Kosovo's Independence and International Repercussions

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After its declaration of independence in February 2008, Kosovo took a further step toward self-government with the signing of a new constitution in April 2008. With the constitution going into effect, UN authority over Kosovo formally ended in June 2008. Despite these developments, the amount of bridge building still necessary in Kosovo is formidable. The events during the past year in Kosovo remind the international community that there is much unfinished business to attend to.

When writing about Kosovo, the ethnic diversity of Europe's youngest country requires careful differentiation between its northern (Serb-dominated) and southern (ethnically Albanian-dominated) parts. More than 40,000 Serbs are said to live in the northern part of the city of Mitrovica. According to the Statistical Office of Kosovo, there are between 120,000 and 150,000 Serbs currently living in Kosovo, forming 5.3% of its total population in 2007. It is important to underline that, despite fears to the contrary, there has not been a mass exodus of Serbs from Kosovo since the declaration of independence!

Kosovo's "supervised independence," as the UN prefers to label the new status, triggered adverse reactions across the political spectrum in Belgrade and Moscow. The meaning of the "Province of Kosovo" –as it is termed in Belgrade– is encapsulated in phrases such as "ancestral heartland" that seek to capture the depth and centrality of Kosovo as a symbol of national pride, even among the most pro-Western, reform-minded Serbs.

It is important for future developments and efforts at reconciliation not to underestimate the Serbian historical bond and cultural attachment to Kosovo. Doing so would risk being a serious misjudgement by policymakers in Brussels, Berlin, Paris, and Washington. The ardent articulation of Serb national interests vis-à-vis Kosovo's independence cannot be reduced to a desire for self-isolation as during the Milosevic years. The bitterness many Serbians still express at being attacked during the NATO bombing campaign in 1999 is real and not limited to nationalists wishing to turn back the clock. Some observers in Belgrade have chillingly likened the loss of the province for Serbia to an "amputation without anaesthesia" (*International Herald Tribune*, 25/02/2008). The failure to gain a resolution in the United Nations Security Council in favour of the independence of Kosovo is consistently cited by citizens as proof that Kosovo's declaration was illegitimate and thereby void.

Establishing a Pragmatic Working Relationship with Serbia

There will be no easy rapprochement between Serbia and Kosovo following the declaration of independence in Pristina in February 2008. However, the search for and implementation of a pragmatic working relationship that initially focuses on technical cooperation issues is the order of the day for both countries. A few examples in the economic sphere illustrate the need for such a pragmatic working relationship. A key economic signpost for Kosovo and Serbia's future relations with the EU will rest on the question of whether the latter country will continue servicing the foreign debt obligations of the former. Since losing administrative control of Kosovo in 1999, Belgrade has continued to service Kosovo's debt at a cost of roughly 150 million dollars a year. The argument forwarded was to thereby maintain its principal claim on the territory. The Serbian central bank has calculated that some 1.3 billion dollars were owed by Kosovo

prior to independence. Most of the foreign debt is owed to the World Bank and was allocated to Kosovo in the 1980s when it was an autonomous province of Serbia within what was then Yugoslavia.

If Belgrade were to agree with international creditors to stop servicing the debt after Kosovo's independence, it would de facto –but not de jure– recognize the country's new status. This paradox cannot be overcome by redirecting the earmarked funds towards establishing fiscal sovereignty in Kosovo's Serb-dominated northern city of Mitrovica and subsidizing the Serb enclaves inside Kosovo, e.g. regarding education, health care, and financing job creation. The need for arriving at a day-to-day working relationship is also apparent in other areas of economic activity that will considerably influence the sustainability of the new state. Kosovo remains dependent on Serbia for its energy supplies. Most of Kosovo's electrical power and fuel deliveries and many food supplies are imported from and sold by Serbia. While Kosovo exports next to nothing to Serbia, the same does not hold vice versa. Serbia exported goods worth in excess of 200 million euros to Kosovo in 2007.

As regards water supplies, Kosovo's main water pipeline runs from Serbian Gazivoda into Kosovo. Finally, the Kosovo Property Agency (KPA), a donor-funded executive agency in Pristina, is responsible for the restitution of residential, agricultural, and commercial properties to their legal owners. Most of its more than 30,000 unresolved claims have been submitted by Serbs living outside of Kosovo today and seeking their property back when it was still a province inside Serbia. Will these Serbs accept –one way or the other– the legality of property claims decisions made by the KPA in an independent Kosovo?

