

Serbia pleads with Europe to respect its ties to Russia

Ognjen Markovic, Paul Mitchell**14 May 2014**

Following the parliamentary elections held on March 16, a new grand coalition government was eventually agreed in Serbia on April 27. It was immediately confronted by the fallout from the crisis in Ukraine.

Serbia, like Ukraine, is being forced to choose between a European Union (EU) partnership agreement and a deal with Russia. When the Ukrainian government decided to go with Russia, it was toppled by a US-EU backed coup d'état using fascist provocateurs.

Faced with this crisis, top Serbian government officials pleaded last week with the EU to allow the country to continue on its path to EU integration while maintaining its historical and economic links to Russia.

Serbian President Tomislav Nikolic declared, "Serbia has its own path... [which] means Serbia does not wish to pick one side and thereby endanger its relations with the other. Serbia does not divide the world into just two powers or just two blocs. The world is big and diverse and Serbia has friends everywhere. Let the big ones argue, we have to develop."

Serbian Foreign Minister Ivica Dacic told a Council of Europe ministerial meeting in Vienna on Tuesday last week that his government could not join the US-EU-imposed sanctions on Russia, explaining, "We are trying to have a balanced position. The prime minister [Aleksandar Vucic] and I explained that to [the EU's foreign policy chief] Catherine Ashton...Such balance is in our national interest."

Vucic said that he had asked EU Commissioner for Enlargement Stefan Füle, who had flown into Belgrade to deliberate on Serbia's decision, declaring, "We support the territorial integrity of every member state of the United Nations, and of Ukraine of course, but for many reasons—historical, traditional and others—I beg that Serbia maintains its different stance compared to other countries and not impose sanctions on Russia".

Füle refused to comment on reports that the EU was

putting pressure on Serbia behind the scenes, saying, "We were discussing this issue like many others. Serbia is a sovereign country and we respect her decision."

He insisted Serbia's path to EU integration depended on three main priorities—economic reform, the fight against corruption and normalisation of relations with Kosovo, which Belgrade refuses to recognise and still regards as one of its provinces.

Ashton's spokesperson, Maja Kocijancic, was more forthright, telling reporters that, "as a rule, the EU always invites third countries to align themselves with our positions, in particular regarding sanctions."

"This is very valid for candidate countries and potential candidates who have committed themselves through their association agreements to increasing convergence with the EU on foreign policy issues. Their progress toward the EU is assessed also in that context."

Russia responded to the West's increased pressure on Serbia by sending Russian Duma Chairman Sergey Naryshkin, who is also on the list of people sanctioned by the EU, to Belgrade. Russian Foreign Minister Sergei Lavrov is also expected to visit the country soon.

During his visit, Naryshkin expressed President Putin's gratitude to Serbia for refusing to back anti-Russian sanctions and agreeing to elevate the relationship between the two countries to a "strategic level". He presented President Nikolic with copies of letters written by Russian Tsar Nicholas II and King Aleksandar of Yugoslavia, which show the two countries and their armies promising mutual support in the event of war. In return, Nikolic presented Naryshkin with World War I and II documentary films.

During his visit, Naryshkin opened a conference at Belgrade University on the "lessons of world wars", celebrated the May 9 joint holiday of "victory over fascism" and placed a wreath at a memorial dedicated to the victims of NATO's 1999 bombardment of Serbia.

Nikolic thanked Naryshkin, saying Russia “understands correctly Serbia’s position on the crisis in Ukraine” and had supported it over the issue of the independence of Kosovo. He said that Serbia wanted to step up construction work on the South Stream gas pipeline from Russia in order to ensure its energy security and develop the Serbian economy.

Naryshkin replied, “South Stream will be built, I have no doubt about it. The laying of pipes in Serbia will start this year and everything is ready for it. As early as 2016, Serbia will begin to receive significant revenues to its budget.” He added that the countries participating in the project were coming under pressure “from our American partners [who] care about their own geopolitical and economic interests.”

Last week, National Bank of Serbia governor Jorgovanka Tabakovic revealed that the country was suffering economically from the Ukraine crisis and having problems with making payments in US dollars. “We are taking a risk if the destination [of payments] is Russia with which we have well-developed relations and is one of our most important foreign trade partners, alongside Germany and Italy,” he said.

Finance Minister Lazar Krstic stated that the country was in talks with the International Monetary Fund (IMF) on a three-year precautionary loan deal that was up to twice its IMF quota—around \$1.5 billion. The country has a fiscal deficit of over 7 percent of GDP, public debt standing at €20 billion, which is 62.3 percent of GDP, and experienced a slump in foreign direct investment—just €606 million in the first nine months of 2013, way below the €2 billion expected by the government for the whole year.

Vucic outlined the general course his administration will take in a recent column in the *Financial Times*, “Serbia is poised for a new future.” Acknowledging that, “There will be tough decisions along the way,” he promised to financial circles, “This Government is under no illusions about the scale of the task facing us, but we will not lose sight of our goals.”

These included “balancing the state budget and putting Serbia’s irresponsible fiscal legacy behind it. The proposals have already won the support of the IMF and the global financial community and we will ensure they are realised... No fewer than 21 changes to the law are already underway to improve the conditions for economic investment. Our reforms will include a new, more flexible labour law... We will have to curb our more generous public-sector salaries... [and] are also in the middle of a

significant national privatisation process...”

“Serbia will be well and truly ‘open for business’ over the next four years,” Vucic wrote.

Some of the measures announced so far are a 10 percent cut in public-sector wages and termination of subsidies for 153 state-run firms, which collectively employ some 60,000 workers. Over the next two years the government will “most likely” sell its stake in companies such as Telekom Srbija and the power utility Elektroprivreda Srbije.

The political elite is aware this agenda is deeply unpopular and will provoke mass opposition. That is why all political parties have entered a conspiracy against the population. Even though Vucic’s Serbian Progressive Party (SNS)-led alliance won 158 of the 250 seats in the National Assembly and were perfectly capable of forming a government on its own, it chose instead to form another coalition with Dacic’s second-placed Socialist Party-led alliance, which has 44 seats, and a minority party representing Hungarians in Vojvodina (six seats).

Vucic can also count on the unions to disarm the working class and help impose austerity measures. President of the United Branch Unions “Independence” (UGS Nezavisnost) Branislav Canak said that the unions will be “partners” with the new government, agreeing that “public-sector layoffs have to be made,” calling only for them to be “gradual” and that a “minimum wage must be provided [to the dismissed workers] so they can survive.”

Speaking about the 153 state-run subsidised firms soon to be “restructured,” Canak said, “Unfortunately, we cannot save a single one of them.”



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