on the rise, is not a classical European power like it was from the 17th century until the collapse of the USSR. For Russia, the Western Balkans is not a zone of immediate interest, and only Bulgaria is recognized as being of somewhat strategic interest. For Germany, the Balkans was also not a zone of primary interest, which was painfully apparent during the resolving of the Greek crisis. Nevertheless, the region today is of importance to Germany - primarily of economic, political and security importance. Regarding the internal division of work within the European Union, but also with consultation and close coordination with the United States, it can be said that the main jurisdiction for the economic, as well as the political stabilization of the situation in the Balkans belonged to Chancellor Angela Merkel during her second mandate. The status of the Balkans in Europe therefore will depend on the formulation of a European strategy for the Eastern Mediterranean in order to resolve the current crisis.

The refugee crisis has shown that every major crisis in the Eastern Mediterranean almost automatically overflows into the area from Turkey to Hungary, affecting the status of the Western Balkans and Serbia in Europe, but also fundamentally changing the character of the European Union. Serbia is by character and by its strategic position much more a Mediterranean than a Central European country, which to the layman may seem somewhat ironic because it has no direct access to the sea. Therefore, it is important to understand how the situation in the Eastern Mediterranean will develop and what the direct effects awaiting Serbia in the coming period will be. After the terrorist attacks in Paris, intensification and expansion of the conflict in Syria and Iraq can certainly be expected. Furthermore, Egypt is a time bomb, one which the whole of Europe and the Mediterranean should fear. The army is keeping a lid on the situation, but internal religious, social and political ferment, and the increased aggression of jihadists in Sinai, will sooner or later lead to it exploding. Any increase in violence implies an even stronger inflow of refugees into South-Eastern Europe, and therefore Serbia.

Hundreds of thousands of migrants and refugees have crossed the route leading from Greece to Macedonia, through Serbia, continuing into Croatia and Hungary, to Slovenia and Austria. Several thousand start this journey every day. As the inflow of migrants grows, so do the walls at certain borders between European States. First Hungary, and then Croatia and Slovenia began to restrict the flow of refugees. If similar measures were to be taken by Germany and Austria, large numbers of people - inevitably tens of thousands - would be trapped in the Western Balkans. The idea that raising walls will bring salvation

from the consequences of the migrant crisis is a big mistake. Pressure on Western Balkan countries will inevitably increase and they will gradually become isolated. In such a difficult and explosive situation, with passions increasingly running high and long-suppressed animosities floating to the surface, most of the Western Balkan countries find it hard to deal with their own problems due to institutional and economic weaknesses and the lack of experience in dealing with a crisis of this magnitude. Using the army at borders because of the insufficient number of police only further exacerbates existing tensions among neighbouring countries. Frontex can contribute to the stabilization of the situation in the short term, but a long-term solution can only be achieved by a strong European approach in providing generous assistance to countries bordering the European Union.

Serbia constructively faced the crisis and did not close its borders, sending a message of solidarity and, humanity, defending European values. Serbia must continue to defend European values, to be humane, to take care of their image, not to fall into the trap of being branded as anti-Muslim and anti-Islamic, especially because it has a better relationship with members of this religion than many European countries, who for years have proclaimed to be humane and tolerant, but these principles, unfortunately, are not adhered to in practice. There is a danger of the domino effect if neighbouring countries - Hungary, Croatia, Slovenia and Macedonia, were to close their borders. The Western Balkan countries, and therefore Serbia, must be part of a comprehensive solution to the migrant crisis and treated as an equal partner by Berlin and Brussels - if not because one day *it* will become a part of the European family, then because of the geographic factor which demands that it be consulted. As it was for centuries for armies of different kingdoms and rulers, the Balkans today is the closest and most direct route and corridor which brings the Middle East *army* of migrants to the heart of Europe. The Balkan countries must be part of the mechanism for solving problems. Otherwise, it will be left to destabilize further with nationalist tendencies, and it is known what instability and nationalism in the Balkans can produce, and what the consequences can be for Europe.

The epoch ahead will entail many bad solutions to the imbalances in the modern world. These challenges will not bypass Serbia, which focuses on itself and is obsessed with daily politics, since it is surrounded by a particularly complex environment.

If Europe, the US and Russia do not defeat the Islamic State soon, the consequences for the Balkans will be incalculable. The European Union will *de facto* suspend the admission of refugees, which has so far been sporadic and chaotic. This would mean that the area from Greece to Slovenia would be a kind of buffer zone and an admission centre, which would reintroduce tension to the Balkans, and Serbia would be separated from Europe for a long time.⁷ The suspension of the Schengen Agreement in the European Union would, no doubt, be followed by a review of the visa-free regime for Serbia, Bosnia,

⁷ Of course, if there was a *de facto* suspension of the admission of refugees, it raises the big question whether they would still travel the Balkan route to the European Union, as they would certainly want to avoid being "captured" in the region.

Macedonia and Albania. These trends would not lead to the strengthening of Russian influence in the region, as some would wish, but would strengthen international and local Islamists, including neo-salafists.

The emergence of the Islamic state does not confirm Huntington's thesis on the clash of civilizations. It is precisely the twilight of civilization, marked with little intervention, superficiality in the understanding of different cultures and growing social inequality, which contributed to the collapse of the sovereignty and prestige of traditional countries, paving the way for the emergence of pathological and regressive forms of a humane society, such as ISIS. The epoch ahead will bring many bad solutions to the imbalances in the modern world. These challenges will not bypass Serbia, which focuses on itself and is obsessed with daily politics, since it is situated in a particularly complex environment. The harmonisation of action and partnership with Germany, may represent a key moment in this situation.

OSCE chairmanship – a great challenge and a great opportunity for international affirmation of Serbia

On 1st January 2015, Serbia took over the presidency of the Organization for Security and Cooperation in Europe (OSCE) from Switzerland. The previous year, Switzerland had commenced successive presidency of this institution with Serbia. Switzerland and Serbia had agreed for the first time in the history of the OSCE to successively chair the organization, and both submitted their candidacies in December 2011. This new model of consecutive and coordinated presidency over a two-year period, for the first time enabled the establishment and continuity of leadership and long-term planning of the OSCE. Switzerland and Serbia formulated their joint work plan and on 2nd July 2013 they presented it to the OSCE Permanent Council in Vienna. Under the leitmotif, "Creating safe communities for the benefit of all", OSCE was presided over by official Bern with priorities aimed at strengthening security and stability, improving the lives of citizens and strengthening the capacity of the OSCE. Successive chairmanship of the two countries was something completely new in the history of the OSCE, whose statutes do not allow joint, but coordinated presidency, providing a unique opportunity for the chairmanship to plan over a longer period. In the OSCE, priorities are set by the country holding the presidency, which is specific to this organisation compared to other international organisations. In no other international organization does the chairmanship play such a strong role as in the OSCE. In addition to the chairmanship, the OSCE Troika plays a strong role, consisting of the actual chairmanship (Switzerland 2014, Serbia 2015), the former (Ukraine 2014, Switzerland 2015) and the future (Serbia 2014, Germany 2015). The difficult task of building bridges in the organisation, where there was a more pronounced division between East and West, was expected in both Switzerland and then Serbia's turbulent two-year period.

The chairmanship of OSCE represented the greatest challenge for Serbian diplomacy. During the Swiss chairmanship, it was fully involved in the management of the organisation, which it then took over. When Serbia submitted its candidacy for the OSCE

chairmanship, which was confirmed at the OSCE Ministerial Council on 10th February 2012, no one could have guessed that it would have to deal with a problem like the Ukraine crisis, and that it would have to lead this serious international organisation with all the complexity necessary to strike a diplomatic balance between the East and the West. There were more than a few who believed that Serbia would probably have thought twice before signing up for the presidency if it had been able to foresee the Ukraine crisis. In addition to concretely contributing to a solution to the Ukraine conflict, Serbia also had the task to strengthen the fundamental role of the OSCE and to modernise the way the organization operated, in the year which marked the fortieth anniversary of the adoption of the Helsinki Final Act (1975). Restoring the original values of the OSCE, and on the fortieth anniversary of the signing of the Helsinki Final Act, was something which had been worked on for some time. An itinerary was made, specifically reaffirmation of the original principles of the OSCE through new methods, in accordance with the current challenges in the world. At the Ministerial Council of the OSCE held in Ukraine in late 2013, an action plan was presented which was to result in the signing of the *Helsinki + 40* document in 2015, during Serbia's presidency.

Chairmanship of the OSCE for Serbia was a challenge because of the position it was placed in during the Ukraine crisis and conflict between the United States and Russia, but it was also a challenge for Switzerland in 2014, and will be one for Germany in 2016. Events in Ukraine have intensified the tendency, which has been present for years, of increasing differences among various countries concerning certain security issues, bringing the concept of the OSCE seriously into question. The terrorist attacks, as well as the refugee crisis, have also brought into question the premise of the OSCE of overcoming conflicts through dialogue and consensus. This hot potato presented a big challenge for Serbia, but at the same time it allowed it to demonstrate its seriousness as a state, as well as showing its capacity to contribute significantly to European security, leading an important organization in a transparent, impartial and objective manner.

Although key steps in the de-escalation of the Ukrainian crisis were undertaken by the so called Normandy Four group (Berlin, Paris, Moscow and Kiev), the OSCE during Serbia's presidency significantly contributed to the expansion and strengthening of the Special Monitoring Mission (SMM) in Ukraine. The size of the mission, which is the most significant international presence in the country and has the special task of implementing an agreement from Minsk, has doubled, and the mandate extended. And during the forthcoming German presidency of the OSCE, the Ukraine crisis will be at the centre of attention, and the monitoring mission will continue to work there during the whole of 2016.

Chairing the OSCE was not only a great challenge and responsibility for Serbia in the field of multilateral diplomacy, but also an opportunity for its international affirmation. Among other things, there was a strengthening of prestige in Serbia, which after years of isolation was finally freed of its pariah status. This was one of the goals of Belgrade, when in 2011, long before the Ukraine crisis, it applied for the presidency position.

From the time of the Non-aligned Movement and the conference held in 1989, Belgrade has not had the opportunity to organize such an international political gathering. The Ukraine conflict, the migrant crisis, the threat of terrorism and the war in Syria were just some of the topics of the meetings, but these problems and new confrontations between the East and West once again give political weight and importance to the OSCE. Serbia, as a member of the OSCE Troika in 2016, should work closely with Germany, which takes over the presidency the following year. The Serbian-German handover of the presidency took place at a conference of the Ministerial Council of the OSCE on 3rd and 4th December 2015 in Belgrade.

3. RELUCTANT HEGEMONY: GERMANY AND SERBIA'S FOREIGN POLICY

The crises that have shaken Europe and which are reaching more dramatic proportions, inevitably require decisive action to prevent the inevitable collapse of the foundations of Europe, whether it be the disintegration of the single monetary zone or the Schengen area. It has been shown that the solution to any crisis is impossible without Germany, and that the former Polish Minister of Foreign Affairs in November 2011 rightly pointed out that he is more afraid of Germany's inactivity than Germany's power. Germany has the power and is active in providing answers to the frequent crises that Europe faces, but each act must be of an appropriate character and purpose in accordance with its known historical heritage. The only meaningful act, and the only one that can be of purpose for Germany, is to use its power to preserve and ensure the stability of the system, which is a prerequisite to the preservation of freedom, security and prosperity, not only for Germany, but for other European countries: 1) global order based on certain rules, principles and values; 2) transatlantic partnership; 3) the European Union.

In recent years, these precise systems have been tested and challenged. Germany especially during 2015, played a far greater diplomatic role in conducting EU foreign policy. Berlin contributed greatly in overcoming the European financial crisis (avoiding Grexit and the potential collapse of the monetary union), as well as the security crisis (de-escalation of the Ukraine crisis), and finding a solution to the current refugee crisis will mostly depend on Germany. As never before, Berlin is engaged at an international level in finding the

Germany has the power and is active in providing answers to the frequent crises that Europe faces, but each act must be of an appropriate character and purpose in accordance with its known historical heritage. Hence Germany's foreign policy is at a kind of crossroads, and Berlin a "reluctant hegemony".

As an influential, proactive and constructive part of the EU, Germany is trying to be big enough for the world, and at the same time not too large for its neighbours. The question of how to achieve this goal reflects the essence of the foreign policy debate which for decades has been present in German political and academic circles, and which was recently restored and intensified at the initiative of the Minister of Foreign Affairs, Frank-Walter Steinmeier, (in an extensive public debate which began in February 2014 and lasted a year). During it there crystallized two points of view - ideological and pragmatic. According to one, the goal of German foreign policy was to promote their own ideals, values and norms beyond German borders (idealpolitik). Germany needs to articulate its role in accordance with its historical responsibility, on the basis of its philosophical and theoretical traditions in which morals and justice give a decisive form to all political activities. Proponents of the other point of view consider that foreign policy must place emphasis on national interests and defend them from those who threaten them (realpolitik).

answer to one international conflict. It seems as if the crises are coming in waves, and each new one (in)directly further encourages Germany to take a more active role at an international level and take greater responsibility for their solution. However, the basis of such action rests on a fragile internal foundation, because increased activity in foreign affairs brings about the demolition of a kind of status quo that Berlin would prefer to preserve. Germany's new supremacy in Europe, which is dictated by the strength of the German economy, and perhaps more by the economic weakness of other European Union Member States, inevitably forces it to take on a role which it is reluctant to take and one which it approaches with care for historical, collective psychological and cultural reasons. Hence Germany's foreign policy is at a kind of crossroads, and Berlin is in the role of a reluctant hegemony.

