



Study Group Information

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# **A Region in Limbo: South East Europe in the Light of Strained Western-Russian Relations**

**30<sup>th</sup> Workshop of the PfP Consortium Study Group  
Regional Stability in South East Europe**

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## Foreword

*Ernst M. Felberbauer and Predrag Jureković*

The 30<sup>th</sup> workshop of the Study Group Regional Stability in South East Europe was convened at the Château Rothschild, Reichenau, Austria from 23 to 25 April 2015. Under the overarching title of “A Region in Limbo: South East Europe in the Light of Strained Western-Russian Relations”<sup>30</sup> experts from the South East European region, the International Community and major stakeholder nations met under the umbrella of the PFP Consortium of Defence Academies and Security Studies Institutes and the Austrian Ministry of Defence and Sports, represented through its National Defence Academy and the Directorate General for Security Policy.

During the last two decades, the region of South East Europe has been on the daily agenda of Transatlantic, European and Austrian institutions with the goal of enhancing capabilities in the field of conflict management and peace support. Recent developments in the region have given rise to the main topic of the 30<sup>th</sup> workshop of the Study Group Regional Stability in South East Europe.

Russia’s military support for the separatist forces in the Eastern Ukraine has led to deep political and economic conflicts with the European Union and United States. Previous channels of cooperation between “the West” and Russia have been put into question or have been suspended. Beyond that, the EU has imposed economic sanctions against Russian officials, firms and military commandants that are suspected to be involved in the war. In the light of the damaged relations between the EU/US and Russia, due to the Ukraine crisis, *geopolitics* and *zones of interest* in Europe have again gained importance.

In South East Europe that is still passing through a complex and challenging process of post-war consolidation, interests of Western states and Russia clash. Although all the countries of the region are aiming to become members of the EU and most of them also of NATO, Russia’s influence is perceptible above all in the economic and political field. For some South

East European countries, Russia has become the most important supplier of oil and gas, which has led to economic dependencies. Alternative routes for supplying South East Europe with energy resources have yet to be built. In the field of security, NATO's enlargement towards South East Europe has been heavily criticised by the Russian government, which in particular has openly opposed a possible membership of Bosnia-Herzegovina and Serbia in the western military alliance. Russia, on the other hand, after her withdrawal from the peace support operations in the Balkans, has tried to renew her security influence in South East Europe through launching a security centre in Serbia.

While Russia has established a close relationship with both Serbia and high-ranking Serb politicians in Bosnia and Herzegovina, other countries in the region have consistently supported EU and US policies in the context of the ongoing Ukraine crisis. In the case of a further widening of this split, Western integration policies could be negatively affected in respect to their capacity as a tool for supporting regional consolidation. Cooperative relations between Russia and "the West" for sure would be beneficial for the regional consolidation processes in South East Europe. A continued geopolitical rivalry inside Europe, on the other hand, could influence the regional transition processes negatively. This applies above all to those countries in the region, which like Bosnia-Herzegovina and Kosovo are still the operational area for international stabilization missions.

The following key questions constituted the framework of discussion and debate during the workshop and thus also structure the contributions from the four panels in the following pages:

1. In which extent does the crisis of political and economic relations between "the West" (the European Union member countries and the United States) and Russia influence the various consolidation processes in South East Europe?
2. How big is the risk that this region (again) becomes a further geopolitical arena for a trial of strength between the former "East" – today Russia – and the "West" – today the EU and the US?
3. Which factors characterize the economic relations between the South East European countries and "the West" respectively Russia, in particular with regard to energy and investment projects as well trade?

4. Do striking dependencies exist in the economic field, and if there are some, how can they be explained?
5. How do the governments of the South East European countries perceive and react to the tensions between “the West” and Russia?
6. Are the South East European populations split regarding their sympathies for the Western respectively the Russian political model?
7. Do “the West” and Russia follows similar goals as far as the consolidation of South East Europe is concerned? If not, what are the main differences?
8. Is there any impact of this “big geopolitical crisis” on the stabilisation missions and operations in South East Europe?
9. To which extent does the renewed rivalry between “the West” and Russia adversely affect the integration of the Western Balkan countries into the EU and NATO?
10. Are Russian security initiatives directed to the region compatible with the integration of the Western Balkan countries into the EU and NATO?

Part I of this book addresses the return of geopolitics in Europe and its influence on peace consolidation. The economic impact of the geopolitical rivalry between Russia and the West is reflected by the authors of part II. In part III, various political and security implications for regional consolidation are analyzed from different country perspectives. The policy recommendations and findings of the expert group are summarized at the end of the publication in part IV.

The editors would like to express their thanks to all authors who contributed papers to this volume of the Study Group Information. They are pleased to present the valued readers the analyses and recommendations from the Reichenau meeting and would appreciate if this Study Group Information could contribute to generate positive ideas for supporting the still challenging processes of consolidating peace in South East Europe.

Special thanks go to Ms. Maja Grošinić, who supported this publication as facilitating editor and to Mr. Benedikt Hensellek for his stout support to the Study Group.





## **Abstract**

The publication to the 30<sup>th</sup> workshop of the PFP Consortium Study Group “Regional Stability in South East Europe” entitled “A Region in Limbo: South East Europe in the Light of Strained Western-Russian Relations” aims at presenting the findings of the workshop to a diverse readership.

South East Europe is confronted with opposing political models and geopolitical interests. The strategic relevance of the region is evident - therefore individual activities are highly divergent. This sensitive and complex situation between the European Union, Russia and the United States has gradually increased and has a considerable impact on the Western Balkans.

In the meantime, SEE political parties are torn between post-war dilemma, individual interests, traditional alliances and international politics. The region is under high political and economic pressure as well as internal tensions and has become a playing field for international stakeholders.

The workshop aimed at formulating an adequate strategy regarding the international and regional development of the region in order to counter the successively growing power vacuum and to accelerate the stabilisation of the region.

## **Zusammenfassung**

Die Publikation zum 30. Workshop der Studiengruppe “Regional Stability in South East Europe” des PFP Konsortiums welcher unter dem Titel “A Region in Limbo: South East Europe in the Light of Strained Western-Russian Relations” abgehalten wurde, soll eine vielfältige Leserschaft erreichen.

Südosteuropa sieht sich mit entgegengesetzten politischen Modellen sowie geopolitischen Interessen konfrontiert. Die strategische Relevanz der Region ist offensichtlich – demzufolge sind die individuellen Aktivitäten sehr divergent. Diese Sensibilität und Komplexität der Situation zwischen der Europäischen Union, Russland und den Vereinigten Staaten von Amerika steigen stetig und verursacht wesentliche Auswirkungen auf den Westbalkan.

Zugleich sind die südosteuropäischen politischen Parteien hin- und hergerissen zwischen Post-Kriegs Dilemma, individuellen Interessen, traditionellen Allianzen sowie internationaler Politik. Die Region steht unter hohem politischen und ökonomischen Druck, ist zugleich inneren Spannungen ausgesetzt, und zu einem Spielfeld internationaler Akteure geworden.

Ziel des Workshops war es, eine adäquate Strategie hinsichtlich internationaler und regionaler Entwicklung der Region zu formulieren, um ein sukzessiv wachsendes Machtvakuum zu vermeiden sowie um Stabilität in der Region zu forcieren.

## **PART I:**

# **THE RETURN OF GEOPOLITICS TO EUROPE: HISTORICAL AND RECENT FEATURES IN THE SOUTH EAST EUROPEAN CONTEXT**



# The Return of Geopolitics to Europe: A Serious Threat to Peace Consolidation?

*Dennis J.D. Sandole<sup>1</sup>*

## Introduction

The answer to the question, “Are Russian military actions in Crimea and eastern Ukraine a threat to regional and global peace?”, is an unequivocal “Yes!” In addition to the sovereignty and border preserving provisions of the Treaty of Westphalia of 1648 – the core foundation of the international system which has been in place for well over three hundred and fifty years – the norms, rules, and regulations of every international body of which Russia is a member (the UN, Council of Europe, OSCE) have been egregiously violated by Russia’s annexation of Crimea and its direct and indirect support of the rebels conducting military operations against the Kiev government.

Indeed, Mr Putin’s actions in his “near abroad” have even rendered the “Concept of the Foreign Policy of the Russian Federation” – approved by Mr. Putin himself on 12 February 2013 – a total sham! Consider, for example, that under Paragraph 32 on “Strengthening International Security”:

Russia consistently advocates reducing the role of force in international relations while enhancing strategic and regional stability. To these ends, the Russian Federation: will seek political and diplomatic solutions to regional conflicts through collective actions of the international community in [the] strong belief that modern conflicts cannot be resolved through the use of force and their settlement should be sought through inclusive dialogue and negotiations of all parties rather than through isolation of some of them...”<sup>2</sup>

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<sup>1</sup> The author gratefully acknowledges that Dr. Ingrid Sandole-Staroste kindly read and commented on an earlier version of this article.

<sup>2</sup> Ministry of Foreign Affairs of Russia, Concept of the Foreign Policy of the Russian Federation of February 2013, Provision 32[q]. <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>.

In this article, I will discuss the implications of Russia's actions for peace, security, and stability globally and in the Western Balkans.

## **The Implications of Russia's Actions in Ukraine**

Given Russia's pivotal position in the overall international scheme of things, including its role as primary architect and driver of Soviet policy during the Cold War, it was a foregone conclusion that Mr. Putin's Machiavellian machinations in Ukraine would have global ramifications, including increasing the risk of an East-West war.

### **Global Peace and Stability**

In contrast to Russia's clear, overt and – under international law – totally illegal annexation of Crimea, Mr. Putin's consistent denials of “official” Russian involvement in the “hybrid war” in Eastern Ukraine – although disingenuous – suggest that he does not really want the conflict to escalate to war. This is “rationality” to some extent. According to Mr. Putin's apparent calculus of decision-making, he knows that President Obama knows that the West can go only so far with its economic sanctions as, beyond a certain threshold, the West and the entire global financial system would suffer as well. Similarly, Mr. Putin knows that President Obama, Chancellor Merkel and other Western leaders are fully aware that any lethal military assistance sent to bolster Kiev's forces would be easily outmatched by Russia, leading to an arms race and perhaps an eventual war. So, basically, Mr. Putin holds all the cards.

The problem is that, despite Mr. Putin's superficial demonstration of rationality and – since the Minsk II agreement of 11 February 2015<sup>3</sup> – relative quiet on the eastern front, the possibility remains of an accident or miscalculation generating a series of unintended consequences causing the conflict to spin out of control. One possible escalation scenario could involve the accidental killing of any of the 300 U.S. Army paratroopers from the 173<sup>rd</sup> Airborne Brigade, deployed to Ukraine in April 2015, to train some 900 Ukrainian national guardsmen. Already denounced “as a first step to-

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3 See “Ukraine ceasefire: New Minsk agreement key points.” BBC News, 12 February 2015 <http://www.bbc.com/news/world-europe-31436513>.

ward deliveries to Ukraine of modern American weapons that the “war party” in Kiev is so eager to get,”<sup>4</sup> it is not difficult to imagine Russian countermeasures that could wind up inadvertently (or even intentionally) injuring or killing some of the Americans, perhaps resulting in activation of NATO’s Article V “all-for-one-and-one-for-all” collective security guarantee setting off an action-reaction escalatory dynamic impossible to control, much like the crisis of a century ago in which the monarchs, diplomats, and generals of Europe blundered into a catastrophic war that no one wanted!<sup>5</sup>

Many will comment that the current situation in Ukraine is a far cry from 1914, that we have “learned the lessons” of history, and the like. However, just how far from an all-out East-West war are we? Some forty years ago, during the Cold War, peace studies pioneer, biologist, and game theoretician Anatol Rapoport crafted a scenario demonstrating how two “fictional” superpowers went to war, despite the best of intentions to prevent the unthinkable from ever occurring: “The war occurred not because something went wrong but, on the contrary, because everything went according to pre-arranged plans, all of which were perfectly executed. Everyone knew exactly what he had to do in specified circumstances and did it.”<sup>6</sup>

This, in a nutshell, accounts for the outbreak of World War 1: alliance commitments, war planning, escalatory dynamics, the impact of increasing threat-based stress on the limbic emotional brain/neocortical rational brain relationship – and it all may be happening again, just like during the ill-fated summer of 1914!<sup>7</sup>

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<sup>4</sup> “Ukraine – Russia Criticizes U.S. Exercises,” Digest, The Washington Post, 18 April 2015, p. A6.

<sup>5</sup> See Barbara W. Tuchman, *The Guns of August* (New York: Ballantine Books [Random House], 1962); Ralph K. White, *Nobody Wanted War: Misperception in Vietnam and Other Wars* (Garden City, New York: Anchor Books [Doubleday & Co.], 1970); and Christopher Clark, *The Sleepwalkers: How Europe Went to War in 1914* (New York and London: HarperCollins, 2012).

<sup>6</sup> Anatol Rapoport, *Conflict in Man-Made Environment* (Harmondsworth, Middlesex [UK] and Baltimore [MD], 1974), p. 105.

<sup>7</sup> For a provocative discussion of the parallels between the summer of 1914 and now, see Dominic Lieven’s *Towards the Flame: Empire, War and the End of Tsarist Russia*. London: Allen Lane, 2015.

## The Western Balkans

Perhaps less well known, albeit not to members of our PfP Study Group, most of whom are from countries in the Western Balkans, is the impact of this East-West crisis on peace and stability in the very region that our group monitors, which is revealing of some of the details in the current (perhaps, unintentional) path to war. I am referring here to the deep historical, cultural, religious, and economic relationships between Russia and Serbia. In a complex global landscape where everything is interconnected and interdependent, what happens in Russia usually has implications for the Balkans, especially its most powerful actor, Serbia, and whatever happens in the Balkans, especially with regard to Serbia, has an impact on Russia.

### *Multiplier-Effect Spillover of Violent Conflict from Former Yugoslavia to Former Soviet Union*

An obvious example is the reciprocal conflict contagion and spillover in both directions, beginning with the genocidal implosion of former Yugoslavia during the early 1990s. At the time, I had written:<sup>8</sup>

„Multiplier-effect systemic contagion concerns a... form of spill over... and the spread of violent conflict..., whereby ethnic and other conflicts in some parts of the world exacerbate or stimulate the development of similar conflicts elsewhere. In this regard, David Gompert, a former U.S. National Security Council (NSC) official, has warned that „the crisis, in Bosnia especially, [has set] the worst possible precedents for the [post-Cold War] era.”<sup>9</sup> Indeed, the wars in former Yugoslavia may be a wave of the future: a model for ethnic and other wars in – and... between – Russia and the republics of the former Soviet Union.

A link between ethnic conflicts in former Yugoslavia and in the former Soviet Union ha[d] been noticed for some time. In March 1988, for instance, some three months prior to the collapse of former Yugoslavia, [Washington Post journalist Jackson] Diehl reported:

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<sup>8</sup> Dennis J.D. Sandole, *Capturing the Complexity of Conflict: Dealing with Violent Ethnic Conflicts of the Post-Cold War Era* London and New York: Pinter/Continuum [Routledge], pp. 148-150.

<sup>9</sup> David Gompert, “How to Defeat Serbia.” *Foreign Affairs*, vol. 73, no. 4, 1994, p. 42, pp. 30-47.



„Soviet leader Mikhail Gorbachev... is due to spend four days travelling through Yugoslavia next week... as he flies from Moscow to Belgrade... [he] will leave behind bitter ethnic conflicts in Soviet Central Asia and rising nationalism in the western Baltic republics. In Yugoslavia, meanwhile, he will encounter nationalist problems that are remarkably similar in their dynamics and origins.”<sup>10</sup>

In October 1991, some four months after the Yugoslavian wars began, when the Croatian city of Vukovar was under siege, Washington Post reporter Michael Dobbs commented:

„A recent confidential memorandum prepared by the KGB security police and leaked to the Soviet press warned that... the Soviet Union is going down the same path as Yugoslavia, repeating almost step by step events that happened there a year to 18 months ago.”<sup>11</sup>

“Early warnings” of violent conflict spilling over from an imploding Yugoslavia to Soviet successor states, included dismal forecasts from Soviet political leaders, such as former prime minister Nikolai Ryzkhov during a visit to Vukovar, which was totally levelled during a three month siege in 1991, giving rise to the characterization of the city as the “Hiroshima of Yugoslavia”. Ryzkhov:

was startled by the physical devastation and ethnic hatred left behind by the war. But what disturbed him most were the parallels between Yugoslavia’s descent into violence and the political crisis in Russia. „If Russian leaders are unable to find a solution to our political and economic problems, the result could be something 100 times worse than what has happened in Yugoslavia. I do not exclude the possibility of Vukovar happening many times over in Russia.”<sup>12</sup>

Eminent scholars such as Ted Robert Gurr, architect of the Minorities at Risk project, agreed, commenting that “The immediate potential for escalating ethno political conflict [was] greatest in the Soviet successor states.”<sup>13</sup>

Given the convergence of journalists, political leaders, and academics on the same prediction, all that was necessary was for the hypothesis to be

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<sup>10</sup> Jackson Diehl, “Yugoslavia is Lesson in Ethnic Conflicts for Gorbachev.” The Washington Post, 13 March 1988, pp. A29, A34.

<sup>11</sup> Michael Dobbs, “Ethnic Strife Splintering Core of Russian Republic.” The Washington Post, 29 October 1991, pp. A1, A19.

<sup>12</sup> Michael Dobbs, “Yugoslavia’s Inferno is Russia’s Nightmare.” The Washington Post, 5 September 1993, p. A40.

<sup>13</sup> Ted Robert Gurr, *Minorities at Risk: A Global View of Ethnopolitical Conflicts* (Washington, DC: U.S. Institute of Peace Press), p. 322.

tested, and an opportunity for that came with the first Russian war in Chechnya, the “self-proclaimed republic ... landlocked in the Caucasus Mountains” which declared its independence in November 1991:

“Chechenia [Chechnya] is a headache for Russian President Boris Yeltsin that will not go away. Attempting to keep it inside the Russian Federation promises nothing but trouble. Nevertheless, letting it go altogether could encourage dozens of other regions populated by restive nationalities to follow suit by breaking with Moscow. In addition, Yeltsin has made it clear he will not tolerate Russia’s unravelling.”<sup>14</sup>

In a bid to save the Russian Federation and his presidency, Yeltsin went to war against Chechnya on 11 December 1994, continuing Moscow’s murderous assault until 31 August 1996, with the number of dead estimated to range from 30,000 to 80,000.<sup>15</sup> It certainly cannot be proven, but President Yeltsin may have gone to war against Chechnya in 1994 because he perceived that Serbia’s Slobodan Milošević had unleashed the forces of ethnic cleansing in Croatia and, especially, Bosnia-Herzegovina, without much of a whimper from the international community. Indeed, it was only after Serbian General Ratko Mladić’s murderous assault on Srebrenica, in Bosnia, during a six-day period in mid-July 1995 – one year after the Rwanda genocide – that things began to change. Srebrenica was the UN’s first “protected, safe” area and it was full of Muslim refugees seeking safety. The murder of some 8,000 of them – boys and men – shamed the UN and especially the U.S. and NATO into taking appropriate action, finally ending the egregious slaughter.<sup>16</sup>

Yeltsin may have concluded that if Milošević’s forces could commit, with impunity, genocidal actions in a part of Europe that was only 45 minutes flying time from Vienna, why couldn’t Yeltsin – much more removed from immediate media attention – also get away with murder? And he clearly did: None other than U.S. President Bill Clinton justified his Russian coun-

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<sup>14</sup> Lee Hockstader, “Yeltsin Swats at a Haiti in His Own Back Yard.” *The Washington Post*, 12 August 1994, p. A33.

<sup>15</sup> Lee Hockstader, “Moscow Weighs Costs of War in Chechnya: Toll in Lives, Army’s Prestige and Pride Balanced by Continued Role in World Affairs.” *The Washington Post*, 3 January 1997, pp. A27, A28.

<sup>16</sup> See David Rohde, *Endgame: The Betrayal and Fall of Srebrenica, Europe’s Worst Massacre Since World War II*. New York: Farrar, Straus & Giroux, 1997. (Published by Penguin in paperback in 2012).

terpart's operation in Chechnya to "save" the Russian Federation by comparing it with what the 16<sup>th</sup> president of the United States, Abraham Lincoln, did to save the Union during the American Civil War!<sup>17</sup>

### **Spill over of Violent Conflict from Russia to the Western Balkans**

The question now is whether the contagious spill over of violent conflict from former Yugoslavia to Russia will enjoy a return journey from Russia back to some of the Yugoslav successor states, particularly Serbia, which, again, enjoys intimate historical, cultural, religious, and economic relationships with Russia.

Through Russia's ubiquitous, multi-level presence in Serbia's public (e.g., military), private (e.g., Russian majority ownership of Serbia's largest oil and gas company), and civil society sectors as well as in Serbian Diaspora communities in Bosnia-Herzegovina and elsewhere in the Western Balkans – manifested in particular by a phenomenon known as "Putin's Orchestra" – Russia has increasingly assumed the status of a "Trojan Horse." Russia's primary objective in the region has been to undermine efforts by the European Union, Serbian Prime Minister Aleksandar Vučić and others to integrate the successor states of former Yugoslavia within Euro-Atlantic structures – a mission that has become more pronounced since the beginning of the Ukraine crisis.<sup>18</sup>

Thus far, Mr. Putin has succeeded to an impressive degree. Various opinion surveys, including those conducted by the Office for EU Integration, demonstrate that Serbs have a negative view of NATO (82 percent) – itself not particularly surprising given NATO's 78-day bombing campaign against Serbia during the Kosovo crisis of 24 March – 10 June 1999 – a favourable image of Russia (more than 50 percent), which has steadfastly supported Serbia's position on Kosovo and other issues; and a negative view of the EU (43

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<sup>17</sup> See Dimitri K. Simes, "Losing Russia: The Costs of Renewed Confrontation." *Foreign Affairs*, vol. 86, no.6, November/December 2007, p. 39 (pp. 36-52).

<sup>18</sup> See Jelena Milić, "The Russification of Serbia." *New Eastern Europe*, 16 October 2014 <http://www.neweasterneurope.eu/interviews/1360-the-russification-of-serbia>.

percent), with less than 50 percent (46 percent) supporting Serbia's entry into the EU – a drop of five percent from December 2013 to August 2014.<sup>19</sup>

A nearly invisible part of this process – the “Putinization of the Western Balkans” – is that Serb “volunteers” have gone to Crimea and eastern Ukraine to support their Russian “brothers,” while Croatians have gone to eastern Ukraine to support the Kiev government.<sup>20</sup> (To complete the picture, Kosovo Albanian Muslims have gone to Syria and Iraq to fight with the Islamic State.<sup>21</sup> Apparently, the Balkan region has become a rich source of foreign fighters for “ethnic kin” involved in conflicts around the world).

When these foreign fighters return to their home countries, it is certainly conceivable that, against the background of the ethnic bloodletting between Serbs, Croats, Bosnia's, and Albanians during the violent implosion of former Yugoslavia during the 1990s, there could be a renewal of violent conflicts between these groups. Given the virulently anti-Western orientation of many Serbs and Balkan Muslims, there could also be attacks on soft targets in Western Europe and the U.S.

Interestingly, the impact of Russia's role as “Trojan Horse” in Serbia, Bosnia-Herzegovina and elsewhere in the Western Balkans, is likely to transcend that tumultuous region. Given that Serbia currently holds the chairmanship of the world's most comprehensive security entity, the Organization for Security and Cooperation in Europe (OSCE), that impact could embrace the area between Vancouver and Vladisvostok. The primary reason is that Serbia's foreign minister, Ivica Dačić – the embodiment of the current OSCE Chairmanship-in-Office – is not only a member of “Putin's Orchestra,” but has „grotesquely” compared the annexation of Crimea to the Kosovo issue. More worrying:

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<sup>19</sup> See, for instance, Jelena Milić, “The Russification of Serbia,” *op cit*.

<sup>20</sup> See “Croatian Volunteers Fighting Alongside Ukrainian Army; Serb Counterparts Helping Pro-Russian Rebels,” *The Japan Times*, 12 February 2015, <http://www.japantimes.co.jp/news/2015/02/12/world/croatian-volunteers-fighting-alongside-ukrainian-army-serb-counterparts-helping-pro-russian-rebels/#.VTVSfj9GcwM>.

<sup>21</sup> “Report Finds Alarming Outflow of Kosovars to Islamic State.” *Radio Free Europe/Radio Liberty*, 21 April 2015, <http://www.rferl.org/content/islamic-state-kosovars-fighting-syria-iraq/26957463.html>.

„[...] two former Serbian ministers of foreign affairs, both members of „Putin’s orchestra,” Ivan Mrkić and Vuk Jeremić, will be in charge of [implementing Serbia’s chairmanship duties]. Russia’s priority is to put the Transnistria issue high on the agenda and to remove the Ukrainian crisis from it.”<sup>22</sup>

## **Preventing the Worst Case**

What can the international community – including our PFP Study Group – possibly do to mitigate the trends toward realization of the dismal states of affairs outlined in this overall discussion?

Desperate situations call for bold actions: It is really time to think and act outside the conventional diplomatic and military “boxes” to stop Russian aggression in Ukraine before it escalates further. Rather than engaging in the more viscerally satisfying, but likely counterproductive response of supplying the Kiev government with lethal military assistance to “even out the battlefield,” as some in the U.S. Congress and others have argued,<sup>23</sup> President Obama could have joined Chancellor Merkel in Moscow in a wreath-laying ceremony on 10 May 2015 – one day after the Victory Day parade commemorating Nazi Germany’s surrender to the Soviet Union in 1945.<sup>24</sup> In addition to undermining President Putin’s master narrative of the U.S. and EU being among the “fascists” who are now enemies of Russia, Mr. Obama and Dr. Merkel could have begun to build upon Russia’s and Ukraine’s membership in the OSCE, Council of Europe, and NATO’s Euro-Atlantic Partnership Council and Partnership for Peace – of which our Study Group is an integral part – by inviting Russia (and Ukraine) to join both NATO and the EU. Although the 10<sup>th</sup> May option has passed, such an offer could still be made. In addition, there is a precedent: Russia was invited to join the Council of Europe in 1996 when it was also “misbehaving” – during its first war in Chechnya.

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<sup>22</sup> See Jelena Milić, “The Russification of Serbia,” *op cit*.

<sup>23</sup> See Ivo Daalder, Michele Flournoy, John Herbst, Jan Lodal, Steven Pifer, James Stavridis, Strobe Talbott, and Charles Wald, “Preserving Ukraine’s Independence, Resisting Russian Aggression: What the United States and NATO Must Do.” (Washington, DC: The Atlantic Council), 2015.

<sup>24</sup> “Western leaders shun Moscow Victory Day celebrations,” *Financial Times*, 9/10, May 2015, p. 4; and “Merkel lays VE day wreath in Moscow,” *Financial Times*, 11 May 2015, p. 1.

The attractiveness of this admittedly audacious proposal is that Mr. Putin – the inveterate opportunist – would have to accept it! How could he otherwise explain to his supporters his rejection of an offer that would exponentially enhance Russia’s security, not merely by the total elimination of the threat posed by Western and Ukrainian “fascists” but by eliminating the threat posed by NATO’s Article 5 “all-for-one-and-one-for-all” collective defence guarantee? Further, how could he justify rejecting a plan that would enhance Russians’ living standards, not only by the elimination of economic and financial sanctions, but by embedding Russia within the world’s premier common economic space?

Regarding the NATO option, I recently wrote:<sup>25</sup>

“A potential solution to the Ukraine crisis, therefore, is that NATO members should negotiate with Mr. Putin a Euro-Atlantic security structure that includes Russia. This is not far-fetched: In December 1991, then Russian President Boris Yeltsin said that Russia’s membership in NATO was “a long-term political aim”, which was very compatible with Soviet President Mikhail Gorbachev’s concept of a “Common European Home”<sup>26</sup> and U.S. President George H. W. Bush’s vision of a new world order with a “Europe whole and free”. Later, even Russian President Vladimir Putin saw no reason why Russia should not be in NATO.<sup>27</sup> The implication is, if Russia were inside the house – even as framed nearly twenty-five years ago by Richard Ullman as the new European Security Organization<sup>28</sup> – Russia would have a stake in preserving it, and not what it is doing at present: destabilizing it.”

The alternative is sobering: To stay in power under current geopolitical conditions, Mr. Putin would have to wage perpetual “hybrid” warfare with Ukraine and the West, thereby increasing the chances for a replay of the catastrophic blunder committed by Europe’s monarchs, statesmen and generals one hundred and one years ago.

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<sup>25</sup> See Dennis J.D. Sandole, “Bringing Russia and China in from the Cold: Lessons from the Great War.” S-CAR News (School for Conflict Analysis and Resolution, George Mason University), vol. 9, no. 1, February 2015.

<sup>26</sup> See Mikhail Gorbachev. *New Thinking for Our Country and the World*. (New York and London: Harper & Row), 1987.

<sup>27</sup> Stephen Mulvey, “Putin’s Foreign Policy Riddle,” BBC News, 28 March 2000 <http://news.bbc.co.uk/2/hi/europe/693526.stm>.

<sup>28</sup> Richard H. Ullman. *Securing Europe*. [A Twentieth Century Fund Book.] (Princeton: Princeton University Press), 1991, Chapter 4.

This is neither appeasement nor a reward for Mr. Putin's palpable aggression, but a pragmatic end to an important European nation's isolation from European civilization, finally allowing Russia to come into a common Euro-Atlantic "home", thereby definitively ending the Cold War. As former Secretary of State James Baker argued eloquently in 1993, "It would be truly tragic to tear down the concrete wall that divided Europe only to replace it with a "security" wall through [Russia's] exclusion from NATO."<sup>29</sup>

## Conclusion

Neuroscience is awash with empirical evidence in support of one of the core propositions of the multidisciplinary field of conflict analysis and resolution: Exclusion from important political, social, economic, and other structures and organizations that privilege others at one's expense, generates measurable feelings of rejection, humiliation, and shame, and, in the process, achieves the status of primary cause of violent conflict.<sup>30</sup>

Much of Vladimir Putin's behaviour of late, including in Ukraine and the Balkans, appears to be the result of his isolation from the mainstream international community, his experience of being disrespected by the U.S. and others, and his anger and outrage due, in large part, to the threat posed by NATO's expansion of its military presence up to Russia's borders. He is clearly behaving badly, recklessly and, therefore, dangerously – indeed, some of his senior military and intelligence officials have even expressed their intent to use nuclear weapons against NATO<sup>31</sup> – yet responses by the international community are merely exacerbating Putin's toxic predisposi-

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<sup>29</sup> James A. Baker III, "Expanding to the East: A New NATO Alliance, Los Angeles Times, 5 December 1993, Section M, p. 2. Also see James A. Baker III, "Russia in NATO? The Washington Quarterly, vol. 25, no. 1, Winter 2002, pp. 95-103.

