

# ECONOMIC AND SOCIAL DEVELOPMENT OF THE REPUBLIC OF SERBIA THROUGH THE PRISM OF RELATIONS WITH THE UNITED STATES AND NATO

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**Abstract:** The purpose of the paper is to use an adequate methodology to show the importance of relations between the Republic of Serbia and the United States and NATO for the development of positive social norms, as well as the economic development of the Republic of Serbia through a decades-long relationship marked by the ups and downs of cooperation if we take into account the relations of the former Yugoslavia, of which the Republic of Serbia is the legal successor. The paper aims to confirm the hypothesis that the economic, security, and social development of Serbia in the last 20 years is related to the rise of cooperation with the United States and NATO, as was the case with the former Yugoslavia after the break with the Soviet Union in 1948 and the signing of the agreement with the United States. Agreements, protocols, treaties, and other acts signed and implemented between Serbia on the one hand and the United States and NATO on the other, especially those that have elements of the Petersburg Declaration, have significantly contributed to the status of a trusted partner of Serbia when it comes to regional security and stability, which, along with its participation in peacekeeping missions, played a crucial role in being characterized completely differently after the wars of the 1990s compared to the end of the twentieth century. That is why it has made all the progress in the face of international sanctions. Characterized as a partner by NATO, the Republic of Serbia has become a leader in attracting foreign direct investments in the Western Balkans, especially those from NATO member states and the largest exporter of products and services in the field of IT industry to the backbone of NATO, the United States of America from this area. At the end of the paper, the authors, after confirming the given hypothesis, present a proposal of measures and actions that the Republic of Serbia should take in the future to bring to an end the Euro-Atlantic integration with adequate relations with NATO and the members of the alliance at the bilateral level, with a special emphasis on membership in the European Union, which is contained in the most important legislative and strategic documents as the highest state goal.

**Keywords:** NATO, Security, Cooperation, Western Balkans, Serbia.

**Field:** Social Sciences (Politics)

## 1. INTRODUCTION

NATO was created as a response of Western democracies to the growing threat of the spread of communism and repression by Soviet troops in the countries of Eastern Europe that came under Moscow's sphere of influence after the end of World War II. The Iron Curtain must have taken into account the distrust of Moscow created by its violation of the 1934 treaty with Poland, as well as the massacre of prominent highly educated Poles during its withdrawal from the east of that country. To this should be added the secret protocols on the partition of Poland, which were part of the agreements with Nazi Germany that were negotiated while at the same time negotiations were being held with Great Britain and France on the possibility of joint action against Germany (Watson, 2000). With these actions, the Kremlin has shown itself to be a party that does not respect the signed agreements on the one hand, but also as a party that has territorial claims to other states, which is in direct contradiction with the basic social and political principles of the countries that founded NATO.

After the Second World War, Yugoslavia was in a very difficult situation, devastated and devastated, with human and demographic losses of two million people, of which the number of dead and displaced was almost identical (Kočović, 1985). So devastated, with the new communist government replacing the royal family who had fled to London on the one hand, and the decisive help of the Red Army in liberating them from the Nazi occupiers on the other, as well as the division of Europe between the victorious powers and politically, it was very fragile. In such circumstances, official Moscow believed that Yugoslavia should fall under its sphere of influence and sent clear signals to the leadership in Belgrade. The refusal to place Yugoslavia under Moscow's control led to growing tensions, which were formally reflected in Moscow's accusations that Yugoslavia was pursuing an anti-Soviet policy and developing socialism in an unacceptable way (Krlježa, 1969). More recently, there have been interpretations that Moscow's pressure