Although Germany showed a willingness and determination to take strict measures necessary to preserve the Eurozone, a number of European countries not only expressed concern about the proposed character, and the later adopted measures, but also the way in which Berlin believed the desired goal could be achieved. At the same time, public opinion in European countries started to reflect this concern through doubts expressed concerning the measures that Germany took in response to the crisis, and the direction in which these measures could lead Europe. This brought into question Germany's true commitment to European values, such as solidarity and unity.

From the perspective of Serbia and the Balkans, the key question is where Germany sees the place and destiny of *Europe's periphery* and whether it sees this region as a necessary evil or something of added value to Europe. Solving the Greek public debt problem has left many uncertainties regarding this matter.

The perception of Germany as a potential hegemony in the heart of Europe

A quarter of a century after the fall of the Berlin Wall and the reunification of Germany, there are those who believe that the path to the development of Europe and Germany are no longer unified and coordinated, which automatically triggers fears and resistance from other nations and countries of the European Union. Once again, the current concern is that it will not be easy to establish the desired balance and stability in a now much larger, more populous and unstable European Union. The tendency of the continuous growth of German power within Europe is in sharp contrast to the post-war guiding principle - to never allow the emergence of a German Europe, but to build a European Germany. Even twenty-five years later, European countries are still trying to understand the importance, the substance and the extent of the geopolitical upheavals, and are trying to deal with all of the consequences of such tectonic disturbances.

The fact is that for many, Germany continues to represent a potential hegemony in the heart of Europe, suggesting that its past reality, or its particular interpretation, can be a powerful prism whereby it, often mistakenly, interprets the ambitions and capabilities of certain countries and peoples in the present.

Fear and distrust of Germany are deeply rooted in the collective memory and shared historical experiences because of the two world wars, the consequences of which strongly shaped the mentality of almost all European nations. Remembering the Holocaust and the occupation regimes constitute an important part of the historical context within which German intentions are often evaluated, which frequently leads to unwarranted and excessive suspicion. Confronting this is a long-term process from which Germany itself has not been spared. After 1945, it was equally important for the Germans to inextricably link Germany and Europe, as well as to rebuild the stability of the state system. It is shocking and immensely instructive to follow the history of post-war German society's efforts to, along with its struggle to regain the confidence and respect of other nations and its difficult and painful confrontation with the past and the building of a prosperous economic structure, link its future and destiny to the survival of the European community of nations.

The fact is that for many, Germany continues to represent a potential hegemony in the heart of Europe suggesting that its past reality, or its particular interpretation, can be a powerful prism whereby it, often mistakenly, interprets the ambitions and capabilities of certain countries and peoples in the present. This perception that Germany is once again seeking supremacy in Europe cannot be a positive factor that will encourage understanding and rapprochement in relations between countries. Therefore, it is important to properly understand modern Germany, the character of its foreign and European policy, its view of Europe and the essence of the changes that occur between Germany and Europe. It is this understanding that can lead to obstacles - which could be a product of stereotyping, as well as the view of others created almost solely on the basis of serious and painful historical experiences - being overcome in mutual relations.

The debate on Germany's role in the European Union and its alleged policy of hegemony occurred at the same time as the crises Europe has increasingly been faced with in the past years. The question is whether Germany is trying to be a hegemony. Does Germany want to be a hegemony? Is it in its interest or the interest of the entire European Union? Terms such as threats and blackmail were used to describe the tactics that Germany implemented in negotiations with Greece and the imposition of harsh conditions that the Greek government must fulfil in exchange for loans. Thus Germany, with this method, lost a lot in the solving of Grexit.

Europe up to 2009 had the ambition to be a global actor and through internal evolution evolve into a genuine political union. Such a union would have had the strength and means to neutralize the handicaps of individual Member States and to reconcile differences in the level of development of Member States through funding cohesion and solidarity. That was the Europe which knowingly turned a blind eye to the Greeks regarding some things in order to for them to become part of the Eurozone and in return received a strategic station in the Mediterranean and a beacon for other Balkan states. Just ten years ago the entire Balkans was given a guarantee that within a reasonable amount of time and without any additional conditions it would become part of a prosperous European Union, and Greece was supposed to be the engine for that integration. The *Hellenic Plan* for the then rapid completion and continuation

of the pan-European Corridor 10 was started, the seat of the European Agency for Reconstruction of the Balkans was located in Thessaloniki, and the organisation of the Olympic Games in 2004, were a testimony to the prestige of Greece.

However, since the outbreak of the 2009 crisis, Europe is becoming uniform, with a single economic model, which has been raised almost to a level of ideology. Budgetary discipline and savings must be enforced immediately, regardless of the specifics of individual countries and their different development cycles. Deviations from the prescribed model cannot be justified or explained by objective conditions and limitations. Ten years later, Greece has found itself in the situation where Slovakia is cited as an example that it should look up to, and Greece's Prime Minister is questioned by members of the European Parliament like in primary school at the end of a trimester. The European countries surrounding Greece, which includes Serbia, today belong to the so called Ottoman Group, and its integration into the European Union is *de facto* suspended.

Germany must be prepared to help those on the periphery more. Greece did remain in the Eurozone, but Germany did not help to create preconditions for it to grow and strengthen. Consequently, Greece has become a weak link in the refugee crisis, the impact of which was felt well before the turbulence of the financial crisis subsided.

In this way, Germany loses out not only in terms of the awakening and incitement of (ir)rational fears of its continental domination, but also in terms of its ability to find a solution to the crisis which will allow the hardest hit countries to come out of it more resilient to possible further turbulence. If Germany wants to be a leader, it must be prepared to help those on the periphery more and instigate their political, economic, and institutional strengthening. Greece did remain in the Eurozone, but Germany did not help to create preconditions for it to grow and strengthen. Consequently, Greece has become a weak link in the refugee crisis, the impact of which was felt well before the turbulence caused by the financial crisis subsided.

Therefore, the Balkans was not a zone of primary interest for Germany, which was painfully apparent during the resolving of the Greek crisis. However, with the strengthening of migrant crisis and the negative consequences for the European Union, in the eyes of Berlin and Brussels the Balkans is growing in importance. Therefore, in the foreseeable future the status of the Balkans in Europe depends firstly on the formulation of a European strategy towards the Eastern Mediterranean in order to resolve the crisis and the decision of whether Serbia and the Balkans will be a bridge to the Middle East or a buffer zone.

What was the response of Europe to the initial stage of the refugee crisis? It seemed that it had abandoned the idea to formulate a genuine policy towards the Middle East. It seemed that Europe, busy defining its core, had no ambition to deal with neighbours and countries on its periphery. The outlines of what was originally called the concept of "the fortress of Europe" began to emerge with the fencing at the Hungarian borders. Due to fear of the consequences of new conflicts in the Middle East, Europe, politically and physically, began to hedge itself from the hilly Balkans in order to preserve its soft

belly in the Central European Plain. Instead of being a European springboard and a bridge to the Middle East, there was a real danger that the Balkans in the coming period would become an anteroom – a neutral zone - which is ironically reminiscent of the Turkish request for the north of Syria. However, it is expected that sooner or later European countries will understand that the fence does not solve the problem and that it only fires the imagination of immigrants and creates authoritarian regimes on both its sides.

It should be understood that the heart of the construction of Europe is not the monetary union, although it is of key symbolic value, but the interior space of free trade and movement of people. The European Union could survive the exit of Greece from the Eurozone, and even a new cold war, but not the physical return of national borders and border controls. It is the chaos in the Middle East, followed by potential mass migration and frequent terrorist acts of those European citizens who have since pledged allegiance to the caliph El Baghdadi, which could lead to a rise in xenophobia, protectionism and political pressure for the restoration of physical boundaries in Europe, in other words, revocation of internal freedom. That would definitely mark the end of the enlargement of the European Union. That is why the Middle East and North Africa, where the Islamic State has already declared two of their provinces, is a more important stage for Europe than the Greek and Ukrainian crisis. It entails a new space for cooperation between Germany and Serbia, which is by nature and position, is more a Mediterranean country than a Central European one.

Is Berlin the only metropolis that can lead Europe in the right direction in order to overcome the crises?

Berlin is the only one who can and must formulate appropriate policies and lead Europe in the right direction in order to overcome the current crisis. Critics in Germany itself indicated that in a very short period Berlin lost all of its political capital, which it had accumulated over the past fifty, during the Greek crisis. Many Germans are aware of this, from the eminent philosopher Jürgen Habermas to former Chancellor Helmut Schmidt - and believe that, besides its current financial and economic leadership, Germany should under no circumstances also assume political leadership within the European Union. However, as a power vacuum cannot exist, Berlin is trying to coordinate a common response to the challenges that the continent faces, seeking to promote the reputation and influence of Europe on the international stage, but at the same time negate concerns regarding the revival of German hegemonic politics.⁸ In this way Germany can take a leading role in creating the conditions necessary for the leadership of a common European foreign and defence policy.

Putting all of its influence at the service of a cohesively and strategically focused foreign and security policy, Germany wants to simultaneously achieve its two main goals: a stronger and more capable European Union and a more European Germany.

⁸ "Germany will seek to play an efficient role as Europe's "chief facilitating officer," forging an ambitious and unified response to the challenges we are facing". – Frank-Walter Steinmeier, "Save Our Trans-Atlantic Order", New York Times, March 11, 2015.

The Lisbon Treaty (2007) is based on the idea that the prosperity and security of the European Union depends above all on joint action and elevating it above the individual interests of Member States. In this respect they created the functions of the President of the European Council, and High Representative for Foreign Affairs and Security Policy, whose holders would be able to speak and act on behalf of the entire European Union. From day one of its formation, it has recorded some diplomatic successes that should not be ignored - primarily during the negotiations with Iran and mediation talks between Belgrade and Pristina. However, there is no consensus and persistent action to strengthen and expand their powers. Whenever the question of who will take the lead on behalf of the European Union in dealing with specific crises and challenges, the European institutions would be pushed into the background, and given a secondary role. For example, during the Greek crisis Berlin took leadership, and in the case of Ukraine, France and Germany.

Former Polish Foreign Minister, Radoslaw Sikorski, recently came up with the idea that it would be possible to achieve a common European foreign policy if Member States, from case to case assessed whether it would be best to give an individual response or a joint one at a European level. In cases where it was determined that joint action would be most effective, Member States would fully support the European Union, and its officials would play a major role in overseeing foreign policy. However, theory is one thing and practice is another. EU member states often have conflicting ideas, are inconsistent and disagree, which inevitably weakens the influence of the European Union as a global player, and its position on the international scene. Putting all of its influence at the service of a cohesively and strategically focused foreign and security policy, Germany wants to simultaneously achieve its two main goals: a stronger and more capable European Union and a more *European* Germany. In this way, Germany would decidedly negate repeated accusations that it (again) seeks hegemony and would free itself from a situation that resembles a Procrustean bed, which was best defined by Henry Kissinger who noted that Germany was too big for Europe and too small for the world.

In Berlin's dealing with the current crisis, and the reaction of public opinion in Germany, the actualization of the aforementioned dilemma of Germany's foreign policy is overwhelmingly obvious – idealpolitik or realpolitik

The question of how to achieve this goal reflects the essence of the foreign policy debate which for decades has been present in German political and academic, and which was recently restored and intensified at the initiative of the Minister of Foreign Affairs, Frank-Walter Steinmeier, (in an extensive public debate which began in February 2014 and lasted a year). During it there crystallized two points of view - ideological and pragmatic. According to one, the goal of German foreign policy was to promote their own ideals, values and norms beyond German borders (idealpolitik). Germany needs to articulate its role in accordance with its historical responsibility, on the basis of its philosophical and theoretical traditions in which morals and justice give a decisive form to all political activities. Proponents of the other point of view consider that

foreign policy must place emphasis on national interests and defend them from those who threaten them (realpolitik). Until the fall of the Berlin Wall, this dichotomy in the foreign policy debate was not completely visible because the two approaches almost overlapped. After reunification and the expansion of the EU to Central and Eastern European countries, an ideological approach to the formulation of foreign policy came to the fore. In Berlin's dealing with the current crisis, and the reaction of public opinion in Germany, the actualization of the aforementioned dilemma of Germany's foreign policy is overwhelmingly obvious – idealpolitik or realpolitik. Current international relations and the current crisis indicate that if any foreign policy strategy is to successfully monitor global trends, it has to be based on the two components. Even more so because the complexity of the problem requires Germany to, if necessary, exit from the multilateral framework offered by a common European foreign policy, in order to respond to certain challenges and conflicts with a bilateral approach.