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The importance of such a pragmatic working relationship in day-to-day administrative, legal, and economic affairs is made even more urgent by both countries' exposure to the global economic and financial crises. Serbia's principle decisions to continue servicing Kosovo's foreign debt repayment obligations and subsidising health care, education, and job creation programmes in northern Mitrovica and in the Serb enclaves inside Kosovo are an expensive burden that a country that has twice had to approach the IMF, cap in hand, for emergency funding during the past four months, can ill afford.

By the same token, Kosovo's independence has not created a rush by the international community to start investing in the land-locked country. Foreign Direct Investment (FDI) in 2008 only reached roughly 220 million euros. Nor has the Kosovar diaspora returned in large numbers to start investing in the new state. Kosovo continues to depend strongly on remittances from abroad.

Migrant workers' transfers constitute a major economic factor. In 2007 remittances as a share of GDP reached 16.5% in Kosovo. Remittances increased slightly in 2008 from 430 million euros to 450 million euros. But the economic crisis will leave its mark on migrant workers' continued ability to transfer such amounts back home to Kosovo. Many of these labourers in Germany, Switzerland, and Austria are employed in sectors adversely affected by the recession in their host countries, in particular in car manufacturing, construction, and household work. A decline in remittances from relatives working abroad will affect Kosovar families and their income expectations during 2009. It will equally impact the country's foreign currency holdings, medium-term budgetary planning, and financing of high current account deficits.

The EU as Kosovo's Most Important External Anchor

One year after Kosovo's declaration of independence, its international recognition leaves much to be desired. Inside the United Nations a total of 55 countries have formally recognized Kosovo as a legitimate state. Nor have all 27 EU members officially recognized Kosovo's independence. Six EU members –Spain, Slovakia, Greece, Malta, Romania, and Cyprus– have refused to recognize Kosovo even 15 months after its declaration of independence.

Despite the EU split as regards Kosovo's independence, the EU Member States' Foreign Ministers still agreed to deploy a 2,000-strong judicial and police mission to the country (the European Union Rule of Law Mission in Kosovo, or EULEX). The EU mission and its accompanying financial aid to Kosovo were

endorsed by all 27 EU members. It is to last for 28 months, and it constitutes the EU's most important foreign policy initiative in the Balkans. Its success will also define the EU's credibility and policy-making capacity beyond Kosovo.

The consequences of this EU division are potentially dire for Pristina. Under these circumstances, Kosovo continues to have limited international legitimacy, thereby curtailing its capacity to seek commercial agreements and financial assistance from international institutions in which the EU is represented.

A divided EU will also not be able to initiate the first steps in Kosovo's approximation process, i.e. drawing up a negotiating mandate for a Stabilisation and Association Agreement (SAA) with the authorities in Pristina. Even among those countries that have recognized Kosovo, few have followed up with high-level visits, investment projects, or bilateral trade agreements. This diplomatic lapse is reflective of the rather tepid embrace of the new republic, and it risks encouraging Belgrade to yield little ground in its attempt to hold on to the territory.

Institutional Confusion over a Divided North?

Ultimately, Belgrade cannot have it both ways. To date, the Serbian authorities neither recognize nor cooperate with an EU mission that seeks to establish the transfer of authority from the UN mission, United Nations Interim Administration Mission in Kosovo (UNMIK), to the EU in Kosovo. It is important to bear in mind that the newly adopted Kosovar constitution does not apply to the northern part of Mitrovica.

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The plan by the UN special envoy Martti Ahtisaari called for the EU to take over from the UN mission 120 days after Kosovo's independence. Russia and China's opposition in the Security Council has called into question if, when, and how the transition will take place. A possible delay in the UN pullout could create a political vacuum whose immediate benefactor would be Belgrade.

However, the EU administrative mission (International Civilian Office or ICO) can exercise neither its authority nor its responsibilities in the Serb-dominated part of the ethnically divided northern city of Mitrovica. In consequence, UNMIK continues to be the legitimately recognized cooperation partner for Serbian counterparties in Kosovo's northern areas bordering Serbia. Apart from manifest security concerns, the legitimacy and legal basis of the ICO in post-status Kosovo is not recognized by Serbia.

To illustrate: following directives from Belgrade's Ministry of Home Affairs, over 100 Serb police staff who had been working in the multi-ethnic UN-sponsored Kosovo Police Service abandoned their positions and pledged allegiance to Serbia. In these institutions we continue to observe a deepening of ethnic divisions and a determination towards non-cooperation.