<sup>30</sup> See Mari Fitzduff, Mari. "An Introduction to Neuroscience for the Peacebuilder," 2014; [http://api.ning.com/files/fl5zqutucodyBO1f19ne44mB8-ACXeu-eKN-kAQu0dYseACEohwBHnL5p5VxTfgIXWcWGfGcKrk4Puvz96A1wmab\\*xZotsr/AnIntroductiontoNeuroscienceforthePeacebuilderPCDN.pdf](http://api.ning.com/files/fl5zqutucodyBO1f19ne44mB8-ACXeu-eKN-kAQu0dYseACEohwBHnL5p5VxTfgIXWcWGfGcKrk4Puvz96A1wmab*xZotsr/AnIntroductiontoNeuroscienceforthePeacebuilderPCDN.pdf) And David Taffel. Neuroscience and Social Conflict: Identifying New Approaches for the 21st Century, Saxelab and The Project on Justice in Times of Transition, Massachusetts Institute of Technology, Cambridge (MA), February 2012.

<sup>31</sup> See "Western leaders shun Moscow Victory Day celebrations," Financial Times, 9/10 May 2015, p. 4.

tions instead of containing and mitigating them. As I wrote recently in the *Financial Times*:

Russia is too important to global governance and problem-solving – terrorism, climate change, North Korea, Iran, Syria – to be allowed by Mr. Putin’s Machiavellian machinations to slip into the abyss. Since threats of further Western sanctions and of lethal military aid to Kiev have not been successful, the time is ripe for acting outside the box.<sup>32</sup>

In expressing his rejection of the U.S. invasion of Iraq in March 2003, based in part on his prescient anticipation of a rise in terrorism, former (4-star) U.S. Marine Corps General Anthony Zinni – former commander of U.S. Central Command and former envoy to the Middle East for President George W. Bush – remarked, “We need to quit making enemies we don’t need to make enemies out of. And we need to fix those relationships.”<sup>33</sup>

This article has been an exercise in demonstrating how that onerous task with regard to Russia can at least begin!

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<sup>32</sup> Dennis J.D. Sandole, “Insights Obama can use to undermine Putin’s narrative,” *Financial Times*, 18 April 2015, p. 6; <http://www.ft.com/intl/cms/s/0/cf9e1356-e2c3-11e4-bf4b-00144feab7de.html#axzz3aPuq45sl>.

<sup>33</sup> See “Comments of General Anthony Zinni (ret.) during a speech before the Florida Economic Club”, 23 August 2002. National Public Radio, 17 May 2015 <http://www.npr.org/programs/morning/zinni.html>.



## Western and Russian Influences in South East Europe from a Historical View

*Plamen Pantev*

Let me remind you that the 1990s and the pre-accession period for membership in NATO and the EU covered in a most detailed way the historical factors and antecedents of the great power relationships in South East Europe. The purpose of this paper is not to revise those extensive studies. On the contrary, after re-reading some of them I confirm their conclusions.<sup>1</sup>

I wish to start with a preliminary note. Yes, history does matter, and historical factors in predicting future processes and events do matter, but in a limited and instrumental way. Limited – because historical knowledge leads mostly to extrapolating the future and not predicting it in a systemic and comprehensive way. Instrumental – because in the policy of the global centres' of power historical events, processes, traditions are usually selected opportunistically to serve the actual political projects of the respective powers.

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<sup>1</sup> Кръстьо Манчев, *История на балканските народи XIV – XX век*, Изд. Парадигма, София, 2001; Кръстьо Манчев, *История на балканските народи (1918 – 1945)*, Изд. Парадигма, София, 2000; Plamen Pantev, *Coping with Conflicts in the Central and Southern Balkans*, St Kliment Ohridsky University Press, Sofia, 1995; Plamen Pantev, “Legitimizing Subregionalism: Evolving Perceptions, Initiatives, and Approaches to Subregional Relations in South-Eastern Europe”, in Renata Dwan (Ed.), *Building Security in Europe’s New Borderlands*, EastWest Institute, M. E. Sharpe, Armonk, New York, London, England, 1999; Misha Glenny, *The Balkans. Nationalism, War and the Great Powers, 1804-1999*, Viking, New York, 2000; Wim van Meurs (ed.), *Beyond EU-Enlargement, Volume 2: The Agenda of Stabilisation for Southeastern Europe*, Bertelsmann Foundation Publishers, Gütersloh, 2001; Andrew J. Pierre, “De-Balkanizing the Balkans: Security and Stability in Southeastern Europe”, United States Institute for Peace Special Report, September 1999. Benn Stein and Susan Woodward, “A European ‘New Deal’ for the Balkans”, *Foreign Affairs*, Vol. 78, November/December 1999; Chris Patten, “A European vision for the Balkans”, *NATO Review*, Summer/Autumn 2000; Ivo H. Daalder and Michael B. G. Froman, “Dayton’s Incomplete Peace”, *Foreign Affairs*, Vol. 78, November/December 1999; Tom Gallagher, *The Balkans in the New Millennium: In the shadow of war and peace*, Routledge, Taylor & Francis Group, 2005, 232 pp., etc.

A second preliminary note about the role of historical factors is linked to the present South East European economic, social and political situation and the specific state of the clash of strategic interests of the West and Russia in the region. The region of South East Europe has changed dramatically after 1990 in the direction of progress and stabilization, especially in the period after the end of the post-Yugoslav wars. However, slow economic development, financial crisis in Greece, high level of unemployment and political corruption, compounded by the disintegration tendencies in the EU and the policies of individual member-states provided the fruitful ground to the Russian Federation to exploit the regional deficiencies and tensions in favour of Moscow's policy and interests. The priority one among them has been shifting the region of South East Europe away from the EU and the transatlantic community. This opportunistic foreign and security policy style was vividly demonstrated in Crimea<sup>2</sup> and there is no serious argument why it should not be applied elsewhere. The good news in the bad is the Russian strategic interests and will to defend them in South East Europe are as strong as in the Ukraine. The EU is already for eight years a Black Sea Union and NATO and the US have military strongholds on the peninsula, including in Romania, Bulgaria and Kosovo. However, this does not change decisively the nature and contents of the Russian ambitions to improve its relative power positions through reducing the power of its enemies or competitors.

Russia has been a major military, political and economic actor in the developments of South East Europe in the last three centuries. In the beginning of the 21<sup>st</sup> century it was forced to cancel its military presence on the peninsula, replacing it with energy, intelligence and media activism of huge proportions. What about the West? Western democracy, as underdeveloped as it has been during the 19<sup>th</sup> century, has been in fact the political model of the oppressed and fighting for independence people of South East Europe, not the Russian autocratic and despotic one. The political and state-building dreams of the freedom fighters in South East Europe have always been pro-European, not pro-Russian ones.

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<sup>2</sup> See for example Evgeniy Primakov, who said: "An opportunity appeared, and Russia used it", in: Яна Израэлян, Е.Примаков: Появилась возможность, и Россия воспользовалась ею, Россия сегодня/Россия днес, 31 октября – 6 ноября 2014, с. 14.

Russia was the state whose successful wars against the Ottomans accelerated the achievement of different forms of independence of the oppressed people in the Balkans. This, however, was never perceived as a reason to recognize a Russian domination over the local countries forever. The Russian empire was not satisfied with just the gratitude of local peoples and always required to have a say in the internal affairs of the Balkan states. The Berlin Treaty of 1879, whose provisions programmed future conflicts, has been traditionally blamed on the West. However, Russia's territorial achievements, exchanges and presents at the expense of a liberated people, also contributed to the future break-up of wars in the region.

The situation was not essentially different after the Second World War. The winners of that war distributed their spheres of influence in Central, Eastern and South East Europe, which led to the adoption of the respective political regimes as the dominating powers decided. In most of the South East European states this has been a national variation of the model of Stalin's socialism well known for its totalitarian, despotic, autocratic practice and cruelty. The big illusion of the period till the dissolution of the Soviet Union has been that Moscow was realizing a project of building a communist society – the “most socially fair society” in history, while in practice it has been stabilizing and enlarging the Russian empire.

Despite the Soviet ideology and its imperial practice, the people of South East Europe preserved the dream of remaining part of the European culture and spirit. That is why in countries like Bulgaria and Romania on the next day after toppling down the totalitarian regimes the majority of the political parties and society applied for membership in the European Community and later – in NATO. By the way, in Bulgaria this was not carried out with an anti-Russian motivation.

The West was the successful one after the Cold War in South East Europe, Russia was the loser. For the first time in history the attraction of the West for South East Europeans had the chance to be met and supported by the West itself. The balance of power was favourable: the big powers of Western Europe and the United States were interested in the end of the 20<sup>th</sup> century of a peaceful and united region of South East Europe, while Russia was weak, focused on its domestic crises and in no capacity to change the historical course of Balkan integration to the West.

The prolonged economic, social and political crisis in the West after 2007 signalled to a resurgent Russia the opportunity to step in the region actively again. The strange shift of US strategic focus to the Asia-Pacific without leaving reduced, but adequate forces in Europe further stimulated Russian assertiveness and aggressiveness – first in Georgia and later in Ukraine.

Even worse and more dangerous political and social psychological phenomena stemmed out of all these developments in Eastern, Central and South East Europe:

First, the threat perception from Russia that they could be the logical next victims of a gathering momentum Russian appetite for more territories.<sup>3</sup> Another, probably not well understood in Russia threat perception is placing Moscow's chauvinistic interpretations of its national interests higher than the great country's global responsibilities to peace and the future of planet Earth. Next, there is a growing understanding and threat perception that an "isolated Russia" would be dangerous for the world.

Second, the threat perception from the West that there is already a Western agreement and readiness to bargain Russia's aggressiveness for Moscow's „imperial right" to shape the destinies of the societies and states of these regions. This is a growing problem ever since the first administration of the present US President deprioritized Europe in favour of its wishful thinking about the relations with Russia and creating a new strategic pivot in the Asia-Pacific region. Bluntly stated – the threat perception is of a „second Crimea", this time in our region.

What theoretic explanatory potential can be derived about the ongoing events and processes from the competing Western and Russian influences in South East Europe throughout the latter is history?

First, South East Europe has been in the last three centuries a focal zone of great powers' competition. The geopolitical, geoeconomic, geostrategic and cultural result has been instability, recurring conflicts and domestic national separations into a pro-Western and pro-Russian sentiment. South East Europe perfectly fits Saul Bernard Cohen's categorization of "shatterbelts" or "fractious belts of unstable polities", meaning strategically oriented regions that are both deeply divided internally and caught up in the competition between Great Powers of the geostrategic realms.<sup>4</sup>

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<sup>3</sup> See also: Russia's Plans for Arctic Supremacy, Analysis, at: Stratfor, <http://www.stratfor.com/analysis>, January 16, 2015, 10:30 GMT.

<sup>4</sup> Saul Bernard Cohen, *Geopolitics: The Geography of International Relations*, 2nd ed., New York: Rowman & Littlefield Publishers, 2009, pp. 33-44.

Usually in history such “shatterbelts” or zones of instability are programmed by the great powers to serve as buffers between distinct regions dominated clearly by the West or by Russia. Two US scholars, Sander and Baig write that

“in order for polities along the convergence zone to escape history, so to speak, they must endeavour to increase cooperation and development more through increased partnerships at the subregional level – to mend their common region through locally sustained interdependencies”.<sup>5</sup>

These subregional developments would be the second best anti-dot – after integration in the EU – to any destructive outside great power interference.

While inducing geopolitical dependencies and separations in South East Europe by the Western powers and Russia has been the norm of the international game till the end of the Cold War, this has been dramatically changed with the demise of the Soviet Union and the decade of crisis in the post-Soviet area and the new sovereign states. In this new situation the peoples and states of South East Europe were free to choose geopolitical affiliations and improve subregional cooperation in an effort to re-define the destiny of the Balkans. The West was supportive of this effort while Russia tried to utilize to the best the post-Yugoslav conflicts to preserve an instability, in which Moscow’s stance would be decisive in managing the region’s developments. The prolonged conflicts generated by the post-Yugoslav destructive actors served Russia’s diminished for the time-being ambitions in a geopolitical area that has depended for long by Moscow. Today’s interim-result of the Russian policy is especially well seen in Serbia, in Bosnia’s Republika Srpska and in Montenegro<sup>6</sup>, but also elsewhere in the region.

Second, the integration process of South East Europe in the EU encounters risks of being compromised due to the increased Russian aggressiveness. There are three mutually reinforcing readings of this aggressiveness: a. Russia returns to its imperial glory; b. Russia needs this policy for stabilizing domestically the present regime in power and, c. Russia fights to take a

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<sup>5</sup> Aaron G. Sander, Tasawar Baig, PhD, *Deconstructing Global Faultlines*, in: *Air and Space Power Journal – Africa and Francophonie*, Vol. 5, No. 4, 4th Quarter 2014, p. 36.

<sup>6</sup> See: Luke Coffey, *US Must Counter Russian Influence in Balkans – Analysis*, December 11, 2014, The Heritage Foundation.

more favourable position in the structure of the evolving international relations system, utilizing to the best its most effective, hard power instrument – the military one and its threatening effect on people alongside with the hydrocarbon energy tool.

All three readings matter and explain the so called “dilemma of integration”.<sup>7</sup> Rather modestly integration theory focuses on the fact that integration is also a geopolitical phenomenon. While NATO as an intergovernmental military-political organization does have a potential formidable power, neither its situational strategic posture near the Russian borders, nor its intentions are aggressive and anti-Russian. The declarations by Russia that NATO is perceived military threats are exaggerated, essentially a propaganda and an appropriate motivation of keeping domestically a repressive regime.

The geopolitical enlargement of the EU is a different issue. The slow, but developing deepening of the European integration has been truly perceived as an existential threat to an undemocratic and repressive Russian state. Why so?

The survival of the Russian Federation in a globalized world requires an economic, technological and international political capacity for adaptation to the challenges of globalization. In all three areas deficiencies prevail. The needed international political capacity was conceived as the Eurasian Economic Union – the competitor of the EU integration community. The major problem of the Eurasian Economic Union today is it is still a paper-project.

Another one is that Russia is not an especially attractive integration nucleus to other countries and societies. Russia’s game is to limit as much as possible the EU integration successes and achievements, especially in a period of objective weakness of the Union during the economic, financial, social and political crises of the last 8 years. South East European candidates, negotiating for membership in the EU have been individually and in a specific way targeted by the Russian policy with its rich toolbox of diplomatic,

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<sup>7</sup> See on this: Samuel Charap and Mikhail Troitskiy, Russia, the West and the Integration Dilemma, in: *Survival*, vol. 55, no. 6, December 2013 – January 2014, pp. 49-62.

propaganda, energy, intelligence and other instruments. Weak actors of the Union have also been approached in an effort to dilute the cohesiveness of the EU. Russia badly needs “negative examples” among the new EU members, including in South East Europe, scoring in this way a comparative advantage in its ambition to create a Russia-based integration community. The result, however, is lost international reputation, lost Ukraine and strongly shaken popular respect for Russia in South East European countries and elsewhere.

So, in conclusion, the actual contest of Western and Russian influences in South East Europe has also other names: contest of integrating the region of South East Europe in the European mainstream or disintegrating it again in small and opposing each other countries, linked strategically to similarly opposing in a Cold War manner West and Russia. The contest is also between economic, technological, infrastructure, social and political modernity of the developed West and a resurgent, autocratic, aggressive, violent, economically and ideologically unattractive imperial Russia. The annexation of Crimea – part of the territory of the sovereign Ukrainian state, by militarized Russia, has drawn a red line of contemporary interstate relations and Russia-style relationships. This is principally also valid for South East European countries, not just because of their proximity to the aggressive and second greatest nuclear power state of the international system, but because of the values and rules of interdependence in the globalized world.

Despite the problems of the West-Russian relations and their impact on international relations, the prospect of the region of South East Europe remaining neglected, immobile and not moving to a better destiny, i.e. “in limbo”, in the existing strategic, political and economic situation in the world mostly depends on the national will of the Balkan states to press ahead in cooperating and integrating the region in the European Union. What is needed for the EU and the West in general is to wake up and understand the multitude of issues, created for the people of Central, Eastern and South East Europe by the persisting Russian domestic political, economic, psychological and conceptual deficiencies and their foreign policy repercussions that lead the country to nowhere, but on that way they tend to destroy the positive constructs of the last 25 years of other societies and states, including in South East Europe.





# Current Geopolitical Ambitions of Western Actors and Russia Directed towards South East Europe

*Johanna Deimel*



The Soviet Army Monument in Sofia – August 2013

## Introduction

In the 1990s Russia has tried to be an equal partner to the West, its policy was to find a balance of good neighbourly relations with Western partners. The corner stone of post-war global politics has been the principle of the inviolability of borders. Kosovo intervention 1999 was a major setback. The bombing has caused an outrage in the Russian government and the Russian society.

2008 marks the crucial turning point in European/Western – Russian relations for several reasons:

1. the Russian invasion of Georgia and in reaction to that the creation of the Eastern Partnership-Program by the EU;
2. the declaration of independence by Kosovo in February 2008;
3. the 2008 NATO Summit in Bucharest with the invitation for membership to Albania and Croatia and with the blockage of Macedonia's NATO bid by Greece;
4. the European Council Summit in September 2008 which has put much of the EU-Russia relations under examination; and finally
5. the series of Russian proposals of 2008 to reform the European security architecture and to come to terms with a new binding security treaty, which came almost to nothing in the West.<sup>1</sup>

The lack of attention to Russia's concern has led to an increasingly feeling of isolation of Russia in comparison to the 1990s. Not only Sergey Karaganov, advisor to Russian President Vladimir Putin until 2013, described the Western refusal "to recognize a worthy place for Russia in European and global politics" as the main reason for the disconnection between Russia and the West with the latter "continuously limiting Russia's freedom, spheres of influence and markets, while at the same time expanding the sphere of its own political and military interests through NATO expansions, and its political and economic pursuits through EU enlargement".<sup>2</sup> As a result since Putin came back to the Kremlin in 2012 he began to shut down "the liberal Westernizing project".<sup>3</sup>

In response to the European Eastern Partnership Program of the EU, Russia started to concentrate on its Eurasia Union project. Russian geopolitics today is centred on the Eurasian tradition, stressing the unique position of Russia between Europe and Asia. Aleksandr Dugin, the founder of Neo-

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<sup>1</sup> Andrew Monaghan: *The New Russian Foreign Policy Concept: Evolving Continuity*; Chatham House, 2013;  
[http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Russia%20and%20Eurasia/0413pp\\_monaghan.pdf](http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Russia%20and%20Eurasia/0413pp_monaghan.pdf).

<sup>2</sup> Sergey Karaganov: *The Watershed Year. Interim Results*, 18 December 2014;  
<http://eng.globalaffairs.ru/The-Watershed-Year-Interim-Results-17210>.

<sup>3</sup> Maria Lipman: *How Russia has come to loathe the West*; 13 March 2015;  
[http://www.ecfr.eu/article/commentary\\_how\\_russia\\_has\\_come\\_to\\_loathe\\_the-west311346](http://www.ecfr.eu/article/commentary_how_russia_has_come_to_loathe_the-west311346).

Eurasianism, outlined in his 1997 published book *The Foundations of Geopolitics* his vision of Russia's place in the world with a Russian-led Eurasian empire.<sup>4</sup> Though the Kremlin has distanced itself from Dugin, Putin uses his narratives: anti-westernism, expansionism and the rejection of liberal democracy. Russia's foreign policy goal is the establishment of a multipolar world in which Moscow is one of the leading powers.<sup>5</sup> For that reason, one of the most important interests of Russia in the ongoing confrontation between the West and Russia is to limit the influence of the West in South East Europe and to split Western unity, to divide Europeans from each other and from the US.

Michail Gorbačev's plan of the 1980s and 1990s to build a Common European House was not successful. Sergey Karaganov complained: "Europe did not want to or could not create a continental alliance proposed by Russia as a European security system or as a Union of Europe – a common human, energy and economic space from Lisbon to Vladivostok".<sup>6</sup> Vladislav Inozemtsev counters this critic by saying that "run by KGB officers it (meaning Russia- JD) could simply not have been integrated into the Western world".<sup>7</sup>

Now, the Ukraine crisis has triggered a new debate on the need of a Greater Europe, an idea presented by the Russian International Affairs Council in 2014. The core argument is that Europe is witnessing the emergence of three poles of power: the European Union, the Russian Federation and Turkey. All of them will shape the European security system.<sup>8</sup> None of these three would by itself be able to cope with the challenges in

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<sup>4</sup> Anton Barbashin and Hannah Thoburn: Alexander Dugin and the Philosophy Behind Putin's Invasion of Crimea, Foreign Affairs, 31 March 2014; <http://www.foreignaffairs.com/articles/141080/anton-barbashin-and-hannah-thoburn/putins-brain>.

<sup>5</sup> Józef Lang and Nicu Popescu: Central Asia: the view from Russia, European Union Institute for Security Studies, January 2015.

<sup>6</sup> Sergey Karaganov: The Watershed Year. Interim Results, 18 December 2014; <http://eng.globalaffairs.ru/The-Watershed-Year-Interim-Results-17210>.

<sup>7</sup> Vladislav Inozemtsev: How to win Cold War II; published by Transit, first published in Eurozine, 28 March 2014.

<sup>8</sup> I. Busygina: "The Foundations of Greater Europe".- in: Perspectives and Challenges for Building Greater Europe; Russian International Affairs Council, Working Paper Nr. 17/2014, p. 27.

the fields of security, economy (trade and investment) and energy security and to tackle “unfinished business/frozen conflicts” in Southeastern Europe. What Russia is thinking about, is an integration of integration – of the EU and the Eurasian Union.

Also for Ivan Krastev and Mark Leonhard, Europe needs to rethink its European order due to the new European disorder.<sup>9</sup> By offering an engagement by the EU with the Eurasian Economic Union, for example, it would be shown that “a new European order will not be built around the promise of a never-ending enlargement of the EU and NATO. Instead, it would be conceptualized as a cooperation and competition between two integration projects...”. And finally the High Representative of the European Union for Foreign Affairs and Security Policy, Frederica Mogherini, nowadays calls for an overarching political strategy to restore the European political order under international law, laid down in the Helsinki Final Act of 1975, which is binding for all European states, including Russia.<sup>10</sup>

## **1. European Order in Disorder**

Today the European Union and NATO are challenged with security threats in the Black Sea region (Ukraine), in the Middle East (Syria), in Northern African countries and not to forget the “Islamic State”. For these challenges the EU needs to focus on new strategies and actions almost on a daily basis, which absorbs much of its energy and man power. In addition, the EU does not look very stable and united in its internal dimension too. “Grexit” and “Brexit” – are two major challenges which may fundamentally change the EU and its internal structure and external power. Euro-skepticism is gaining more and more ground across the electorate in EU member states and not only for that reason, EU enlargement isn’t a top priority of neither the EU capitals nor European institutions for the next five years. And, the EU is in disorder as regards the name dispute between Greece and Macedonia (which also prevents NATO membership of Mace-

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<sup>9</sup> Ivan Krastev and Mark Leonard: The new European Disorder. European Council of Foreign Relations, November 2014; [http://www.ecfr.eu/publications/summary/the\\_new\\_european\\_disorder322](http://www.ecfr.eu/publications/summary/the_new_european_disorder322).

<sup>10</sup> Report on the Annual Report from the High Representative of the European Union for Foreign Affairs and Security Policy to the European Parliament, 3 March 2015 (A8-0039/2015).

donia so far) and the recognition of Kosovo, with five EU member states still not recognizing Kosovo as an independent state.

All countries of South East Europe (SEE) are either already EU member states or want to join the European Union. Their integration is either accomplished or at various stages of rapprochement. It is true that the picture of EU integration of Western Balkan is mixed. However there are no doubts of the EU perspective of Western Balkans, and the EU remains highly committed to live up to its Thessaloniki promise of 2003. In Turkey however, an EU candidate country for too long and a rising regional power, complications of accession have initiated a debate in some circles on thinking of alternatives to the EU integration. And finally – triggered by the Ukraine crisis – in 2014 Moldova which is part of both, the SEECP and the European Neighbourhood Policy of the EU, has signed an Association Agreement with the EU including the Deep and Comprehensive Trade Area.

Since the independence of Kosovo in 2008, due to its own internal hurdles with the financial crisis and EU enlargement fatigue after the accession of Romania and Bulgaria, the Balkans were more and more left in Europe's periphery and kept in stagnation – and Russia stepped in to fill the loop-holes. With the New Concept of Foreign Policy of the Russian Federation of 2013, Russia emphasized its particular interest to “develop comprehensive pragmatic and equitable cooperation with Southeast European countries” and underlined that the Balkan region is of great strategic importance to Russia, including its role as a major transportation and infrastructure hub used for supplying gas and oil to European countries”.<sup>11</sup>

Russia's understanding was that the Western Balkans are moving towards the EU and to NATO anyway, and that this cannot be really stopped; but what Russia can do, is to be inside and to have platforms inside the region. Thus, it has opened multiple fronts against the decadent West and uses soft and mid-hard power tools to weaken EU and NATO aspirations.

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<sup>11</sup> Concept of the Foreign Policy of the Russian Federation, 12 February 2013; [http://www.mid.ru/brp\\_4.nsf/0/76389FEC168189ED44257B2E0039B16D](http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D).

While Europe offered its technocratic approach of the EU perspective, Russia came in with money and stimulated a purely opportunistic approach by the elites in the SEE region. The accusations against Bulgaria and Greece as being “Trojan horses” of Russia within the European Union in recent past are good examples to illustrate the critical and highly sensitive state of play in Western and Russian relations.

The alignment with the Common Foreign and Security policy of the EU (CFSP) is another example where the EU is in disorder and its solidarity/unity among its members is contested by Russia and individual EU member states and candidate countries. Cyprus, an EU but not NATO member, for example has signed a military cooperation agreement with Russia in February 2015, allowing Russia to use the port and airport on Cyprus. The same applies for EU and NATO member state Greece which is according to the Greek newspaper *Kathimerini*<sup>12</sup> in talks with Russia to maintain existing and to buy new S-300 anti-missile systems. While some analysts say that these agreements do not have military but more political significance, they are clear attempts from Russia to undermine solidarity and unity within the EU and to demonstrate that it finds allies within the West.<sup>13</sup>

## 2. Security

Russia’s aggression in the Ukraine has dramatically reminded on the security risks European countries face. For the West the Balkans are again viewed through a crisis management lens. US Secretary of State John Kerry stated in February 2015: “Serbia, Kosovo, Montenegro, Georgia and Moldova are in the front line of the ongoing confrontation”. The EU and the US are stepping up their activities in the Balkans.

South East Europe entails two areas of strategic importance of both, the West and Russia: The Black Sea and the Mediterranean. The Black Sea is under security threat since the Ukraine-crisis and the Middle East is terribly inflicted in conflicts and affecting NATO member Turkey in particular. The region in the Balkans is stable, no military conflicts occurred since the Kosovo war in 1999. EUFOR mission and KFOR are stationed in Bosnia and

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<sup>12</sup> EUOBSERVER 16.4.15.

<sup>13</sup> Withold Rodkiewicz and Andrzej Wilk: Cyprus closer to Russia; OSW, 4 March 2015.

Herzegovina and in Kosovo. The military base Camp Bondsteel in Kosovo underlines the presence of the Alliance close to the Macedonian border. For both, Russia and the West, the Black Sea is important in terms of security and interest. Russian military forces are close to EU member country Romania in Transnistria and in the Ukraine. Since 2014 NATO has sizably increased its presence in the Black Sea. Romania, the EU's most easterly member state, has a 650km border with Ukraine and a Black Sea coastline. Due to the ongoing Ukraine-crisis NATO has considerably upgraded its attention to Bulgaria and Romania. In 2014 NATO decided to increase the alliance's response force from 13,000 to 30,000 troops with command centers in basis Romania and Bulgaria.

The repercussions of the crisis have even reached the point that in March 2015, Bulgaria was publicly assured by NATO's deputy of NATO support "Supreme Allied Commander Europe" in case of any threat under Article 5.

The multinational exercise "Wind Spring 15" as part of the Readiness Action Plan to safeguard the eastern borders of NATO and the EU has started mid-April 2015. Troops from the US, Britain, Romania and Moldova are participating in the exercise.

Croatia and Albania are members of NATO in the Mediterranean area already. The changing security environment has raised the question of whether NATO accession of Bosnia and Herzegovina, Montenegro and Macedonia, and even of Serbia and Kosovo could be sped up. Plans for NATO-expansion to Macedonia, Montenegro and Bosnia and Herzegovina, however, are perceived in Moscow as irresponsible policy and provocation.

Montenegro has joined the EU sanctions against Russia, which profoundly disappointed the Kremlin. Furthermore, Podgorica has refused Moscow's requested access for the Russian navy to use Montenegrin ports. The country has started with intensified talks on NATO membership since the Wales summit 2014. NATO Secretary-General Jens Stoltenberg has praised Montenegro's progress towards membership of NATO during Prime Minister Djukanović's visit to Brussels in mid-April 2015. Yet, some NATO members question Montenegro's preparedness due to the poor results regarding the rule of law, the security sector reform and due to serious prob-

lems with corruption, organized crime and the respect of human rights. Yet, because of the geo-political dynamics, security concerns predominate while domestic issues like democratization and reforms drop down on the agenda. The new geo-political situation and its security threats ironically might push Europe to much more unity to cooperate on defense and to strengthen the EU.

Serbia is a special case and cause for many headaches in Western capitals. It is militarily neutral and simultaneously since 2006 member of PfP. What causes concerns is that a) Serbia since 2013 has a military cooperation agreement with Russia in place which allows Russian soldiers to be based at Niš airport and b) took observer status in the Collective Security Treaty Organization in 2013, a multilateral defence pact set up by Russia in 1992 as a rival to NATO. It is also in Niš where Russia opened a so called humanitarian centre. In particular addressing Serbia, Russia is using history to inflame anti-Western and pro-Russian feelings. Be it the commemoration of the Second World War or the NATO bombings in 1999.<sup>14</sup>

### **3. Unfinished Business**

South East Europe – yet not too seriously - is on the way to have a new sovereign state “Liberland” on the territory between Croatia and Serbia.<sup>15</sup> State-building both as a process of settling borders, consolidating national unity and/or strengthening institutional capacities remain at best incomplete across the Western Balkans and in Moldova. The region incorporates unfinished business and “frozen conflicts” in Bosnia and Herzegovina, Kosovo and Transnistria. Also the bilateral dispute with Greece over Macedonia’s name is part of this unfinished business as it prevents Macedonia so far to join the EU and NATO.