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was in order to prevent Yugoslavia's secret plans to lead an alliance that would still consist of Macedonia and Greece independent of Moscow in the pre-composition of Europe, Yugoslavia with the help of Bulgaria (Perović, 2007). In addition to the requirements related to the industrial production of products intended for the Soviet Union, Moscow believed that it was necessary to install Soviet intelligence services in Yugoslav institutions, which would practically take over part of its sovereignty. The rejection of all the demands delivered by Moscow resulted in economic sanctions and the threat of military intervention through massive military exercises on the borders, primarily Serbian-Bulgarian and Serbian-Romanian, with political pressure on neighboring countries to sever diplomatic relations with Yugoslavia, as well as Albania, which altogether made up the years known as the Cominform period (Mihaljević, 2017). The Yugoslav situation was further aggravated by an unprecedented drought that caused a lack of basic necessities of life, which, in addition to the situation described above, threatened to bring the country that had just emerged from the war to its knees. In such a situation, Yugoslavia turned to the West and, through a series of bilateral talks and agreements, found an understanding of the situation and much-needed help from the United States. Such a sudden rapprochement of Yugoslavia with the West was an unprecedented phenomenon in Cold War-coloured Europe, which was reflected in the exclusive cooperation of a communist state with a country of opposite, Western ideological orientation, and this cooperation proved to be very profitable for Yugoslavia (Bogetić, 2018).

## **2. THE DEVELOPMENT OF THE YUGOSLAV ECONOMY AND SOCIETY THANKS TO THE POLICY OF COOPERATION WITH THE UNITED STATES**

Immediately after the cooling of relations between the USSR and Yugoslavia, and the introduction of an embargo by Moscow, the United States allowed greater exports of goods from Yugoslavia to its market in order to preserve the economy of Yugoslavia, which resulted in an increase of 100 percent for the period 1948-1949 alone, while exports increased as much as three times by 1955 (Tomanić, Rakonjac, Miletić, 2024).

Yugoslavia received the first large tranche of financial assistance as early as 1950 through a long-term loan of 50 million dollars, which was preceded by an agreement signed in Washington in 1948 by which Yugoslavia undertook to compensate American citizens and companies who suffered damage due to the nationalization of property, whereby the agreement even protected the rights of the American side to trademarks, i.e. logos and company names (Official Gazette of the Presidium of the National Assembly of the Federal Republic of Yugoslavia, 1948). In order to promote domestic production and sales, with the approval of the United States, Yugoslavia in 1951 abolished the forced purchase of grain and poultry and practically introduced the liberalization of a part of the market following the example of the West, allowing small producers to sell their food products, as well as those related to construction, directly in rural shops (Bekić, 1988).

The economic development of Yugoslavia began with the Second Five-Year Plan prepared in 1956, which envisaged that the money obtained from abroad through donations and loans would be used to increase the production of consumer goods, which would increase the utilization of economic capacities, which led to the growth of national income in the period 1957-1959 at an annual rate of 13.3 percent and an increase in industrial production by 2.4 times when comparing 1959 and 1952 (Dobrijević, 2016). The growth of the 1950-1960 standard is also reflected in the number of newly registered privately owned cars, which increased by as much as 7 times compared to the previous period (Hyder, 2011). The number of employees has continued to grow in parallel with the development of diplomatic relations with the United States. In 1948, Yugoslavia had 7,255,120 employees, in 1953 7,848,857, while in 1961 this figure exceeded 9 million (Rakicević, 1968).

This development of the situation was preceded by intensive diplomatic activity of Yugoslavia with the United States of America.

Along with sending financial and material aid to Yugoslavia, the United States also worked on the stability of the entire Balkan region. This is reflected primarily in their key role in the development of relations between Yugoslavia and Greece, especially after Greece and Turkey joined NATO in 1950 in the phase of consultative cooperation (Milikić, 2007). Thus, by practically creating stability in the region through the development of diplomatic relations, the United States directly influenced the defense of Greece, because by strengthening the Yugoslav Army with its donations as a reward for the aforementioned Yugoslav role, it effectively protected the Vardar corridor. In order to strengthen the Yugoslav Army, the United States concluded the Military Assistance Treaty, which was signed on November 14, 1951, which included Yugoslavia in the system of military assistance to Western European countries developed by the United States in late 1949 to strengthen the defense capabilities of its allies (Dimitrijević, 2000). This agreement