Today Berlin is aware of the fact that all of Europe's acquisitions, which for decades have been painstakingly built and upgraded, would be threatened and brought into question if, under pressure from the existing crisis, the basic principles and ideas on which these achievements were based, were abandoned. Therefore, it insists on the preservation of these achievements and the defence of these principles as an integral part of the strategy to be implemented in overcoming the current problems. The policies to tackle the crisis threatening Europe must be based on the core values that represent decades of its personification, otherwise any solution - no matter how successful it is - represents a substantial change in the nature of the European Union (idealpolitik). Preserving the European Union is of vital importance to Germany and is a key principle - of course not the only one - that guides Berlin. For a number of decades, the primary goal of Germany's foreign policy has been to ensure peace, security and stability in Europe. Therefore, while preserving European values, controlling conflicts and maintaining stability, Germany and the European Union will be required to confront political realities, the particular interests of individual countries and the authoritarian regimes outside the European borders (realpolitik).

As the largest and economically the most important country in Europe, Germany has much to lose if there is a further deterioration of the crisis in the European Union, just as it had much to gain over the past decades as one of the key factors of European integration and economic development. In Germany, none of the major political parties plays the Eurosceptic card, but there still does not exist a broad consensus about the nature of their future European path, nor in terms of the perception of whether a European Germany brings more good than harm. Nevertheless, for Germany the political and economic stability of the European Union, and in particular of the countries in its immediate surroundings that are still in the process of integration, is an imperative. Achieving this goal after 1945 has unavoidably required the development and expansion of the European Union, but at the same time a deepening of the European integration process. The so-called vertical integration gained even greater importance after 1990 because the expansion process inevitably had to include the eastern part of the continent because without its inclusion Europe could be faced with a potentially large source of

instability and insecurity. Germany and the Germans would be one of the main losers of such an outcome of events in Central and Eastern Europe. Germany's aim was not to be a border country on the periphery of the European Union (as was the case during the Cold War), but by accepting countries of Central Europe into the European Union, it would be surrounded by a "ring", which would have positive security, economic and political effects. Today, all of Germany's neighbours, with the exception of Switzerland, are members of the European Union. It is for the above-mentioned reasons that Berlin strongly supported the expansion in 2004.

Mindful of the fact that there must not be any delays on the path to Europe, and especially no steps backwards, Berlin over the past two decades has demonstrated strong and consistent support of the enlargement process of the European Union, receiving East European countries and former members of the communist bloc as members. Enlargement of the European Union is officially still on the agenda, although deeper political integration that would be satisfactory has not yet been achieved in spite of great efforts made in this regard over the past decade. Other contemporary problems (the Eurozone crisis, the migrant crisis, relations with Russia, global security risks, internal problems) have surpassed it in terms of urgency, and at the same time have further influenced the complexity and importance of these challenges.

As during the first two decades after the reunification of Germany and the Cold War, Central Europe was a priority of Berlin, and so in this decade the Balkans and Serbia can gain strategic importance and priority because of the circumstances mentioned above.

The Balkans as a zone of (secondary) interest to Germany

The Balkans, when compared to Central Europe and Ukraine, and especially Russia, represented a zone of secondary interest to Germany. However, Germany has ambition to act politically and, even more so, economically in the Balkans, with the primary goal of regional stabilization. The fact that Germany didn't previously see the Balkans as a region of vital importance to its own interest was inevitably reflected in the lower level of investment, the scope of economic cooperation, and the speed of European integration of the countries of the region. However, the perception of the importance of the Balkans is much more pronounced in Berlin than it is, for example, in Paris or London. It is therefore logical that the prevailing view in the German capital used to be that the Western Balkan countries also belong in the European Union.

How is it possible that the European Union, the most successful model of regional integration in history and the most important trading bloc in the world, failed to complete its borders on the continent and achieve unity through the integration of its "soft belly" – the Central Balkans?

As a country with a central geographical position on the Balkans as well as free trade agreements with the European Union, Turkey, Russia, and the countries of the region, Serbia has the potential to become a somewhat more important political and economic

partner to Germany in this part of Europe than it currently is. But this will only become possible if certain problems in their mutual relationship are overcome. The most favourable setting for this would be the continuation of European integration. However, following the acceptance of Croatia into the European Union, the EU expansion process has slowed down due to so called “enlargement fatigue” and a lowered integration capacity of the European Union.

How is it possible that the European Union, the most successful model of regional integration in history and the most important trading bloc in the world, failed to complete its borders on the continent and achieve unity through the integration of its “soft belly” – the Central Balkans? Part of the explanation undoubtedly lies in the provinciality of the local elite, who since the beginning of this century used the idea of European integration as a fig leaf to cover up the lack of an authentic idea regarding their own development and specific role in the global market. Instead of considering the chances the region could have in the 21st century, it was easier to turn on the “auto-pilot” and mass-produce slogans about a European future that would automatically guarantee prosperity and stability without any domestic contribution or work. However, a good share of the responsibility lies with the European elite, who did not know what to do with the Balkans, and did not recognize its geo-economic potential in the global arena. Why has there been a marginalization of the Balkans, and what are its prospects for the future?

Following the end of the Cold War, in which it played a secondary and dependant role, the European Union had a chance to re-establish itself as a global player and one of the poles of the emerging new world order. The first blow to the rise of Europe took place within our region, where the freshly formed European Union was proven uncoordinated and unprepared to take a leadership role in solving its first “own” crisis – the disintegration of former Yugoslavia. Europe’s instinct to primarily view the Balkans as a security issue dates back to that time. This is the first systematic problem. In practice, this meant that emphasis was placed on stabilization and pacification, and not on the development and full integration of the region. This kind of approach, understandable up to the year 2000, proved to be a total failure, and even counterproductive in recent times.

Europe consists of a system of interconnected vessels to the Mediterranean and the Middle East. The Balkans will continue to be one of the directions from which crises from those regions spill over into Europe, while it could have been a platform for projecting European influence onto these parts of the world. The cooperation of the EU and the Western Balkan countries toward controlling the effects of Middle Eastern and North African crises, and thus the cooperation of Germany and Serbia in this regard, are imperative.

Instead of supporting the development of infrastructure in the Balkans, so that the region could become one of Europe’s bridges to the Mediterranean, Middle East, and Eurasia, financial support was mainly reduced to democratic and administrative capacities. The European argument for this type of approach was that intensive development and

economic integration cannot be accomplished without the stabilization of political relations in the region. Following pacification in the region, the development of democratic and administrative capacities would commence. However, these were – at least – two parallel processes, since full stabilization of the region and the development of democratic institutions recommend a healthy and prosperous economic environment. Maybe here we can find the answer to why the process of fully stabilizing the region is going slower than expected, although progress is certainly visible.

The collateral damage of this kind of attitude can be seen in Corridor 10, which has been removed from the list of main European routes, but should have been constructed by the time the Olympic Games were held in Athens in 2004. Greece also indirectly paid a price for minimal involvement in the Balkans, since it has been left without a developed hinterland and good connection to the Pannonian Plain. Today, other macro-regional powers such as China, Russia, and Turkey are displaying an interest in Serbia's infrastructure, and in this way reminding Brussels that the concept of centre and periphery has long been obsolete.

Besides viewing the Balkans exclusively through the prism of security, another systematic problem is the Europe Union withdrawing into itself, a trend initiated by its failure to ratify the EU Constitutional Treaty in 2005. The European elite misinterpreted that defeat as a punishment by the public because of large expansions into Eastern Europe in 2004. Another factor that had a negative impact on European public opinion was the 2007 expansion, when two Balkan countries, Bulgaria and Romania, became full members of the European Union. This added to the negative image of the Balkans and the already existing view that the process of European integration of the Balkan countries is a specifically complicated and complex issue.

Further expansions to the rest of the continent ceased to be a priority, under the pretext that it was necessary to first consolidate and deepen the existing integration. However, in the modern interconnected world, internal reforms are only possible through the recognition of the wider context and interaction with other parts of the world, and not through isolation. Due to its withdrawal into itself and the absence of a common active foreign policy, Europe didn't recognize the Balkans' role as a springboard for its interests in the Mediterranean and the Middle East. In its lack of vision, it satisfied itself with obstructing other macro forces from gaining a foothold in the region. So, instead of becoming an important energetic, transport, and cultural corridor, the Balkans became marginalized, Croatia was believed to be some sort of limes, while Serbia was "pushed" into the so-called "Ottoman group".

Europe consists of a system of interconnected vessels to the Mediterranean and the Middle East. The consequences of crises in these parts of the world - wars among Muslims, the arms race in the Middle East, and the new cultural revolution in the Arab world, have already been felt in Europe. The Balkans will continue to be one of the directions from which those crises spill over into Europe, while it could have been a platform for projecting European influence into these parts of the world. Short-sightedness is expensive, but it is precisely by treating the consequences that it is possible to achieve

closer cooperation and further promotion of relations between Serbia and Germany. The prerequisites are that Berlin rejects the notion of the Balkans as a periphery, and Serbia recognises its own developmental strengths and weaknesses. The cooperation between the EU and the Western Balkan countries is crucial to controlling the effects of the Middle Eastern and North African crises in Europe. Hence the cooperation between Germany and Serbia in this field becomes an imperative.

Although according to some estimates the delay in the expansion process could last a number of years, this does not mean that Germany will stop supporting the expansion of the EU to the Western Balkan countries. Their importance to the EU was proven during the migrant crisis, and there is a widespread understanding that a solution to the migrant crisis must include the Balkan states. They have to participate in solving the problem, so as not to become part of it. When compared to other countries, some Balkan states, like Serbia, showed that they were ready to take a constructive approach to the problem, even though they are not members of the European Union, and showed greater openness than some countries that are by definition considered “more European” just by being official members of the EU. Berlin and Brussels must provide strong support and assistance to all who defend European values, and not just offer understanding to those who, due to current problems, forget about promoting these same values.

The refugee crisis as a potential challenge to German’s leadership position

The German chancellor, Angela Merkel, has managed to maintain the unity of the European Union in regard to the sanctions imposed against Russia in 2014, as well as the unity of the Eurozone during the Greek financial crisis, but that success was not repeated in regard to the migrant crisis. Germany is expected to take leadership in solving the issue, but few European countries are ready to follow it on this venture. It is estimated that Germany will accept between 800,000 and 1 million asylum seekers this year, and Angela Merkel claims that Germany can handle such a large number. The German chancellor has taken a firm stance on an issue that Member States have been arguing about for a long time, and populists, who would separate countries with walls, feed on. Visionary words cannot be heard from politicians, but solely from statesmen. Angela Merkel has very directly stated: *“If Europe fails on the question of refugees, its close connection with universal civil rights will be destroyed.”* Attempts to show the European Union as a moral enterprise are exposed to mockery and disdain, but it is encouraging that someone has finally taken a strong ethical stance instead of continuing to indulge in demagoguery.

When compared to other countries, some Balkan states, like Serbia showed that they were ready for a constructive approach to the problem, even though they are not members of the European Union, and showed greater openness than some countries that are by definition considered “more European” just by being official members of the EU.

A few days after seventy-one lifeless bodies were found in a truck in Austria, the European public became alarmed and the chancellor sent an important message. Angela Merkel took the initiative and announced that all Syrian refugees have the right to apply for asylum in Germany. With this unilateral decision, Germany ignored the provisions of the Dublin agreement, according to which refugees must seek asylum in the first EU country of entry. Angela Merkel sent a timely message stating that we must suppress our most basic instincts, reminding Europe that it was built on certain values, including the “never again” imperative which was the answer to the thirties, when many declined to provide shelter for Jewish refugees from Austria and Germany. Many will see other reasons for why Germany is prepared to accept refugees, such as the age of the population for example, which highlights the benefits of immigrant settlement.

Many people are occupied with the impact of migration on Germany, and the consequences it could have on their national and cultural identity. Some Germans fear job losses and pay cuts due to the influx of refugees into the country. Many are afraid of change, but what they should be afraid of is not a future with migrants – but one without them. The German President, Joachim Gauck, is right to remind us of the fall of the Berlin Wall: “Just like in 1990, we are facing a challenge that will occupy us for generations.” The figures are stark: Germany today has 45 million people of working age. Without immigration, by the year 2050 that number will be 29 million. Unemployment in Germany, with a population of 82 million, is at its lowest point in the past 30 years and stands at 4.6%, with almost 597,000 jobs available in healthcare, engineering, carpentry, fast food restaurants, etc. Although Germany has temporarily strengthened border control in the south to stop the influx of asylum seekers, the government in Berlin is determined to assimilate all those allowed entry into the country. The idea is to prevent around 1,000,000 refugees who are expected to arrive by the end of 2015 from becoming wards of the state, and instead to allow for their faster integration into society and create favourable conditions for the national economy through their employment. In fact, Germany not only has enough jobs for newcomers, but it is also faced with pension and healthcare costs due to an aging population. Syrian refugees are mostly educated people whose skills can help reduce the pressure on the labour market.

To achieve long-term stability, Europe needs an engine and an important part of the whole mechanism that has been running it for decades: a German-French partnership and British enthusiasm. But, to achieve long-term stability and at the same time strengthen Europe’s capacities to respond to strategic challenges in future decades, it is necessary to integrate the Balkan countries and take maximum advantage of their potential.