Kosovo and Crimea are the two spots where Russian and Western interests, acts and interpretations coincide. Some argue that Kosovo establishes a valuable precedent for other people who wish to secede. In his address to

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<sup>14</sup> Raquel Montes Torralba: Belgrade at the crossroads: Serbian-Russian relations in light of the Ukraine crisis; Real Instituto elcano Royal Institute, ARI 63/2014, 22 December 2014.

<sup>15</sup> Sven Milekic: Liberland: The Balkans’ Newest Sovereign State; BIRN, 16 April 2015.



the Parliament in March 2014, Vladimir Putin compared Crimea's secession from Ukraine to Kosovo's secession from Serbia. The Russian President also dismissed allegations that Russia is violating international law with its actions in Ukraine. But turned the argument around and proclaimed Russia a defender of international law and its institutions, while Western countries have undermined them with Kosovo.<sup>16</sup>

Separatism is raising in many policy fields and thus the West is confronted with numerous challenges in particular with regards to South East Europe. The EU/West and Russia are part of various conflict settlement institutions; the most prominent are the United Nation Security Council (UNSC) and the Organization for Security Cooperation in Europe (OSCE). Two Balkan states are in leading positions within the OSCE: Serbia right now is OSCE-Chairman-in-office, and Montenegro by end April 2015 until August 2015 is taking the chair of the Forum for Security Cooperation.

Russia's veto at the UNSC against the independence of Kosovo and its request for an advisory opinion on the legality of the declaration of independence by the International Court of Justice have pushed Serbia closer to Russia in 2008. But on the other side, Russia has more or less agreed that Kosovo has been put off the table of the UNSC and agreed to the Brussels led Belgrade-Pristina dialogue.

Bosnia's survival as a unified state cannot be taken for granted. Russia, in November 2014 has abstained in the UNSC for the first time during the annual vote extending the peacekeeping mission in Bosnia and Herzegovina. And the President of Republika Srpska, Milorad Dodik, was one of the few politicians worldwide to personally congratulate Putin on the annexation of the Crimea from Ukraine.<sup>17</sup>

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<sup>16</sup> Putin Says Kosovo Precedent Justifies Crimea Secession; BalkanInsight, 18 March 2014; <http://www.balkaninsight.com/en/article/crimea-secession-just-like-kosovo-putin>.

<sup>17</sup> Elvira M. Jukic: Bosnia Minister Quits Over Arms Sales to the Ukraine; BIRN, 23 January 2015; <http://www.balkaninsight.com/en/article/bosnia-minister-resigns-over-sale-of-ammunition-to-ukraine>.

Maybe also additionally fuelled by Putin's call for using ethnic Russianness, defined by speaking Russian as criterion of nationhood,<sup>18</sup> the national question and the ethnic state concept are raised again – and dreams of “Greater...” are in the toolbox of political leaders in the Balkans region. The Greater Albania story is one example. Albanian Prime Minister Edi Rama is embedded in the European Union, but with today's geopolitical rearrangements also he in April 2015 was tempted to use the “Greater Albania” narrative<sup>19</sup> to keep the West's interest uphold in the region and to speed up EU and NATO integration of Albanian inhabited countries like Albania, Montenegro, Serbia and Kosovo. Edi Rama's statement can also be read as to encounter Russian influence and prohibit any agreements for a territorial swap to unify Serbian Preševo valley with Kosovo in exchange with Northern Kosovo. Russia is, according to Sonja Biserko, a major donor for right wing organizations advocating against Euro-Atlantic integration and for unification of all “Serb territories”<sup>20</sup> – of Greater Serbia.

It is indeed a dilemma that the ethnic concept of the state, which should have become a concept of the past, has been even fostered in the Balkans in the course of conflict settlement, i.e. with the Dayton accord in Bosnia and Herzegovina and partly by the Ohrid Agreement of 2001, where diplomats fear that the ongoing political instability may harm Macedonia's fragile inter-ethnic peace.

#### **4. Clash of Civilization – Multiculturalism versus Christianity – Christianity versus Islam**

Russia perceives itself as defender of old European “values” like Christianity, the family, the state, nationalism and sovereignty. Russia is a major donor of right wing organizations in Europe and hosted a meeting of right wing nationalist representatives in St. Petersburg in March 2015. The fo-

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<sup>18</sup> Stephen Blank: “The Intellectual Origins of the Eurasian Union Project”.- in: S. Frederick Starr, Svante E. Cornell (eds.): *Putin's Grand Strategy: The Eurasian Union and its Discontents*; Central Asia - Caucasus Institute & Silk Road Studies Program, Johns Hopkins University, 2014, p. 27.

<sup>19</sup> Greater Albania Statement awakens old ghosts in the Balkans, 10 April 2015; <http://www.euractiv.com/sections/enlargement/greater-albania-statement-awakens-old-ghosts-balkans-313685>.

<sup>20</sup> Sonja Biserko: *Feeding the Delusion of Self-Importance*, Danas, January 17-18, 2015.

rum was inter alia attended by representatives from Hungary, Austria, Bulgaria, Greece and aiming to back a resolution against EU sanctions against Russia and protecting “Christian traditions”. Not only in Russia but also in European countries EU membership with its fundamental principles of freedom of movement, democratization and multi-ethnicity in a secular state, is seen as a break away from these Christian traditions. The Slavic orthodox brotherhood narrative plays an important role in this respect. In 2013 President of the Republika Srpska, Milorad Dodik, has been awarded by the Russian Orthodox Church. Predominantly Orthodox countries in Southeastern Europe additionally praise their orthodox brotherhood boundary against Western European Christianity and the European concept of multi-culturalism in modern liberal democracies. Interestingly, Greek Prime Minister Alexis Tsipras, who refused to take his oath before the archbishop of Athens, used his visit to Moscow in April 2015 for a meeting with Kyrill, Patriarch of All Russia.

According to the *Economist* recently, Christian Orthodox Serbs are joining pro-Russian rebels in the Ukraine while Catholic Croats fight on Ukraine’s side.<sup>21</sup> Many Serbs, the *Economist* states, are affiliated to small ultranationalist groups. They oppose both, EU and NATO integration, and believe that they are fighting a Christian fight. As do the Croats who have joined Ukraine’s Azov Battalion, which has attracted volunteers from the far – right across Europe.

The concept of multiculturalism is also contested by Islamist groups within Europe and at its periphery. Europe’s failure to better integrate its Muslims, is, according to Francis Fukuyama, a ticking time bomb. “It is bound to provoke an even sharper backlash from nativist or populist groups and may in time threaten European democracy itself”.<sup>22</sup> According to a 2015 poll 75 percent of Bulgarian people think that actions of the Islamic State are a bigger threat to peace than the Ukraine-Russian conflict.<sup>23</sup> Radical Islam is, as a study by the Kosovo Center for Security Studies (KCSS) released in April 2015 demonstrates, an option for young Kosovars due to “social

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<sup>21</sup> Balkan warriors abroad, *The Economist*, 18 April 2015.

<sup>22</sup> Francis Fukuyama: Identity, Immigration & Democracy; in: *Journal of Democracy*, April 2007, Vol. 17, Number 2, p. 15.

<sup>23</sup> Public Opinion Poll: Bulgarian foreign policy. op.cit.

disorientation and weak economic and political conditions after the conflict”<sup>24</sup>. Security experts and intelligence officials say that over the past year or so, some 160 citizens of Bosnia-Herzegovina have joined Islamic State or Al-Qaeda forces fighting in Syria and Iraq.

Referring to both, Russia and the Islamic State, former NATO Secretary General Anders Fogh Rasmussen warned in September 2014: “We are on the frontline of a new battle – a new battle between tolerance and fanaticism, between democracy and totalitarianism, between open and closed societies. In this new age of unrest and revisionism, we must stand strong and we must stand united as a force for freedom”<sup>25</sup>.

## **5. The Western Model and the Russian World**

European integration and EU membership are founded on the values of respect for human dignity, liberty, democracy, equality, the rule of law and respect for human right. The EU’s transformative power and incentives have quite well worked in post-communist Central European countries. Due to various differences – most importantly the wars in Yugoslavia in the 1990s and their legacies – Europeanization progress is much more difficult to achieve in South East Europe/the Western Balkans. Disillusions on the effectiveness of the enlargement instruments are gaining momentum across the peoples in the Balkans. In particular young people are frustrated and do not believe anymore that the EU’s emphasis on the rule of law, solid legal framework, fighting against corruption and reliable institutions will show concrete results. The Western model of liberal values and democracy is contested by Russia, which is reaching out to young people, to journalists, and to elites to promote its own integration projects – and to convince them to join the Russian World.<sup>26</sup>

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<sup>24</sup> Report inquiring into the causes and consequences of Kosovo citizens’ involvement as foreign fighters in Syria and Iraq, Kosovar Center for Security Studies, Pristina April 2015, p. 10.

<sup>25</sup> Nato describes Russia and Islamic State as main threats; September 2014; <http://euobserver.com/defence/125621>.

<sup>26</sup> John Lough (et.): Russian Influence Abroad: Non-state Actors and Propaganda; Chatham House, 24 October 2014, [http://www.chathamhouse.org/sites/files/chathamhouse/field/field\\_document/20141024RussianInfluenceAbroad.pdf](http://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/20141024RussianInfluenceAbroad.pdf).

In Moscow the West is seen as being behind all the “colour revolutions” in Georgia, Ukraine – where Serbian “Otpor” became a model for protest. It is one of Putin’s top priorities to prevent Russia against any interference from the West. He therefore has set up GONGOs<sup>27</sup> to counterfeit Western influence and to project the Russian model. The main target groups are the youth, the media and the elite. Moldova and Transnistria are the most obvious targeted – the Balkans to a lesser extent – where Russia uses non-state actors to muddy the amount of Russia’s power in the countries.

Russian analysts argue that Russia should not only invest in the economy in the Balkans but also has “to invest in people, and in relationships with people who see Russia as an alternative force in today’s polycentric world”.<sup>28</sup> Russia is perceived by the majority of Serbs as its closest ally – more than 50 percent of Serbs have a positive opinion.<sup>29</sup> In Greece, according to a 2014 poll, 52 percent of Greeks view Russian leadership in global affairs as desirable.<sup>30</sup> Also Bulgarians continue to like Russia, but do not believe that Russia can be a model for development and provide more credible guarantees for prosperity and security than the membership in the EU and NATO.<sup>31</sup>

From 2013 on Russia turned its back to modernization and laid the emphasis on Russian “traditional values” against the decadence of the West and its concept of multiculturalism.<sup>32</sup> Farmed as a “civilizational struggle” the Balkans became the principle arena for foreign-policy competition.<sup>33</sup> The Western model is contested by an extensive Russian program in cultural and public diplomacy.

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<sup>27</sup> Government organized non-governmental organizations.

<sup>28</sup> Alexander Pivovarenko: Modern Russia in the Modern Balkans: Soft Power through Investment; 23 May 2014; [http://russiancouncil.ru/en/inner/?id\\_4=3744#top](http://russiancouncil.ru/en/inner/?id_4=3744#top).

<sup>29</sup> Jelena Milić: The Russification of Serbia; Center for Euro-Atlantic Studies, Belgrade 5 September 2014, p. 96.

<sup>30</sup> Dimitar Bechev: Playing the Putin card; Foreign Policy, 8 April 2015; <http://foreignpolicy.com/2015/04/08/playing-the-putin-card-greece-alexis-tsipras-in-moscow/>.

<sup>31</sup> Public Opinion Poll: Bulgarian foreign policy, the Russian-Ukraine conflict and national security; [http://www.ecfr.eu/article/public\\_opinion\\_poll311520](http://www.ecfr.eu/article/public_opinion_poll311520).

<sup>32</sup> Maria Lipman: How Russia has come to loathe the West; 13 March 2015.

<sup>33</sup> David Clark and Andrew Foxall: Russia’s Role in the Balkans – Cause for Concern? – The Henry Jackson Society, June 2014, p.4.

Russia uses media propaganda to counter the West. Not only in Germany but also in Serbia “Russia Today” is present, where it broadcasts since January 2015 on Belgrade radio station B. Russian TV is also a major source for Moldovans – in particular in Gagausia and in Transnistria.

Russia can count on a variety of political allies in the Western Balkans; the most prominent figures are Milorad Dodik from the Republika Srpska and Serbian President Tomislav Nikolić. In April 2014, at that time European Commission President Barroso has complained that there are “people in Bulgaria who are agents of Russia”<sup>34</sup> referring to the Bulgarian Socialist Party (BSP) which later on was ousted of government by the Bulgarian parliamentary elections in October 2014.

The Western model of democracy and modernization is put in question. Liberal democracy is a core European political project. The illiberal narrative, however is gaining ground in political circles not only in Hungary. What we see in various countries in South East Europe – from Serbia to Montenegro to Macedonia and Turkey, just to name a few – is a façade of a modern democratic system in front of authoritarian policies. Former German Foreign Minister Joschka Fischer has described Hungarian Prime Minister Victor Orban as “the only Putinist governing in the EU”. Macedonia, the first country to sign a SAA in 2001 and an EU candidate since 2005 – is today backsliding and one of the most prominent examples of autocracy, abuse of power and state capture – under the surveillance of the EU. Dysfunctional democracies – as we do have almost throughout the Balkans – are much more convenient for the ruling elite. The more their respective countries are under certain pressure from outside (be it the Kosovo issue and Serbia, the name dispute in Macedonia, the stalemate in Bosnia and Herzegovina) the more they achieve national coherence through nationalism.

Conspiracy theories are falling on fertile grounds in response. In course of several conflicts with the European Union and the US in recent years, Orban’s Fidesz party spread complaints that Western countries are trying to overthrow Orban’s government in order to defend the interest of multi-

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<sup>34</sup> available at: <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/10750840/Russias-South-Stream-pipeline-in-deep-freeze-as-EU-tightens-sanctions-noose.html>.

national companies.<sup>35</sup> And especially since the Gezi Park protests in Istanbul in June 2013, the narrative of Turkish President Recep Erdoğan has spun around Western “conspiracies” and a “national will” that is bravely fighting them. Macedonia is the most recent example, where the government accuses foreign interests behind the wire-tapping. From a Russian perspective, Washington wanted to stage a coup provoked by a colour revolution in Macedonia and to install a new leader that would reject the Turkish Stream project.<sup>36</sup>

Countries within the EU and in EU accession process where liberal democratic values are severely undermined and hurt, are examples, where the EU appears toothless in its response to the violation of the division of power, of the independence of the judiciary and the media, which in turn contributes to an erosion of trust in democracy in EU accession countries – at least in the eyes of the people. It is exactly the point where Russia comes in with its own values and strategies. Russia is also member of the European Council – a core value-based European institution. Rightly so, Ivan Krastev calls for a “decontamination” of value-based institutions – the EU and the Council of Europe.<sup>37</sup>

### *Hybrid security*

Analyzing Montenegro’s current state of affairs, Koča Pavlović used the expression of extensive “hybrid security threats”<sup>38</sup> in the Western Balkans. Exclusive networks of criminal organizations mutually linked with security services in both South East Europe and in Russia exert their influences on policy-making to the detriment of reforms. Jelena Milić from Belgrade was talking about a “Putin orchestra” in Serbia, which is interfering in Serbian

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<sup>35</sup> Available at: <http://www.boell.de/en/2014/11/24/kleptocracy-banned-hungarian-tax-authority-scandal>.

<sup>36</sup> Andrew Korybko: Oil Geopolitics: The South Stream Pipeline Has Been Replaced by “The Balkan Stream”; Global Research, March 15, 2015; <http://www.globalresearch.ca/oil-geopolitics-the-south-stream-pipeline-has-been-replaced-by-the-balkan-stream/5436598>.

<sup>37</sup> Ivan Krastev and Mark Leonard: The New European Disorder.

<sup>38</sup> Koča Pavlović: Montenegro and the EU: living on the frontline; 19 March 2015; <https://www.opendemocracy.net/can-europe-make-it/ko%C4%8D-pavlovi%C4%87/montenegro-and-eu-living-on-frontline>.

politics and coordinates Serbian and Russian interests in business, politics and security agencies.<sup>39</sup> It is, as Ivan Krastev stated, anything else than Slavic solidarity or the influence of the Orthodox Church, but corruption that connects people. “Most of the oligarchs have their Russian connections”.<sup>40</sup>

The British Foreign Secretary William Hague has called Russia’s political influence on business the “creeping of oligarchisation” of the Balkans and some EU countries, like Hungary and Bulgaria.<sup>41</sup> Temptations for an EU integrated economy in combination with an authoritarian political system are alluring.

## 6. Interest Economy

Until 2020 the EU offers 11.7 bn Euro IPA funds for the Western Balkans and Turkey. Across the Balkans, by far most of the trade of the region is with the EU. Russia’s trade impact is comparably very low. For example, in 2013 62 percent of Serbia’s foreign trade happened with the EU and only 8.5 percent with Russia – which is the highest trade flow with Russia in the region.

Nevertheless, the sanctions against Russia and the European financial and economic crisis have severely hit the Western Balkans in 2012.<sup>42</sup> Foreign investments – already on a rather low level – further declined, remittances dropped and the socio-economic situation of the average people is still miserable. The region is seeking for a diversification of trade and investment, which helped Russia to use one of its powerful tools for influence – infrastructure investment and financial assistances. In some countries, Russian investment has become the guarantor for the political elite to stay in power. Russia has significant economic influence in Montenegro as one of

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<sup>39</sup> Jelena Milić, op. cit, p. 98.

<sup>40</sup> Ivan Krastev: The Balkans are the soft underbelly of Europe; January 14, 2015; Financial Times.

<sup>41</sup> Kiran Stacey and Christian Oliver: William Hague warns against ‘creeping oligarchisation’ of Balkans, in Financial Times, 15 April 2014; <http://www.ft.com/cms/s/0/aa455136-c4b1-11e3-8dd4-00144feabdc0.html#axzz3XfLFYvNP>.

<sup>42</sup> Matthias Bieri: Der Westbalkan zwischen Europa und Russland; CSS Analysen Nr. 170, März 2015.



the country's largest investors. Serbia is the only country in Europe that has a free trade deal with Russia and has refused to support EU sanctions against Russia. But Serbia's choice of special partnership with Russia is a tricky one. Russia, for example, has postponed in April 2015 its decision about the customs-free import of Fiat from Serbia as part of the free trade deal. Russia has recently signed a contract to upgrade Serbia's railways, and Russian railways declared its interest in the Greek port of Thessaloniki.

The Eurasian Economic Union and Eurasian integration is a major foreign policy initiative of Russia. Yet, Russia cannot offer an attractive alternative economic integration model to the Southeast European/Western Balkans region. None of the countries desires to join the Russian Eurasian Economic Union.

## **7. Interest: Energy Security**

It is in the European Union's interest to establish an Energy Union and to realize a strategy of coordinating the energy policies of the 28 EU member states. The EU relies on Russia for 27% of its gas consumption and about a third of its oil. It is also aiming at diversification of energy sources away from Russia and thus improving European energy security. In January 2015 the Foreign Affairs Council of the European Union suggested that the energy is one of the fields where the EU and Russia could resume sectoral dialogue or cooperation. The EU Commission is not ruling out the implementation of the pipeline projects in South East Europe as long as they are implemented in line with the EU *acquis*.

The most lucrative industries, first and foremost oil and gas, came under Kremlin control.<sup>43</sup> Russia is by far the most important energy supplier in the Balkans and its companies have a significant stake in the energy sector in the region.<sup>44</sup> Gazprom charges the highest rates in the Balkans. Serbia, for example, is highly dependent of Russian gas deliveries (75%) and Russian companies control oil and gas production and refineries as well as dis-

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<sup>43</sup> Maria Lipman: Commander of a fortress under siege. What Putin's strategy means for Russia; *Eurozine*; 28 August 2014.

<sup>44</sup> David Clark and Andrew Foxall: Russia's Role in the Balkans – Cause for Concern? – The Henry Jackson Society, June 2014, pp. 7-8.

tribution networks in the country. In the Republika Srpska all Bosnian oil refineries are owned by Russian firms. Also Bulgaria depends on Russia for 89 percent of its petrol, 100 percent for its natural gas and all of the nuclear fuel needed for its Kozloduj nuclear power plant.

The Balkans are not only the arena for oil and gas pipelines but also for an US-Russian competition for the construction of nuclear plants and fracking. Most prominent in this respect is Bulgaria, which became the “battle ground in the US-Russia energy war” as *Voice of America* has headlined in February 2015. “In the area of energy security, we’re not just talking the talk, now we’re walking the walk,” US Assistant Secretary of State of European Affairs Victoria Nuland said in January 2015 of US intentions.<sup>45</sup> For the Russian think tank Russian Institute for Strategic Studies (RISS), Bulgaria needs Russian investments, since with the country’s NATO and EU membership foreign investment did not happen as expected and Bulgarian industry has been destroyed. RISS warned Sofia, that the Russian company LUKOIL which owns the refinery in Burgas is Bulgaria’s largest taxpayer.<sup>46</sup> Bulgaria has not only cancelled South Stream but also the Belene power plant project following Western pressure; both cancelations have kicked Russian interests out of the game.

What happened with South Stream was extremely important on a normative side. Brussels messages to Moscow (Gazprom) was that South Stream is ok, but only if rules and standards are applied. However, it is not always to blame the others: it is worth to note in this context that EU leaders could not agree on having deals with Gazprom scrutinized by the European Commission end of March 2015 – Germany has raised concerns to disclose sensitive data.<sup>47</sup> One should also keep in mind that Serbia (with the country’s geographical position for the transit of oil and gas) is the single non-EU member state that nevertheless is a member of the European Energy Chapter Treaty on the adoption of EU energy legislation.<sup>48</sup>

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<sup>45</sup> Available at: <http://www.voanews.com/content/bulgaria-key-battleground-in-us-russia-energy-war/2655196.html>.

<sup>46</sup> Sergey Pravosudov: Est’ li u Serbii budušče? available at: [http://old.riss.ru/analitika/446#.VSpmqRO\\_ypo](http://old.riss.ru/analitika/446#.VSpmqRO_ypo).

<sup>47</sup> EU leaders struggle to keep unity vis-à-vis Russia; [euractiv.com](http://euractiv.com), 20 March 2015.

<sup>48</sup> Raquel Montes Torralba, op. cit.

While Russian position, as it is right now with Turkish/Balkan Stream, is that we do it with the agreement with the countries themselves. In this understanding it is a matter of sovereignty – bilateral agreements with Bulgaria, Turkey, Macedonia, Greece, Serbia and Hungary have precedence over EU's regulations. Russia's calculation is to find potential veto members within the EU against the extension of economic sanctions. From a Russian perspective the obstruction of gas and oil pipelines by the West is part of intrigues and attempts to reduce mutual gas interdependence between Russia and Europe and to push down oil prices.<sup>49</sup> The Turkish Stream project now propagated by Russia, however, might soon be confronted with the same problems like South Stream. Because the tricky is not so much about financing but about compatibility of Russian intentions with EU rules. The costs for Turkish Stream will probably double those of South Stream and are estimated to be about 10 bn USD for Gazprom. For sure Turkey is using Turkish Stream as leverage to negotiate lower prices for Russian gas.<sup>50</sup> Macedonia, Hungary, Bulgaria, Serbia and Greece are expecting high transit fees with Turkish Stream. Greece is actually using Turkish Stream and the country's bilateral relations to Russia as a bargaining chip to raise the stakes vis-à-vis Brussels and looking for the best deal for the Greek political elite.

## **8. Concluding remarks**

The EU still has structural power and is also geographically and in economic terms the main partner for the region which on the other side Russia tries to penetrate but cannot change the context. The Ukraine crisis has helped that the Balkans and SEE are in focus again. The attention is back to the region. The European Union has the chance to redefine its policy towards the region and to reaffirm its commitment.

EU membership aspirations as a powerful tool for economic modernization, democratization, the establishment of rule of law and functioning and accountable administrations have come to limits. Enlargement policy to the Western Balkans was mainly driven by security policy considerations and

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<sup>49</sup> Sergey Karaganov, op.cit.

<sup>50</sup> Stanley Reed and Sebnem Arsujan: Russia Presses Ahead with Plan for Gas Pipeline to Turkey; New York Times, 21 January 2015.

thus by paying far less attention to real reforms. Bulgaria and Romania have for long been the most prominent examples, which have been privileged to become EU members in 2007. NATO enlargement to Albania in 2008 is another example. It was a result of Kosovo independence and not a merit based NATO membership of Albania due to its applied Western standards and values. With the exemption of Turkey, Southeast European states are generally weak and economically vulnerable. The European Union needs to rethink its own transformative tools and accession instruments and to find the right balance between regional stability and national democracy. International players involved should carefully consider all aspects and long-term consequences of solutions.

The EU must decisively act and defend democracy and the rule of law and take a tougher line against illiberal democracy inside the Union and vis-à-vis EU candidate countries. In an op-ed in New York Times former Macedonian Ambassador Nikola Dimitrov states “The European Union must take a tougher line. It must make clear that Macedonia is no longer a functioning democracy, call for the government to resign, and support the formation of an interim government”.<sup>51</sup> One possibility could be that the EU Commission launches the so-called Article 7 procedure and suspends the voting rights when serious and continuous breaches of EU’s fundamental values are conducted by one of its EU member states, like Hungary.<sup>52</sup> Russia’s obvious ambition is to find tools for inserting a kind of managed instability in South East Europe and simultaneously using it as a door opener for exerting its own influence in the region by a combination of diplomatic, economic and security initiatives. To Russia’s surprise, the external and internal threats to European/Western unity have yielded a renewed sense of solidarity within the EU and in EU–US relations. It was and still is an incredibly difficult job to bring together various national positions/interests and to answer on the Crimea. The EU with its 28 members has demonstrated that it is able to act commonly. The sanctions against Russia, the cancellation of the energy projects may already pay off. Many Russian oligarchs are suffering from the conflict with the West.

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<sup>51</sup> Nikola Dimitrov, APRIL 16, 2015, New York Times; [http://www.nytimes.com/2015/04/17/opinion/macedonia-steps-backward.html?smid=tw-share&\\_r=0](http://www.nytimes.com/2015/04/17/opinion/macedonia-steps-backward.html?smid=tw-share&_r=0).

<sup>52</sup> Matthias Matthijs and R. Daniel Kelemen: Europe Reborn. Foreign Affairs, January/February 2015.

It is important that the EU facilitated Pristina-Belgrade dialogue shows further concrete and implemented results. Ways have to be found to bring Macedonia back on the EU path, as it hopefully will work with the Bosnian initiative. The EU cannot allow that countries in the Western Balkan region stall politically, but shall capitalize on the achievements of the Belgrade-Pristina dialogue.

The EU has to close the loopholes of the past and to set a bold policy reset for its engagement in the region. The Balkan conference in Berlin in 2014 and forthcoming in Vienna 2015 are important signals that the SEE region is back on the agenda in Brussels and EU capitals.

Russia's strategic goal is twofold: first to control at home and secondly sovereignty on the world stage.<sup>53</sup> The question now remains, whether we should try keeping channels of communication open on political, economic and security level and find ways to include Russia, or follow Vladislav Inozemtsev's advice: "One should try not to isolate Russia, but instead learn to live without it".<sup>54</sup>

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<sup>53</sup> Maria Lipman: Commander of a fortress under siege. What Russia's strategy means for Russia; eurozine, 22 August 2014.

<sup>54</sup> Vladislav Inozemtsev: How to win Cold War II; published by Transit, first published in Eurozine, 28 March 2014.



# **Russian Perspectives on the South East Europe: History and Current Affairs**

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## **Introduction**

In the light of the ongoing crisis in Ukraine and rise of the confrontation between Russia and the West the zones where their interests intersect have drawn attention again. South East Europe has always been the zone of geopolitical interests of Russia. Many countries of the region have close political, economic, cultural and religious ties with Russia. For these countries Russia is a major supplier of energy resources which is perceived as a problem from the Western perspective. And although these countries have a lot of economic and cultural connections with Russia, most of them are aiming to become members of EU and NATO.

This paper aims to illustrate how this geopolitical rivalry in Europe has influenced relations between Russia and South East European<sup>1</sup> countries. The first part of the paper is dedicated to the historical perspective of the Russian – South East European relations, focusing especially on the events of the recent history. In the second part, the current cooperation between the Russian Federation and the region is described. Three major spheres of partnership – security, economy and identity – are examined in this paper. A special attention is paid to the process of European integration and the issue of informational influence.

## **The Historical Perspective of Russian – South East European Relations**

Throughout the history the Balkan region was always of a special interest to Russia due to its geopolitical position – a bridge between Asia and Europe – as well as due to the cultural connections between Slavic and Eastern

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<sup>1</sup> South East Europe is a broadened term for the Balkan region. In Russian sources the region is still named Balkans. Thus, terms South East Europe and Balkans are used as synonyms in this paper.

Christian civilizations. It goes back to the close ties with the Byzantium Empire and rivalry with the Ottomans, the conquerors of Constantinople and supporters of the khanates surrounding Young Russia. The Russian foreign policy of the 17<sup>th</sup> to the 20<sup>th</sup> centuries has even developed a special term concerning the Balkans – the “Eastern Question”.

Historically, the Russian Empire has seen its mission as “liberation of Slavic Balkan nations from Turkish oppression” and did play a great role in it. As a result of one of the Russo-Turkish wars (1768-1774), Russia gained the official status of the protector of the orthodox Christians living in the Ottoman Empire.

Official politics of government found support and ideological justification among a Russian society that sympathized with the liberation struggle of the Slavic and Christian nations.<sup>2</sup> Nevertheless, the relationship between countries of South East Europe and Russia was not always easy due to the ethnical, demographical and civilizational diversity of the region.

The 18<sup>th</sup> and 19<sup>th</sup> centuries have seen numerous Russo-Turkish wars that aimed to liberate the Balkan Christians from the Turk oppression. Yet a constant military presence of a Russian army in the region could not help to liberate Christians, but did strengthen the Russian positions there. Still, the expansion to the Balkan region was not among the goals of Russian foreign politics during the reign of Peter the Great (1721-1725).