is considered a key milestone in relations between the two countries during this period. To this should be added the acceptance of Yugoslavia for the establishment by America of a special communication system on its territory that would immediately inform the United States in the event of a Soviet attack on Yugoslavia (Jakovina, 2003). Further diplomatic activity, under the initiative of the United States, resulted in the signing of the Ankara Treaty of Yugoslavia, Greece and Turkey on 28 March. February 1953, which was practically upgraded by military cooperation and became the Balkan Agreement in August 1954. Although there are controversial opinions as to whether or not this agreement represented Yugoslavia's entry into NATO without formal signing, some of the facts must not be ignored. First of all, all three sides believed that they could be threatened by the USSR. Turkey, first of all, as a state that has a long demarcation line with the USSR itself, Yugoslavia, which constantly suffers threats from Moscow and is afraid of an attack through one of the Soviet satellite states, and Greece, which counts on the help of Yugoslavia if the USSR attempts to invade it through Bulgaria (Vujačić, 2010). Thus, NATO member states sign a security pact with an independent state in a situation where all parties have one common enemy, which at that time was also the main enemy of NATO. NATO itself gets stability and protection of the shores of the Mediterranean from Turkey to Portugal, which is still the main motive of NATO in this region (Simić, 2010).

According to the above, the signed diplomatic agreements and the relaxation of relations thanks to the cooperation between Belgrade and Washington resulted in the supply of Yugoslavia with military equipment necessary to deter Soviet aggression, which includes 600 jet planes, 20,000 vehicles, 1,000 tanks and 1,000 artillery weapons on the one hand, but also the necessary food to dry the people in the years and significant credit funds to start the economy in the devastated country, which, according to statistical data, is the same as the necessary food to dry the people in the years and significant credit funds to start the economy in the devastated country, resulted in a significant increase in the number of jobs and an increase in living standards (Ranković, 2021). This is best seen by comparing the national income per capita, which in 1953 was 250 dollars, in 1962 it was 480 dollars, and in 1965 it was 570 dollars (Krlježa, 1969).

### **3. THE DEVELOPMENT OF THE SERBIAN ECONOMY IN THE CONTEXT OF RELATIONS WITH THE UNITED STATES AND NATO AFTER THE DEMOCRATIC CHANGES IN SERBIA IN 2000**

Serbia entered the democratic change of government in 2000 with an extremely high unemployment rate of as many as 769,000 people, which remained a trend for the next 14 years, i.e. until 2014, when that number slightly decreased to 741,000 (Štrbac, 2015). All this time, the new representatives of the government failed to consolidate finances and the economy or to position themselves diplomatically in relation to the United States. The rotten compromises in building a broad political coalition that included at least Euro-skeptic and generally anti-Western political parties came at a high price. Slowed reforms in the security sector had the murder of Prime Minister Djindjić as a direct consequence (Životić, Obradović, 2023). After that tragic event, poorly implemented privatization of former state-owned enterprises with no increase in the productivity of existing jobs, bad economic policy, and loss of old and non-conquest of new markets led to a significant decline in the number of employees (Arsić, 2014). These omissions led to alarming unemployment in April 2012 of as much as 26.1 percent and a very low average net salary of 41,664 dinars (FREN, 2020). In the same year, according to a 2018 report by the European Parliament, exports of goods and services from Serbia to the United States were below \$100 million (Demostat, 2018).

In such a situation with the current inflation, Serbia lacked a favourable economic and political climate to attract foreign investments, but also to conclude strategic agreements with the United States and NATO.

Meanwhile, exports of goods from Serbia to the United States in 2023 were \$556 million, or approximately 7 times higher than in 2012, with almost 100% coverage of imports. Compared to 2009, when it covered 49 percent of imports, exports to the European Union reached 86 percent in 2023 (EU in Serbia, 2024). When it comes to services, the largest growth is recorded in the export of IT services to the United States, which amounts to more than \$1.2 billion in 2022, with a tendency to grow for 2024 (Bukvić, 2023). It is important to note that today American companies in Serbia employ more than 30,000 people (Fonet, 2024). By comparing investments and donations in Serbia in 2000-2012 and 2012-2024, we can conclude that the first period was marked by larger donations, while the second period, with much lower donations, is characterized by significant investment progress, job creation and infrastructure investments, the most important of which is the so-called Morava Corridor.

We can conclude that the U.S. administration, in relation to Serbia, has switched from donations to capital investments, primarily due to the improvement of diplomatic relations, which is reflected in the

signing of the SOFA agreement.