Despite the aforementioned figures, the situation in Germany regarding the refugees is quite complex. Provinces and communities are battling with overflowing refugee centres and a lack of money, there is disagreement among politicians within parties, right-wingers, according to polls, are progressing, while extreme rightists and neo-Nazis are on the attack. According to polls, Angela Merkel’s popularity is at its lowest point in the past two years. Merkel’s policies during the refugee crisis, which Hungarian President,

Victor Orban, described as moral imperialism, have been received negatively by many associates and coalition partners of the German chancellor, such as the Minister-President of Bavaria and chairman of the CSU Horst Seehofer, who threatened to file a lawsuit before the Constitutional Court; as well as the Minister of Finance Wolfgang Schäuble and the Minister of the Interior Thomas de Maizière.

The pressure on Merkel after the Paris terrorist attacks certainly will not be reduced. The question is now whether Berlin will make a drastic shift in their refugee policy. The German chancellor stated the day after the Paris attacks, that she still is not ready to unilaterally define upper limits regarding the number of refugees that can enter Germany, even though there is political pressure in the country to reduce the influx of migrants. Merkel stated for the German television channel ZDF that the only way to reduce the number of refugees is by solving the problems that are driving these people to Europe, and "they (the problems) are outside of Germany". Her observation that Europe needs to unite around unavoidable strategic issues, since it is simultaneously faced with too many dangerous crises, is correct. There are too many crises, even for Germany.

Everybody is looking towards Berlin, and Berlin itself needs more assistance. To achieve long-term stability, Europe needs an engine and an important part of the whole mechanism that has been running it for decades: a German-French partnership and British enthusiasm. But, to achieve long-term stability and at the same time strengthen Europe's capacities to respond to strategic challenges in future decades, it is necessary to integrate the Balkan countries and take maximum advantage of their potential. Cooperation between Germany and Serbia in this regard is a logical imperative, and creates additional space for the improvement in relations.

The false asylum seeker factor and its influence on Germany's relationship with Serbia and the Balkans

There is currently no European country that isn't faced with the migrant issue. However, in Germany, until recently one of the most hospitable countries to migrants from all parts of the world, the issue is multifaceted. This explains why today German politicians and analysts use the term migrant with such confidence when speaking about the constant influx of new people, while journalists and intellectuals are engaged in a hot debate on whether the term refugee is more appropriate and considerate. According to Germany, Europe is currently engulfed in a refugee crisis, but a migrant issue also exists. It is crucial to Berlin that a difference is made between those who really do need help, like refugees from Syria and Iraq, and those who don't, like false asylum seekers from Kosovo and Albania. Germany finds it unacceptable that 40% of false asylum seekers are coming from the Balkans (approximately 94,000). Any forcible return of false asylum seekers, parallel with the influx of a large number of Muslim refugees from the Middle East and North Africa, can put heavy pressure on Serbia both financially and in demographic terms, considering that the Serbian prime minister stressed that Serbia will do everything to provide care for the large number of migrants from the Middle East – with or without the help of Europe.

Europe is receiving a large number of migrants, but it is also deporting many. This year, EU countries have already returned approximately 13,000 Kosovo residents. According to official data, almost 80,000 people from Albania and the former Soviet Union sought asylum in Germany in the first half of the year, which is a great jump from the figure of 19,500 during the same period in 2014. In September 2015, Germany reinstated border controls, especially with Austria, in order to control the influx of refugees. In October 2015, a new package of legislative measures came into effect regarding the right to gain asylum in the country. This package of legislative measures, consisting of stricter conditions for gaining asylum, allows the intensive deportation of rejected asylum seekers to their countries of origin, which, primarily, pertains to Balkan citizens coming from so-called safe countries of origin. According to the new plan, asylum seekers from the Western Balkans will not be transferred to more permanent accommodation, but will stay in temporary asylum centres. Their asylum applications will be processed expeditiously – ideally, within only a few weeks – and those whose application is rejected will be quickly returned home. Bavaria will also terminate the practice of providing money for asylum seekers – and instead will provide them with donations in the form of food and clothing. In the meantime, Balkan leaders have become involved in the situation. Many Balkan countries are currently competing for membership in the European Union – and the departure of highly qualified young people from their capitals does not present them in a good light. Citizens of Serbia, mainly economic migrants, most often seek asylum in Germany, which still has the highest social benefits.

According to Germany, Europe is currently engulfed in a refugee crisis, but a migrant issue also exists. It is crucial to Berlin that a difference is made between those who really do need help, like refugees from Syria and Iraq, and those who don't, like false asylum seekers from Kosovo and Albania.

Approximately 40% of those that arrived in Germany last year came from the Western Balkans. After Syrians, citizens of Kosovo and Albania are respectively, the second and third largest groups of asylum seekers in Germany. Approximately 25,000 Serbian citizens have applied for asylum in Germany since the beginning of the year, and 0.1% of them were granted asylum. The exact number of Serbian migrants that entered the European Union is not known for certain, and depends on the institution publishing the data. According to Eurostat, there were 26,190 in the whole of the European Union, and most of that number was in Germany, while data from the Serbian Border Police show a smaller number: approximately 16,000 Serbian citizens applied for asylum in Germany, 1,500 in Sweden, and about a hundred in Belgium and Switzerland. In any case, Serbia is the fourth largest country with regard to the number of asylum applications to Germany – right after, Syria, Kosovo, and Albania.

The German government, which expects to receive 1,000,000 asylum seekers and refugees this year, costing them 6 billion euros, has created a new national strategy which should deter migrants from leaving the Balkans – and help fast-track the return of those who arrive. Bavaria has passed a controversial decision to create a reception centre exclusively for people from the Balkans. The German news agency, Deutsche

Welle, has recently called them deportation camps. In the meantime, more and more critics are accusing Germany of denying Balkan citizens what rightfully belongs to them – as well as of displaying negative prejudice toward their asylum applications. Berlin has announced that it will classify Kosovo, Albania, and Montenegro as safe countries of origin: a distinction that will make it harder for their citizens to gain asylum. Serbia, Macedonia, and Bosnia and Herzegovina have already been declared *safe* countries. In about 99% of cases, the German government will decline asylum to migrants from the Western Balkans – with the explanation that the travellers are not fleeing war or persecution, but severe poverty, unemployment, organized crime, corruption, a devastated social welfare system, and little chance of any kind of financial security. Critics of the German policy toward Balkan migrants accuse the federal government of discrimination against *asylum seekers* from the Balkans and enticing national hysteria about *false asylum seekers*. The organization dedicated to helping refugees, *Pro Asil*, has described that policy as institutionalized discrimination. This rift only highlights the key issue regarding the whole process of reviewing asylum requests: how to clearly distinguish between those who deserve asylum from those who do not? The letter of the law is not always clear, and even the difference between an economic migrant and a political refugee can be vague.

There has been a long tradition of migration from Serbia and Yugoslavia to Germany, economic and social, but in certain periods also political, depending on the then constellation of international forces and relations, even during war and post-war relations. In the early 1960's, Germany and other western countries became exceptionally open to immigration, and from the mid-sixties up to 1973, economic migration from Yugoslavia became more and more important to the German economy. Modern day migration from Yugoslavia to Germany was the result of economic and political crisis in former Yugoslavia, followed by civil wars on the Yugoslav territory. Germany became the most significant destination to Yugoslav migrants – workers, refugees, false asylum seekers, but also political migrants. In Germany, different categories of Yugoslav migrants ultimately enjoyed treatment in accordance with the immigration policies of the German government, as well as the developed level of German-Yugoslav political and economic relations, and the accomplished level of cooperation regarding legal help and social security. Consequently, the German government's announcement at the end of 1994 regarding the expulsion of foreigners, was followed in May 1996 by the first, and then in September 2002 by the second agreement on readmission. On the other hand, the remaining refugees, or false asylum seekers in Germany, mainly Albanians, but also Roma from Kosovo, shared the fate of forced repatriation. In this context, special emphasis should be put on the foreign policy stance and relationship of the German government toward Kosovo refugees. The Germans treated Albanians from Kosovo firstly as politically persecuted

The German government, which expects to receive 1,000,000 asylum seekers and refugees this year, costing them 6 billion euros, has created a new national strategy which should deter migrants from leaving the Balkans– and help fast-track the return of those who arrive.

persons, giving them sanctuary, then declaring them false asylum seekers and officially announcing (threatening) that they would be forcibly repatriated, and finally, in May 1996 as a part of the normalization of relations with Yugoslavia, conditioning the conclusion of readmission agreements with the gradual return of Albanians and Roma – false asylum seekers from Kosovo.

Through cooperation in limiting and gradually reducing the number of false asylum seekers who enter Germany each year from Serbia, or from its territory, Belgrade has the opportunity to present itself as a responsible partner in its relations with Berlin. Joint cooperation and the solving of, according to Berlin, this sensitive issue, would strengthen trust, and also improve Serbia's image among the German public. Serbia should make it clear, through active policies regarding the issue of false asylum seekers – with the goal of achieving regional stability and security – that Berlin can fully rely on Belgrade's cooperation. In this way, the issue of false asylum seekers in the mutual relations of these two countries would gradually fade as a negative factor.

4. THE CHINESE NEW SILK ROAD AS AN OPPORTUNITY IN ECONOMIC RELATIONS

Bilateral relations between Serbia and Germany, including economic cooperation, were never as good as they have been in the past few years. This fact is emphasized by officials of both countries during mutual visits, but also by diplomatic representatives during various gatherings and meetings. In addition, it is often stated that Serbia is a key country in the Western Balkans for Germany, and that it has its support on its path to the European Union. On the other hand, Belgrade is attempting to prove itself a reliable partner that wishes to solve its own issues, avoid conflict with anyone in the region, and focus on its European future. The aspirations of Serbia to lean on Germany within this context, as well as to solve the many issues and challenges it is faced with, are clearly recognized in Berlin. It is also clear that Serbia has played a positive role in the region in the past few years, and that cooperation between Serbia and Germany has vastly improved in all fields – politics, economic relations, cultural and others. Two official visits by Serbian Prime Minister Aleksandar Vucic to Berlin, and one visit of Chancellor Angela Merkel to Belgrade are a kind of acknowledgment of the politics Serbia has been conducting in over past three years.

However, Germany is crucial to Serbia, not only as a key factor on its road to the EU, but also as one of its main trade and economic partners. Germany is traditionally one of Serbia's leading economic partners – it is the second largest trade partner, the second largest export market for Serbian goods, the largest import partner, one of its five largest foreign investors, and its largest bilateral donor. Also, Serbia does not only need financial resources, but primarily *know how*. The importance of foreign experience, both in a social context as well as politically and economically, is priceless. The economic aspect of cooperation is institutionalized through the Serbian-

A solid relationship has been built between Serbia and Germany in the past few years, both in terms of business and in terms of politics. Nevertheless, it is necessary to further intensify the cooperation of these two countries in the fields of economy, politics, and civil society.

However, the betterment of relations will be determined by a number of things, above all of which is our progress in fields that are important to Germany both in a business sense and politically. These are primarily the rule of law, financial stabilization, and a good public administrative system.

Germany, the stability of its institutions and the powerful mechanism of democratic decision-making that shows vitality in the most complex situations, are a good example for Serbia. Traditional cultural, economic, and scientific ties, as well as numerous personal contacts, are just some of the ties that bind these two countries and represent a pledge for the future.

In addition, trust and partnerships in which these two countries reaffirm their friendship and commitment to the shared values of European society have become the most important connection.

German Business Council, which was established at the initiative of former German chancellor Gerhard Schröder during a visit to Belgrade in October 2003. Also, the joint commissions that Serbia has with two economically extremely developed German provinces – Bavaria (the joint commission for cooperation with this province will mark its 45th year of existence in 2015), and Baden-Württemberg (this commission was established in 2009), represent an additional institutional mechanism for deepening economic, scientific, and cultural cooperation with these provinces, but also with Germany in general.

Education should also be viewed as an absolute developmental priority for Serbia and a key prerequisite for the strengthening of economic competitiveness and human resources in the labour market. Education provides a better perspective for young people, middle-aged people, and the elderly, and in this way also provides a better perspective for the economic progress of Serbia and a better standard of living, since the growth of investments and the GDP alone will not solve the unemployment issue. This is why education and culture should become priority topics in political platforms, in planning the state budget, and should be openly advocated as such. Germany, which has a long-standing education and professional training system, as well as the lowest unemployment rate of young people in Europe, can become a role model and pillar of support, providing necessary assistance to Serbia through projects and other developmental platforms. One of the existing and successful mechanisms of deepening cooperation in this field, i.e. the acquisition and exchange of experiences between young people from Serbia and from regions of Germany, is being conducted through the Dr. Zoran Djindjic Foundation, established in 2003.

Germany's economy is primarily based on medium-sized and small businesses. These are actually huge businesses, but are medium-sized based on their number of employees, and have become an important part of their powerful economy mainly through very close cooperation – both mutual cooperation, and cooperation between local communities, education and enterprise. Their approach involves vision, determining a niche, and efforts to achieve a level of competitiveness that will ensure survival, regardless of the competitiveness of others. That should be the model for Serbia, which should rely on small and middle-sized German companies, which from Serbia's perspective are huge since in Germany, companies that have a turnover between 50 million and 12-13 billion euros are considered small and middle-sized. Therefore, it is necessary to create a positive climate in which business people can come into contact with people sharing similar interests. An important part of this chain is viewing all the conditions a country needs to fulfil in order to improve the economic climate.