In the times of Catherine the Great (1762-1796), the region remained significant in Russian foreign policy with two Russo-Turkish wars (1768-1774 and 1787-1791) and the annexation of Crimea in 1783. And although these times are known for the expansion of the country (Crimea, Novorossiya, Alaska), in the official documents on the politics on the Balkans the emphasis was put on the absence of intention to broaden the territories in this region. For instance the directions to Russian ambassadors and diplomats stated: “There was never an intention, and there is no need, to enlarge our empire. It is without that occupies the deliberate part of the earth”.<sup>3</sup> Other

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<sup>2</sup> Morozov Y. Balkans in the strategy of Russia, Institute of Europe RAS, 2000. URL: <http://www.ieras.ru/journal/journal3.2000/6.htm>.

<sup>3</sup> The History of the Balkans XVIII century. Moscow, 2004 P. 115.



authors admit that the ideas of enlargement by means of the territories of Danubian Principalities (Moldavia and Wallachia) already existed in the 18<sup>th</sup> century but were not explicit due to the shortage of tools for realization.<sup>4</sup>

Special attention should be paid to the Greek Project of Catherine the Great (1782) that reflects the developments in the Balkan region that would suit the interests of Russian Empire. This rather utopian plan consisted of pushing the Turks out of the region as well as rescuing Constantinople from Muslim to Orthodox Christian rule. Interpreted as the “emperor territory ambitions projects” in Soviet historiography, this document contained the idea of neglecting direct conquests and creating or revival of the states of the Christian nations under the protection of Russian absolutism.<sup>5</sup>

A significant Greek influence can be noticed in the cultural politics of Enlightenment of Catherine the Great. At the same time 18<sup>th</sup> century has seen the rise of the interest in the Slavic culture of the neighbour nations, Serbian for instance.<sup>67</sup>

During the Napoleon wars, Russia had to protect its interests on the Balkans from the French. The Russo-Turkish (1806-1812) war and the Bucharest peace treaty resulted in getting Bessarabia (currently forming part of Moldovian and Ukrainian territories). Even with the Tsar Alexander I's (1801-1825) ambitions to conquer the Danube basin, foreign historiography exaggerates the aggressiveness of Russia in the region especially during the Napoleon wars.<sup>8</sup>

The Greek independence war of 1821-1831 against the Ottoman Empire ended successfully partly thanks to the Russian support which always backed the Greek revolutionaries. After the defeat in the Crimean war in 1853-1856, Russia lost its ambitions of conquering Constantinople and

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<sup>4</sup> Dostyan I. Russia's policy in the Balkans issue: some controversial issues of historiography, *Slavianovedenie*, 2012 № 3 PP. 32-40.

<sup>5</sup> Vinogradov V. Greek project of Catherine II and Grigory Potemkin, 2007. URL: <http://web.archive.org/web/20091216140052/www.rustrana.ru/article.php?id=22824>

<sup>6</sup> Leschilovskaya I. The Serbian people and Russia in the XVIII century, Saint Petersburg, 2006.

<sup>7</sup> Kostyashov Y. Serbs in the Austrian Empire in the XVIII century. Kaliningrad, 1997.

<sup>8</sup> Dostyan 2012

concentrated more on the Balkan countries. As a result of this and the following Russo-Turkish war (1874-1876), according to the assessment of Russian historians, Serbia, Romania and Montenegro became independent and Bulgaria achieved autonomy.

### **Russia and South East Europe in the 20<sup>th</sup> Century**

The importance of the Balkan region has risen in the late 19<sup>th</sup> century. The interests of major coalitions, the Triple Alliance (formed by Germany, Austro-Hungary and Italy) and the Triple Entente (formed by Russia, France and United Kingdom) have crossed here. This time the region gained its motto “soft underbelly” and “powder keg” of Europe. The picture of the political preferences of Balkan countries before the First World War was divergent: Serbia and Montenegro were orientating themselves on the Triple Entente and Russia from the very beginning; Turkey had a clear pro-German position; Romania was struggling with choosing the side; Bulgaria, despite the strong sympathies to Russia in the society, has entered the confrontation on the Triple Alliance side; Greece experienced economic problems and ended up on the Allies side.<sup>9</sup>

The starting point of the World War I happened in Sarajevo with the assassination of Archduke Franz Ferdinand by a Serbian nationalist. With Russia entering the war in the support of Serbia the war became global. As for the results of the war in the Balkans, the Ottoman Empire disappeared and Turkey was pushed back to Asia and the new country named Yugoslavia was created.

The redistribution of the spheres of interests in the region after the war has led to actual displacement of Russia from the region and detaching it from the resolution of the Balkan problems. The diplomatic relations with Bulgaria and Albania were established only in 1934, with Yugoslavia – in 1940. In the years of the Second World War the Balkans were occupied by Nazi Germany and the partisan movements in Yugoslavia, Greece and Albania expressed their solidarity with the USSR in their fight against fascism. After

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<sup>9</sup> Iskanderov P. The Balkans: past, present and future, Perspektivy, 2010. URL: [http://www.perspektivy.info/history/balkany\\_proshloje\\_nastojashheje\\_i\\_budushheje\\_2010-06-09.htm](http://www.perspektivy.info/history/balkany_proshloje_nastojashheje_i_budushheje_2010-06-09.htm).

the war Yugoslavia has become a federation with socialistic ideology that brought closer its official relations with the Soviet Union.

All Balkan countries except Greece formed part of the Eastern Bloc after the war sharing common market (COMECON) and development policies (five-year-plans) but the relation of the USSR with the different countries gradually weakened during the 2nd half of the XX century. The severance of the diplomatic relations with „revisionist” Yugoslavia happened in 1948 as a result of the Tito-Stalin split. Relations with Greece also became colder in the begging of 1950s as it became the member of NATO in 1952. Under Ceausescu Romania started acting more independently in the 1960s. In the 1980s with the weakening of the USSR its influence on the Eastern Bloc countries was reduced.

### **Russia and South East Europe in the 1990s**

During the last decade of the 20<sup>th</sup> century Russia did not have any articulated position or even the orientation on the problems of South East Europe in its sphere of international relations. Both the USSR and Yugoslavia entered a turbulent process of disintegration in the 1990s. For the latter, this process was accompanied with violent armed confrontation. Due to various reasons, internal and external, the Russian Federation has lost the positions that the USSR had in the region. This lack of Russian presence on the Balkans was “wisely used by the West which consistently pursued a policy of limiting the role and importance of Russia in the region, its gradual replacement”.<sup>10</sup> This became possible due to the indifference of the Russian foreign affairs ministry, the tendency to show adherence to the Western democratic values and to make a compromise with the West, which intended to create a new geopolitical map of the region that would suit their geopolitical interests. Moscow did not “counterbalance the negative phenomena in the system of international relations” and let the balance of power in Europe be changed.<sup>11</sup> As the result of these policies, the political, economic and military presence of the United States in Europe was expanded while Russia lost its influence among Balkan nations.

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<sup>10</sup> Morozov 2000.

<sup>11</sup> Guskova E. Balkan crisis from the point of view of geopolitician and witness, Orientir, 2015. URL: <http://orientir.milportal.ru/balkanskij-krizis-glazami-geopolitika-i-ochevidtsa/>.

Among the diplomatic and military actions of Moscow that led to the loss of the influence are the following: it did not prevent the NATO intervention in Yugoslavia, it did not “defend” the Russian sector in Kosovo and Metohija, it withdrew the battalions from Bosnia and Herzegovina, it allowed the construction of the US military bases in the Balkans, it admitted the presence of NATO troops in Kosovo and so on.

Many Russian scholars agree that “a large-scale aggression of NATO has become an open demonstration of ignoring Russia’s interests in the region and has shown that in order to achieve their own national interests US and its allies are able to violate any agreements with Russia”.<sup>12</sup>

### **Current Relations between Russia and South East Europe**

The recent phase started on 10 June 1999 with the UN Security Council Resolution 1244 concerning Kosovo. It established the United Nations Interim Administration in Kosovo and forced Serbia to withdraw its troops from the province. The same day, another important document was implemented at the EU summit in Cologne, namely the Stability Pact for South Eastern Europe. It described the new strategy of Euro-Atlantic structures in the Balkan region, where, as some of the Russian scholars underline, the “desired vector of foreign policy” as integration to the Euro-Atlantic structures was described.<sup>13</sup> The fact that Russia traditionally played a key role in the region and continued to be important there is mentioned in the document, but no further document to establish the Russian – EU dialogue about Balkans was made.

The current foreign policy of Russia can be characterized as more independent and integral than that of the 1990s. 2007 became a year of changes in the relations between Serbia and Russia, and Russia and Europe respectively. Russia refused to recognize the legitimacy of complete separation of Kosovo from Serbia. “Russia found the strength to understand that in dealing with the Kosovo issue international organizations and NATO uses old methods with the dominance of the language of ultimatums, sanctions and

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<sup>12</sup> Morozov 2000.

<sup>13</sup> Iskanderov 2010.

blackmail”.<sup>14</sup> Russian government understood that the Kosovo case has created a danger precedent that can soon become the norm.

The Ministry of Foreign Affairs – as quoted by the governmental newspaper “Rossiyskaya Gazeta” on 25 April 2013 – claimed that “Russia will continue to block the attempts of Kosovo to enter any international organizations”. Despite that, as of today, Kosovo is a member of the IMF and the World Bank.

Some scholars draw parallels between the situation on the Balkans now and one hundred years ago.<sup>15</sup> Instead of being divided between the Triple Entity and Triple Alliance back then, Balkan countries are affected by the rivalry between Russia and the EU, the last in many cases acting together with the USA.

As we have examined in the previous chapter, this region always was important for Russia. This importance is maintained nowadays and can be described in two dimensions: geostrategic and geopolitics. On the one hand, the closeness to the southern Russian borders makes this region a “bridge” between Russia and South Europe, Middle East, North Africa. On the other hand, the Balkan region is the heart of South East Europe and an attractive strategic foothold for the military operations in the East direction. Geopolitically, the Balkans are one of the core parts of the zone that includes Asia Minor, Caucasus, South Caucasus, and Middle Asia. And these zones traditionally belong to the Russian interests. Thus, it is obvious that any change of power balance in the area will affect the national interests of the Russian Federation.<sup>16</sup>

At the same time, recent activities of the West are interpreted by Russian scholars as “creation of the military and strategic foothold in order to control not only the region of South East Europe, but also Black Sea and, in future, Caspian basin”.<sup>17</sup> These plans seem a threat to Russian national security, especially concerning the very difficult situation in the Caucasus region.

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<sup>14</sup> Guskova 2015.

<sup>15</sup> Iskanderov 2010.

<sup>16</sup> Morozov 2000.

<sup>17</sup> Morozov 2000.

Lately, the debate about the Russian influence on the Balkans has gained attention in the major Western media. The Financial Times in an article by Ivan Krastev<sup>18</sup> and Der Spiegel<sup>19</sup> suggested that the Balkans will be “the next playground of Vladimir Putin”.

The current Russian-Balkan relations can be characterized through three dimensions. First of all, through the current process of European integration and the rise of the security issue, this has influenced relations. Secondly, through a sphere of economic cooperation that draws the interest with the cancelling of the South Stream project and the rising discussions about Russian “soft power”. And finally, through the issue of Balkan identity and informational presence in the region which cannot be left without consideration.

### **European Integration and Security**

The process of European integration of some Balkan countries has become a significant factor of influence on the Russian-Balkan relations. The very process, not the result, is a powerful instrument of influence on the national and foreign policies of the Balkan countries.<sup>20</sup> From the Russian perspective, the EU integration process can be seen as a tool to reach one of the important goals of EU: decrease of dependence (mostly in terms of energy supply) from Russia and its diversification.

Some countries of the region have found it difficult to maintain historical ties with Russia and meet the requirements for the faster integration with the EU. Current slowdown of the accession process of Balkan states to EU can influence the stability in the region.

At the same time, this uncertainty of acceptance to the EU by the states of former Yugoslavia, Albania and Turkey that especially increased in the scoop

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<sup>18</sup> The Balkans are the soft underbelly of Europe, Financial Times, 2015. URL: <http://www.iwm.at/read-listen-watch/transit-online/balkans-soft-underbelly-europe/>.

<sup>19</sup> Putin's reach: Merkel concerned about Russian influence in the Balkans, Der Spiegel, 17.11.14. URL: <http://www.spiegel.de/international/europe/germany-worried-about-russian-influence-in-the-balkans-a-1003427.html>.

<sup>20</sup> Kandel P. The lessons of the Balkan enlargements of EU and the perspectives if the EU – Ukraine relations, Institute of Europe RAS, 2015. URL: <http://www.ieras.ru/pub/analitka/kandel1.pd>.

of the Greece economic problems is a good moment for launching an active politics of Russia in the Balkans. This politics may be being built not only on the line of the current ruling elites, but an active cooperation with the oppositional forces in the area that can come into power in future and that are more sceptical about the EU scenario.<sup>21</sup>

European integration had a significant influence on the security issues between Russia and Serbia. The promise of the faster integration into the European Union has become the major factor for positive changes in the negotiations between Belgrade and Pristina.<sup>22</sup> As a result, Russia lost its role as a provider of security in the region. Nevertheless, the security topic is one of the most active spheres of cooperation, bearing in mind the closeness of the region to the Russian borders as well as the danger of local ethnic and religious conflicts in the region.

One of the examples of the security cooperation between Russia and its most important partner in the region – Serbia – is the Humanitarian Centre for Emergencies which was established in Niš in 2012. “Cooperation in the area of emergency humanitarian response, prevention of natural disasters and technological accidents and elimination of their consequences”<sup>23</sup> is the main purpose of the centre, as it is stated on its website. At the same time, some European leaders have claimed that the centre might be a cover for Russian military presence in the region.

One of the main national security concerns of Russia is closeness of the NATO military bases to its borders.<sup>24</sup> Slovenia, Romania, Bulgaria, Croatia and Albania have already entered NATO, and we can expect the same scenario for Montenegro, although this idea is not so popular among the Montenegrin

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<sup>21</sup> Iskanderov 2010.

<sup>22</sup> Serbia chases European integration without Kosovo, BBC, 22.04.2013. URL: [http://www.bbc.co.uk/ukrainian/ukraine\\_in\\_russian/2013/04/130422\\_ru\\_s\\_serbia\\_kosovo\\_deal](http://www.bbc.co.uk/ukrainian/ukraine_in_russian/2013/04/130422_ru_s_serbia_kosovo_deal).

<sup>23</sup> EMERCOM of Russia News - Activities of Russian-Serbian Humanitarian Center's mine action squad in Nis, 25.04.2014 URL: <http://en.mchs.ru/news/item/1627003/>.

<sup>24</sup> US boosts military presence in Balkans, Strategic Culture Foundation Online Journal, 22.05.2013. URL: <http://www.strategic-culture.org/news/2013/05/22/us-boosts-military-presence-in-balkans.html>.

population.<sup>25</sup> Article 17 of the Russian National Security Strategy until 2020 relates to this issue:

“A determining aspect of relations with NATO remains the fact that plans to extend the alliance’s military infrastructure to Russia’s borders, and attempts to endow NATO with global functions that go counter to norms of international law, are unacceptable to Russia”.<sup>26</sup>

One of the main goals of Russia is to “develop relations with NATO on the basis of equality and in the interests of strengthening the general security of the Euro-Atlantic region”. Although “the content and depth of these relations will be determined by the preparedness of the alliance to recognize Russia’s legal interests when engaging in military-political planning, and to respect norms of international law”, says the document. And as we have listed above, the Balkan region is one of the regions where Russia has geopolitical and security interests. That way the cooperation with this region will be always in the agenda of Russia – EU and Russia – NATO relations.

## **Economy**

One of the most important spheres of cooperation between Russia and the Balkan countries is the economy. “It is useless to speculate on Slavic motives, today we have to build our relationships based on the business interests. The economical presence in the region – is the base for the political positions”, said N. Narochnitskaya at a round table Russia on the Balkans.<sup>27</sup>

The Balkans today are a very important transit region for Russian energy products, especially with the current troubles with transporting energy via the Ukraine. The securitization of energy, the transformation of purely economic topics into security issues, usually understood as the security of Russia’s monopoly over oil and gas supplies to the European market, puts the relations between Russia and the Western Balkan countries in the energy field in de-

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<sup>25</sup> Kandel 2015.

<sup>26</sup> Russia’s National Security Strategy until 2020 URL: <http://rustrans.wikidot.com/russia-s-national-security-strategy-to-2020>.

<sup>27</sup> Round table of the Fund of Historical Perspective Russia on the Balkans again, 2005. URL: [http://www.perspectivy.info/oikumena/balkan/rossiya\\_vnov\\_na\\_balkanah.htm](http://www.perspectivy.info/oikumena/balkan/rossiya_vnov_na_balkanah.htm).



pendence on the EU energy policy priorities.<sup>28</sup> The main direction of the cooperation in the sphere is maintenance and development of existing free trade zones between Russia and Balkan countries. Currently, there is a free trade zone between Serbia, Montenegro and the Eurasian Customs Union. There have been talks about also creating of free trade zone with Macedonia in recent years.<sup>29</sup>

In the field of economic integration, the countries of the region are more often looking to Russia, especially now as the economy of the Eurozone is facing problems.

In 2013, Serbia signed a declaration on a strategic partnership with Russia.<sup>30</sup> In national-conservative circles in Serbia, there is an idea of integration into the Eurasian Customs Union and even to the Collective Security Treaty Organization (CSTO) as an alternative to the EU. The Party My Russia, the movement Dveri (Doors) and partly the Democratic Party of Serbia support this idea. Serbia, however, will most likely try to continue maintaining good relation with the EU as well as with Russia.<sup>31</sup>

One of the most important fields of cooperation is the energy sphere. Here we have witnessed some problems recently especially in the scoop of the cancelling of the South Steam project. Among the Balkan states the main field for struggle around realization of the project has become Bulgaria – a country with an unstable political situation that is, according to Russian scholars, constantly dependence on US curating.<sup>32</sup>

“If Bulgaria is prevented to behave as a sovereign state, then at least let them request money from the European Commission for loosing such a

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<sup>28</sup> Sokolova P. Impact of Europeanization on Russia's relations with the countries of Western Balkans, *The European Union in the Emerging World Order (Global Development, iss. 12)* / Yu.D. Kvashnin, N.V. Toganova, eds. – Moscow, IMEMO RAN, 2014. PP 17- 27.

<sup>29</sup> Russia – Macedonia: Balkan context of integration, *Torgovo-Promishlennii Vedomosti*, 25.06.2012. URL: <http://www.tpp-inform.ru/global/2442.html>.

<sup>30</sup> “South Stream” for the EU and sovereign Kosovo: what will Russia gain from the partnership Serbia that admitted NATO’s aggression? *REGNUM*, 26.05.13. URL: <http://www.regnum.ru/news/polit/1663243.html>.

<sup>31</sup> Sokolova 2014.

<sup>32</sup> Sokolova 2014.

benefit because only the direct budget revenues from the transit for Bulgaria would be no less than 400 million Euros a year”, claimed president Putin<sup>33</sup> at the visit to Ankara in December 2014 where he announced the shutdown of South Stream. Instead, the pipeline is planned to be constructed via Turkey making this country a big energy hub and an important player in the European arena. Russian media depicted the image of a Bulgaria that lost the possibilities under pressure from the EU and a Russia who did what nobody expected from it and will only win from the new cooperation with Turkey.

Being afraid of the rising influence of Russia on the Balkans, Europe has helped to strength another player in South East Europe: Turkey. And even though the relations between Moscow and Ankara are not that easy the upcoming energy contract may play a role.

Another important issue in economic field are the sanctions imposed on Russia by the majority of the European states. Many of the Balkan countries have joined the sanctions, with Montenegro being the most recent. Despite its condemnation by the metropolitan Amfilohije, despite the controversial opinions among the population of republic, the authorities of Montenegro have chosen another way – supporting their positions as a candidate to EU membership. These sanctions have not only damaged the economy of the Balkan states but have – from an official Russian standpoint – also clearly demonstrated their dependence from the EU and USA.

The only traditional Balkan allies of Russia that did not support the sanctions imposed by the EU were Serbian and Republika Srpska.

“Serbia has shown in practice that she is a friend of Russia, and not only when Russia doesn’t have any problems, but in the difficult moments. Serbia has never imposed any sanctions against the Russian Federation, and I am even more ashamed to just talk about it, but Serbia will not impose any sanctions against the Russian Federation”,

said the prime minister of Serbia Alexander Vučić.<sup>34</sup> Russian politicians

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<sup>33</sup> Putin’s statement about the “South Stream” caused a bombshell effect, First Channel (Perviy Kanal) 07.12.14. URL: <http://www.1tv.ru/news/social/273393>.

<sup>34</sup> Russia – Serbia talks, Kremlin.ru, 16.09.14. URL: <http://www.kremlin.ru/events/president/transcripts/46813>.

have expressed their gratitude for the Serbian support several times. The belief that Serbia will not impose sanctions on Russia even under the pressure of the EU is high among the Russian population as well. An opinion poll held by the Levada-Center in November 2014 demonstrated that 47% of Russians think that Serbia will “definitely not” or “most likely not” impose sanctions on their country, while only 26% believe the opposite.<sup>35</sup>

This situation helped the strengthening of Russian-Serbian economic cooperation in the agricultural sector. The agricultural production supplies from Serbia to Russia has risen by 29,5% last year and estimates to be 130-150 million dollars. The Russian investments in the Serbian economy are increasing as well and have reached three billion dollars. The oil and gas company NIS (mainly owned by Russian Gazprom) provides for 14% of the budget of Serbia. The Russian railway company RZD is involved in the renovation of the local railways in Serbia. Russian companies like Lukoil and Gazprom have invested into the industries damaged by military and economically disasters, which took place on the Balkan Peninsula in 1990 and currently control a significant part of the oil and gas market on the Balkans.

Serbia and Montenegro are among the Balkan countries receiving major investments from Russia, although the types of investments differ a lot: the investments to Serbia are done by big corporations in various fields listed above, while Montenegro receives financing from individuals mainly in real estate and tourism.<sup>36</sup>

Russia holds the leading position among the foreign investors into Montenegro. According to the data of the Berlin based think tank SWP, in 2010 32% of enterprises in the country belonged to businessmen from Russia.<sup>37</sup>

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<sup>35</sup> Attitude of Russians towards foreign countries, Levada-Center, poll held on 21-24 of November 2014, 1600 interviewed. URL: <http://www.levada.ru/08-12-2014/otnoshenie-rossiyan-k-drugim-stranam>.

<sup>36</sup> Pivovarenko A. Modern Russia on the Balkans: “soft power” through the investments, Russian Council for International Affairs, 16.05.2014. URL: [http://russiancouncil.ru/inner/?id\\_4=3707#top](http://russiancouncil.ru/inner/?id_4=3707#top).

<sup>37</sup> Pivovarenko 2014.

Bosnia and Herzegovina, especially one of the parts – Republika Srpska –, and Macedonia are among the prospective partners of Russia in the region. Large Russian capital has appeared there relatively recently (in 2007-2012), but has good perspective due to the favourable geographical position (binding elements of the route “North-East – South-West“ and “North-West – South-East“) and favourable attitude of the population and the current political establishment. Russian companies have already bought a number of large enterprises in these countries. Potential partners of the Russian Federation are Slovenia and Croatia, where Russian projects are still not that successful but there is a potential especially in the wake of financial crisis in EU.<sup>38</sup>

Russian “soft power” in the Balkan region has caused concerns among the leaders of European countries and foreign journalists. The German newspaper *Der Spiegel* featured these by writing that “the German government believes that Russia’s approach in the region has been largely successful”.<sup>39</sup>

## Identity

From the perspective of current Russian elites, the problem of Balkan identity is not only the question of protecting Christians and Slavs in the region, but also a case of protecting Balkan identity (and even identities from the certain countries) from blurring with so-called “European identity”.

One of the unique features of Russian foreign policy is it does not only take into consideration ethnical and religious factors but is also based on them. Concerning this point, the Balkans are a special region for Russia. Here, three main points of comparison can be found: the relations between Russia and the West, between Russia and the East and between Russia and the Slavic world.<sup>40</sup> In the 19<sup>th</sup> century under the Turkish rule, the Balkans meant Asia for Russia, while now they tend more to signify the West and all over the time the significant part of the population of the region was Slavic.

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<sup>38</sup> Pivovarenko 2014.

<sup>39</sup> *Der Spiegel*, 17.11.14.

<sup>40</sup> Nikiforov K. Round table of the Fund of Historical Perspective Russia on the Balkans again, 2005.

Under the EU influence and in the framework of the European identity the Balkan countries have – from a Russian perspective – to abandon their deep cultural, religious and emotional connections with Russia. That results in the disappearance of communication in the academic, informational and cultural fields. The traditional cultural connections are reduced to the formal cultural events that are mostly attended by diplomats but do not involve the broad mass of population. The mutual sympathy between Russians and people from Balkan states maintains but more likely exists in the form of myths.

The amount of the existing programs of academic mobility between Russia and Balkan countries cannot be compared with the cooperation of Balkans and EU in the same fields. The political culture of the Balkans is also influenced by “Europeanisation”: the emotional part became substituted by the pragmatic one.

One of the strategies that used to strengthen cultural ties is informational presence in the region. Among the positive steps, as they are estimated by Russian scholars, in this direction is the opening of the internet channel “The Voice of Russia” (Golos Rossii) in the Serbian language in 2014, that later was replaced by “Radio Sputnik” also available in Serbian. The presence of the TV station “Russia Today” in Belgrade is another significant step.<sup>41</sup>

One of the most remarkable events of the past year was the participation of Putin in the celebration of the 70<sup>th</sup> anniversary of liberation of Belgrade from Nazi occupation. Serbia has not seen a parade of such a scale since the division of Yugoslavia. Among other events of the past year were the visit of Patriarch Kirill, the opening of the monument to Russian last emperor Nikolas II, the series of conferences and round tables about the 100<sup>th</sup> anniversary of the First World War and the world premiere of the movie “Sunstroke” by Russian director Nikita Mikhalkov.

As the director of the Institute of Slavic Studies at the Russian Academy of Science Konstantin Nikiforov said that it must be a priority for Russia to

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<sup>41</sup> ‘Russia Today’ news service opens in Serbia, Balkan Insight. 27.10.14. URL: <http://www.balkaninsight.com/en/article/russia-today-opens-serbia-office>.

strengthen the Balkan national identity as well as cultural and scientific ties with the region.<sup>42</sup>

## Conclusions

The “Eastern Question“ has been present in the politics of Russia throughout its history. The Byzantium influence, numerous Russo-Turkish wars, independence movements of the Balkan countries supported by Russia and East Bloc – these are only a few pages of the long and rich common history the Balkans and Russia have.

These territories have always had a crucial geopolitical importance for Russia, but more importantly, the people living on these territories were always connected with Russia through cultural and religious ties.

Over the last century, Russia has lost many of its allies in the region. Currently, the Russian Federation maintains close relations with Serbia and the Republika Srpska, which results in intense political, economic and cultural cooperation.

In the situation in which there are rising problems with the integration of some Balkan countries into the European Union, Russia tries to strengthen its ties with the region by enhancing its economic and informational presence. Russian investments play an important role in the economies of Serbia, Bosnia and Herzegovina and Montenegro.

On the other side, many Balkan countries are already deeply integrated in the European economy and will in a best-case scenario maintain cooperation with both Russian Federation and European Union. Russian officials are disappointed by the politics of some South East European countries, especially Bulgaria in case of the South Stream project. Although the European vector of development is strong among the Balkan countries, the cultural and economic ties with Russia are still quite powerful in the region.

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<sup>42</sup> Interestingly, the former name of institution was the Institute of Slavic and Balkan studies, but the Balkan part was omitted in 1997.

## **PART II:**

# **SOUTH EAST EUROPE BETWEEN RUSSIA AND THE WEST: THE ECONOMIC DIMENSION**





# Foreign Trade Relations of the South East European Countries with a Focus on the Trade Relations with Russia

*Hermine Vidović*

## **Introduction**

The following article provides a brief overview on foreign trade and foreign direct investments (FDI) in the South East European countries (SEE) comprising the seven Western Balkan countries Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia as well as Bulgaria and Romania. In a first step it looks at the economic developments in the past couple of years, which will be followed by an analysis of trade and FDI patterns by groups of countries with a specific emphasis on the relations with Russia.

## **Economic Performance**

Having shown favourable results since the beginning of the 2000s the SEE economies have been severely hit by the economic and financial crisis. With the exception of Albania and Kosovo (being less integrated in the world economy) all countries of the region suffered from partly severe contractions of economic growth since the onset of the crisis and recovered only slowly thereafter. As illustrated in Figure 1 Croatia has been hit most, reporting declines of the gross domestic product (GDP) for six consecutive years; a turnaround is expected for 2015 with the GDP showing a slight increase. With respect to GDP per capita, as a measure of wealth of a country, Croatia reports the highest level in the region at 58% compared with the EU average, followed by Romania and Bulgaria (54% and 46% respectively), while Kosovo ranges at the lower end of the scale, reaching only 25% of the EU average in 2014. Between 2005 and 2014 all SEE countries with the only exception of Croatia, could increase their GDP per capita, most of which Romania and Bulgaria. In the short term output growth in the SEE countries will be somewhat lower than in the new EU Member States, where the economies are expected to grow by 2.7% both in

2015 and 2016. Macedonia and Kosovo may perform better than the rest of the countries (Podkaminer et al. 2015).

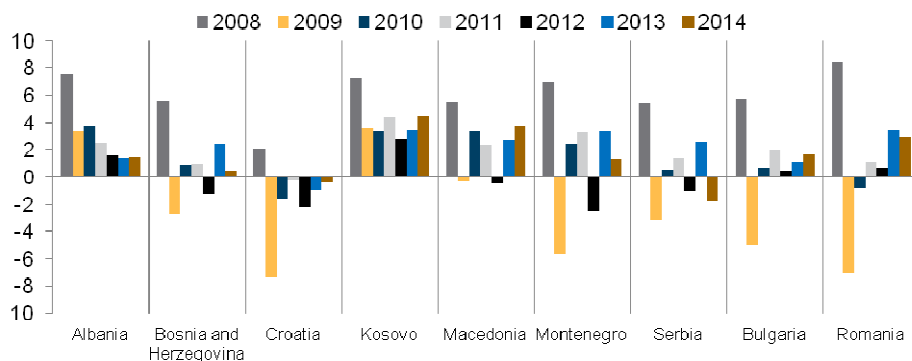


Fig. 1: Gross domestic product (GDP) 2007-2014, change in % against preceding year  
Source: wiiw Database incorporating national and Eurostat statistics.