By intensifying political dialogue with the United States and NATO, Serbia is sending a signal of a positive business and security environment. In addition to security implications, cooperation with NATO takes place in the field of NATO's Science for Peace and Security program, which also has its commercial application. During 2023, scientists from Serbia participated in a total of 14 projects under the auspices of the NATO Science for Peace and Security, while the scientists from North Macedonia are currently engaged in 6 projects (EWB, 2024). Cooperation with NATO has a positive impact on the standardization of cyberspace. As the scope of integration increases, the need to establish common criteria (CC) as a standard established through collaboration between multiple nations, CC provides a unified framework for assessing and comparing the security capabilities of IT solutions (CCLAB, 2024). In 2019, the second cycle of IPAP with NATO ended. This cooperation is essential because its effects are far broader than military issues but concern a more comprehensive approach. The Partnership's Individual Action Plan (IPAP) covers political and security issues, domestic politics and economics, defense and military affairs, public diplomacy, scientific cooperation, crisis and emergency management, and the protection of classified information. Thus, the scope of cooperation through IPAP includes areas such as regional cooperation, human rights, rule of law, counterterrorism, cyber defense, economic reforms, defense planning, defense policy, contribution to security through scientific cooperation. A very wide range of cooperation dealing with areas of importance for the daily lives of Serbian citizens. In the era of digitalization and increasing use of the Internet, as well as information systems such as the e-Government service, they require special attention and work on the protection and defense of these systems.

The Washington Agreement between Serbia and Kosovo, entitled "Economic Normalization between Serbia and Kosovo," states in point 9 that "Both sides will prohibit the use of 5G equipment coming from unreliable suppliers in their network infrastructure. Where such equipment already exists, both parties undertake to remove it in a timely manner and to take other necessary steps." The indirect implication of this agreement is the ban on China's 5G network, which is why Serbia remains an attractive destination for investments in the IT sector from the West.

Serbia signed a Strategic Partnership with the United States in the field of energy on September 18, 2024, which created the preconditions for improving energy security and green transition. The role of this agreement is based on energy diversification of supply sources, the establishment of reliable supply chains, and attracting foreign direct investment in the energy sector. Just a few weeks later, a U.S.-South Korean consortium signed a contract with Serbia for the construction of a 1GwT self-balancing solar power plant.

Serbia's cooperation with the U.S. and NATO is the so-called "U.S. Cooperation Agreement." The "NATO effect", which is described as a comprehensive trust in the business environment in relation to political, security, and economic risks. The increasing share of digital technologies and businesses in the cyber domain will require implementing cybersecurity measures.

#### 4. CONCLUSION

Over the past 100 years, Serbia has risen like a phoenix from the ashes several times. In the two most complex situations, both of these times, the U.S. and its partners have been instrumental in raising social standards and building society. The paper presented only some of the most important agreements between Serbia on the one hand and the USA and NATO on the other, which with their political implications contributed to the well-being of the citizens of Serbia in every sense, which justified the hypothesis from the beginning of the paper. It has been proven that the overall prosperity of the Republic of Serbia is directly correlated with positive cooperation and building partnership relations with the leader of the democratic world, the United States of America, and its partners. Following this, the author's recommendation is to further deepen relations between the Republic of Serbia and Western partners with the aim of full membership in the European Union and better partnership relations with NATO to preserve regional security and prevent crises from third parties but also to continue building a democratic society, which the citizens of Serbia have been striving for since liberation from Ottoman rule and its final independence. Furthermore, Serbia must strive for an overall strategic partnership with the USA, where the previously described form of partnership in the energy sector should be taken as a starting point and not an endpoint. The complete harmonization of the foreign and security policy with the European Union should be a parallel process in relation to the strengthening of relations with the USA and should be implemented as soon as possible so that the Republic of Serbia would fully identify with the group of the most technologically developed countries that are also the bearers of democracy and respect for human rights on Earth. In the end, these proposals are not an expression of the author's pressure on

decision-makers in the Republic of Serbia, but rather an appeal to respect the most important strategic documents adopted by the National Assembly and the Government of the Republic of Serbia, starting with the Constitution of the Republic of Serbia through a series of strategies and action plans.

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