To improve the business climate it is important to Serbia, among other things, to continue its economic and structural reforms, regardless of the difficulties it faces. The reform process is not something that can be done overnight, since every county needs to always strive toward progress. This is accomplished through reform and the constant improvement of its capacities. Germany's help in this area may also prove valuable. According to a study by the German-Serbian Economic Association, 44% of

companies described the reform process as satisfactory, while 42% were not satisfied with the results of the reform process. It can be concluded that the first result is certainly encouraging, but it is also important to point out that the second percentage highlights both the issues of the reform process itself as well as the difficulties Serbia is facing in this process. It is most important to determine the specific causes of dissatisfaction among the respondents, in order to steer the reform process in the right direction and achieve the desired results in the shortest time possible.

From what other aspects of the reform process can Serbia rely on Germany's help? Greater progress in establishing the rule of law and a safe and well defined economic policy, as well as the finalization of public administration reform, will greatly contribute to the improvement of Serbia's reputation as an investment destination. Progress in negotiations with the European Union will certainly be one of the most important measures, which is why it is important to ensure there is good communication on all levels, and among all stakeholders, in order to set the correct goals in the shortest time possible. Public procurement management and transparency in similar processes greatly impact the decision of certain companies to come to Serbia. Companies that are prepared to invest also want to be sure that they will be able to equally participate in the market and profit. If the systems of tender awarding and procurement management in general do not operate by the rules, which are very strict in the European Union and among its Member States, then these companies certainly will not have enough initiative to invest in Serbia, since it primarily does not fit their business ethics. These are all fields in which Germany's knowledge and experience can help Serbia to overcome its institutional and structural weaknesses.

A solid relationship has been built between Serbia and Germany in the past few years, both in terms of business and in terms of politics, and overall relations between Serbia and Germany appear predominantly promising. Nevertheless, it is necessary to further intensify cooperation between these two countries in the fields of economy, politics, and civil society. However, the betterment of relations will be determined by a number of things, above all our progress in fields that are important to Germany both in a business sense and politically. These are primarily the rule of law, financial stabilization, and a good public administrative system. Progress in these fields will certainly improve relations, and not only with Germany, but in a wider sense, since investors, while prone to taking risks, still tend to invest where they can assess the progress of their business more easily. Creating a positive image after years and decades of being viewed mainly in a negative light, is not an easy process. The desired reforms and progress cannot be accomplished overnight. However, if good communication with interested partners exists, as well as a good evaluation of their impressions and problems, a lot can be done to improve the image of Serbia as a destination for long-term investment. The beginning of accession negotiations and the implementation of the announced reforms will make Serbia even more appealing for investment and will attract more German companies. Serbia has great potential which now needs to and must be taken advantage of.

A coordinated effort of Balkan countries with the goal of increasing stability and the potential of the region

The perception that the Balkans is a peripheral part of the continent has directed the European core to thinking that it is first necessary to stabilize and control the Balkans, and only afterwards - when the cost is minimal - to integrate it politically and economically. Although from the point of view of Brussels this approach is somewhat understandable, it is hard to imagine that serious stabilization of the Western Balkans can be achieved without simultaneous and reasonably timed concrete steps regarding European integration of the whole region. The narrative that the countries of the region must strictly fulfil all criteria and solve their bilateral issues before being accepted into the European Union, which is especially popular in conservative European circles, is not consistent with current EU expansion policies and seems to contain a hidden agenda regarding the obstruction, or at least a long term delay, in accepting the remaining Western Balkans countries - which is neither in the interests of the European Union nor the region itself. The European project was created with the idea of neutralizing and overcoming old antagonisms and divisions on the continent through equal inclusion of European countries.

The Balkans is poor in fossil energy sources, so it currently cannot be considered as an important participant in the energy and economic policies of Europe. The Balkan Peninsula is politically fragmented, so none of the small countries can independently become a serious foreign policy player. However, despite all the mentioned handicaps, it is possible for the Balkan countries to implement an ambitious international and developmental policy, provided that scientific facts are taken into consideration, historical lessons learned, and favourable political, economic, and developmental trends taken notice of. Mutual cooperation between the Balkan states and a coordinated appearance on the international scene is one of the options that could contribute to the increase of stability, competitiveness, and the political and economic capacities of the region. If such an appearance remains absent, which is, due to numerous circumstances, the most realistic assumption, a window will open up for the political and economic appearance of other global players.

If the Balkan states wish to operate in their own interest, they must achieve mutual cooperation whereby individual nationalism is lessened and room for instrumentalization by strong foreign players is reduced. Ideal cooperation between Balkan countries has been a constant in the actions of Serbia's elite since the nineteenth century. When World War I began, the Serbian elite, following the tradition of cooperation between Balkan people, turned to the Southern Slavs and supported the formation of Yugoslavia. However, fooled by linguistic unity and the then coinciding interests, it underestimated the differences that existed among the Southern Slavic people and ignored the undying truth that only functional cooperation, and not a common state or cultural ideals, can have a synergetic effect on the Balkans. In order to take advantage of its central position in the Balkans, Serbia must restore its connections with countries in the southern and eastern parts of the peninsula, with whom it has centuries of common state experiences and matching interests.

One of the logical lines of communication regarding international trade between Europe, Africa, and Asia leads across the Mediterranean, through the Morava-Vardar valley and the Danube. The Thessaloniki-Belgrade line of communication is equally important. Joint investment of countries from this part of the Balkans in infrastructure – ports, railroads, transloading centres – makes complete sense. Belgrade could be the trade centre of the region, but only if functional relationships with its neighbours are achieved. Poor in fossil fuels, these Balkan countries have great hydropower potential, as well as potential regarding renewable energy sources. Most watercourses are transboundary – the Danube, Sava, Drina, Tisa – which means that without an agreement on the joint management and use of watercourses, the potential for the development of each individual country remains limited. Consequently, the potential for joint participation of these countries in terms of sustainable development and climate change is also significant.

In geopolitics, as in physics, a vacuum cannot be a permanent state, and sooner or later dynamic forces will attempt to fill it in. There have been changes to the main economic and trade patterns on the international scene in the past few years, which, for the Balkans and Serbia, could represent a developmental opportunity, i.e. the possibility to move from the margins closer to the centre of international trade, technological, and financial circles.

In a world that is unpredictable and in turmoil, ad hoc coalitions often have more significance than formal alliance affiliations. Even within the EU, the Nordic group, the Visegrad group, etc., function. Therefore, Serbia in coordination with Bulgaria is a more serious interlocutor with Turkey, and with close cooperation with Romania, it could seek stronger support from France, which is currently absent from the Balkans. In a time when all of Eastern Europe is under pressure due to the conflict in Ukraine, a coordinated approach of these Balkan countries can bring greater stability and room for manoeuvre in our region. The fate of the Balkans is either close cooperation and the achievement of common interests, or for it to languish on the economic and political margins of the world. As we have already pointed out, the Western Balkans is, according to Brussels and Berlin, a peripheral European region which should primarily be recomposed, and then stabilised, with no serious intention of investing significant resources into it. The only thing that has created more interest and anxiety in Brussels and Berlin regarding our part of Europe in the past ten years is the possibility of a new crisis breaking out in the Balkans, or it becoming a main gas corridor. Of course, this could also be a dangerous, hidden, and wrongly interpreted message to the region (or to certain political circles) that attention is acquired only in the event of a crisis. This kind of minimalistic view has dominated main European capitals since 2005, which, among other things, could explain the dramatic deceleration of the European Union expansion process.

The place of Serbia and the Balkans in China's new trade and economic strategy

However, in geopolitics, as in physics, a vacuum cannot be a permanent state, and sooner or later dynamic forces will attempt to fill it in. There have been changes to the main economic and trade patterns on the international scene in the past few years. For the Balkans and Serbia, these changes could represent an uncalled for developmental opportunity, i.e. the possibility to move from the margins closer to the centre of international trade, technological, and financial circles. In the Balkans, as in Southeast and Central Europe, China strives to fill this vacuum. The question arises why one distant force, which is pretty benevolent in comparison to other global players, would massively invest in the infrastructure and energy in this part of the world? To answer this question we must understand China's global strategy, but also the current global economic competition.

In the process of transforming itself into an indigenous superpower, China has been massively investing in many parts of the world in the past twenty years and for very solid reasons. With the goal of securing enough energy, food, and ores for its own internal needs, China has made major investments in the extraction and transport of raw materials in Central Asia, South America, and East Africa. While Western Europeans viewed Africa as a continent which had not yet entered the course of history, as former French President Nicolas Sarkozy stated in Dakar in 2007, the Chinese saw the great economic potential of Africa: 40% of the world's mineral reserves, 60% of untreated agricultural terrain, and an army of cheap workers looking for jobs. The second official trip of China's current president, Xi Jinping, was to Tanzania, a country for which China has secured a preferential loan of 7.4 billion euros just to construct one terminal for the transshipment of cargo containers. If it is logical for China to invest in regions rich with resources, but poor in capital in order to provide for the needs of its population and continue to function as the *workshop of the world*, the question remains as to what the most populated country in the world's strategy towards Europe is.

The Chinese trade and economic strategy is permeated by the initiative of Chinese President Xi Jinping to revitalize the old Silk Road – a trading route which was used in the late Middle Ages for trade between China and Europe. A new Silk Road would not consist of trodden paths and caravan roads, but modern railroads that would connect China and Europe with fast freight trains.

China views Central and Eastern Europe as potential markets for the products of its strategic industries. Countries in this part of the world do not possess high technology, they are not competition for Asian manufacturers, but are developed enough to represent desirable consumers of higher quality and cheaper goods that come from the east. Central and Eastern Europe has been a zone of German economic influence since the end of the 19th century, so Chinese investments will continue to run into political and administrative obstacles, but the trend is for them to increase in volume as time goes by. Infrastructure is key to placing goods on a certain market, which explains why these investments have mainly been directed towards railroads and roads.

Bearing in mind that the most cost-efficient way to dispatch goods from Asia to Central Europe is via warm seas, and then via the Danube, it is in China's interest that Serbia become a stable and developed transit country. Given that the construction of local infrastructure favours countries that are offered preferential loans, and that it simultaneously raises the competitiveness of the local economy, this global competition can only work in favour of Serbia and represent a great developmental opportunity.

However, this is only the first phase of China's economic strategy. It is not limited to Central Europe, which is only a stop on the road to a much more valuable market – Western Europe. Aware that it will not be able to permanently base its competitiveness on cheap labour, China has been investing for decades in high technology and research (often copying, during the initial period, other people's patents), so it will soon become a direct competitor of the most developed European countries in this domain. While on the one hand it represents the world's cheap workshop, on the other hand China is developing strategic industries which will be significantly cheaper than in the west. If we look at a map of the Trans-Asian Railway project (which is popularly called the *Iron Silk Road* in political circles), we will see that its key route is Hamburg – Xi'an, which will contribute to the further globalization of trade.

This Chinese trade and economic strategy is permeated by the initiative of Chinese President Xi Jinping to revitalize the old Silk Road – a trading route which was used in the late Middle Ages for trade between China and Europe. A new Silk Road would not consist of trodden paths and caravan roads, but modern railroads that would connect China and Europe with fast freight trains. The current connection by land between China and Europe operates through Russia and Kazakhstan, while a new Silk Road would actually represent its second branch, which would cross Central Asia, Iran, and Turkey. The Chinese, along with this connection by land, are also developing a marine Silk Road which starts in Shanghai, stretches across the Indian Ocean, through the Suez Canal and the Mediterranean, and ending in Greece.

China's interest in investing in a new railway corridor is evident: it would provide easier access to the European market, as well as strengthen its influence in Central Asia. China also has an internal reason for this strategic project: the new Silk Road would begin in the western Chinese province of Xinjiang – extremely poor, with a significant Muslim population of Uighurs. Investment in its infrastructure would strengthen state presence, as well as influence the economic development of this sensitive part of the country. An additional railroad connection to Europe would also lessen Chinese dependence on marine routes, which are dominated by America. Despite the rapprochement between Russia and China, which is a direct result of the Ukraine crisis, this Chinese project can be viewed as a counter to Russia's influence in Asia, i.e. China's response to the formation of the Eurasian Union and Russia's opposition to the establishment of a free trade zone within the Shanghai Cooperation Organisation.

The new Silk Road, although a Chinese project, has a great supporter on the other end of Eurasia – Germany. Firstly, it ends in Duisburg, the hub of the German railway. Secondly, since last autumn, German car manufacturers have been transporting vehicles

to China using fast railroads, for now via Russia and Kazakhstan, but in the future via the new Silk Road. This reduces the delivery period by three weeks compared with marine transport. The new Silk Road will, as an additional land route for the expeditious export of German industrial products to Central Asia and China, represent a necessary vent for its export-oriented economy, during a time when Europe, due to fiscal consolidation, is losing its appetite for import. Thirdly, Germany does not fear an increase of Chinese goods, since its internal demands are already saturated, and it is traditionally satisfied with domestic goods.

Following the first phase, in which Chinese growth was based on cheap labour and the export of low quality goods, and the second current phase in which growth is based on investment in infrastructure; China is now gradually entering the third phase of its economic strategy. In this third phase, growth will be based on high technology and the export of sophisticated goods, which will be competitive with the west in terms of price. However, while the main target in Europe is the Central and Southern European markets, Germany is immune to this kind of Chinese penetration. This makes Germany and China, as the two key engines on separate sides of Eurasia, compatible economic partners, who are interested in stronger free trade, transparent rules agreed upon in advance, as well as better communication throughout the whole territory of this continental landmass.