## Foreign Trade

Trade liberalisation has emerged as an important EU policy objective as part of its initiatives aimed at stimulating regional cooperation among the SEE countries for both political and economic reasons (Uvalic, 2006). The signing of the CEFTA (Central European Free Trade Agreement) in 2006 – linking all Western Balkan countries and Moldova – set the stage for the establishment of a free trade area in South East Europe. Since then, the free flow of industrial goods has become a reality, as tariffs and quotas were abolished. Further efforts have been made to remove the remaining tariffs and quotas on trade in agricultural products by 2014 (SEE 2020 Strategy).

In 2000, the EU granted autonomous trade preferences to all the Western Balkans. These preferences which were renewed in 2005 and subsequently in 2011 until December 2015, allow nearly all exports to enter the EU without customs duties or limits on quantities. Only sugar, wine, baby beef and certain fisheries products enter the EU under preferential tariff quotas. Serbia is the only country in the region having a free trade agreement with Russia since 2000 (which has not been ratified by the Russian side). The

Agreement stipulates that goods produced in Serbia, with over 50% value added in the country, are considered to be of the Serbian origin. The list of products excluded from the Free Trade Agreement is revised annually.

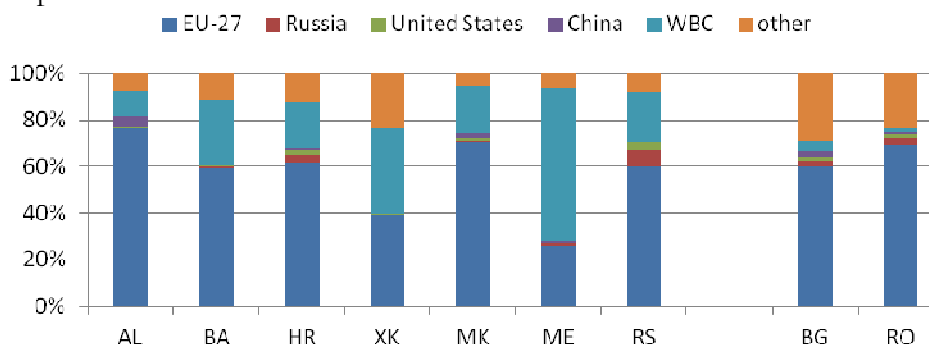
In general the SEE countries – excepting Bulgaria – are less economically integrated than the new Member States joining the EU in 2004. Measured as a share of the GDP, in 2014 exports of goods and services ranged between 19% in Kosovo and 47% in Macedonia. For comparison the respective share of Slovakia amounted to 91%.

As shown in Figure 2 the EU has been the most important trading partner for most of the Western Balkan countries accounting for more than 60% of goods exports, the main exceptions being Montenegro and Kosovo, where overall trade, both exports and imports, are primarily conducted within the region. All countries of the region have high trade deficits with the EU. Trade within the Western Balkans is still very important for the other countries too, ranging between 11% of total exports in Albania and 28% in Bosnia and Herzegovina. Serbia is the only country in the region reporting a notable share of its exports (8%) to Russia; Croatia, Bulgaria and Romania coming next conduct slightly less than 3% of their exports to Russia. Serbian exports to Russia consist mainly of agricultural products, while Croatia delivers mostly pharmaceuticals, electrical transformers and generating sets. By contrast in terms of imports, Russia is an important trading partner particularly for Bulgaria (18.5% of total imports), Serbia and Bosnia and Herzegovina (about 10% of imports each). Imports from Russia are mainly devoted to energy deliveries. Bulgaria depends on Russia for 89% of its petrol and 100% of its natural gas and all of the nuclear fuel needed for the Kozloduy nuclear power station.<sup>1</sup> Also Serbia, Bosnia and Herzegovina and Macedonia depend significantly on Russian natural gas, e.g. Serbia covers more than 75% of its needs with Russian gas (Bieri, 2015). With the exception of Montenegro all SEE countries report trade deficits with Russia.

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<sup>1</sup> <http://www.euractiv.com/sections/energy/borissov-warns-bulgarias-energy-projects-catastrophe-311192>.

## Exports



## Imports

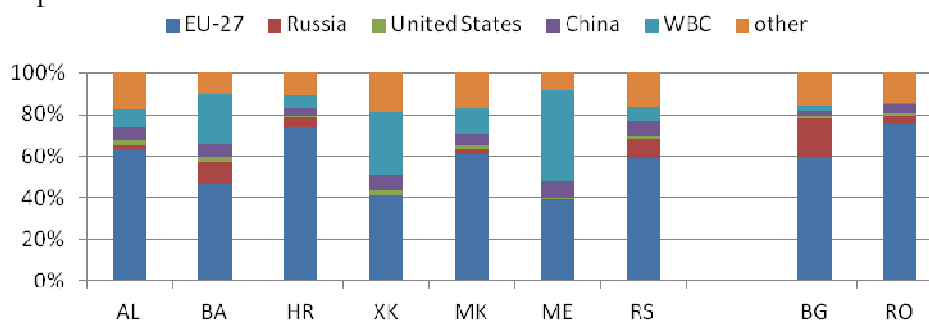


Fig. 2: Foreign trade with selected (groups) of countries

Note: AL – Albania, BA – Bosnia and Herzegovina, HR – Croatia, XK – Kosovo, MK – Macedonia, ME- Montenegro, RS – Serbia, BG – Bulgaria, RO – Romania.

Source: wiiw Database incorporating national and Eurostat statistics

Available data for the first three months of 2015 show a strong decline in trade between most SEE countries and Russia, e.g. Croatia's trade with Russia both in terms of exports and imports fell significantly, by 35% and 49% respectively. Also the Serbian trade with Russia which is not subject to the EU sanctions against Russia contracted remarkably: exports dropped by 30% which was mainly attributed to the devaluation of the rouble and consequently to the decreasing demand in Russia.

## **Tourism**

Croatia, Montenegro and Bulgaria are the most important tourist destinations of the region. In the case of Montenegro Russia represents the major country of origin of foreign tourists with the number of overnight stays steadily on the increase, rising from 455,500 in 2006 to 2.6 million in 2014 (or 23.6% of total overnight stays). In Croatia tourists from Russia account for 1.7% of total overnight stays with the number increasing from 936,500 in 2006 to about one million in 2014 (hitherto record level in 2012: 1.6 million). Since Croatia's EU accession the number of Russian tourists has been on the decline mainly due to the introduction of visa.

The number of Russian tourist heading to Bulgaria has been steadily on the rise, with overnight stays rising from 1.5 million in 2008 to 2.4 million in 2014 – representing 17% of total overnight stays (in the hitherto record year Russian tourists accounted for 2.8 million or 19.6% overnight stays). Russia ranks also among the five major source countries of foreign tourists in Bulgaria.

As for the near future the number of Russian tourists might (further) decline in the three countries primarily because of the deteriorating economic situation in Russia.

## **Foreign Direct Investment (FDI)**

Foreign direct investment to the SEE countries, the Western Balkan countries in particular, arrived with some time lag as compared to the Central and East European countries. While the latter attracted significant FDI already during the 1990s a pronounced inflow of FDI to the SEE countries started only at the beginning of the 2000s “probably because of the improved general political and economic environment” (Estrin and Uvalic, 2013).

As depicted in Figure 3 the EU-28 countries are the major investors in the SEE countries, accounting for about three thirds of the FDI inward stock in 2014. Both Austria and the Netherlands are the most important single investors in three countries each. Austria is in the first place in Bosnia and Herzegovina, Serbia and Croatia, while the Netherlands are the major in-

vestors in Macedonia, Bulgaria and Romania. Russia is the main single investor in Montenegro and ranges fifth in Bosnia and Herzegovina and sixth in Bulgaria. The Netherlands is an important investor country, because it is a hub for holding companies set up for reasons of tax optimisation (Hunya, 2015). Not only US companies but also other investors find it beneficial to locate their headquarters there. So, it might be that some of the FDI in the SEE countries originating from the Netherlands officially might come from Russia.

In recent months a number of infrastructure investments has been initiated by China, e.g. with investments in the rail link between Belgrade and Budapest, designed to connect the port of Piraeus with continental Europe. In addition China is financing the construction of power plants and roads in Serbia, Bosnia and Herzegovina and Montenegro. There are also some noticeable investments made by Azerbaijan, Turkey and some Arab states (Bieri, 2015).

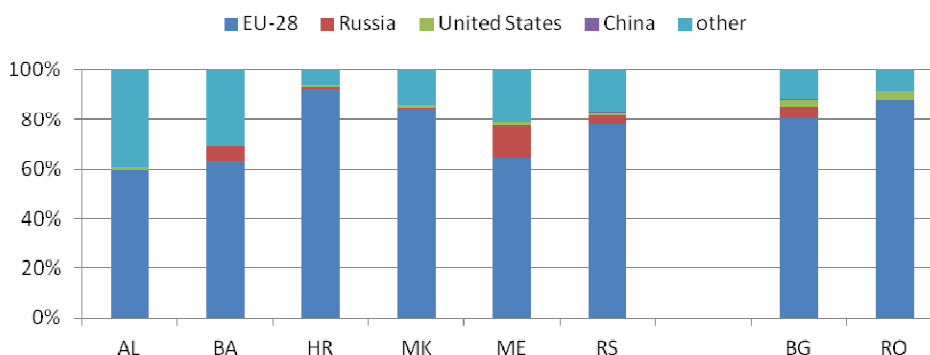


Fig: 3: FDI inward stock, by countries, shares in %, 2013  
 Source: wiiw Database incorporating national and Eurostat statistics

The sectoral distribution of FDI differs across the region. Foreign investment enterprises are present in diverse economic activities as their entry is usually not restricted. In 2014, manufacturing is the single most important investment activity of foreigners in Bosnia and Herzegovina, Macedonia, Serbia and Romania; in the latter two countries manufacturing accounted for more than 30% of the FDI stock. In Croatia and Bulgaria, FDI in manufacturing ranks on the second place. The financial sector dominates FDI in Croatia and plays an important role also in Romania, Albania, Bos-

nia and Herzegovina and Macedonia where it holds the second place in the respective FDI stock and the third in Bulgaria. Real estate represents the main foreign investment activity in Bulgaria and transport in Albania. In addition, in almost all SEE countries wholesale and retail trade are ranging among the four most favoured sectors of foreign investors.

Russian investments in the Western Balkans are mainly concentrated in the energy sector and there is a growing involvement (from a very low base) in the banking sector since the acquisition of Volksbank International AG by Sberbank in 2012. Major activities of Russian investors in the SEE countries are the following:<sup>2</sup>

- Bosnia and Herzegovina (mainly in Republika Srpska): Zarubezhneft – oil refineries; Sberbank;
- Croatia: Lukoil – 48 gas stations and oil terminals; Sberbank; purchases of houses, restaurants and hotels (private investment);
- Macedonia: Lukoil – 25 filling stations; Protek Group (pharma) – new plant in Skopje;
- Montenegro: real estate, hotels, restaurants, tourist resorts (mainly private investors);
- Serbia: Lukoil (79.5% stake in Beopetrol) retail and wholesale trade in oil and derivatives, network of 180 filling stations; Gazprom – holds a 56.2% stake in NIS (oil and gas company) holds refineries and has a network of filling stations and other businesses. JSC Russian Railways – modernising of Serbian railway system including the Belgrade-Bar (Montenegro) railway line including the supply of Russian locomotives. Sberbank and Vneshtorgbank (VTB);
- Bulgaria: Lukoil – oil refinery; Gazprom, Promet Steel; about 300-400 thousand private Russian house owners<sup>3</sup>;
- Romania: Lukoil; steel companies.

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<sup>2</sup> [http://russiancouncil.ru/en/inner/?id\\_4=3744#top-content](http://russiancouncil.ru/en/inner/?id_4=3744#top-content)

<sup>3</sup> <https://euobserver.com/foreign/127947>

## Conclusions

Most of the SEE countries' trade is generated with the EU, which is characterised by high trade deficits. Outliers in this respect are Kosovo and Montenegro trading largely within the region, the successor states of the former Yugoslavia in particular.

Trade relations with Russia differ by countries, imports are mainly energy related, while exports are mostly dominated by agricultural products; Croatia delivers pharmaceuticals and electrical transformers and generating sets. All countries, except Montenegro report trade deficits vis-à-vis Russia.

Russian investments in the SEE countries is particularly high in Montenegro followed by Bosnia and Herzegovina (mainly in Republika Srpska) followed by Bulgaria and Serbia. In all other countries direct Russian ownership is below 1% of the FDI stock, but it might be more significant via holdings registered in tax heavens (e.g. Netherlands). In terms of economic sectors Russian investments are mostly directed towards the energy sector. Montenegro is a special case with the main inflow into the real estate sector. Moreover, since the acquisition of the Volksbank International AG, the Russian Sberbank has been increasingly active in Croatia, Bosnia and Herzegovina and Serbia.

With regard to tourism Russia is an important source country of tourists in Montenegro, while it is less significant in the case of Croatia, the other main tourist destination in the region. The impact of the EU sanctions against Russia on the Western Balkan countries with respect to trade is so far limited, but in the future Russia may try to substitute imports. Both trade with and the number of tourists may decline owing to the poor economic situation in Russia. Further tightening of EU sanctions and possible counter sanctions by Russia might affect specific sectors (e.g. pharma or automotive industries), but this are rather speculations.



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# Along the Energy Streams: Geostrategic Competition in South East Europe

*Martin Vladimirov*

## Overview

The unfolding of the Ukrainian crisis has starkly demonstrated how Russia has managed to leverage the energy dependency of its neighbours in Europe to corrupt and capture political elites and ultimately change the balance of power in the region. The crisis has also demonstrated the lack of progress in the efforts of international organizations such as the EU and NATO reducing energy security risks and improving diversification efforts. One area, which needs significant reinvigoration of the energy security dialogue, is South East Europe (SEE) and the Black Sea region. As an area of immense geostrategic importance in regards to competition of major energy infrastructure projects linking oil & gas producing countries with consumers in the European Union and beyond, the two regions have become vital for maintaining the energy security in Europe in the future. The SEE and Black Sea regions host several major pipeline and other energy projects that aim to diminish the import dependence of many Central and Eastern European countries on one energy source. Meanwhile, Russia has stepped up efforts in promoting its own version of diversification, this time of transit routes circumventing Ukraine and capturing an even larger market share in Central and South East Europe.

With a varying degree of willingness, the SEE countries have subscribed to the Gazprom-led South Stream project from its very beginning despite the high cost of the pipeline and the lack of control governments had on its parameters. Moreover, South Stream didn't fulfil the strategic goal of the countries of the region to diversify their energy supply away from the dependence on a single gas source. The main narrative used to justify the project has been its importance for increasing energy security and bringing about economic growth and foreign investment. While the first claim has had some validity as indeed South Stream removes part of the transit risk, the second objective seemed very dubious considering the financial condi-

tions offered to governments when joining the project. Moreover, the transit exposure risk would have been just replaced with the long-term danger of Russia using the pipeline as a political tool turning it on and off depending on the political stance of the current government.

In pushing through the project, Gazprom concluded intergovernmental agreements (IGAs) with Bulgaria, Serbia, Hungary, Croatia, Slovenia and Austria, in which the gas giant had insisted to have an at least 50% share (51% in the case of Serbia) and to ban a third-party access to the pipeline capacity. Both conditions violate the EU's Third Energy Liberalization package, requiring energy infrastructure to be unbundled, meaning that the ownership of the gas production and transmission capacities should be separated.

Despite heavy lobbying of South Stream's onshore project, the European Commission (EC) never granted a priority status to the pipeline, which would have exempted South Stream from the Energy package. Also, the deterioration of EU-Russian relations following the annexation of Crimea and the intensification of the conflict in eastern Ukraine, left negotiations on South Stream in a dead-end. After significant pressure from the EC, Bulgaria, which had been a vocal proponent of the project, decided to suspend its implementation in August, 2014. Then, in late October Serbia's PM, another strong ally of Gazprom, gave clear signals that the government will not go on with the project without the consent of the EU. Not coincidentally, his statements came at the backdrop of an EU accession progress report saying that Serbia's participation in South Stream could harm the country's prospects of joining the Union. Italy, which has adhered to the project from its very beginning with the Italian energy company, ENI, having 20% share in the Black Sea offshore part of the pipeline, and whose subsidiary, Saipem, was contracted to build it, has shown on a number of occasions in 2014 that it does not believe in the project's economic feasibility. When Russia's President Vladimir Putin gave his speech in Ankara in early December, 2014, announcing the suspension of the project, it seemed that only Hungary had remained fully sided with Gazprom.

However, South Stream's suspension was a heavy shock to the SEE region. Not least because it came a bit over an year after the final decision of the Caspian Shah Deniz gas field development consortium to pick the Trans-

Adriatic Pipeline (TAP) over Nabucco as the priority route for sending natural gas to Europe starting in 2019. TAP with its meagre 10 billion cubic meters (bcm) of initial capacity passing through Greece, Albania and ending in Italy, would not serve the strategic vision of the EU for significant diversification of the gas supply of Central and Southeast Europe. Only Bulgaria would be able to immediately start receiving a contracted 1 bcm via a planned Bulgaria-Greece Interconnector (IBG) but even this project has stalled for the moment. The countries in the region have largely accepted the Shah Deniz Consortium's decision not to select the Nabucco pipeline as a proof of the failure of the EC to secure their basic energy security needs and above all the access to alternative resource supplies. This act has induced some frustration in the region for lasting dependence on the existing gas exporter – Gazprom at least in the short term.

It seems that the selection of TAP over Nabucco West is indicative of a broader trade-off, in which South Stream scraps the southern leg of the pipeline, which allows TAP to be the only gas link between Greece and Italy, in exchange for the Consortium's dropping of the alternative Nabucco West route. Such an agreement was meant to effectively put an end to the Nabucco West project forcing the shareholders to write off substantial losses well in excess of 100 million euro, leaving a yawning gap for alternative gas supplies in SEE and CEE. The choice of TAP coincided with the buying by Azeri national oil company, SOCAR, of the Greek gas transmission company, DESFA. Gazprom, which also took part in the bid, at the final stage decided to withdraw from the competition. The latter raised concerns that there has been a behind-the-scenes market-sharing agreement between the members of the Shah Deniz consortium and Gazprom. The goal is that the Shah Deniz partners will not promote a competitive pipeline to the Russian-led South Stream, and Gazprom will not meddle in Greece's natural gas market.

### **Energy Security after South Stream**

After the alleged end of South Stream, no definite alternative to the current supply route through Ukraine has emerged yet. In order to stem the appeal of alternative energy security solutions, Gazprom has offered yet another energy project narrative at the same time as the decision for the halt of the South Stream pipeline. Gazprom and the state-owned Turkish energy

company, BOTAS, signed a Memorandum of Understanding for the construction of an underwater Black Sea pipeline parallel to the existing Blue Stream pipeline and with the same entry point.<sup>1</sup> The newly-dubbed Turkish Stream would have the same pipeline capacity of 63 bcm per year, and would involve the construction of four lines. From the entry point on the Turkish Black Sea coast, Gazprom has expressed commitment to build new pipeline infrastructure linking Turkish Stream with Bulgaria via the Trans-Balkan Pipeline or to a gas distribution hub on the border with Greece. Out of the 63 bcm planned capacity, 14 bcm have been earmarked for the Turkish market substituting the existing gas supply to Turkey transiting Ukraine, while the rest could be transported in reverse along the TransBalkan pipeline or via a new pipeline infrastructure built from the Greek-Turkish border.<sup>2</sup>

Since the launch of the Turkish Stream project idea, Gazprom has maintained that it is up to the European consumers to construct the necessary pipeline infrastructure to connect with natural gas hub to be formed on the Greek-Turkish border as the Russian state-owned company announced plans to divert the gas transit through Ukraine to the newly-built Turkish Stream. The EU has not provided Gazprom with a definitive response. However, the Russian argument can potentially contradict the contractual obligations Gazprom has under its long-term, bilateral gas sales agreements to provide uninterrupted gas supply to its European clients. The latter will remain the dominant contractual framework between Gazprom and European companies until the later part of the 2020s. Hence, it is highly unlikely that the EU will back down on Gazprom's demands for a cross-European commitment for the construction of a new pipeline infrastructure. In the end, a wait-and-see approach was the *modus vivendi* for Europe during the development of the South Stream project. A similar strategy is likely to be adopted in the Turkish Stream talks.

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<sup>1</sup> Gazprom Press Release, <http://www.gazprom.com/press/news/2014/december/article208505/>.

<sup>2</sup> Tass Agency. (01.12.2014). Миллер: Москва и Анкара договорились о строительстве морского газопровода в Турцию. News accessed at <http://itar-tass.com/ekonomika/1615321> on 19th April, 2015.

In addition, it is unclear whether Turkey would be willing to follow through with a project that will further deepen its dependence on Russian gas supply (currently at around 60% of its gas consumption needs).<sup>3</sup> Its energy policy up to now has been based on the conviction that energy security can be achieved only through the gas supply diversification from as many sources as available. The Turkish Stream makes sense to Ankara only in the framework of a second line on the functioning Blue Stream under the Black Sea, so that Turkey weans itself off the transit risk of importing Russian gas via the Trans-Balkan pipeline originating in Ukraine.

### **Competition for Energy and Political Influence**

For the last 10 years, the energy competition between the EU and the US, on the one side, and Russia, on the other, had been defined by the energy competition along the Southern Gas Corridor. Until the financial crisis, the competing energy projects lived in peaceful coexistence backed by the rising hunger for energy in Europe. The expectations were that the EU will be able to absorb all of the new export capacity coming online in the early 2010s. The situation was starkly reversed in 2009. Since then the natural gas consumption in the EU has been falling every year due to low industrial output combined with high gas prices under long-term oil-indexed contracts that prompted utilities to switch to cheaper US coal for their primary energy needs. In a market glut and in an environment of long-term contracts, no investment appetite for new large-scale pipeline projects could be mustered.

Not surprisingly, the scale back destroyed any real prospect for a giant 31-bcm Nabucco pipeline, whose viability was questionable in the first place due to a number of geopolitical and technical concerns. Similarly, South Stream's attractiveness began to fade away despite being on the top of the agenda of many Central and Eastern European countries after the gas supply halt in January 2009 that revealed the vulnerability of the region to the transit through Ukraine. Even if it would have been successful, consumers would have been underutilizing the South Stream pipeline capacity as the project had had to supply natural gas markets in Southeast Europe, where demand for gas is low, as well as Italy, Germany and Austria, which are

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<sup>3</sup> Turkey Country Brief, US Energy Information Administration (EIA).

highly liquid and diversified gas markets.<sup>4</sup> In addition, at the projected cost of around \$40 billion, the project would have been very expensive even for Gazprom.

Despite the economic prerequisites for the failure of the pipeline projects, their political motivations used to override any rational claims. For the EU, Nabucco had the vital goal of diversifying the gas supply to Central and Eastern Europe amid the imminent potential that Europe will become increasingly dependent on energy imports as its domestic production falls. The diversification rationale became even more visible after the Ukrainian gas crises in 2006 and 2009 when the three-decade long model of supply security no longer was taken for granted by energy consumers in Europe. Even before the transit disputes with Ukraine, Russia had overestimated its ability to leverage the gas dependence of European countries to dictate contractual terms (take-or-pay and oil-indexation) in an environment of rising supply of alternative natural gas sources and the rapid increase of crude oil prices that ultimately also drove gas prices up. Faced with growing competition from alternative gas sources from Norway and Qatar, Gazprom sought to preserve the current contractual framework that would have allowed the company the steady rise of gas revenue as Europe becomes more and more dependent on imports.

An emanation for this model has been South East Europe where Gazprom has almost full natural gas monopoly. Although the share of the natural gas consumption in the overall energy demand of the region is low (between around 10% in Serbia to close to 30% in Croatia), Russia has translated its market share in political influence through the pricing of the gas. As a key input for industrial producers and district central heating utilities, natural gas is still perceived as a strategic commodity by governments in the region. Russia has often traded gas price cuts for the purchase of valuable assets in the energy, banking and the telecommunications sector. Russian resurgent economic power combined with old time security networks and skilful use of traditional soft power appeal has created weak links across the countries of the region. Gas has been the weapon of choice all along.

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<sup>4</sup> Ruslan Stefanov/Martin Vladimirov. 2014. "South Stream at the Crossroad of Energy Security and State Capture Risks." *Südosteuropa Mitteilungen* 54-71.



This policy instrument has been particularly active in Serbia which has been receptive and active in courting this investment in order to buoy its flailing economy. Serbia depends on 82% for its gas consumption on Russian imports. Russian firms are funding large-scale infrastructure and utilities projects. The Russian Railways company is spending nearly €750 billion to upgrade Serbian rail lines, and Lukoil now owns 79.5% of Beopetrol, a Serbian gas station chain. Belgrade sold a controlling stake in its national oil and gas company NIS to a Gazprom subsidiary and committed to constructing its portion of Gazprom's South Stream pipeline against an EU's memorandum. As Moscow's economic and political influence in the region deepens, Russian patronage could provide an alternative to the EU cries of reform and transparency.

In Bulgaria, it is estimated that as much as one-third of the country's economy is owned by Russian entities, with particular concentration in the energy, financial, and media sectors. Russia's oil refiner and retail supplier, LukOil, is by far the largest company in the country, contributing, according to its website, one quarter of the budget revenue in direct and indirect taxes. Gazprom is also a major player in the country both as a 49% owner in the largest gas distribution company, Overgaz, and also as a major retail fuel seller. Then in 2012, VTB Capital, the investment arm of Russia's second largest bank, led a consortium with Bulgaria's Corporate Commercial Bank (KTB) to purchase the largest telecommunications company in Bulgaria, BTC. VTB is 60 percent owned by the Russian government and owns 9 percent of KTB, the bank that collapsed in the summer of 2014 prompting a mini banking crisis in Bulgaria. Furthermore, around 400,000 Russians own property in Bulgaria, and a quarter of all tourists in the country are also Russian. At the end of 2012, the Bulgarian government traded its active participation in the then-alive South Stream project for a gas price cut of 20% but still continued to pay one of the highest gas prices in the EU. This is hardly surprising as the country is almost 94% dependent on the Russian gas imports at the end of 2014 and 100% dependent on crude oil. Bulgarian senior officials have accused Russia of sponsoring financing anti-shale and energy protests to keep Bulgaria dependent on Russian gas. Correspondingly, the Bulgarian parliament passed a moratorium on shale gas exploration in the country although the EIA estimates that the country holds close to half a trillion cubic meters in shale gas reserves. The US oil major, Chevron, which held an exploration license, left the country in 2014

after it became clear that the government is not planning to lift the moratorium any time soon.

All countries in the region share similar vulnerabilities – the overreliance on one energy source, the lack of adequate measures for supply diversification and limited involvement in the development of the domestic energy production.

Country	Gas Import Dependency	Share of Russia in gas imports	Share of Russia in gas consumption	Total Gas Consumption (bcm)	Average Gas Price (\$ per 1000 cubic meters)*
Slovenia	100%	60.20%	60.20%	0.87	485
Greece	100%	55.60%	55.60%	3.6	476
Bulgaria	90.00%	100%	90%	2.6	417
Hungary	78.20%	100%	78.20%	8.6	435
Romania	24.30%	100%	24.30%	12.5	399
Turkey	99.00%	56%	56.0%	45.6	406
Macedonia	100.00%	100%	100.0%	0.16	460
Serbia	82.40%	100%	82.4%	2.91	457
Croatia	40.%	100%	40%	3.25	Spot**
<b>Average</b>	<b>84%</b>	<b>84%</b>	<b>68%</b>	<b>8.9</b>	<b>441.8</b>

Tab. 1: Russia's role in the SEE and Black Sea Energy Markets

\*This is the average import gas price for 2012/2013

\*\* Croatia currently delivers its gas imports from the spot markets in Austria and Hungary.

Source: BP, Eurogas, CSD, European Geopolitical Forum

On average, the share of Russian gas in the total consumption of the countries in the CEE and Black Sea regions has hovered around 68% in 2013. However, natural gas dependence in terms of share of total imports is even more alarming at 84%. The majority of Russian gas supply to the SEE region flow through two pipelines transiting Ukraine. In March 2013, the dependency on Ukraine as a transit route reached 82% for the whole Central and Eastern European countries. Meanwhile, Austria, Bulgaria, Croatia, Hungary, Romania, Slovakia and Slovenia remain 100% dependent on the Ukrainian transit route for gas imports. In case of a natural gas crisis similar to the one in 2009, the region will be severely exposed to supply disruptions, heating shortages and fuel deficits for industrial consumers.

The response to the 2009 crisis was mixed with some countries using swap deals for importing Norwegian and Algerian gas, while others changing to

heavy fuel for heating or increasing their domestic production. Overall, the region was unprepared to sustain the cut in gas supply in the long term as the capacity of underground gas storage facilities was not enough to handle a winter gas demand. Similarly, the crisis proved that the gas interconnectors linking the different national grids in the EU are underdeveloped preventing countries from balancing their markets. Five years later, with the exception of Croatia, which commissioned the Croatia-Hungary interconnector in 2011, the region has done little to improve its preparedness.

Moldova, Bulgaria and the countries in the Western Balkans (with the exception of Slovenia, Serbia and Croatia with limited access to Hungarian and Austrian gas supply) will be hit hard as they are almost fully dependent on Russia, have limited production capacity and have not developed their gas storage infrastructure. While, the good news is that the economy of these countries is relatively less dependent on natural gas – for example natural gas constitutes only 17% of the total energy consumption in Bulgaria – switching to alternative fuels is both very polluting and costly. Instead of searching for alternatives that improve their energy security risks, many of the countries in the region decided to bandwagon with Russia on the newly-announced Turkish Stream. The foreign ministers of Greece, Macedonia, Serbia and Hungary met in early April, 2015, to discuss their participation in the Gazprom-led project. The idea is to build a pipeline from the gas hub on the Turkish-Greek border and passing through Macedonia, Serbia and finally reaching Hungary. Considering the current state of energy infrastructure in the region, this idea seems more like another pipe dream, rather than a real new alternative.

### **Searching for Alternatives**

Despite the collapse of the Nabucco pipeline idea, there is however ample ground to believe that this could be an opportunity for the region to boost its energy security position. Rather than investing in romantic visions such as large-scale, international pipelines, the SEE countries could be forced to focus on existing yet overlooked until recently more pragmatic, low cost and meaningful alternative options for achieving greater resource diversification, market flexibility and real convergence within the larger EU and global gas market framework.

One major alternative that has triggered a sequence of events at regional and EU level, is the North-South Gas Corridor, linking the Baltic Sea with the Mediterranean via a series of regional interconnectors. The project idea was launched by the Visegrad 4 Group of countries (Hungary, Slovakia, Czech Republic and Poland), which have already built a network of interconnectors coupling their gas markets. The V4 initiative aims to integrate LNG facilities at entry points on the Baltic and Mediterranean Sea for alternative gas supplies to the region. Hence, the corridor will create the necessary conditions for the integrating regional markets and for blending existing and potential EU, US, Russian, Caspian, Middle Eastern, Mediterranean and other global market resources in a more competitive mix offering lower energy and gas prices to industrial and individual consumers in the CEE and SEE regions.