This duplication of responsibility –UNMIK in the north and the ICO in cooperation with EULEX in the rest of Kosovo– raises two disturbing questions: (i) who is really leading the various international missions inside Kosovo, and (ii) to what degree does this institutional confusion constitute a further hurdle for the new state's sovereignty and international recognition?

The litmus tests in day-to-day working arrangements will be under what conditions Serb representatives inside Kosovo are prepared to hold talks with EULEX without UNMIK serving as an intermediary. Another sign of progress –which is gradually gaining traction– is the willingness of some Serbian citizens in the Serb enclaves to start using Kosovar passports and car license plates. The latter development points to an important distinction that all too often gets lost in the heated debates over Kosovo's independence and Serbia's adverse reaction to it, namely that Serb citizens living in enclaves around Kosovo face different challenges and are confronted with Kosovar citizens in much more diverse conditions than their Serb brethren in the northern part of Mitrovica directly bordering Serbia. In a word, the Serb community in Kosovo is politically, culturally,

and economically much more diverse than meets the eye.

In a significant and highly symbolic move, three of Serbia's neighbours –namely, Bulgaria, Croatia, and Hungary– jointly recognised Kosovo's independence in March 2008. The three countries were the first of Serbia's seven neighbouring countries to take this joint step. Three successor states of the former Yugoslav federation have now recognized Kosovo, i.e. Slovenia, Croatia, and most recently, in October 2008, Montenegro, while the Republic of Macedonia continues to withhold recognition. Serbia subsequently withdrew its ambassador in protest from Podgorica.

NATO currently has 16,000 troops stationed in Kosovo. Its mandate is to ensure Kosovo's security while seeking to avoid becoming a de facto police force for the territory. The ability of the international community, primarily the EU on a political and assistance level and NATO on a security-related level, to stand united and hold Kosovo together will determine whether the new state can mature into a stabilizing force in the Western Balkans or lead to an intractable new conflict in Europe's backyard. A "frozen conflict" lasting decades such as the one in Cyprus cannot be an option, nor is it in the interests of the EU, the UN, or the US.

Conclusions

Writing about Europe's newest state is an undertaking similar to focusing on a moving target. By the time the publication is complete and the book in print, the risks are high that some parts of the analysis are already outdated, having been overtaken yet again by new events in Pristina.

The intricacy of the challenge is not helped by the fact that there is a mix of competing international missions in Kosovo with institutional confusion over their political objectives and the execution of their distinct mandates. Under these circumstances, Serbia can easily exploit existing contradictions within and between different, and at times competing, UN, EU, and Organization for Security and Co-operation in Europe (OSCE) missions.

Furthermore, the institutional geography of Kosovo continues to be fragile and subject to considerable legitimacy problems inside and outside of the country. This fragility cannot entirely be blamed on Serbian intransigence or international foot-dragging. It is also the result of government authorities in Pristina that have far too long been addicted to status, i.e. independence, instead of focusing on standards of governance and institutional sustainability.

The defining issue in the coming years will be the manner in which and by whom the northern part of Kosovo, i.e. the Serb-dominated part of Mitrovica, will be administered. While the authorities in Belgrade claim that they have lost 15% of their territory, they also forward the counter-claim vis-à-vis Kosovo, namely that Pristina has equally lost 15% of its territory through the situation prevailing on its northern border to Serbia. The danger of this perception rests in the assumption that the "15% argument" further cements the de facto ethnic divide in Kosovo, which the international community has always claimed to avoid since its intervention in 1999.

The modus vivendi is acceptable for the time being for Serbia because it leaves all options on the table and resolves little. But for the authorities in Pristina, who are keen to advance the country's international legitimacy and focus on the business of consolidating functioning state structures and a sustainable economy, this modus operandi is politically unacceptable.

Kosovo will thus continue to occupy us in policy-making terms as much as in writing, stimulating thought-provoking research and debate. Innovative solutions and "out of the box" thinking will be required from all parties concerned. One such option being considered is the manner in which the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR) managed to establish diplomatic relations with each other between 1949 and 1989 while the former never fully recognized the sovereignty of the latter.

The so-called Ischinger "Basic Treaty FRG-GDR" proposal could be a starting point from which both sides engage in constructive negotiations. Whether this complex diplomatic arrangement can serve as a working premise for Serbia and Kosovo remains to be seen. But one issue is clear: both countries do not have the luxury of time to wait another 40 years in order to arrive at a compromise. It is hoped that this diplomatic provocation will identify solutions for the right reasons in the coming years without having to "cry wolf" about Europe's youngest country.