Where are the Balkans and Serbia on this global chessboard? The new Silk Road will pass through the Bosphorus and the Balkans, which explains China's interest in supporting a modernization of railways in Greece, Serbia, Bulgaria, Romania, Hungary, and the Czech Republic. At the same time, the marine variant of the new Silk Road ends in Greece, which is why the Chinese have purchased the Port of Piraeus. This is why they are supporting the improvement of communication between the Aegean Sea and the Danube – where Serbia is located, and as a result has an opportunity to become a serious regional trade hub.

One other fact related to China is important to Serbia. Given that it is impossible to support the needs of 1.3 billion people through conventional energy sources, China has lately been developing the use of alternative energy sources. At the China/Central and Eastern Europe summit, held in Bucharest in 2013, the owner of one of the largest wind power companies (*Ming Yang Power Group*) was present. In addition to providing credit for the modernization of the Belgrade-

Serbia is being given new developmental opportunities in the 21st century, but it depends solely on us as to whether we will take advantage of them or definitely remain on the fringe of global trends. With a wise foreign and developmental policy, we could turn our geographic location into a blessing, not a curse, and also compensate for the lack of interest from certain parts of the European continent.

European integration, the solving of the migrant crisis, and other challenges Europe is faced with, as well as a common interest in exploiting the great potential of the new Chinese Silk Road, represent key connections, or points of contact on which mutual relations can be improved and cooperation with Germany strengthened.

Bucharest railway, this was an opportunity to make business arrangements regarding the sustainable development of Serbia, bearing in mind that Serbia lacks conventional energy sources, since its coal is low quality and its oil and gas reserves negligible.

There are still many open issues related to the new Silk Road. Regardless of their solutions, all the possibilities open to Serbia will remain uncertain until we display readiness and the qualities necessary to more actively participate in the international goods and labour markets. Serbia is being given new developmental opportunities in the 21st century, but it depends solely on us whether we will take advantage of them or definitely remain on the fringe of global trends. With a wise foreign and developmental policy, we could turn our geographic location into a blessing, not a curse, and also compensate for the lack of interest in certain parts of the European continent.

5. ECONOMIC RELATIONS BETWEEN SERBIA AND GERMANY: THE CURRENT SITUATION AND THE POSSIBILITY FOR IMPROVEMENT

Following the war drama of the 1990s, the embargo against Serbia, i.e. the Federal Republic of Yugoslavia, was lifted, and in October 2000 there was a warming of relations between Serbia and Germany, which would soon be reflected in more intensive economic, and especially trade cooperation. During the first three, four years of the new millennium, the high volume of imports from Germany were affected by a strong flow of donations (which are recorded as imports, although they are not paid for), especially for Serbia's energy system (this is a time when most of the donations from EU countries to Serbia entered an economy destroyed by sanctions). From 1st December 2000, the EU and German markets unilaterally opened for Serbian products, beginning a dynamic phase of economic trade, which lasted for the next eight years (up to the 2008-2009 Great Recession). In these eight years, Serbia recorded a strong rise in the export of goods, but also in imports from Germany. Serbia's average (discreet) growth rate of total exports (adjusted for trade with Montenegro) was 20.4%, while imports were 20%, expressed in euros (which means that in each of those eight years, Serbia's foreign trade grew on average by that percentage, which is a great achievement as it was realized from an extremely low starting point). The export of goods to Germany grew even faster in that same period (21.2%), while imports had a somewhat slower dynamic (the consequence of a relatively high share of imports from Germany in 2000), but an undoubtedly high growth rate (18.1%).

The Great Recession dramatically impacted Serbia's foreign trade, as well as its GDP and investments. This was also reflected in trade with one of Serbia's three key foreign trade partners – Germany.

The Great Recession dramatically impacted Serbia's foreign trade, as well as its GDP and investments. This was also reflected in trade with one of Serbia's three key foreign trade partners: Germany. However, export recovered quickly, and by 2011 it was more than one fifth higher than in pre-crisis 2008. Things were different regarding the import of goods (from Germany), which was in that year still 17% lower than in 2008, and only just about reached the pre-crisis level in 2014. The situation is almost identical with regard to Serbia's total import, which dramatically increased due to excessive public spending and capital investments a few years before the outbreak of the crisis (which was natural, since the heightened domestic demand and supply created by fiscal expansion was satisfied by foreign goods).

The renewed intensification of trade between Serbia and Germany since 2012

Following the strongest impact of the recession in 2009, both the Serbian and European economies began to recover, which led to an increase of domestic exports to European countries, including Germany. It is true that the public debt crisis, which started in

2010 in Greece, and then hit other peripheral EU countries, and with the last escalation in 2015 (again in Greece), had a pro-recession impact on economic activity, foreign trade and the influx of investments to weaker European partners, including Serbia. It was indicative that Germany managed to maintain, and even improve its economic performance in this period.

To analyse the period since 2012, it is natural that we take the previous year for necessary comparison of both growth dynamics and changes in the exchange structures of the two countries. In 2011, domestic foreign export to Germany was 953 million euros (11.3% of Serbia's total export), while imports from Germany was (naturally) significantly higher: 1,539 million euros, or 10.8% of Serbia's total import. In the following years and up to 2015, there was a strong growth in trade with Germany, which significantly exceeded the rate of increase in total domestic trade.⁹ It is interesting that despite this, there is great stability with regard to Germany's share in Serbia's foreign trade (except for imports in the early 2000s), which indicates that the medium-term dynamic of trade with Europe's largest economy coincides with the overall dynamic of export and import, which is somewhat to be expected.

In 2011, domestic exports to Germany amounted to 953 million euros (11.3% of total Serbian exports), while imports from Germany were much higher: 1,539 million or 10.8% of total imports. In the following years, up to 2015, exchange with Germany saw strong growth, which greatly exceeded the growth rate of total domestic trade.

Table 1 - The average growth rate of the trade of goods between Germany and Serbia from 2000-2015

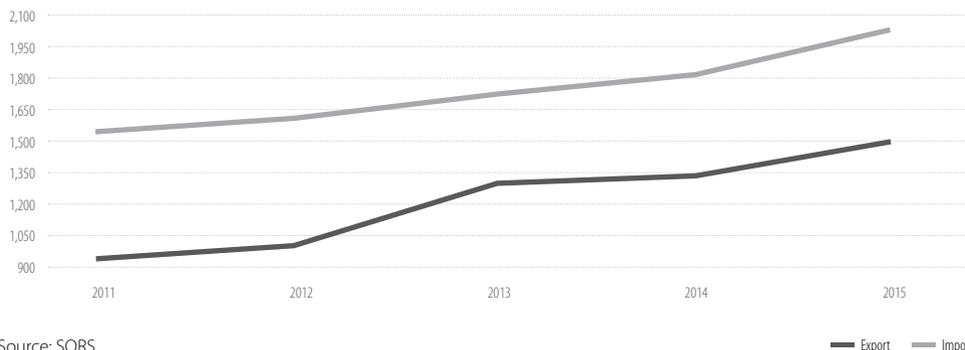
Period	Export	Import
2000-2015	15.6	10.0
2000-2008	21.1	18.1
2008-2015	9.6	1.4
2011-2015	12.0	7.1
2012-2015	13.9	8.1

Calculated based on data from the Statistical Office of the Republic of Serbia (export and import expressed in euros).

In the four observed years (2011-2015), the export of goods has grown by 12% on average, import has grown by 7.1%, while the dynamic of Serbia's total foreign trade was lower (the average growth of export was 9.4%, while import was 3.5%, expressed in euros). This has led to an increase from 62% to 74% in the coverage rate of imports by exports in regard to Germany (this indicator is also growing for total trade, and is at 74% in 2015). The trend of intensification in trade between these two countries from 2011 is visible in the Chart 1.

⁹ Data for 2015 was projected based on the data of the Statistical Office of the Republic of Serbia for the first ten months of 2015 <http://webrzs.stat.gov.rs/WebSite/public/PublicationView.aspx?pKey=41&pLevel=1&pubType=2&pubKey=3308>, bearing in mind Germany's share in trade, and led by the assumption that the growth rate of exports (8.3%) and imports (5.4%) would remain the same in the last two months of the year, which is a conservative estimation.

Chart 1 – The dynamic of Serbian foreign trade with Germany 2011-2015 (mil. EUR)



Source: SORS

A key factor in the constant growth of export from Serbia to Germany is export by an ever-growing number of German companies in our country. These companies export their goods manufactured in factories throughout Serbia to their clients and partners in Germany, the EU, and to other global markets. The production expansion of certain German companies is in progress, and they have yet to reach their maximum production capacity in the coming years, therefore it is almost certain that trade with Germany will increase. Currently, 370 companies with German capital are conducting business in Serbia.

A qualitative analysis of the exchange of foreign trade between Serbia and Germany

Serbian foreign trade with Germany is characterized by an unfavourable structure of domestic export (with a constantly high level of goods in higher stages of finalization being imported from Germany), but also by an (encouraging) trend of growth with regard to the coverage rate of imports by exports. It should be noted that, since 2014, custom tariffs on imports from Germany (and the European Union), except for a certain number of agrarian products, have been reduced to zero.

The top exported goods from Serbia to Germany are electrotechnical devices and equipment, products made of steel, copper, and aluminium, chemicals, and also food products, especially fresh and frozen fruits and vegetables, as well as wheat. The top imported goods from Germany are: passenger cars (and other motor vehicles), power machines, electrical machines, machine parts, aluminium products, medical and pharmaceutical products (medicine), perfumery products, plastics in their primary forms, paper, and cellulose products.

The relatively high share (a little over one third) of capital goods in exports to Germany is surprising, and indirectly indicates the significance of German companies in Serbia, most of which are automobile component producers. The same type of product makes up more than half of the total imports, which is natural bearing in mind that Germany is Serbia's main supplier of machinery and transport equipment, which accounts for

A key factor in the constant growth of export from Serbia to Germany is the export by an ever-growing number of German companies in our country. These companies export their goods manufactured in factories throughout Serbia to their clients and partners in the German, EU, and global markets. Expansions of certain German companies' production facilities are being conducted, and they have yet to reach their maximum production capacity in coming years, so it is almost certain that trade with Germany will increase.

Serbian foreign trade with Germany is characterized by an unfavorable structure of domestic export, but also by an encouraging trend of growth with regard to the coverage rate of exports by imports. We can speak of certain structural improvements, i.e. a qualitative improvement of domestic exports to Europe's largest economy.

It is certain that in 2015 the highest yet value of trade between the two countries will be recorded (previous years were also record years). An important factor of trade growth is the steady increase of German companies in Serbia, companies that direct a good portion of their portfolio into resident countries whose market needs they know well and on whose markets they are already present.

53.8% of total imports from Germany (18% of which are road vehicles), while chemical products, which are also predominantly high value added, make up another 19%. Machinery and transport equipment also make up almost half of Serbia's export to Germany (47.8% in 2015), but other potentially high value added products are poorly represented (e.g. chemical products make up only 6.7% of exports to Germany). Fruit and vegetables (9%), non-ferrous metals (6.3%), and clothes (5.8%), which are all mainly of low quality, make up a significant portion of exports to Germany. It should be mentioned here that their classification on a higher level of disaggregation indicates that with regard to machinery and transport equipment, we are mainly talking about the manufacture of components with a simpler structure that are then assembled (e.g. domestic automobile component producers with German ownership mainly produce simpler components for the German auto industry).

Domestic exports to Germany in 2015, viewed according to the highest level of disaggregation or according to customs tariffs (nomenclature), were machine parts at 12.8%, followed by vehicle ignition wiring sets at 8.3% and raspberries at 5%. Pneumatic tires, automobiles, certain medications, vehicle components, copper cathodes, tights, and cigarettes are also products that make up more than 1% of exports. Regarding imports, the aforementioned machine components make up 16.2%, automobiles (1500 to 2500 cm³) 4.2%, certain medications 2.4%, vehicle body parts 1.2%, etc.

Based on a comparison of the structure of domestic export to Germany in 2015 and 2011, we can speak of certain structural improvements, i.e. a qualitative improvement of domestic exports to Europe's largest economy. Analysis of the share of certain customs tariff headings (from 1 to 97), leads us to the conclusion that the first twenty-four customs tariff headings (mainly composed of foods, livestock, oils and fats, beverages) have decreased the share of total exports to Germany in 2015 when compared to four years earlier (from 14.7% to 12.4%). This is a favourable trend which indicates a smaller share in the export of lower quality products.

The still unfavourable export structure is indicated by the list of thirty top exporters (manufacturers) from Serbia to Germany in 2015 (see Annex 3). In first place is Siemens (13% of exports to Germany in 2015), followed by Leoni (5.2%), Draxlmaier (3.9%), Impol Seval (3.7% of exports to Germany in 2015), IGB Automotive Comp (3.1%). These are followed by: Fiat Serbia, Fresenius Medical Care, Hemofarm, Gorenje, Contitech Fluid Serbia, PLD Serbia doo, Bosch, Tigar, Altiva, Falke, Philip Morris Operations (Niš). Among others, there is also NIS, Kikinda Foundry, TETRA PAK, Smederevo Steel Works, RTB Bor Cooper Standard doo, TF Kable (Zajecar), Henkel, Sevojno Copper Mill, Goša FSO.