Existing LNG terminals in the region and planned new ones such as in the Gulf of Saros (Turkey), Alexandroupolis-Kavala (Greece) and Krk (Croatia) could significantly boost the resource diversification entry points; enhance gas market integration and gas demand in the region. The North-South gas corridor could not only boost the energy security of South East Europe, but would also improve the overall connectivity of the EU. The immediate beneficiary is the effective completion of the European energy market, which can access a variety of energy sources to be distributed among consumers at competitive prices.

Of course, we have to be realistic. The LNG gas would not necessarily contribute in the short term to a significant reduction in gas prices but would enhance the security of supply, promote energy source diversification hence independence and improve the economics of new and existing projects in interconnectors, gas storage and pipeline transport. Even without full physical gas market integration a coordinated use of the free capacities at LNG terminals for direct or virtual gas swaps in the region could trigger immediate diversification of gas supplies even before the completion of planned interconnectors and the physical entry of alternative gas supplies.

Name	Capacity (bcm/y)	Unused capacity (bcm/y)	Statute	Year of completion	Owner/participants company	Supply contract
Mamara Ereğlisi (Turkey)	8,2	3-5	Operational	1994	BOTAS	Nigeria, Algeria, Qatar (spot)
Aliağa (Turkey)	6	3	Operational	2006	BOTAS	Nigeria, Algeria, Qatar (spot)
Revithoussa (Greece)	5,2	3-4	Operational	1999	DEPA	Qatar, Algeria
Rovigo (Italy)	8	N/A	Operational	2009	Qatar Petroleum	Qatar
Krk (Croatia)	5	N/A	Planned	2018	Plinacro (RWE)	Algeria and Qatar (potentially)
Saros terminal	6	N/A	Planned	2017	BOTAS/Qatar Petroleum	Qatar (potentially)
Kavala (Greece)	3-5	N/A	Planned	2017	DEPA	Qatar, Algeria and Nigeria (potentially)
Świnoujście (Poland)	5	N/A	Planned	2015	GAS-System	Qatar

Tab. 2: Potential LNG options in SEE and the Mediterranean Regions  
LNG terminals in the region  
Source: Center for the Study of Democracy

At present the potential for increased gas flows and demand in the SEE and CEE regions using available and planned interconnectors could be estimated at 14-16 bcm. Given the modest volumes contracted by Bulgargaz, DEPA and other traders of Shah Deniz – 2 gases – altogether 10 billion cubic meters, the room for unmet demand and free market niches for new suppliers, including LNG gas, should not be overlooked. The European Energy Union, whose agenda is to invest in gas connectivity and market liberalization, should also facilitate the entry of newcomers, the implementation of a lower-cost and more immediate diversification strategy of the region.

An emerging jointly operated regional gas system will feature single/multi, entry/exit points and offer shared “one-stop-shop” reference points and administrative services, align national regulatory response and help offer single transport package deals to current and new gas (including LNG) suppliers, wholesalers (gas exchanges – hubs) and retailers.

Such a systemic intergovernmental and corporate networking in the energy and gas sector would boost the regional gas network value by enhancing the

resilience of national gas markets to market turbulence, boost the natural gas resource base, demand levels and the role of natural gas in national economies. This Soviet era inherited fragmentation of regional gas market anchored on a bilateral dependencies and single monopoly supplier has until recently thwarted regional cooperation, limiting the leverage of each SEE country when negotiating “at par” with Gazprom and other international majors with interests in the region.

The enhanced market integration will also tackle the associated risk of energy poverty, so prevalent through the Balkans. Limited gasification and high import gas prices have pushed people to rely ever more on solid fuels and electricity for their heating and cooking needs. Subsidized power tariffs create market distortions that hurt the financial situation of state-owned energy enterprises and lead to unsustainable consumption patterns. In Bulgaria, the coupling between low income and high power consumption led in late 2012 to a surge in utilities’ bills that brought thousands to the streets, ultimately toppling the government. Similar events are visible in Bosnia, Albania and Macedonia, among others. Bad governance and prevalence of populist decision-making in the energy sector have made government’s vulnerable and reform process increasingly unattractive.

Balancing costs and prices, securing gas market liquidity and meeting demand amidst growing security risks, climate change policy constraints and induced liberalized markets gravity all tend to underpin the call for joint action in the SEE region on new options for alternative gas supplies and enhanced market integration. As with South Stream, the SEE countries are not likely to address their further energy needs by mirroring Russian and big energy companies’ “grand” project behavioural pattern but instead focus on smaller steps, better balanced on cost-benefit criteria investments, on networking and economically viable projects fostering market convergence and opening access to new alternative suppliers, including from indigenous oil and gas production and from external sources.

### **Regional Market Integration and LNG Options**

While the CEE region has made a critical step towards integrating its natural gas systems by constructing bi-directional interconnectors, the SEE countries still have a lot on their plate. However, progress is visible; Roma-

nia and Croatia linked their gas systems with Hungary, hence allowing natural gas from the gas hubs in Central Europe to flow south. The most important gas interconnector Komotini (Greece) – Stara Zagora (Bulgaria) is planned to be completed in 2018 and is expected to have a capacity of between 3-5 bcm/y. The additional Bulgaria – Turkey (ITB) interconnection with reversal flow is still at pre-commissioning stage due to the lack of understanding between the respected governments on the main characteristics of the deal. Nonetheless, both the Greece-Bulgaria and Bulgaria-Turkey interconnectors can be the building blocks to a much more sophisticated transport corridor bringing natural gas to the Balkan region.

In the Western Balkans, there are a number of interconnectors planned but activity on them has been slow partly due to lack of financing but partly also by the third-party interests that prefer to preserve the status-quo of Russian gas monopoly. There are two planned interconnectors between Croatia and Serbia, while another three gas links are under study between Bosnia and Herzegovina and Croatia. Slovenia is working with Italy and Austria on a trilateral interconnector that would boost the access of the Western Balkans to liquid gas spot markets such as the Baumgarten gas hub near Vienna. The largest project is the Ionian Adriatic Pipeline (IAP), which is estimated to cost EUR 580 million and to have a capacity of 5 bcm/y. While the Slovenian-Austrian and the Croatian-Hungary pipelines aim to tap the potential new Northern gas sources, the IAP aims to connect with the Trans Adriatic Pipeline (TAP), and hence receive natural gas from Azerbaijan. The IAP will also connect the Adria LNG facility at Krk. In late 2014, the Krk development company opened a feasibility study and was included in the EU list of project of common interest (PCI), which are eligible to receive investment assistance from the Union.

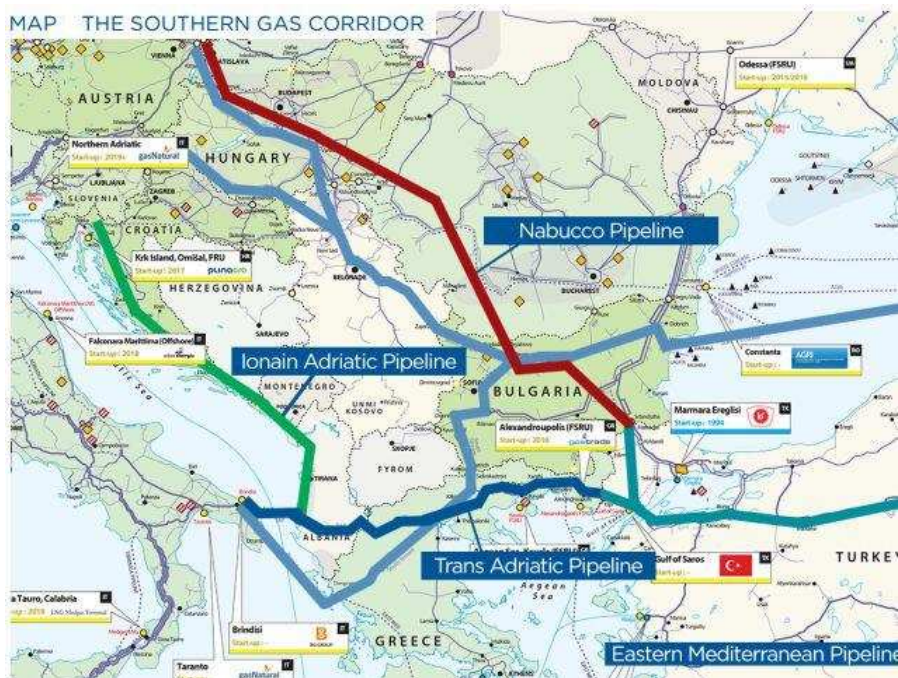


Fig. 1: Map of various pipeline options

The obvious new supplier that should fill up the Balkan interconnectors is Azerbaijan via the Trans-Anatolian pipeline (TANAP) passing through Turkey. However, the rapid build-up of LNG receiving infrastructure along the Mediterranean coast including in Turkey, Greece, Croatia and Italy may allow for the market entry of supplies from Qatar, which can be competitive in the long term both with the traditional Russian supply and with the Caspian gas from Shah Deniz II.

Recent research done by Russian experts on the LNG global market refers to the likelihood of over 100 million metric tons of LNG gas by after 2020 not being able to find a buyer in Asia and being redirected to Europe, following an expected dramatic increase in US, Canadian and Australian LNG exports (altogether exceeding 300 million metric tons per annum).<sup>5</sup> Inter-

<sup>5</sup> RBK Daily (24.10.2013), Опоздали на праздник: Рискует ли Россия потерять старые газовые рынки, не найдя новых?, accessed at [http://rbcdaily.ru/magazine/trends/56294\\_9989343802](http://rbcdaily.ru/magazine/trends/56294_9989343802).



connecting the South East European countries' gas markets with the global LNG gas could prove instrumental for balancing internal gas markets and securing optimal mix (volume and price wise) and in meeting EU targets for energy independence and resource diversification.

The use of LNG terminals could have an immediate effect on SEE gas markets in southern corridor both in terms of physical gas flows and allowing for direct or virtual gas swaps with Russian gas. This applies to all existing LNG terminals on the SEE radar for potential consideration including:

- a. LNG Terminal in Marmara Ereğlisi – Tekirdağ (Turkey), operated by Botas,
- b. LNG terminal in Revithoussa (Greece), operated by DESFA (SOCAR owned) and
- c. Rovigo (Italy), operated by Qatar Terminal.
- d. LNG terminal in the island of Krk (planned).

Along the North-South Corridor, SEE alternative supply could be further enhanced by the completion of the Klaipeda Floating LNG terminal off the coast of Lithuania. With a projected re-gasification capacity of around 3 billion cubic meters, Klaipeda will not only improve Lithuania's immediate energy security, but will also diversify the energy supply of the whole Baltic region. The main supplier will be Norway, which will be selling LNG volumes at spot prices reducing the impact of paying high oil-indexed natural gas volumes from Gazprom. The latter already decreased the price of its exports to Lithuania by 23% in May, 2014 in anticipation of the new market dynamics. Another LNG terminal at the Polish port of Świnoujście to be commissioned by the end of 2015 could further buttress the viability of the North-South corridor bringing up to 5 bcm per annum of Qatari LNG. Although the project had experienced cost spikes and the supply contracts will be based on oil-indexation, the alternative route will provide Central Europe an outlet to global gas markets that are bound to become much more competitive in the next decade.

## **Conclusions**

Amidst the crisis in Eastern Ukraine, the new EU members and the South-east Europe and Black Sea region countries are not prepared to adequately deal with a new energy crisis, as EU stress tests published in 2014 have

shown. The lack of an EU Common Energy Policy, the failure of the energy dialogue with Russia, and the governance deficits in the energy sector are among the key energy security risks in the SEE and Black Sea regions. The high-energy import prices and the over-dependence on one energy source and one transit route for imports of gas and oil are among the factors that influence energy security levels the most.

The EU should revamp significantly its focus on energy security and step up efforts to set up the European energy union. In this respect, there are many challenges the EU faces in establishing the energy union; this policy direction is irreversible, especially if the energy interests of countries in the SEE and Black Sea regions are defended. The main challenges include: The huge need of investment resources; the need for cross-border connections, different levels of energy poverty and hence the ability to pay in member-states, etc.

### **Policy recommendations**

Improving the energy security and the governance of the energy sector in the CEE and Black Sea regions entails, at a minimum, the implementation of the following actions:

- Enhancement of EU efforts to form an energy policy based on a common mechanism for energy trade bargaining.
- Expansion of the regional natural gas and power interconnectors in Europe increasing the liquidity and competitiveness of the market.
- Construction of new gas storage facilities and the expansion of existing ones in Central and Eastern Europe.
- Natural gas diversification away from pipeline trade, and development of LNG capacity to tap world markets.
- Improving overall governance of the energy sector of CEE and SEE member-states and candidate countries through the introduction of transparent regulation and management of the state-owned companies and competitive public procurement processes.
- Consider all options for Introducing shale gas exploration under scrutinized procedures, in line with the highest EU environmental standards.
- Introduce prioritization and selection of large investments projects in

the decision-making process, based on clear and transparent procedures and fact-based analyses, synchronized with the EU priorities.

- CEE and SEE governments should focus on energy poverty reduction and energy efficiency improvement, while leaving large-scale infrastructure projects to be decided at EU level.

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## **PART III:**

# **POLITICAL AND SECURITY IMPLICATIONS FOR REGIONAL CONSOLIDATION**



# The Ukraine Crisis and Small Western Balkan States: Croatia's Perspective on Russia's Role in the Region

*Dana Luša*

## Introduction

No consensus-definition of small states has yet emerged. Definitions based upon quantifiable criteria use conjunction of factors such as population size, size of economy and military, as well as the state's physical size trying to determine which state can be labelled as small. By using qualitative criteria, one tries to define small states in contrast to other larger states (Vital, 1971: 9), or looks at the behaviour of small states as a group, distinguishing them from others by their specific type of behaviour. In the study of International Relations, it is not the size of a state that matters, but rather its relative strength; furthermore it is not important how much power a state possess, but how much power it projects in foreign policy. By using the concept of asymmetric power relations, a country is considered small when it cannot exert any significant influence over global power structures or change the nature of international institutions (Thorhallsson and Wivel, 2006).

With the collapse of the Soviet Union and the end of Cold War a number of small Central and Eastern European (CEE) states has entered upon the world scene. Their foreign policy behaviour is a function of either distribution of power or the balance of threat, being prone to fluctuations in the structure of international system, as well as to the degree of threat posed by the great powers. As small states are more exposed to the flows of the international security and economic competition, they generally pursue specific foreign policy strategies, mostly seeking alliances in order to increase their security on basis of major power guarantees to protect their territory and populations against military aggression (Fendius Elman, 1995: 173-177). Best security-preserved options for small states are either to balance or bandwagon among the great powers, serve as a buffer zone between the great powers, or rely on their strength in numbers in various international organizations. Small states that use balancing "look for ways to make them-

selves hard to conquer”, usually by building defensive alliances, while those that use bandwagoning “look for ways to obviate the need for an army” by keeping a low profile, taking neutral positions or even openly accommodating the threatening state (Mitchell and Scheunemann, 2014: 7-12). The limited military resources leave them with two basic foreign policy options related to big powers – hiding and binding. Small states following a hiding strategy “aim to stay out of trouble by staying out of sight”, while the later strategy entails extending the binding of the great powers through international institutions into security affairs (Wivel, 2009: 7).

Small states have a strong interest in alliance commitments not only to enhance their military security, but also to obtain a variety of non-military benefits. They are generally seen as disproportionately vulnerable due to their small domestic markets, reliance on import, exports, and exposure to international economic fluctuations. However, the shelter they seek is not only military or strategic. While a traditional hard security shelter serves mostly to prevent aggression, political and economic shelter for small states “reduces the vulnerability before the crisis, assists in absorbing shocks during the crisis, as well as helps in cleaning the mess after the crisis” (Bailes, Thorhallsson and Johnstone, 2013: 4-5). Small states have traditionally pursued foreign policy strategy of responding to the agenda set by near-by great powers and external developments, rather than pursuing an independent one. They were always stuck as the weaker part in an asymmetrical relationship (Jervis, 1978), therefore they have more interest in acting through international institutions, which make traditional power capabilities less important, and they make use of the power more visible because of the formalization of what is agreed by institution members to be acceptable behaviour (Wivel, 2009: 4).

### **The Impact of the Ukraine Crisis on the Central and Eastern European Security Architecture**

The United States provided basic security against possible threat, while the EU seemed to offer mostly economic, and eventually military, security for the small CEE states. A permissive strategic environment enabled these states to largely forget about the war in the traditional sense. By expanding NATO the United States effectively sealed off the CEE region as an area



of military and territorial competition. Within that security context, the eastern enlargement of the EU provided a template for economic security and political stability. This appears to give small CEE states double geopolitical insurance policies. Therefore, those states devoted little national attention to their own security, acting like they had been “released from the constraints of geopolitics”. This perspective resulted with the underinvestment in their own security, which ended with the Russian invasion of Ukraine. Nowadays small CEE states face a fundamentally altered strategic environment. The Ukraine crisis is a reminder that the CEE small states will have to invest more in regional security, as they are much dependent on benign surroundings made possible by hard power (Mitchell and Scheunemann, 2014: 4-12).

Ukraine crisis has cast doubts on “Russian quiescence, U.S. protection and EU backstopping that comprised the foundation of the post-Cold war CEE foreign and security policy”. Reordered strategic environment has reintroduced the small-states security dilemma by underscoring the reality of Russia’s resurrection as a military active revisionist power. Therefore, small CEE states will not be able to count on the continued military inactivity of Russia or the inherent effectiveness of the U.S. security umbrella. This situation will require even the smallest states from CEE being able to conduct an effective defense on their own. These most exposed states (Poland, Baltic states) on the eastern flank of NATO have responded to the crisis by increasing military spending, seeking U.S. reassurance and lobbying NATO for permanent military presence (Mitchell and Scheunemann, 2014: 5).

### **Russia’s Role in the Western Balkans: Small States between East and West?**

Western Balkan small states do not perceive an immediate or even foreseeable Russian military attack against their own territory because they are either geographically insulated or have rather good relations with Russia. Furthermore, antagonizing Moscow could “jeopardize their lucrative commercial or energy deals”. Strategies of opposition to Russia in general would mean more trouble than they are worth for some of small Western Balkans states, as the costs of resistance to Russia would simply seem to

outweigh the benefits. Since the Ukraine crisis Russia's increasing political and economic engagement have given rise to concerns in the West about Western Balkans states' plans to join the EU. However, some of the countries are quite far away from meeting the political and economic criteria for EU membership (Mitchell and Scheunemann, 2014: 6). There are several forms of Russia's influence in the region. It feels linked to the Slavic and Orthodox parts of the Western Balkans by close traditional bonds, while the region is given a high degree of strategic importance in the Russian foreign policy strategy from 2013. As the economic crisis "stuck the region with full force revealing its dependency on the European economy" the new players started to emerge (Russia, Turkey, China, Arab states). However, the economic promise that the EU holds is still considerably greater, although there is still a strong conditionality to be met by the Western Balkans states (Bieri, 2015: 1-3).

"Russia's dominant position in the energy sector is crucial for maintaining its influence in the Western Balkans", whose geostrategic position at the crossroads of the main transportation routes from energy-rich areas such as Russia, the Middle East, the Caspian Sea and Central Asia to Central and Western Europe gives these countries significant potential as a transit point.<sup>1</sup> Its presence has risen even more over the last decade and a half as Russian companies have been among the main beneficiaries of the privatization of public energy companies in the region (Weber and Bassuener, 2014: 12). The strongest partnership in the region is the one between Russia and Serbia, which can be traced back to the role Russia played in the Kosovo conflict (Bieri, 2015: 3). It's support for the resistance against Kosovo independence came with a high economic price for Serbia – An agreement on Cooperation in Oil and Gas Enterprise signed between the two countries in 2008 (Weber and Bassuener, 2014: 2). The major shares (59%) of public oil company NIS (Naftna Industrija Srbije) were sold to Gazprom. In 2011 the two countries confirmed a free trade agreement signed in 2000, which makes Serbia as the only non-CIS state to enjoy such a position. In May 2013 Serbian President Nikolić signed a Declaration on Strategic Partnership between Serbia and Russia, while in November 2013 the two countries signed a bilateral military agreement. Serbia also became

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<sup>1</sup> [http://www.sogde.org/pdf\\_2014/doku/western\\_balkans/conference\\_report\\_sog\\_western\\_balkans.pdf](http://www.sogde.org/pdf_2014/doku/western_balkans/conference_report_sog_western_balkans.pdf).

an observer at the Collective Security Treaty Organization (Weber and Bassuener 2014: 2), and is perceived as Russia's closest ally. It covers more than 75 per cent of its needs with Russian gas; furthermore Russian state firm control oil and gas production and operate refineries and distribution network (Bieri, 2015: 3). Russia is the third most important importing trading partner for Serbia and the fourth most important export destination. The Ukraine crisis caught the political leadership in Serbia unprepared while later on they pronounced a "balanced approach" policy, meaning "and EU and Russia" approach towards the Ukraine crisis. This two-track policy resulted with Serbia not aligning with any of the various Ukraine declarations the EU issued.

Russia also has influence over Bosnia and Herzegovina via the Republic of Srpska, with which it maintains close links. Over time, Russia became increasingly vocal in defending Milorad Dodik's government from Peace Implementation Council opprobrium, thus actively promoting its agenda (Weber and Bassuener 2014: 3-7). Starting in 2006 Russia's role in the PIC meetings has become less constructive and more confrontational. Dodik has also been openly challenging the authority of the High Representative with Russian support (Huskić in: Keil and Stahl, 2014: 138). In 2007 the RS Government sold a set of three public oil companies to the Russian state-owned company Zarubezhneft. Taking into consideration Bosnia and Herzegovina has no domestic gas sources, it is currently completely dependent on Russian gas. Overall Russia is amplifying its long-standing spoiler role in Bosnia and Herzegovina, allied with the Republika Srpska and aided by Western disunity. Serbian, Macedonian and the government of Bosnia and Herzegovina refused to join the EU sanctions against Russia (Weber and Bassuener, 2014: 11-16).

In addition to the US, following the referendum on independence, Russia as an external factor gained salience in Montenegro, largely because of the increased interaction of the Montenegrin government with Russia's economic magnates and the increase of its investments (Džankić in: Keil and Stahl, 2014: 179). However, "political ties with Russia have loosened gradually" (Weber and Bassuener, 2014: 4). Although Montenegro early on made clear its policy orientation for Euro-Atlantic integration, it has played the geopolitical card, first by distancing itself from Russia, then pushing for more US engagement to counter an intensified Russian effort at undermin-

ing regional security architecture based on NATO. In late 2013 it refused to grant Russia permission to use its ports as logistical support for Russia's naval fleet in Mediterranean.<sup>2</sup> Montenegro adopted the EU's sanctions against Russia "trying somehow to capitalize on the Ukraine crisis by showing the country's alignment with EU foreign policy and aiming at enhancing its chances to become a NATO member state" ahead of the Alliance's summit in Wales in 2014 (Weber and Bassuener, 2014: 9). Montenegro's focus on multilateral issues brings about several interrelated challenges among which is the need to balance Western orientation with the salient influence of Russia in its foreign policy (Džankić in: Keil and Stahl, 2014: 185-186).

Croatia is much less threatened by energy dependency on external suppliers covering 70% of its gas consumption and 15% of its oil needs from domestic sources (Weber and Bassuener, 2014: 17). Furthermore, it plans to diversify its international gas supply with two projects being of special importance: building a liquefied natural gas (LNG) terminal on the island of Krk and participating in the proposed Trans-Adriatic Pipeline that would transport South Caucasian gas.<sup>3</sup> In 2012 Croatian Chamber of Economy identified Russia as an important strategic partner being the fifth ranked economical partner for Croatia, with massive trade deficit from Croatia's side.<sup>4</sup> Oil and natural gas make up 94 percent of Russia's exports to Croatia. Although Russia's foreign direct investment has increased, Russia is listed as 20<sup>th</sup> among top investors in the country.<sup>5</sup> Croatian government set up from July 2013 a classical visa regime with Russia, which among other resulted in fewer Russian tourists.

By integrating itself into Euro-Atlantic structures Croatia has fulfilled its main foreign policy goal through three consecutive foreign policy phases: 1) dissociating from Yugoslavia and seeking international recognition; 2) recapturing occupied territories and reintegrating them into the mainland and 3) joining NATO and the EU (Jović, 2011: 8). Jović (2011: 24) foresees

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<sup>2</sup> <http://www.suedosteuropa.uni-graz.at/biepag/node/79>.

<sup>3</sup> [http://www.eu-28watch.org/?q=system/files/Croatia\\_merged\\_documentFINAL.pdf](http://www.eu-28watch.org/?q=system/files/Croatia_merged_documentFINAL.pdf).

<sup>4</sup> <http://www.hgk.hr/sektor-centar/sektor-medjunarodni/suradnja-s-rusijom-strateski-je-interes-hrvatskog-gospodarstva>.

<sup>5</sup> [http://www.eu-28watch.org/?q=system/files/Croatia\\_merged\\_documentFINAL.pdf](http://www.eu-28watch.org/?q=system/files/Croatia_merged_documentFINAL.pdf).

Croatia's foreign policy needs to become more multi-directional being in a position to participate in discussion on some of the most pressing global issues. There are possible niches in which it can excel and make substantial contribution, such as Visegrad countries, the Mediterranean, countries of the Danube basin and the region of the Western Balkans, as its natural areas of interest (Šelo Šabić, 2013: 5). Šelo Šabić explains the focus on the region of the Western Balkans as the most immediate, the most natural and the most needed focus of Croatia's current foreign policy. Maintaining good relations with the US has been a constant foreign policy objective of the Croatian government since the country's independence, although these relations have not been without tensions and frictions, while the relations with European countries remain the cornerstone of its foreign policy. Although the relations with Russia have been kept at a low level for a number of years because of what was seen as Russian support for Serbia, the energy issues and Russian investments in energy and banking sectors are already changing the relationship (Šelo Šabić in: Keil and Stahl, 2014: 5).

The crisis in Ukraine brought back the perception of Russia as an expansionist country and an opponent to the West. Therefore, Croatia as the EU and NATO member state endorsed their emphasis on Russia's actions in the EU's neighbourhood. According to Knezović (2015: 12) Croatia with limited capacities of a small state cannot significantly contribute to EU's and NATO's endeavours of global significance, but can contribute to the long-term stabilization of the region of SEE acting as a transitional mentor in the region. Its reactive foreign policy typical for small states in integrations was visible in the case of EU stance on Russia. Being aware of Croatia's limited role in decision making with respect to EU's position on Russia, Croatian officials mostly abstained from further comments criticizing Russia.<sup>6</sup> Croatian Ministry of Foreign and European Affairs admitted it possess information about eight Croatians fighting in Ukraine insisting none of them has any links to government institution, which was met with dissatisfaction in Russia.<sup>7</sup>

According to the EU Foreign Policy Scorecard for 2014 standing up to Russia was "the make-or-break issue in 2014", with Russia being trans-

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<sup>6</sup> [http://www.eu-28watch.org/?q=system/files/Croatia\\_merged\\_documentFINAL.pdf](http://www.eu-28watch.org/?q=system/files/Croatia_merged_documentFINAL.pdf).

<sup>7</sup> <http://rt.com/news/231915-eu-mercenaries-ukraine-tusk/>.

formed from Europe's problematic strategic partner into a serious strategic problem. However, the EU response until the summer of 2014 "was seen as slow and reactive". Diplomatic outreach to the Kremlin did not work having in mind its previous track record, when economic interests gained the upper hand over a more principled approach (i.e. no consequences after war in Georgia). The initial sanction package was unconvincing while the so-called sartorial sanctions adopted in July 2014, in combination with falling oil prices, were more serious. Though the threat of more sanctions may have prevented Moscow from the future escalation, it did not result with the political reversal. In another policy area Russia also saw a change in direction when the European Council suspended visa liberation in March 2014. The EU influence on the human rights situations in Russia due to the crisis in Ukraine diverted attention from the issue. As the tensions in Ukraine escalated, the EU was caught unprepared with the member states being far from Ukraine hesitating to make explicit gestures of solidarity for risk of inciting Moscow. Those security concerns of EU "frontier" states were addressed by the United States which has based troops in Baltic states, Poland and Romania.<sup>8</sup> According to the Scorecard for the second year in the row Croatia was not recognized as a leader in one of the six analyzed areas: Russia; United States; Wider Europe; Middle East and North Africa; Asia and China; Multilateral Issues and Crisis Management. Results from the EU Scorecard 2011-2013 show that new small EU member states are either not interested or not capable in becoming leaders or resolving issues that do not affect them directly. Small EU member states with a higher GDP are more focused on multilateral issues and crisis management. The Scorecard results also show that geographical proximity influences the scope and intensity of EU foreign policy initiatives in the case of small states on the EU's Eastern and Southeastern frontline (Luša and Kurečić, 2014: 74-75).

### **Russia and Perspectives on an EU and NATO Enlargement to the Western Balkans**

Russia would not find an EU accession of the Western Balkans as a disaster, as there is a possibility for those newcomers favourably disposed to-

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<sup>8</sup> EU Foreign Policy Scorecard 2015, available at: [http://www.ecfr.eu/page/-/ECFR125\\_SCORECARD\\_2015.pdf](http://www.ecfr.eu/page/-/ECFR125_SCORECARD_2015.pdf).

wards Russia to make consensus within the Union on Russia policy, or even to influence the Union in accordance with Russia's interests. On the other hand in September 2014 Russia described potential Montenegro's membership in NATO as a "major provocation" (Bieri, 2015: 3).