The largest importers from Germany are mostly from the auto, mechanical, and electrical industries, as well as from the pharmaceutical industry, which is expected bearing in mind the structure of imports from Germany. In the first five places are: Siemens (almost 24% of import from Germany), Porche SCG (2.9%), Star Import (2.7%), Ball pakovanja (2%), Tetra Pak Production (1.8%). Among the first fifteen are: Grammer, IGB Automotive Comp, Henkel, Bosch, Philip Morris, Phoenix Pharma, Fiat Serbia, Hemofarm, Grundfos Srbija, Tarket (data from Serbian Customs administration).

With regard to the type of foreign trade turnover in 2015 (and previous years), the amount of imported bought and sold goods accounted for the most (83%), while the only other type of foreign trade turnover with a relatively high share (12.3%) was processing. Regarding Serbian exports to Germany, the amount of bought and sold goods holds a less dominant position, standing at 60.3% of the value of total export transactions. Processing makes up 19%, free zone transactions 9.7% and post-processing 8.5%, indicating the relatively bad position, primarily, of the domestic textile industry, which mainly performs leasing jobs which have a slight added value of 5 -10%.

German investments in Serbia

Germany takes second place (13.5%) with regard to investment projects, i.e. direct foreign investment in Serbia.¹⁰ Since 2005, when serious investment in Serbia began, Germany has invested a little over 1.2 billion euros, putting it in third place regarding total investments, right behind Austria and Norway (which gained that position thanks to a huge investment: Telenor). It is estimated that, since the end of 2000, Germany has invested more than 1.5 billion euros, and that approximately 25,000 people have been employed in those companies. German companies have employed six thousand employees and gained 7.1% of the total of funds approved by the Serbian Investment and Export Promotion Agency (SIEPA), which also puts it among its top investors.

Table 2 - Germany's net foreign direct investment in Serbia (in millions of euros)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
154.868	645.370	50.516	59.572	40.101	32.921	76.591	43.444	48.391	31.546	34.159

Source: National Bank of Serbia (data for 2015 are for the first six months of that year).

¹⁰ http://siepa.gov.rs/sr/files/pdf2010/Investirajte%20u%20Srbiji%20SIEPA_lat_novembar%202015.pdf

The largest German investments in Serbia are *Stada* (510 million euros), *Metro* (165 million euros), *Meser tehnogas* (114 million euros), *Henkel* (78 million euros), and *Nordcuker* (45 million euros). One of the key areas of investment cooperation is the automotive industry (*Leoni*, *Dräxlmaier*, *Gramer*, *Norma Group*, *Continental-Contitech*). Investments by *Siemens* and *Wacker Neuson* (manufacturer of light construction and agricultural machinery) are also very important. The *Falke* company has invested over 10 million euros in the manufacturing of socks, while *Mühlbauer* is the world leader in safe technological solutions in the field of electronic identification (investments in Stara Pazova). The *Reum* company has invested in a factory which produces car parts, while *Medsorga* has invested in a recycling plant. In the food processing sector, *Meggle* has taken over the Kragujevac dairy *Mladost*. *Lidl* will be the first German retail discount store chain in Serbia (*Lidl* is a part of the *Schwartz group*), while one of the largest trading companies in the world, the German *Metro*, also operates in our country.

The importance of remittance and donations from Germany

A possible crucial aspect of overall relations between Serbia and Germany, and one that goes beyond economic cooperation, is the flow of labour from Serbia to Germany, which especially intensified in the second half of the 1960s. It was soon noticed that the influx of foreign currency into our country was rapidly growing, which, along with the reduction of pressure on employment, had one other positive effect on our economy which was confronted with an extensive growth crisis. In fact, remittances along with foreign pensions (which are basically, the savings of our workers abroad), are of great importance in covering, primarily, the foreign trade deficit. Another important aspect of the cross-border movement of people is the transfer of experience (and culture) from an advanced civil country, such as Germany.

It is now traditional for Serbian citizens to primarily seek out temporary employment in Germany, followed by German speaking countries such as Austria and Switzerland (these citizens remain abroad for 13 years on average). 145 thousand of returnees spend their pensions in Serbia (the largest number of cheques comes from Germany: 35,615, while 32,863 come from Croatia and 15,444 from Switzerland).

A possible crucial aspect of the overall relations between Serbia and Germany, and one that goes beyond economic cooperation, is the labour flow from Serbia to Germany, which was especially intensified in the second half of the 1960s. It was soon noticed that the influx of foreign currency into our country was rapidly growing. Another important aspect of the cross-border movement of people is the transfer of experience.

For a large number of developing countries, including Serbia, remittances (and foreign pensions) represent the largest individual source of foreign currency, exceeding export revenues, official development assistance, and foreign investments. Remittances in Serbia, on average, have annually made up about 9% of the total GDP in the past decade, and projections for 2015 are similar. One study on remittances sent by Serbian citizens from Germany was

published by the World Bank in 2006.¹¹ According to this study, during 2004, Serbia received 2.4 billion dollars from Serbs living outside of Serbia, primarily in Germany, USA, and Switzerland. The estimated value of remittances from Germany to Serbia in 2006 was approximately 600 million, which was one-fifth of the total remittances to Serbia in that year.¹²

According to the “Migrations and development” study conducted by the GTZ, or GIZ, out of around 400,000 Serbs in Germany, 88% sends remittances back home (most of that money is sent through informal channels, i.e. via friends, relatives or bus drivers, in order to avoid paying bank fees). According to that study, Serbian workers in Germany have sent home almost 243 million euros annually. However, data from the National Bank of Serbia indicates that most private remittances from Germany arrive through banks: 312 million euros on average. According to the estimates of the World Bank, an equal amount of money arrives into Serbia from Germany via informal channels, and according to their estimates, the total remittances from Germany account for 476 million euros.¹³

Regarding the legal movement of the workforce from Serbia to Germany, the reasons for its inability to employ more people are an inadequate, or total lack of knowledge of the German language (at least of those registered in the National Employment Service). Another reason is unregulated bilateral relations with Germany with regard to the employment of health workers, especially nursing staff (which Germany needs most). The outflow of labour has a positive effect on the growth of domestic wages (as it reduces employment offers) and it also reduces pressure on the domestic labour market. The influx of remittances complements domestic earnings, and is an important source of income for partially supported family members in Serbia.¹⁴

Unilateral assistance has been a very important aspect of relations between the two countries since 2000. With more than a billion euros in donations, Germany is the largest bilateral donor to our country, primarily in the field of infrastructure. Germany has provided Serbia with significant additional support through a variety of mutual EU donation methods (this amount is estimated to be approximately 400 million euros). Regarding the total sum of bilateral assistance from Germany, Serbia is in 16th place out of 151 countries receiving assistance. These resources are primarily invested in energy, water distribution, raising the capacity of local governments, as well as for humanitarian purposes.

¹¹ The Germany-Serbia Remittance Corridor: Challenges of Establishing a Formal Money Transfer System.

¹² www.geldtransferfair.de

¹³ www.economy.rs - 16 Sep 2009.

¹⁴ An important factor for the overall effect on the level of wages, which is generally not considered significant, is whether an individual worker was unemployed or employed, and whether they willingly left their job or were fired before moving abroad.

Prospects of economic cooperation between Serbia and Germany in the coming period

Why are these positive developments occurring, and most importantly, are they sustainable, i.e. can we expect these favourable trends to continue? The assumption in practice is that the growth in the volume of trade, and especially exports to Germany, is a consequence of the arrival of German investors oriented towards foreign markets, who considered Serbia in the early 2000s a suitable destination for investment. An insight into gross investments from Germany to Serbia shows that their cumulative level is practically on a constant rise. It is clear that the growth of trade with Germany, as well as the total growth of trade in the past decade and a half, is impressive, but it has been achieved from a very low base, so Serbia in absolute terms has a very low level of trade with Germany. For example, Bulgaria with a comparable population had twice as many exports to Germany in 2015 than Serbia (imports were 70% higher), while Croatia had 44% more exports to Germany per capita than Serbia in the same year.¹⁵

It is certain that in 2015 the highest value of trade ever reached between the two countries will be recorded (previous years were also record years). The import of goods has passed the two billion euro mark, and export is at more than 1.5 billion. An important factor of the trade growth is the steady increase of German companies in Serbia, companies that direct a good portion of their portfolio into resident countries whose market needs they know well and on whose markets they are already present (e.g. half of the top ten largest exporters of goods from Serbia to Germany are German companies, and the current export leader is "Siemens").

The fiscal strategy for 2016 with projections for 2017 and 2018¹⁶ predicts a growth of 7.7% in the volume of exports of goods and services in 2016, followed by 7% in 2017 and 6.7% in 2018. The growth rate of imports of goods and services is estimated to be 5.8% for 2016, with a slight slowdown in 2017-2018 (4.4% and 4.3%, respectively). Bearing in mind that domestic exports to Germany show a more intensive growth rate than the total exports in the period after 2000, and also 2008, as well as in the period between 2011-2015 (the difference is mostly around 2 percentage points, see Annex 1), this trend is expected to continue. Accordingly, it is realistic that the growth rate of exports to Germany gets close to a double figure within the next three years, because, among other things, ECB measures should spur inflation in the Eurozone (projections from a fiscal strategy refer to the volume of exports on which the annual growth of prices should be added). If we look at 2015, this is exactly how things seem to be: while the total export growth is 8.3%, exports to Germany have grown by 10.8%. The same pattern can be

The experiences of countries in transition, which had a rapid growth in trade with Germany in the 1990s during the process of reforming the real-socialist system, also indicate the probable development of trade relations between Serbia and Germany.

¹⁵ http://www.nsi.bg/sites/default/files/files/pressreleases/FTS_Intrastat_2015-08_EKX36IP.pdf and <http://www.dzs.hr/>

¹⁶ <http://www.mfin.gov.rs/pages/article.php?id=11753>

seen regarding imports, only more pronounced: total imports have grown by 5.4% while imports from Germany have grown by 10.2%. When the import of goods from Germany after 2008, is compared to the dynamic of the total import of goods, the growth rate is twice as high (which is, truthfully, relatively modest), therefore this tendency could continue (the trend has accelerated since 2011 to an average of 7.1%).

Serbia is not increasing imports from Germany because the purchasing power in the country is growing stronger, but because large investments require the import of equipment and machines that largely come from Germany; it is estimated that approximately three-quarters of the machines and equipment in Serbian factories are manufactured in Germany (most of what Serbia imports from Germany creates a new value and is an important part of the manufacturing process). If these rough estimates are proven correct, the export of goods to Germany could be near two billion euros in 2018, while imports would be slightly more than 2.5 billion euros (and the coverage of import by export would be near 80%).

The recession, or practical stagnation, in the Eurozone has had no significant impact on economic cooperation between the two countries. Serbia for Germany is too small of a trade partner and an investment destination for problems in Germany and the European Union to seriously affect economic relations between the two countries.

The experiences of countries in transition, which had a rapid growth of trade with Germany in the 1990s during the process of reforming the *real-socialist* system, also indicate a probable development of trade relations between Serbia and Germany. However, it should be noted that the current economic structure does not allow for serious long-term export growth, which will also be affected by the certain slowdown of medium-term growth of global trade (the slowdown of China, the anaemic growth of western economies). The basic prerequisite for a growth of exports to the demanding German market is, besides a change in structure, also an increase in production, given the high interdependence tendencies of domestic production and export. Potential for the improvement of economic cooperation with Germany lies in the possibility of cooperation in prospective areas (energy, transport, logistics, the automotive industry, the manufacturing of electrical equipment, pharmaceuticals), and seeing Serbia as a springboard for operations in the region.¹⁷

The recession, or practical stagnation, has had no significant impacted on economic cooperation between the two countries. Serbia for Germany is too small of a trade partner and an investment destination for problems in Germany and the European Union to seriously affect economic relations between the two countries. Germany has a purely economic interest in further strengthening its leading economic position in Serbia and the advantages are of a solid, human, material, natural, and locational nature, the

¹⁷ In the past decade, Serbia has also increased cooperation with certain developed German provinces, and tangible results have been achieved in the strenghtening of economic ties with Bavaria and Baden-Wuerttemberg. Economic cooperation between companies from Serbia and Bavaria has, in great part, been achieved thanks to the Serbian-Bavarian comission, which was founded four decades ago and was re-activated in 2000. With regard to trade with Bavaria, Serbia has, in the past few years, significantly increased exports.

existence of a relatively large domestic market, as well as the significant benefits in foreign trade which German companies operating in our country can take advantage of. The basic prerequisites for greater investments in Serbia (greenfield, brownfield investments, public-private partnerships) are the improvement of the economic environment and strict adherence to EU norms and standards, especially regarding property rights and contracts. Security for investors, and not only German investors, in the present situation would significantly enhance the realization of fiscal strategy plans for 2016-2018 and the successful completion of the Serbia's arrangement with the IMF, which entails a predictable monetary and fiscal policy, greater discipline in public finance, the creation of a more flexible labour market, and the continuation of structural reforms. German capital, like any other capital, is very sensitive to political stability, and the actions of the new government to accelerating European integration would be an additional factor of that stability.

Serbia definitively needs an active approach where, with forceful reform action, the image of Serbia would quickly change to that of a country which is economically and politically stable, with a market economy that functions. Defining clear strategic and developmental priorities would make room for foreign investors to intensify their presence in Serbia, raise the technological level of the country, and create new jobs. As a leader in economic cooperation with Serbia, Germany can encourage and draw other countries, primarily from the European Union, to invest more in the Serbian economy. The positive effects of increased economic cooperation would allow Germany to be more active in Serbia's efforts to speed up reforms and the European integration process.

Previous profuse cooperation in creating European laws, the transfer of experience regarding the functioning of important institutions, tax legislations, public property and restitution laws, shows that this kind of cooperation (and assistance) can be expanded and enriched. In the past decade and a half, Serbia has received a lot of advice from abroad, from international financial institutions and the European Commission, as well as from governments and NGOs of certain countries, and Germany in particular. However, it has been proven that the implementation of that advice is most important. As long as the German GDP per capita is six times higher than ours, our unemployment rate 18% (6% in Germany), and our economic structures different, economic policies can hardly be (completely) applicable. The same measures in different cultures have different effects, especially when a great difference in efficiency is taken into consideration.

It should be noted that, despite the formal duty-free export to the European Union, and Germany, these markets are not completely open to our companies. A work permit is needed to operate, and without one the cross-border provision of services is difficult, especially for the construction sector. More importantly, gaining a EUR 1 certificate of origin is so complicated for many small and middle-sized companies, or in some cases completely impossible due to the origin of goods, that they end up paying custom duties when exporting to Germany (and the European Union). An indicative example would be Croatia, which after joining the European Union, and therefore the customs union, doubled their growth rate of export to that market. In addition to trade, what will provide the Serbian economy with mid-term and long-term opportunities to be more

competitive on the open market of the European Union is the transfer of knowledge and the development of mutual projects and training. It is certain that, in order to maintain the trend of export growth, companies from Serbia will have to primarily devote most of their energy into creating quality and competitive products for the demanding German market.

The improvement of Serbian-German relations and the impact of current international crises on it

Germany is Serbia's most important economic partner, if, besides the volume of foreign trade, we also take into consideration the influx of remittances and investments from this country. It might be a paradox that Serbia currently has better political relations than economic relations with Germany. Obstacles to greater cooperation mostly lie in Serbia. Germany is not investing enough due to Serbian unpredictable politics, taxes and public administration system, and Serbian companies are not exporting enough because they are not competitive enough or lack the capacity for such a large market.

It is of significance to Serbia that at the *Conference of Western Balkan States*¹⁸ held on 28th August, 2014 in Berlin, support was given to the strengthening of cooperation between countries in the region and their coming closer to the European Union. What's most important is that Germany once again pointed out that it stands by its promise that a European perspective exists for Western Balkan countries, although the road will be long. The German government (and certain leading political parties in Germany), see the Western Balkans as a part of the European Union in the long term. Europe's largest economy supports the strengthening of cooperation between the countries of the region and the acceleration of the process of getting closer to the European Union in political and economic terms, as well as strengthening the rule of law. The increased involvement of German companies in Serbia and the strengthening of economic relations between the two countries would certainly have a positive impact on the European integration process of Serbia. However, Western Balkan states, including Serbia, cannot expect any concessions on their road to the European Union. Germany insists that concrete offers for the construction of regional infrastructure¹⁹ are properly utilized, and that a determined fight against corruption and the proper functioning of governmental authorities²⁰ are a prerequisite for the investment of private businessmen (and therefore economic growth).

Europe's largest economy supports the strengthening of cooperation between countries in the region and their coming closer to the European Union both politically and economically, as well as strengthening the rule of law.

¹⁸ We can speak of the *Western Balkans* or *The Rest of Balkan*.

¹⁹ Besides EU states, international agencies are also active in the region in order to co-finance the connection of the region to the EU transport network.

²⁰ <http://www.dw.com/bs/zapadni-balkan-je-sam-odgovoran-za-reforme/a-18693471>

Berlin's goal is stability in the Balkans, because there are millions of German citizens connected to the Balkans, and people from the Balkans, when looking towards the west, primarily think of Germany. For Germany, instability would mean a stream of refugees, insecurity, the expansion of organized crime (the Balkans is as important to Germany as North Africa is to France). The current migrant crisis could boost Germany's interest in stabilizing the Balkans, which could lead to somewhat greater German investments. In addition, the failure of Russia's plans to build pipelines that would pass through the Balkans (the *South Stream* and the *Turkish Stream*), which is connected to the Crimea crisis, i.e. (South) Donbass, and the sudden cooling of Russian-Turkish relations following the shooting down of a Russian aircraft in Syria, is practically turning Serbia towards the EU's plans in that domain. The first option is an interconnector with Bulgaria (an investment of approximately 80 million euros), and maybe with Romania, but the problem here is that Russia could cut the flow of gas to these countries, which also passes through Ukraine (via the Southern Corridor). If Ukraine fully ceases to be a gas transit route in 2018, which Russia is officially hinting at, natural gas to Serbia would have to arrive via the *Northern Corridor 2* (which will be functional by then), i.e. via Germany, Austria (Slovakia), and Hungary (the option regarding the LNG terminal on Krk is significantly more expensive for us, by at least double).

Official statements, especially those made by Serbian officials, could give the impression that Serbia is closer to the German viewpoint with regard to solving the debt crisis in Greece. Fiscal consolidation, i.e. the austerity programme, being conducted by Serbia truly is in line with Germany's efforts for strict austerity measures throughout the EU. However, the policy of the European Central Bank (qualitative incentives, or the additional printing of money with the goal to encourage economic activity and inflation) deviates quite a bit from German views regarding an adequate monetary policy (as evidenced by the dissenting opinions of a German member of the ECB Governing Council). Unrelated to Serbian-German relations, Serbia could become a net benefiter of this ECB policy, since it has lowered interest rates, and thus the cost of Serbian debt. In addition, the interest rate at which investors can draw loans for possible investments in Serbia is currently at a record low, which makes certain investments in our country, which were on the verge of profitability, now worthwhile.

Germany is the engine of the European economy, and has been among the top three global exporters for years, alongside the USA and China. It is the leading country of the European Union and the largest net financier in Europe and so it is crucial for Serbia to secure its support regarding EBRD, EIB, as well as IBRD funds. There is no doubt that Germany is Serbia's most important economic partner in the European Union, and therefore globally. Economic cooperation between the two countries, and primarily the trade of goods (with German investments and strong donations, especially at the beginning of the 2000s), has had a stable upward trend for a long period, which was only temporarily slowed or interrupted, and even then solely due to the effects of non-economic factors. Being that political relations since 2000, and especially since 2013 (after the Brussels Agreement), have not hindered cooperation between Belgrade and Berlin, and primarily thanks to mutual economic interests, a continued intensification of economic cooperation between the two countries is expected.

CONCLUSION

Despite the number of factors which indicate closer action, Serbia and Germany are nowhere near achieving an optimal level of cooperation, or exploiting the full potential of economic trade. The reason for this should be sought in the traditionally insufficient communication between the political and social elite, the unsatisfactory level of cultural and intellectual ties, the weak institutional capacity of Serbia and the countries in the region, as well as Germany's still undefined answers to European and global challenges.

The upcoming years represent a period in which it will become clear whether the level of cooperation will rise to a qualitatively higher level, or that these ambitions will be abandoned and things will continue to run on well-established patterns and stereotyping. The authors of this study advocate that the European Union takes a new approach to the Balkans, as well as the building of stronger - and more elevated - bilateral relations between Germany and Serbia. This bilateral relationship cannot be raised to a higher level if current European and global trends are not understood. The improvement of cooperation precisely involves this new European and global context, which the authors recognize and explain in this study.

In 2016, it is necessary to additionally raise the level of economic cooperation, achieve close coordination within the presiding Troika of the OSCE, as well as fill the so called "Berlin process" with essential content. The authors see the *Berlin process* as an important – but not the only – framework for cooperation between Germany and Serbia. At the same time, there are fears that this form of action will eventually become a facade. This is why it is very important to fully exploit it, and select concrete and substantial projects which will be realised within its framework.

ANNEXES

ANNEX 1. Indicators of the growth in the trade of goods between Serbia and Germany 2000-2015

Period	2000-15	2000-08	2008-15	2011-15	2012-15
The average growth rate of exports	14.1	20.4	7.2	9.4	11.4
The average growth rate of exports to Germany	15.6	21.1	9.6	12.0	13.9
The cumulative growth of exports	7.2	4.4	7.2	1.4	1.4
The cumulative growth of exports to Germany	8.8	4.6	8.8	1.6	1.5
The average growth rate of imports	10.6	20.0	0.8	3.5	3.5
The average growth rate of imports from Germany	10.0	18.1	1.4	7.1	8.1
The cumulative growth of imports	4.5	4.3	4.5	1.1	1.1
The cumulative growth of imports from Germany	4.2	3.8	4.2	1.3	1.3

Calculations based on SORS data

ANNEX 2. Serbia's share of exports and imports to Germany out of the total domestic exports of goods 2000-2015

Year	Export	Import
2000	10.1	13.5
2008	10.6	11.9
2011	11.3	10.8
2012	11.6	10.9
2013	11.9	11.0
2014	11.9	11.8
2015	12.4	12.4

Source: Statistical Office of the Republic of Serbia (exports and imports expressed in euros)

ANNEX 3. The leading 15 domestic exporters (manufacturers) to Germany in 2015

NO	Exporter (Manufacturer)
1	SIEMENS D.O.O. BELGRADE
2	LEONI WIRING SYSTEMS SOUTHEAST D.O.O. PROKUPLJE
3	DAD DRAXLMAIER AUTOMOTIVE D.O.O. ZRENJANIN
4	IMPOL SEVAL AD, SEVOJNO
5	IGB AUTOMOTIVE COMP D.O.O. INĐIJA
6	FCA SRBIJA D.O.O. KRAGUJEVAC
7	FRESENIUS MEDICAL CARE SRBIJA D.O.O. VRŠAC
8	HEMOFARM A.D. VRŠAC
9	GORENJE D.O.O. VALJEVO
10	CONTITECH FLUID SERBIA D.O.O. SUBOTICA
11	PLD SERBIA D.O.O. SVILAJNAC
12	ROBERT BOSCH D.O.O. BELGRADE
13	TIGAR TYRES D.O.O. PIROT
14	ALTIVA D.O.O. BELGRADE
15	FALKE SERBIA D.O.O. LESKOVAC

Source: Serbian Customs Administration (period January-October 2015)

ANNEX 4. The leading 15 importers (customers) from Germany in 2015

NO	Importer (Customer)
1	SIEMENS D.O.O. BELGRADE
2	PORSCHE SCG D.O.O. BELGRADE
3	STAR IMPORT D.O.O.
4	BALL PAKOVANJA EVROPA BELGRADE D.O.O. BELGRADE
5	TETRA PAK PRODUCTION D.O.O. BELGRADE
6	GRAMMER SYSTEM D.O.O. ALEKSINAC
7	IGB AUTOMOTIVE COMP D.O.O. INĐIJA
8	HENKEL SRBIJA D.O.O. BELGRADE
9	ROBERT BOSCH D.O.O. BELGRADE
10	PHILIP MORRIS OPERATIONS NIŠ
11	PHOENIX PHARMA D.O.O. BELGRADE
12	FCA SRBIJA D.O.O. KRAGUJEVAC
13	HEMOFARM A.D. VRŠAC
14	GRUNDFOS SRBIJA D.O.O.
15	TARKETT D.O.O. BAČKA PALANKA

Source: Serbian Customs Administration (period January-October 2015)

ABOUT AUTHORS

Lead Author:

Nenad Milenovic, expert on modern German history and German foreign policy; research associate at the Institute of History, Serbian Academy of Sciences and Arts; BalkanSTRAT.

Co-Authors:

Goran Nikolic, expert in the fields of foreign trade, international economics and economic history; research associate at the Institute of European Studies.

Predrag Arandjelovic, historian at the Historical Museum of Serbia.

Nikola Jovanovic, former special advisor to the Serbian minister of foreign affairs; advisor to the President of the 67th session of the UN General Assembly.

CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

327(497.11:430)"20"

338(497.11:430)"20"

SERBIA and Germany : from Suspicion to Trust / Nenad Milenović... [et al] ; [Translation & Proofreading Grainne Boyle Orlić, Stefan Orlić]. - Beograd : Friedrich Ebert Stiftung, 2016 (Beograd : Grafolik). - 74 str. ; 22 cm

Prevod dela: Srbija i Nemačka. - Tiraž 500. - Annexes: str. 71-72. - About authors: str. 74. - Napomene i bibliografske reference uz tekst.

ISBN 978-86-83767-53-3

1. Milenović, Nenad, 1978- [аутор] 2. Nikolić, Goran, 1974- [аутор] 3.

Arandjelović, Predrag, 1975- [аутор] 4. Jovanović, Nikola, 1976- [аутор]

a) Србија - Спољна политика - 21в b) Немачка - Спољна политика - 21в COBISS.SR-ID 222448396