EU enlargement process is currently at a standstill, overshadowed by developments in the Eastern Neighbourhood. Therefore the Europe Policy Advisory group came up with four possible scenarios for the future of EU enlargement towards the Balkans: business as usual; following Turkey's Path: alienation from the EU; abandoning enlargement and new unpredictability in the Western Balkans; the Balkans big bang. The first scenario entails the continuation of the gradual and slow approach to EU membership based on enhanced conditionality, which might work for some countries, but it also might be insufficient for others to overcome their particular problems. The Turkey's scenario foresees that opposition to enlargement in the EU and blockades by member states make accession unpredictable and remote, resulting in states giving up on their accession. The third scenario extends the risks of the previous one with enlargement fatigue growing significantly. As accession becomes unlikely, alternative actors might become more engaged in the region such as Turkey, Russia, China and the Gulf states. Turkey started different initiatives to improve both economic and political relations with Western Balkan states, aiming to increase its influence. The last scenario instead of increased conditionality offers big bang enlargement by focusing on the *acquis* itself and requiring the EU engagement to resolve disputes that hinder accession. The last scenario sees the Western Balkans as a collateral victim of the new geopolitical competition between the West and Russia. In such a context of the EU enlargement full blockage Russia might offer Serbia, Montenegro and Republika Srpska financial assistance becoming an increasingly attractive role model for the region. While Russia's ability to create instability in the Western Balkans remains incomparable to Ukraine, it is well regarded and maintains good relations with Serbia and the Republika Srpska. This scenario although being less likely possible, still presents real risk and is influenced by the ability of the EU reform itself and overcome the economic and political

crisis, as well as by the ability of Russia to gain in clout over its confrontation with the West.<sup>9</sup>

At the Thessaloniki summit in 2003, the Western Balkans were given an EU perspective as a driving force for reforms in the region. However, currently in some of the countries the process has come to a standstill, particularly in Macedonia and Bosnia and Herzegovina. Following the aforementioned third scenario, new players have emerged in economic sphere; however not being able to offer an alternative to EU integration. Turkey thus made clear its presence is not competition, but complementary to EU rapprochement. The question being raised is whether the EU remains highly committed to include Western Balkan states or whether the Turkey's scenario (two-track scenario) has a perspective? There are "frozen conflicts, frozen disputes, frozen democracies as well as frozen enlargement" in the region providing a fertile ground for future destabilization, which was shown lately by public protests in Macedonia as well as in Bosnia and Herzegovina in 2014. The Eurozone crisis, scepticism among citizens in EU member states towards further enlargement, Western Balkans governments being only half-heartedly committed to join the EU further strengthens current deadlock in the process. However, there is no alternative in the strategic orientation of the Western Balkan countries towards the EU membership.<sup>10</sup>

The Ukraine crisis has generated also new urgency for a coherent and strong CFSP, with the special focus on EU Neighbourhood Policy as well as on enlargement policy (Weber and Bassuener 2014, 2). Namely, Russia challenged the European order that had been in place since the end of the Second World War. The EU is now forced to confront power politics. However, it is evident that CSDP played almost no role in responding to the Ukraine crisis, while the threat of aggression has reanimated NATO in Europe. The differences between US and Europe's response to crisis were evident from the beginning by "US being more proactive and assertive and

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<sup>9</sup> See: The Unfulfilled Promise: Completing the Balkan Enlargement, Policy Paper May 2014, Balkan sin Europe Policy Advisory Group, Centre for Southeast European Studies, European Fund for the Balkans, available at: <http://balkanfund.org/wp-content/uploads/2014/05/Policy-Paper-Completing-Enlargement-2.pdf>.

<sup>10</sup> [http://www.sogde.org/pdf\\_2014/doku/western\\_balkans/conference\\_report\\_sog\\_western\\_balkans.pdf](http://www.sogde.org/pdf_2014/doku/western_balkans/conference_report_sog_western_balkans.pdf).



the EU more cautious and divided". However, soon the EU, particularly Germany, started to take on the leadership role in alliance's response to the crisis. US shared the concern of eastern EU states that Russia could employ hybrid warfare against the NATO member state to test the Article V commitment. Partners responded by NATO exercise as well as by incensement of US diplomats in the region of CEE to push back against the forces promoting democratic backsliding. It is evident the Europeans played a leading role on Ukraine and the sanctions, while the US played its traditional role with NATO by bolstering article V a key priority.<sup>11</sup> The NATO Summit in Wales held in September 2014 was yet another non-enlargement one. Although Montenegro was left without an invitation the allies decided that they would assess the progress of Montenegro no later than in December 2015, with an outlook for deciding on the invitation (Bator, 2015: 2). There is reluctance in some European countries to proceed with further enlargement out of fear of alienating Russia. However, the NATO membership will not only stabilize the country's future, extend the area of stability, but also send a strong signal that NATO doors remain open. Moreover, by inviting Montenegro the Alliance would send a signal to Russia that its strategy is the right one and it will serve as an example for the other aspirants that if they deliver, they will be properly rewarded (Bator, 2015: 14).

## Conclusion

As a small state Croatia has several foreign policy options to pursue, all dependent on distribution of power within the international community. Small states mostly fulfil their interests by joining alliances and institutions, which provide them with the unique opportunity to participate in discussion and decision making process with the most powerful actors and on the most pressing world issues. Thus small states mostly pursue multilateralism by aligning with larger states employing strategies of balancing, bandwagoning, hiding, binding, chain ganging and buck-passing. Being member of the "big states club" enables small state's voice to be heard on the word stage, the most voice full being those which pursue strategies of norm entrepreneuring, lobbying and coalition building. Small states limited by resources are mostly focused on the issues in their closest surroundings, also evident in the case of Croatia, which cannot significantly contribute to EU and

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<sup>11</sup> [http://www.ecfr.eu/page/-/ECFR125\\_SCORECARD\\_2015.pdf](http://www.ecfr.eu/page/-/ECFR125_SCORECARD_2015.pdf).

NATO's endeavours of global significance (Knezović, 2015: 12). However, Croatia can punch above its weight by acting as an important stabilizing factor in the region and serve as a bridge between the EU and the Western Balkans by promoting regional cooperation. Particularly there were some concrete initiatives from the Croatian side focused on developing more active instruments to speed up the process of EU accession in Bosnia and Herzegovina without reducing conditionality, as well as by transferring the knowledge it gained during the negotiations through a number of seminars and workshops organized by the Centre of Excellency of the Ministry of Foreign and European affairs (Samardžija, 2014: 2-3). Although it supported the widening of EU sanctions on the Kremlin, Croatia as a small state also perused its own interests by seeking to extend its economic and trade ties to Russia by organizing a major Russia-Croatia economic forum and investment conference in Moscow in February 2015. According to data, exchange of goods between Croatia and Russia grew 25 per cent in the first ten months of 2014, compared to 2013. However, the US ambassador in Croatia expressed his concerns that the "size and scope of Croatian business delegation to Russia, associated with higher government officials, as well as timing, were sending the wrong message in a critical time".<sup>12</sup> There were also some discussions on selling the MOL's shares in INA (Croatian National Oil Company) to Gazprom which would give Gazprom a near monopoly position in the Western Balkan oil producing and refining sector. Although Croatia is much less threatened by energy dependency from Russia, the EU and US should support the Croatian Government's consideration of purchasing a majority stake back from MOL by offering financial support. However, given Croatia's current economic challenges it remains to be seen how it could finance such a large investment (Weber and Bassuener, 2014: 3, 18).

The combination of so-called frozen conflicts and statuses, political instability as well as of Western indecisiveness has led to Moscow playing a stronger role in the region turning pro-Russian sentiments into purely economic privileges and gains. Thus the Western Balkans has become part of the new geopolitical competition. In order to address regional challenges arising from aforementioned situation and Ukraine crisis, the EU and US

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<sup>12</sup> <http://www.balkaninsight.com/en/article/high-croatian-representation-in-moscow-despite-eu-sanctions>.

need a joint strategy which should include common policy to address regional security threats, clear EU and NATO membership perspective as well as the development of a common energy policy (Ibid: 22). This strategy would also be in accordance with Croatia's foreign policy priorities.

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# Russia's Influence in Albania and Regional Stability of the Western Balkans

*Ebi Spahiu*

## Introduction

With increasing power cleavages between the West and Russia since the outset of the Ukraine crisis, the attention is steadily returning to the re-emergence of Russia's influence in the Western Balkans. The region's governments remain keen on joining the European Union, but recent developments and Russia's strong political and economic investments in the region in the past few years, puts the region in a limbo, using identity politics, investment interests, human rights violations and religious ideologies to destabilize existing balances. Moreover, the emergence of the Islamic State and the increasing participation of foreign fighters from the Balkans among the ranks of ISIS, pro-Russian rebel groups in Ukraine, pro-Ukrainian forces and even mercenaries among Assad's troops, has brought renewed attention to the region's stability and external religious influences that are behind the numbers of foreign fighters in the Middle East, as well as Ukraine.<sup>1</sup> This paper examines Albania's role in consolidating the region's stability, level of political and economic influence that Russia is able to exert in the country and further implications (state and regional) if Russia's influence widens in neighbouring states in the wake of smaller conflicts increasing due to rising tensions between ethnic groups.

## Economic and political influence

Russia's influence in Albania remains peripheral in the country's foreign policy agenda and development of strategic interests. Historically, both countries do not share a tradition of historical and cultural ties, such as

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<sup>1</sup> "Albanians and Serbs fight against each other even in Syria". Chanel 7. Sep. 13, 2013 <https://www.youtube.com/watch?v=jW6QKzjQvfQ>.

Balkan Warriors Abroad: Fight the Good Fight. The Economist. April 18, 2015 <http://www.economist.com/news/europe/21648697-western-balkans-peace-some-go-abroad-look-war-fight-good-fight>.

Slavic language or religious identities, which has proven to be crucial in Russia's diplomatic narrative for the western Balkans and its neighbours. As often highlighted by historians and Russian decision-makers, the current foreign policy narrative describes Russia's role as primarily a "protector" of the Slavs and Christian Orthodox religious communities in order to fulfil a common larger destiny.<sup>2</sup> This historical-based rhetoric excludes direct economic and political impact in Albania, but not among ethnic-Albanian communities that reside in neighbouring countries under a heavier Russian influence. This type of identity politics risks to marginalize ethnic-Albanian communities in the region, as well as isolate Albania's economic prospects with its neighbours, weaken the EU integration process and strengthen a Turkish's influence that is also exerting its power through investments, pan-Islamic and neo-Ottoman identity politics. These contrasts reflect a set of long-term implications for Albania's role in the region, unresolved inter-ethnic tensions, rise of smaller regional conflicts and the prospects for further EU integration of the Western Balkans.

### **Russia's Impact in Albania, Economic Influence and Other Actors**

When it comes to economic investments, Russia's impact in Albania is not as visible as the rest of region where real estate, tourism and oil dependency are largely reliant on Russian investments. In the past few years, Russian influence over the Balkans has been growing, and this is particularly evident in Russia's relations with its traditional southern Slavic ally, Serbia. Russia appears intent on reinstating its historical ties with Serbia's government, which is on a path to join the EU. Russian investments in Serbia have been steadily growing, particularly in the energy sector, with Gazprom owning a large stake in the country's natural gas suppliers and Lukoil owning almost 80 percent of oil retailer and trader Beopetrol since 2003.<sup>3</sup> Serbia also became an enthusiastic participant in Russia's South Stream gas pipeline be-

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<sup>2</sup> Frank A. Golder. Documents of Russian History. 1914-1917, pp. 29-30 [http://www.portalus.ru/modules/english\\_russia/print.php?subaction=showfull&id=1188906900&archive=&start\\_from=&ucat=9&](http://www.portalus.ru/modules/english_russia/print.php?subaction=showfull&id=1188906900&archive=&start_from=&ucat=9&).

<sup>3</sup> Russian Investments in Serbian Oil Business. Voice of Russia. Dec. 18, 2013 [http://sputniknews.com/voiceofrussia/2013\\_12\\_18/Russian-investment-in-Serbian-oil-business-8361/](http://sputniknews.com/voiceofrussia/2013_12_18/Russian-investment-in-Serbian-oil-business-8361/).



fore Russian President Vladimir Putin declared an end to the project on December 1<sup>st</sup>.<sup>4</sup>

Over the past year, both countries' leaders signed a declaration on strategic partnership as well as a military cooperation agreement, which the Serbian President, Tomislav Nikolić, during his visit to Putin's summer home in Sochi, called the beginning of a "new era" in cooperation between Belgrade and Moscow.<sup>5</sup> Kosovo, remains a pivotal factor in both Serbia's ties with the EU as well as Russia. The EU played a strong role in normalizing the Western Balkan region's political climate regarding Kosovo. The EU's then – foreign policy chief, Catherine Ashton, for instance, led a series of efforts to broker a deal between Pristina and Belgrade, managing to get the prime ministers of Serbia and Kosovo at the time – Ivica Dačić and Hashim Thaci, respectively – to shake hands and reaffirm their determination to join Europe. This initial gathering, in Brussels, in 2013, then led to an important agreement between the two states, including important points on the rights of the ethnic-Serbian population residing in northern Kosovo.<sup>6</sup>

Even though Russian influence is seen throughout the region, this influence not only is invisible in Albania, but also irrelevant in internal and external decision-making processes. According to a set of surveys conducted by the Albanian Institute of International Studies on public perceptions on European Union integration process, the approval rate for the EU and Western influences has been above 50% in the past decade. Even though small fluctuations are seen in recent years, at the moment, the public's approval rate for the EU is 77%, compared to almost 95% and 88% since 2002.<sup>7</sup> Similarly, the majority of respondents have placed Russia as one of the least important countries in establishing a foreign policy agenda and influencing internal decision-making, except when it regards Kosovo which

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<sup>4</sup> Putin: Russia cannot begin implementation of South Stream project. TASS, Russian News Agency. Dec. 1, 2014 <http://tass.ru/en/economy/764598>.

<sup>5</sup> Nikolić, Putin sign strategic partnership declaration. B92. May 24, 2013 [http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=05&dd=24&nav\\_id=86333](http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=05&dd=24&nav_id=86333).

<sup>6</sup> Bojana Barlovac. Kosovo and Serbia reach historic deal. Balkan Insight. Apr. 19, 2013 <http://www.balkaninsight.com/en/article/kosovo-and-serbia-may-seal-eu-deal>.

<sup>7</sup> Megi Llubani. The European Perspective of Albania: Perceptions and Realities 2014. Albanian Institute of International Studies (AIIS). <http://aiis-albania.org/?q=node/85>.

remains the central point of a diplomatic dispute between the two countries.

When it comes to the economy, Russia is just as marginal, leaving a heavier weight to Turkish investments and smaller Italian businesses as the main economic supporters for the country's development. There are over 100 Turkish businesses that heavily control communication and energy sectors, leaving a lower margin to Italian investments that mainly seek a cheaper labour force as a result of the economic crisis. Even though the new government that gained power in 2013 has been promoting the Albanian economic landscape among western investors, high corruption, lack of institutional independence of the judiciary and a politicized public administration still makes Albania a risky investment site. However, a reliant and fatigued EU, creates a large gap for heavier Russian and Turkish influence which may increase EU scepticism in a largely EU inclined country. Even though these are investments the region highly needs, the political and social consequences may be detrimental to the EU integration process and development of stable and inclusive democracies.

### **For Putin, Kosovo is the Winning Ticket in the Western Balkans**

In light of Russia's recent political and military advances into Ukraine, Georgia's Abkhazia, Moldova, as well as fears of further provocations in the Baltic States, attention has focused recently on Russia's influence over the Western Balkans (Albania and the countries of former Yugoslavia). Marred by war and ethnic conflict in the past, the Western Balkans remain fragile and still a long way from developing into solid democracies that one day could qualify for accession to the European Union or (for those seeking it) membership in the North Atlantic Treaty Organization (NATO). Until now, Croatia and Slovenia have been the only countries that have joined the EU and (with Albania) NATO. This has left behind a number of small Western Balkan states that continue to grapple with corruption, organized crime, ethnic divisions and, in some cases, territorial disputes.

This year, however, even though Serbia's leaders are firmly committed to joining the EU, their rhetoric over Kosovo has signalled Belgrade's possible withdrawal from further talks with Pristina, while nationalism and swings toward Russia now dominate public discourse. This was particularly

evident in the wake of a soccer match held in Belgrade, in October 2014, between Albania and Serbia, which turned into a violent confrontation between Albanian players and a large group of Serbian fans who started chanting “Kosovo is Serbia!” and “Kill all Albanians!” after an Albanian flag was flown over the stadium. That same week, Russia’s President Putin received a hero’s welcome in the Serbian capital, including a Soviet-style military parade in his honour and thousands of people welcoming “our President”.<sup>8</sup> A month later, in the wake of the temporary release of alleged Serbian war criminal Vojislav Sešelj from the United Nations war crimes tribunal, over 3,000 people gathered in Serbia’s capital carrying photos of Putin, declaring anti-EU slogans and calling for Serbia to “turn completely toward Russia”.<sup>9</sup>

In observing Russia’s advances in Ukraine today, or in Georgia in 2008, one cannot miss the Kremlin’s repeated references to the 1999 NATO campaign against Slobodan Milošević’s ethnic cleansing of Albanians in Kosovo, which ultimately set the stage for Kosovo’s independence in 2008. While addressing the Duma, Putin has often used this argument to legitimize Russia’s annexation of Crimea and to justify Russian military presence in Ukraine.<sup>10</sup> Many see this comparison as Putin’s revenge for Russia having allegedly been pushed out of geopolitics when the NATO bombings were being determined by western leaders in 1999. Now, in almost every public meeting held between Serbian and Russian leaders, the issue of Kosovo is one of the primary points on the agenda, with both sides proclaiming that Prishtina’s “self-proclaimed independence” goes against international law. Lavrov’s latest visit to Belgrade highlights Moscow’s support for Serbia’s sovereignty and the right to advance its integration process in the EU – a stance that may be seen as Moscow’s footprint in the integration process and conditions of western Balkan states.

According to Serbia’s constitution, Kosovo is officially part of Serbia; and Serbia’s leaders insist that EU integration should not be based on Kosovo’s

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<sup>8</sup> Putin observes massive military parade celebrating liberation. RT Ruptly. October 16, 2014 [https://www.youtube.com/watch?v=3KyiE\\_NGsrc](https://www.youtube.com/watch?v=3KyiE_NGsrc).

<sup>9</sup> Vojislav seselj ceo govor na skupu u Beogradu. Nov. 16, 2014 [https://www.youtube.com/watch?v=\\_FcDAAK7r5Q](https://www.youtube.com/watch?v=_FcDAAK7r5Q).

<sup>10</sup> Putin: Crimea similar to Kosovo, West is rewriting its own rulebook. RT. <http://rt.com/news/putin-address-parliament-crimea-562/>.

recognition by Belgrade. “Nobody is asking Serbia to recognize Kosovo,” stated Alexander Vucic, the current Serbian prime minister, during a press conference commenting on the 11 points that Germany delivered to Belgrade to “fulfil” and “to open chapters in the EU membership negotiations”.<sup>11</sup> However, recent responses by Berlin suggest that the negotiating process will be increasingly difficult for Belgrade to balance as the EU pushes for Serbia’s constitution to be aligned with the Brussels agreement, including regarding the issue of Kosovo being an integral part of Serbia.<sup>12</sup>

To this day, for many Serbian nationalists, “Kosovo is the heart of Serbia” and some have looked to Russia “to liberate Kosovo”. Serbia’s longstanding bond with Russia is based on their common Slavic origin, Orthodox Christian faith and the use of Cyrillic script, among other historical ties that unite both nations. Although these ties are not new to European diplomacy, it is important to point out that, amidst geopolitical uncertainties, these renewed ties stand out and add further burdens to Serbia’s ambitions to join Europe versus balancing relations with Moscow. In recent years, Serbia has conceded to EU requirements to deliver former alleged war criminals to the Hague tribunals and to normalize its relations with Kosovo. But in delivering on these requirements, many in Serbia have increasingly felt victimized – seeing Serbia’s traditional geopolitical role in the Balkans being eroded in the same way that Russia has felt pushed out as a world power in light of its perceived domination by the West.

### **“Greater” Albania**

On the other hand, Albania is also using a “greater Albania” narrative that similarly damages the long-term stability in the region. Albania plays an important role in setting a national and ethnic rhetoric that addresses ethnic Albanian populations in Kosovo, Macedonia, Serbia and Montenegro. Recent claims from the Albanian Prime Minister, Edi Rama, on setting the ground for a “greater” Albania has raised eyebrows in Brussels as well as

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<sup>11</sup> Vucic: Nobody is asking Serbia to recognize Kosovo. Gazeta Express. Dec. 10, 2014 <http://m.gazetaexpress.com/en/news/nobodys-asking-serbia-to-recognize-kosovo-65584/?archive=1>.

<sup>12</sup> Germans want Kosovo removed from Constitution. B92. Dec. 11, 2014 [http://www.b92.net/eng/news/politics.php?yyyy=2014&mm=12&dd=11&nav\\_id=92537](http://www.b92.net/eng/news/politics.php?yyyy=2014&mm=12&dd=11&nav_id=92537).

fury in Belgrade fearing a more consolidated agenda to carry this plan.<sup>13</sup> However, many in Albania, including media and political analysts, believe that this narrative holds little substance and power to be transformed into a political reality. Following these claims, Edi Rama has also come under fire at home for using nationalism for distracting the public's attention from more serious issues, such as high unemployment, corruption and recent scandals of exposed political ties and members of parliament to organized crime in Albania. In addition, Rama has continuously called for the EU to be more proactive in speeding the integration process for the western Balkans as means to ensure regional stability; therefore many see his recent claims as pressure to the EU to quicken this process in the wake of external agendas that are exerting their influence in the region.

However, even though this narrative may not be as strong internally, it has more weight among Albanian ethnic minorities in the region that are also entangled in unresolved ethnic tensions with other ethnicities. The most recent conflict in the city of Kumanovo, Macedonia, manifests a dangerous reality of internal militants that claim to address the interests of the ethnic Albanian population residing in these areas. Despite government official statements blaming the Kumanovo events on a number of militants that had crossed the border from Kosovo in support of a newly formed phantom group, calling itself as the KLA, these allegations are yet to be fully confirmed from an independent investigation. The most recent conflict in Macedonia left 22 people dead, including fighters that had reportedly crossed the border from Kosovo<sup>14</sup>, and severe destruction in neighbourhoods populated by mainly ethnic Albanians in Kumanovo.<sup>15</sup> Macedonian PM, Nikolla Gruevski (known for wiretapping of opposition, human rights abuses), called the alleged perpetrators “terrorists” that sought to “destabi-

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<sup>13</sup> Sidita Kushi; Odeta Kushi. The paranoia over “Greater Albania” returns. *New Eastern Europe*. January 21, 2015 <http://www.neweasterneurope.eu/articles-and-commentary/1459-the-paranoia-over-greater-albania-returns>.

<sup>14</sup> Gruevski: In Kumanovo, 8 police officers were killed. *Illyria Press*. May 10, 2015 <http://illyriapress.com/gruevski-ne-kumanove-jane-vrare-8-police-dhe-14-terroriste/>.

<sup>15</sup> Albanian neighborhood in Kumanovo destroyed from conflict. *Reporter.al* May 11, 2015 <http://www.reporter.al/lagjja-shqiptare-e-kumanoves-eshte-rrafshuar-ngaluftimet/>.

lize the country”.<sup>16</sup> In addition, the spillover effect of the conflict had immediate impact in neighbouring Bosnia where tensions are particularly high in the wake of state arrests to counter violent extremism and religious radicalism among Muslim communities.<sup>17</sup>

## **Foreign Fighters and Possible Renewed Conflicts**

Foreign fighters being involved in wars out of solidarity for a set cause, religious ideologies or mercenary affiliations, is not a new phenomenon in world history.

The rise of ISIS and this group’s ability to draw thousands of militant followers to a call for a global jihad is not singular to ISIS which effectively utilizes religious doctrine to evoke strong emotions for a single purpose and aggressiveness to carry the duty of a said purpose. Throughout history this is seen in Christian and Muslim communities alike, but the Western Balkans are currently a mere manifestation of this phenomenon. Being the blending indigenous home to Christian and Muslim communities in Europe (Muslim, Catholic and Christian Orthodox), the Western Balkans is presently experiencing a surge of foreign fighters that are participating in foreign wars, mainly in Ukraine and Middle East, based on their religious identities and allegedly organized by religious groups.<sup>18</sup> In comparison, individuals that have joined ISIS are larger in number and better financed, therefore this research focuses mainly at the case of foreign fighters among Muslim communities in Albania.

According to recent reports, over 1,000 foreign fighters from the Western Balkans have joined the Islamic State, predominantly coming from Muslim communities throughout the region.<sup>19</sup> Although a large number of Balkan

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<sup>16</sup> Gruevski: In Kumanovo, 8 police officers were killed. Illyria Press. May 10, 2015 <http://illyriapress.com/gruevski-ne-kumanove-jane-vrare-8-police-dhe-14-terroriste/>.

<sup>17</sup> Elvira Jukic. Conflict in Macedonia rises tensions in Bosnia. May 12, 2015 <http://www.reporter.al/dhuna-ne-maqedoni-rrit-tensionet-ne-bosnje/>.

<sup>18</sup> Balkan Warriors Abroad: Fight the Good Fight. The Economist. April 18, 2015 <http://www.economist.com/news/europe/21648697-western-balkans-peace-some-go-abroad-look-war-fight-good-fight>.

<sup>19</sup> “Batalioni i Ballkanit” ne Siri ka 1,000 luftetare, IllyriaPress. August 7, 2015. <http://illyriapress.com/batalioni-i-ballkanit-me-1000-luftetare-ne-siri/>.

militants fighting in Syria and Iraq are believed to be from Bosnia, with over 180 fighters,<sup>20</sup> growing numbers of ethnic Albanians, most notably from Albania, Kosovo and Macedonia, have also joined jihadist groups in Iraq and Syria. This article aims to explore trends of rising Albanian militancy, and to put this in the context of current religious trends and the influences that have penetrated numerous Islamic orders in Albania and among Albanian-speakers in Kosovo, Macedonia and Montenegro in the past few years.

According to recent estimates, there are over 150 Albanian citizens and over 500 ethnic Albanians from Kosovo and Macedonia who have joined terrorist organizations in Syria and Iraq.<sup>21</sup> In Albania, official police sources claim that 90 Albanian citizens have travelled between 2012-2014 to join, initially, Al-Nusra and then later ISIS. Religious leaders and journalists that have traced the issue believe the numbers are a lot higher.<sup>22</sup> Many are thought to have travelled with their families, although there are several cases of children being taken away without their mothers' knowledge. Such was the case of Shkëlzen Dumani, reportedly to have died in Syria in 2014, who allegedly tricked his wife into signing a legal agreement, giving him permission to travel abroad with his two minor children of 6 and 9 years old.<sup>23</sup>

Central Albania, including rural areas near Tirana, Elbasan, Librazhd, Pogradec, seem to have been the most affected regions, even though smaller numbers of individuals from other towns are present in the demographics. Interestingly, a number of men that have joined ISIS were not uneducated youth. Some were educated, exposed to Western lifestyles, but with little opportunities offered at home.<sup>24</sup> Due to the EU economic crisis and Albania's long history of immigration, the country has experienced a

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<sup>20</sup> Bosnian cleric on trial for recruiting Islamic State fighters. Reuters. Feb. 11, 2015  
<http://www.reuters.com/article/2015/02/11/us-mideast-crisis-bosnia-cleric-idUSKBN0LF21120150211>.

<sup>21</sup> ISIS' Balkan networks. American Center for Democracy. March 25, 2015.  
<http://acdemocracy.org/isis-balkan-networks/>.

<sup>22</sup> Author's field interviews with state officials, journalists and religious leaders in Albania.

<sup>23</sup> Aleksandra Bogdani. Tens of Albanian children captive of jihadists in Syria. Dec. 16, 2014 <http://www.reporter.al/dhjetra-femije-shqiptare-pengje-te-xhihadisteve-ne-siri/>.

<sup>24</sup> Author's field interviews with local religious leaders in the above-mentioned areas.

surge of immigrants returning home from most notably Italy and Greece, facing low state capacity to withstand their employment needs. Such was the case of Verdi Morava, 48 years old, currently being tried for facilitating travels and financing of terrorism, who for many years lived in Italy and graduated in mechanical engineering.<sup>25</sup> Similar cases are seen throughout the demographics of many young men, some of whom spoke several languages, but joined due to ideological beliefs.<sup>26</sup> During the research period, the author of this paper also personally spoke to a former fighter that had joined the Islamic State in 2013. In his town of origin he was a journalist and highly active in the city's social and political life.<sup>27</sup> He acknowledged that he had joined out of ideological principles, but also being disappointed in the war's delusions.

This presents an opportunity for countries that are currently grappling with the issue of foreign fighters and those returning from the frontlines of war. Many of those returned, regretful of having participated in a war not based on religious principles, have even propagated against the war in their communities.<sup>28</sup> The regional Muftiats, particularly from the most affected regions in Albania, have used these opportunities to counter religious narratives that have inspired jihad in Syria and Iraq among many Muslim practitioners that have openly expressed radical views or thought of joining the Islamic State.

Reports of significant numbers of foreign fighters from Kosovo showcase a slightly different reality in Kosovo. Estimates suggest that over 230 Kosovans have travelled to join jihadist groups in the Middle East. A recent extended publication by the Kosovo Center of Security Studies (KCSS) based in Prishtina, explored in detail the lives and religious motivations of over 230 fighters from Kosovo, among them KLA (Kosovo Liberation Army) veterans, youth and religious leaders that inspired jihad in local mosques. Hetem Dema, a former KLA soldier from Kaçanik, was among

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<sup>25</sup> Author's interview with Verdi Morava's father, Dielli Morava, March 2015.

<sup>26</sup> Author's field interviews with local religious leaders in the above-mentioned areas.

<sup>27</sup> The name and location cannot be disclosed due to privacy and security concerns.

<sup>28</sup> Ibid.



those who died in Syria in January 2014.<sup>29</sup> Similar cases from Kosovo manifest the level of inspiration this war has had for several former KLA fighters (among many others that have joined), particularly when in 2012, at the outset of the war in Syria, officials from the government of Kosovo joined the international community in condemning Assad's atrocities and established "diplomatic contacts" with the Free Syrian Army, with former KLA fighters sharing their experiences in dealing with oppressive Serb rule.<sup>30</sup>

### *Domestic Arrests*

Albania is a highly pro-Western nation, with aspirations to join the European Union and it maintains a strong relationship with the U.S, and it has supported the war on terrorism since 2001.<sup>31</sup> Partly as a result, it has cracked down strongly on foreign fighters and those believed to be encouraging them. For instance, in March 2014, 13 people were arrested at two mosques based in the outskirts of Albania's capital, for allegedly recruited over 70 foreign fighters to join Jabhat Al-Nusra, then later the Islamic State, and for having encouraging religious divisions. Nine of the arrested are currently being tried by Tirana's court over their links to organized crime. Almost unanimously, all the indicted men did not deny their accusations and publicly took pride in their activities. For instance, Bujar Hysa, one of the imams accused, formerly a preacher at the mosque of Unaza e Re, pledged allegiance to Abu Bakr al-Baghdadi, the leader of the Islamic State, in court when questioned over his activities.<sup>32</sup>

Similarly in Kosovo, since August 2014 more than 100 individuals have been arrested or questioned by the security services in Kosovo, including a number of leading religious and political figures tied to Islamic Union of Kosovo, also an officially recognized religious institution. However, even

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<sup>29</sup> Report inquiring into the causes and consequences of Kosovo citizens involvement as foreign fighters in Syria and Iraq. Kosovo Center for Security Studies. Occasional paper, pg. 71. Apr. 12, 2015.

<sup>30</sup> <http://www.qkss.org/en/Occasional-Papers/Report-inquiring-into-the-causes-and-consequences-of-Kosovo-citizens-involvement-as-foreign-fighters-in-Syria-and-Iraq-408> pg. 17.

<sup>31</sup> Sidita Kushi. Balkanizing the war on terror. E-international relations. March 4, 2015 <http://www.e-ir.info/2015/03/04/balkanizing-the-war-on-terror/>.

<sup>32</sup> Author regularly observes on-going trials at Tirana's Court of Organized Crimes.

though these August operations gained tremendous praise from Western leaders, many of those detained have since been released, including Prishtina's Grand Mosque imam Shefqet Krasniqi, due to insufficient evidence of their direct involvement in terrorist activities.<sup>33</sup> However, in early March seven of them were indicted for "inciting others to commit or participate in terrorist activities, and for securing funds and other material resources," according to a statement by Kosovo's prosecutor's office.<sup>34</sup>

## **Conclusion and implications**

Despite the moderate traditions of Islam practiced among most Muslim communities in the Balkans, a number of factors, including the legacy of the Balkan wars and the influx of Wahhabi influence that followed the collapse of Communism, have led hundreds of ethnic Albanians to join radical groups in the Middle East, including the Islamic State. In addition, radical influence is ever more accessible due to social media, YouTube videos and twitter propaganda that targets Albanian-speaking audiences, questions the values of "traditional" Islam and reject democracy. These developments present an additional challenge to the long-term stability of a region with a history of conflicts and unresolved grievances between ethnic groups. The region remains volatile and renewed smaller conflicts are highly probable in the current political climate that is failing to promote interethnic stability. The events in Macedonia and smaller tensions building up in other forms throughout the region, may have detrimental consequences for a region that has a long history of tensions based on ethnic and religious identities. On social media, even though many ethnic Albanians living in Macedonia called for restraint and peace between ethnic groups, others were quick to call for war to get rid of "kuffars" and create the Greater Albania.

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<sup>33</sup> Kerry: We destroyed ISIS' cells in Kosovo. *Gazeta Express*. Jan. 22, 2015 <http://www.gazetaexpress.com/lajme/kerry-shkaterruam-celulat-e-isisit-ne-kosove-75362/?archive=1>.

<sup>34</sup> Una Hajdari. Kosovo charges seven for Islamic State involvement. *Balkan Insight*. Mar. 3, 2015 <http://www.balkaninsight.com/en/article/kosovo-charges-seven-for-islamic-state-involvement>.

# Political and Security Implications for Regional Consolidation and Relevant Aspects which Affect Montenegro

*Rajko Radević*

## Key Foreign Policy Goals

Declaratively, Montenegro has firmly set its course to become the EU and NATO member. As defined in Montenegrin Foreign Policy Priorities<sup>1</sup> document, the primary goal of the country is: Integration into the European Union and North Atlantic Alliance – NATO. This document stipulates that the integration into the EU is Montenegro’s “most important task in external and internal terms”, and in addition that the second “strategic and equally important goal”, is to join NATO, “which would guarantee stability and security for pursuing other strategic goals”. Furthermore, as the document declares: “Montenegro believes that NATO integration would speed up EU integration”. The intention to join the two international organizations by means of accepting the democratic *Western* values and standards is further promulgated in the text “democratic institutions, rule of law, market economy, and security are necessary preconditions for a country that aspires to become member of the EU and NATO”. Therefore, referring to the Foreign Policy’s strategic goal roadmap, there are no doubts about the country’s course.

## Relations with EU and NATO

That said, if we step out of the theoretically – proclaimed goals and make an insight in the actual process on the ground, while trying to make and overview of the current progress in both EU and NATO integration processes, we encounter the following:

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<sup>1</sup> The Foreign Policy Priorities of Montenegro; <http://www.mvpei.gov.me/en/ministry/Foreign-Policy/>.

On the path toward EU integration Montenegro is currently in the phase of negotiations. It has begun in December 2010, when, upon the decision of the European Council, Montenegro was granted the status of a candidate country. The official beginning of negotiation process between Montenegro and EU followed two years in June 2012. This status has provided for a dynamic process which includes progressive opening of negotiation chapters. The overall outcome, according to the latest reports available, since its inception, is 18 open chapters out of which two have been temporarily closed, meaning that Montenegro is amid the process.

The country is undertaking significant efforts which assume the engagement of all parts of the society with the goal to meet the criteria set by the EU. It is highly unlikely that the direction to which Montenegro has been headed for a relatively long period of time could be altered. As a matter of fact, the issue of EU integration is among the few, around which there is prevalent consensus in the state. In general both governing and opposition parties agree that this is the best possible option to follow. This is interesting to mention as, in principle, Montenegro falls into a category of divided societies meaning that the consensus on most issues is very difficult to achieve. As mentioned this is not the case with the question concerning the EU integration. According to the relevant opinion polls<sup>2</sup> the support in public is broad 61.1% (September 2014), whereas it has been on the highest level<sup>3</sup> ever in October 2009 at 76.1%.

As stated previously, it appears that the course has been set. One can only discuss about the time needed to reach the goal and the quality of the process i.e. the reforms implemented, which in final instance will determine how soon or late Montenegro will become a member of the EU. That said, it is obvious that the outcome will be most dependent of the quality of reforms, and successful meeting of the requirements which the EU is setting out to Montenegro through its negotiating scheme.

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<sup>2</sup> The public opinion on NATO integrations of Montenegro. CEDEM. September, 2014; [http://www.cedem.me/index.php?option=com\\_jdownloads&Itemid=43&view=viewdownload&catid=36&cid=566&lang=sr](http://www.cedem.me/index.php?option=com_jdownloads&Itemid=43&view=viewdownload&catid=36&cid=566&lang=sr).

<sup>3</sup> The political opinion poll. CEDEM. March 2013; [http://www.cedem.me/index.php?option=com\\_jdownloads&Itemid=43&view=viewdownload&catid=36&cid=383&lang=en](http://www.cedem.me/index.php?option=com_jdownloads&Itemid=43&view=viewdownload&catid=36&cid=383&lang=en).

After joining the Partnership for Peace (PfP) programme in 2006, Montenegro formally declared its intention to meet NATO-standards by reforming, as needed, its defence and security system.

The individual partnership action plan IPAP was approved by the NATO Council in 2008. Two years after its adoption, in July 2010, the implementation of IPAP was closed with a positive assessment by NATO.<sup>4</sup>

In December 2009 Montenegro was presented with a Membership Action Plan (MAP) status by NATO. Within the framework of MAP, Montenegro has developed Annual National Programmes (ANP) reflecting all the topics included in its reform agenda.

Thus far Montenegro has undergone four cycles within the MAP process, and since October 2014, by presenting the Fifth Annual National Programme, the country has entered the latest round of the process. The MAP process lays down a demanding agenda for reforming the security and defence sector. The current Programme is a very comprehensive document which reflects the countries' intention to work together with NATO partners in fulfilling the necessary criteria in order to eventually reach one of its two main foreign policy priorities. The main areas covered by the Annual Programme for the current year include: I Political Matters, II Rule of Law, III Parliamentary Reforms, IV Security Matters, V Military and Defence Matters, VI Economic Matters and VII Legal Matters.<sup>5</sup>

That said, it could be open for discussion the question if the NATO-integration process *per se* devotes much attention to the issue of civil service professionalism and to the impact with a lack of professionalism may have on aspirant countries' ability to meet NATO standards, or if the Alliance's attention is rather focused on military issues and military related HRM.

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<sup>4</sup> Home page of the Montenegrin Ministry of Foreign Affairs and European Integration at <http://www.mip.gov.me/en/index.php/Directorate-for-NATO/relations-between-montenegro-and-nato.html>

<sup>5</sup> Home page of the Montenegrin Ministry of Foreign Affairs and European Integration at: <http://www.mvpei.gov.me/rubrike/nato/Dokumenti>

Whatever the answer to this question might be, it is rather clear that the country has demonstrated intention and commitment to invest efforts in fulfilling the criteria, which have been set before it in order to join the Alliance.

On the other hand, it can be equally strongly argued that NATO sees Montenegro as the most serious potential new member country. This has been demonstrated on number of occasions, just to mention a few: As the Alliance did not extend the invitation to Montenegro at the latest summit in Wales, due to the lack of reform results in key areas, still it sent a clear message that it sees Montenegro as a potential member “as soon as it completes the remaining tasks”. In order to assure Montenegro that NATO remains committed to assist and to finally (once the reform demands are met) invite Montenegro, it decided to open “intensified and focused talks” with Montenegro in order to assess its readiness to receive an invitation to join the Alliance no later than by the end of 2015.<sup>6</sup> In practice, the new mechanism of intensified and focused talks means more contacts/visits on both sides, which is happening on the ground currently. Moreover, this mechanism should provide for a more regular reporting of the progress achieved in detailed and timely manner. Finally, this means that Montenegro will step up regular political dialogue with NATO at all levels and bilaterally with member countries.<sup>7</sup>

If invited to join NATO in the period between the two summits, that would be a certain precedent which the Alliance would make in the case of Montenegro, which further pushes forward the argument of both sides being committed to see Montenegro in the Alliance. Moreover, in his recent statement the Secretary General of NATO “welcomed Montenegro’s substantial reforms” and “real progress towards membership in NATO.” he also added that Montenegro “has repeatedly shown that it shares our (*NATO – Western*) values”.<sup>8</sup>

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<sup>6</sup> NATO Wales Summit Declaration; [http://www.nato.int/cps/en/natohq/official\\_texts\\_112964.htm](http://www.nato.int/cps/en/natohq/official_texts_112964.htm).

<sup>7</sup> MFA Montenegro. (2014). The Fifth Annual National Programme of Montenegro. p. 4.

<sup>8</sup> Available at: [http://www.nato.int/cps/en/natohq/news\\_118710.htm](http://www.nato.int/cps/en/natohq/news_118710.htm).

## The Key Challenges on the Path toward EU and NATO Integration

The possibly renewed rivalry between the West and Russia does not appear, at least, not visibly to citizens as to have significant effect or to be among the main challenges that influence the goals which the country has set to achieve. Instead, the key impediments in reaching the proclaimed goals in words of both EU and NATO officials are identified in different realms mainly worded as the need to fight corruption and strengthen the rule of law. As such these perils appear to be more domestically and/or regionally rooted than the ones which would emanate from the possibly renewed rivalry between Russia and the West.

According to EU progress reports, the Montenegrin mechanisms to protect public integrity have shortcomings. Although the European Commission acknowledges some progress in the fight against corruption, it still concludes that corruption “remains widespread”.<sup>9</sup> Consequently, the European Commission has given priority to chapters 23 (judiciary and fundamental right) and 24 (justice, freedom and security) in the EU accession negotiations. These chapters include measures on security, fight against corruption and organized crime. The European Commission considers the above-mentioned issues a matter of serious concern, stating that: “corruption [...] continues to give serious cause for concern, allowing also for the infiltration of organized crime groups into the public and private sectors”.<sup>10</sup>

Likewise, the similar concerns were raised by NATO, the most recent one formulated as “the need to continue efforts to address the remaining challenges, particularly with respect to rule of law and completing security sector reforms” which has been one of the messages extended to Montenegro after the NATO Summit in Wales. Furthermore, as mentioned previously, based on the progress in these key areas Foreign Ministers of NATO countries will assess whether to invite Montenegro to join the alliance by the end of 2015.

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<sup>9</sup> The European Commission: “Montenegro 2012 Progress Report”, 2012, p. 12; [http://ec.europa.eu/enlargement/pdf/key\\_documents/2012/package/mn\\_rapport\\_2012\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/mn_rapport_2012_en.pdf).

<sup>10</sup> See the European Commission, op.cit. footnote 1.

The previously mentioned assessment by the EU and NATO officials give reason for serious concern and have been highlighted as issues of high priority on the path to successful completion towards EU and NATO.

Put simply, it appears that the perils have been rather domestically rooted i.e. within the society and must be faced as such, rather than something which might be caused by external factors. It seems that this process, in the first line, depends on Montenegrin readiness and shape to conduct reforms and accordingly meet the criteria set by the two organizations.

### **The Debate in the Country concerning Security Integration**

Russian security initiatives have not been present, nor introduced, as an option in the public discourse in Montenegro. In general, the main debates revolve around following issues: If Montenegro should join NATO, or not, and finally what should be the procedure to decide on this matter. In summary, there are proponents of the possibility that the decision should be made in the parliament, and the ones who consider that there should be organized a referendum where citizens would be asked to directly decide on this matter.

That said, even among the organizations and individuals who are against integration into the Western security initiatives, in first place the NATO, the alternative, in their view, is not to join another (any kind of security initiative including Russian), but rather that “Montenegro should proclaim military neutrality”, and stay away from any kind of military or similar alliance. In words of the proponents of this view “military neutrality is the most humane, rational and well thought through foreign policy choice for Montenegro, which provides the most significant potential to facilitate fast track democratic and economic development ...”.<sup>11</sup>

Alternatively the proponents for Montenegro’s joining the Alliance among the key reasons why it should become a part of the NATO emphasize that it “is important for the regional stability ... (and that) small countries have very limited capabilities no matter how rich they might be, (for example) both Is-

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<sup>11</sup> The web page of the NGO “Movement for Neutrality of Montenegro” at: <http://mnmne.org/about-mnmne/>.



land and Luxemburg are much richer than Montenegro, still they have not chosen the path of neutrality but the path of membership.

No matter how much (small) countries invest in their armed forces and defence budget they can not be as safer as in the case when they are a part of the larger system”.<sup>12</sup>

A different question is if the concept of military neutrality has been debated sufficiently in the public e.g. all the advantages and disadvantages, and whether all the negative and positive aspects of this option have been closely thought through in light of Montenegrin context? Likewise, one can argue that, although, in general the only firm and direct offer lies on the table, normally the integration into NATO, if the question has been transparently and in a proper manner introduced to the citizenry. The results of the occasional opinion polls show that a significant parts of the population is undecided towards this question. Still, it is more or less evident that the anti-NATO attitude and perhaps the un-decisiveness towards this question is largely not because citizens see Russia as an alternative security integration option, but rather skepticism based, among other reasons, due to the 1999 intervention towards ex-Yugoslavia experience, and probably other factors which combined influence that citizens wish not to take sides or decide to be against the integration into NATO.

### **Political and Economic Relations between Montenegro and Russia**

Montenegrin strategic intention to join EU and NATO does not seem to influence the traditionally rather good relations with Moscow. In words of the domestic analysts it appears that the relations remain solid, but without the possibility of Russian control within the main directions of Montenegrin policy and strategy for the future.<sup>13</sup>

The extent of Russian direct investment in Montenegrin economy has been the subject to much debate and at the same time speculations in the state but

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<sup>12</sup> Interview of Mr. Vesko Garcevic, the national coordinator for NATO. Available at on the web page of the MFA of Montenegro: <http://www.mvpei.gov.me/press-centar/intervju/136122/Intervju-Pobjedi-Ambasador-Crne-Gore-pri-NATO-u-Vesko-Garcevic-Imamo-sanse-da-dobijemo-poziv-ali-posao-jos-nije-završen.html>.

<sup>13</sup> Marko Kusovac (2014), “Relation Between Montenegro and Russia”, Matica, p. 71.

also abroad. Such state of affairs has been encouraged by the lack of consistent and reliable statistical data that would provide direct insight into the matter and would leave little or no space for different interpretations. Still, according to the official data (the only possible source, apparently not covering all the aspects) Russia has been among the main investors in Montenegrin economy since 2006. The statistics show that the overall FDI from Russia to Montenegro in the period 2006-2014 has amounted to 1.128.543.112 EUR,<sup>14</sup> which is, even if partially correct, a quite significant amount that places Russian Federation as number one single investor. According to various economic analysts the reasons for this are several; just to mention a few: Montenegro was very attractive for investments and at the same time a very desirable touristic destination for Russian citizens which made it easier to attract Russian capital, moreover, one should not disregard the traditional friendship among the two countries which dates back to centuries in the past, just to enlist a few. Apparently the combination of these (and most likely other) factors translated into a fact that significant amount of Russian investments has been placed in the country.

Still, this does not mean that the Russian investments have been the only FDI in the period mentioned, let alone, to have decisive influence on Montenegrin economy. Namely, according to the same statistical data the total FDI from just several Western countries, in the same time span (2006-2014) topped the FDI from Russia. For example the FDI from four “Western countries” e.g. Switzerland, Italy, Hungary, and Cyprus amounts to 2.011.225.053 EUR,<sup>15</sup> which is almost the double of investments from Russia. Concisely, it appears that Russian FDI penetrations in the Montenegrin economy was certainly higher than in other former socialist countries, and probably higher than shown by official statistics, but it is not as high as often claimed by the press and public at large. Such state of affairs has led the analysis to conclude, “Russia does not have a dominant, let alone decisive influence on the Montenegrin economy”.<sup>16</sup>

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<sup>14</sup> Total FDI in the period 2006-2014. Available on the web page of the Statistical Office of Montenegro: <http://www.monstat.org/cg/>.

<sup>15</sup> Ibid.

<sup>16</sup> Matija Rojec (2007). The Russian Economic Penetration in Montenegro. European Parliament, p. 1.

The political relations between two countries have traditionally been friendly. The rich history of political-diplomatic relations dates back to centuries in past. Those relations are important for Montenegro in the present time, have been stressed as such by the statements of key Montenegrin officials, and at the same time they have been used as the opportunity to enhance political as well as the economic cooperation. However, as elaborated previously, Montenegro has clear foreign policy goals and intends to pursue them despite the fact that they, sometimes, do not match the official Russian interests and goals. The best example is the recent decision by Montenegro to stand by the official EU stance, which has imposed economic sanctions against Russian officials, firms, and military commandants that are suspected to be involved in the war in Ukraine. Such development demonstrates a clear intention by Montenegro, in words of its Prime Minister to „behave as a partner” in line with the relationship, which exists on the relation of the EU and Russia, moreover, Montenegro wants to „demonstrate responsible and consistent stance towards the EU on each question.”<sup>17</sup>

Finally, despite the widely spread image of the citizens of Russian Federation “buying up” Montenegrin’s coast, apparently this has not been translated into any kind of economic nor political pressure, let alone that it has distracted the country from pursuing its key foreign policy goals.

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<sup>17</sup> Available at: <http://www.blic.rs/Vesti/Politika/503719/Djukanovic-Problemi-izmedju-EU-i-Rusije-ne-resavaju-se-sankcijama>.



## **Russia's Influence in Bosnia and Herzegovina: from a Constructive Partner to a Factor of Instability**

*Denisa Sarajlić-Maglić*

Russia's role in BiH could be defined more as an 'influence' rather than 'presence'. It can be argued that, up till now, Russia has not had a 'grand' strategy or vision for BiH, nor structures, mechanism and instruments through which it could exert some control. Russia's influence in BiH is defined more in relation to the West than in relation to Bosnia itself, or the RS for that matter. BiH has not to this date been officially declared 'Russia's sphere of influence'. In that sense, BiH is more of a testing ground, or one of the platforms on which Russia is measuring its power against the EU and NATO, and trying to undermine them. BiH is, one may say – once again, a playground for the power games and testing the strength of big powers. With all that in mind, it can be argued that Russia's influence in BiH is characterised by four features. It is flexible and adaptive, opportunistic, provocative – or incidental, and reactive, for now.

Unlike the dominant multilateral actors in BiH, Russia is a single actor, which has its advantages and disadvantages. On one hand, a disadvantage is the fact that it does not have an institutional framework in which it could embed its relations with BiH. NATO and the EU, on the other hand, have quite firmly established processes in which BiH is already embedded within their structures. However, the NATO and EU instruments are rather rigid, bureaucratic and dependent on the political will of all their members for any major decision relating to the future of BiH within their structures. Russia, as a single actor does not depend on any multilateral decision-making and that gives it the flexibility and promptness to make instant decisions and to adapt its approach in line with the arising circumstances or opportunities. That allows Russia to lead opportunistic policies, and take advantage of any arising political developments in the region. It is more flexible, more responsive, and adaptive than its multilateral counterparts.

The main argument of this paper is that Russia is willing and prepared to utilise its institutional advantages, such as flexibility and responsiveness in

case there is a fertile ground to pursue its policies within BiH to counter the influences from the West in general. To some extent, Russia has already tested the waters for such actions in three broad areas: within the international stabilisation mission, in the case of the Euro-Atlantic integration of BiH, and within the context of internal processes in BiH.

### **Effects on the International Stabilisation Mission**

Russia was playing a constructive role for the first ten years of peace implementation in BiH, maintaining a partnership with the EU and NATO for a while, with a core aim of maintaining peace and stability in BiH and the region. The first rifts became visible in 2007 when Russia used its membership in the Peace Implementation Council to oppose the police reform in BiH, which was a condition for signing the Stabilisation and Association Agreement.

This was one of the first examples of Russia's opportunistic policies in BiH, which was more of a reaction to the independence of Kosovo and a vindictive act directed towards the EU rather than towards BiH itself. Russia did not oppose the police reform out of a principled belief or a strategic interest, but again in order to show the EU that it has instruments to oppose their policies and that it is willing to use them. It was one of the first instances in which Russia encouraged Dodik to oppose the EU's proposal and they supported him by refusing to sign the PIC communiqué on police reform.<sup>1</sup>

### **Impacts on the EU and NATO Integration Processes of Bosnia and Herzegovina**

Russia's role in BiH has so far been based mainly on a series of incidents, which were constructed into 'policies' mainly through public spins, rather than being a result of carefully crafted strategies. Those incidents have been, in most cases, intended for domestic consumption in Russia – to show its public that it has some leverage over the EU's policies in the Balkans, or that it has instruments to counter-act the EU within the Balkan arena.

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<sup>1</sup> Valasek, Tomas. "Is Russia a partner to the EU in Bosnia?", Policy Brief, Center for European Forum. London: 2009.

In 2014, Russia used an occasion to test its power within the UN and threw its strongest blow to the EU so far, when they said that Russia would no longer support the EU membership efforts of BiH. For the first time in 14 years, Russia abstained from the vote at the occasion of the UN Security Council debate about the extension of the mandate of EUFOR in BiH. The reason was apparently that the declaration mentioned the country's European and NATO future too often. "We did not want the resolution to be used as an instrument to advance objectives that we were not part of and that is Bosnia-Herzegovina becoming part of NATO", or the European Union, Russia's ambassador to Bosnia, Petr Ivancov, told the Associated Press in an interview. He stated that Bosnians should decide themselves, but "there is clearly a lack of consensus in Bosnia-Herzegovina with regard to its Euro-Atlantic future".<sup>2</sup>

Quoting the position presented to the Steering Board of the Peace Implementation Council, the High Representative of the International Community to BiH, Valentin Inzko, stated that "The Russian Federation is of the opinion that Euro-Atlantic integration is not the sole perspective for Bosnia ...".<sup>3</sup> On that occasion, Moscow stated something which no one in BiH, or from the RS specifically has said, which is that 'there is no consensus in Bosnia over the issue'. The European Union reacted by calling on Russia to leave the Balkans out of its dispute over Ukraine, and 'let the region proceed on its path toward EU and NATO memberships'. From the EU's perspective, the extent to which this was a slap in the EU's face was verbalised by the Croatian foreign minister, Vesna Pusić, who said that this was the „first time that something like that happened in relation to a country that doesn't border the Russian Federation”.<sup>4</sup>

### **Impacts on the Internal Processes**

In the first 5-6 years of his mandate as the prime minister of the RS, Dodik's policies were more focused on the internal affairs in BiH and attempt to undermine the state, its symbols and its integrity. He has boy-

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<sup>2</sup> <http://news.yahoo.com/eu-urges-russia-let-bosnia-join-bloc-180444383.html>.

<sup>3</sup> <http://www.voanews.com/content/reu-russia-says-western-integration-not-bosnia-only-option/2554435.html>.

<sup>4</sup> <http://www.rferl.org/content/bosnia-russia-croatia-eu/26697396.html>.

cotted the state structures and used SNSD representatives in the state institutions, particularly in parliament to block the political processes, especially those leading towards NATO and EU integrations. However, over the past few years, he has invested additional effort to try to undermine the state from the outside, by 'internationalising' the RS. However, his efforts have been thwarted by the fact that not many foreign states, or international organisations are willing to play that game. Israel has to some extent played along, especially during Liebermann's mandate as the foreign minister, when the two frequently met and even more frequently exchanged public statements of support. Dodik has in return supported many of Israel's policies in the region.

Therefore, Dodik does not have that many international partners who are willing to treat the RS as an independent international actor, and Russia has been useful in standing as a partner to the RS in that sense. Using the same pattern, Dodik needs Russia as a partner in order to be able to treat the RS as an actor on the international scene. Viewed from that perspective, Russia's influence is seeing more as an influence on the RS, than an influence on BiH.

When speaking about the Russian influence in BiH, it can be viewed from two perspectives. In that, sense a distinction can be made between Russia's relations with the country as a whole, and its relations with Republika Srpska.

Looking at its relations with Bosnia and Herzegovina, Russia has at its disposal three main mechanisms:

- a power of veto through the UN Security Council;
- presence and membership in the Peace Implementation Council;
- general diplomatic presence, including economic, however modest.

BiH did not back the EU's sanctions against Russia, and that is an area in which the RS is able to exert influence, simply by the virtue of having a right to veto. However, rather than this being a specific policy towards Russia or towards the Ukrainian crisis, it is rather a reflection of the institutional weaknesses of BiH's foreign policy. BiH foreign policy on most issues is matter of finding a smallest common denominator, and that has



been the case with the crisis in Ukraine as well. Although BiH did not openly condemn Russia's annexation of Crimea, the BiH foreign ministry has, however, issued statement supporting the territorial integrity and sovereignty of Ukraine, thus implicitly taking a position against any territorial secession of that country. In principle BiH should align its policy with the foreign policy of the EU in situations like this. Because it has not done so in this case, the absence of a policy on the situation in Ukraine is in Russia's view still a policy; a policy that is not aligned with the EU's position and it thus provides Russia with another small victory against the EU.

Even when looking at Republika Srpska, it needs to be noted that it is not all parties and politicians in the RS who have cherished closed relations with Russia at the expense of the country's future in the EU and NATO. It is primarily the RS President Milorad Dodik who has extensively used the narrative of close relations with Russia. That narrative is for him a utility that serves mainly three purposes:

- to undermine the state of BiH;
- to annoy and undermine the West;
- to gain international presence and partnerships.

In as much as Russia is using BiH to 'annoy' the 'West', Dodik is also using Russia to 'annoy' the 'West'. The crisis in Ukraine has provided him with a perfect opportunity to do exactly that. He was among the first politicians to back the referendum in Crimea on joining Russia as "legitimate and democratic", in accordance with international law and the U.N.-guaranteed right to self-determination. Apart from wanting to irritate the West, this policy is also self-serving as it enables Dodik to lay ground for a narrative on the legitimacy of the RS' secession. And Dodik is not pertaining only to the symbolic level. In this particular case, he followed up by a concrete move of visiting Moscow in the middle of the Crimea crisis, where he was awarded by Russian Patriarch Kirill for his efforts "to consolidate the unity of Orthodox nations".<sup>5</sup> This was another example of the way in which Russia, on one hand would react opportunistically to reward anti-EU behaviour, and, on the other hand, an example of Dodik's own opportunism

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<sup>5</sup> <http://www.reuters.com/article/2014/03/18/us-ukraine-crisis-bosniaherzegovina-idUSBREA2H1NA20140318>.

in seeking any chance to sustain the symbolic narrative on the historical and cultural/religious legacies between the RS and Russia.

Russia does not have such a strong economic presence in BiH. Russia's presence seems more tangible and visible in Belgrade and Serbia than in BiH. This is due to a number of factors. It has attempted to invest into a couple of industrial facilities in Republika Srpska, and much to the RS embarrassment, most of those investments have actually been very modest. Zarubezhneft bought refineries in Modrica and Bosanski Brod in the RS, but Russia has not followed up with any more significant investment. Gazprom has presence in the oil sector in BiH as well, but it is not a major player since BiH is not as much dependent on gas as some countries in the EU, or in the region. Over the past 20 years, Russia has constantly used the leverage of the debt for gas supplies which BiH accumulated during the war and threatened both, cutting the gas supply and increasing the gas prices in BiH. Putin's personal popularity in the RS is not as strong as it is in Serbia, simply due to the weaker ties, and the fact that the official relations are still running through the state.

The biggest blow to Dodik's plans to use the Russian influence in BiH was the cancellation of the construction of the South Stream pipeline. Being a political, rather than primarily an economic project, its cancellation had more of a political effect, rather than an economic effect.

In January 2015, there was another example of the way in which Russia has exploited an 'incidental' situation in order to create some turmoil inside BiH. The companies Igman and Unis were contracted to deliver small arms ammunition to Ukraine, in the value of 4.9 million Euros. The issue was brought to the fore in a very populist manner when the former BiH Minister of Foreign Trade and Economic Relations, Boris Tučić from SNSD, resigned, allegedly in protest of having to sign this deal, which had previously been approved by other BiH institutions. Soon after, there was a reaction from Moscow which condemned this plan, warning that it would lead to "senseless" deaths. Russian Foreign Ministry spokesman Alexander Lukashevich said that the Kyiv authorities would use the ammunition "to keep killing peaceful citizens", saying that Moscow was "bewildered" by

such plans.<sup>6</sup> Russia also threatened that if Bosnia and Herzegovina goes ahead with arms export to Ukraine, that Russia would demand that BiH pays immediately the whole debt for gas amounting to around 51 million Euros, or it would suspend gas supply. Additionally, the price of gas to Bosnia would be increased in that case.

### **Possible Consequences**

To simplify, it could be said that the RS needs Russia mainly to irritate the West, and Russia needs the RS for the same purpose. Although the situation in Ukraine is not directly destabilising BiH, the parallels which are being drawn do not help the argument domestically. The economic, political/democratic and security consolidation of the country for the past nine years has been challenged mostly by the internal actors and internal political dynamics and instabilities. The external influences, including that of Russia have been either an instrument utilised by domestic actors, or a catalyser of ongoing domestic process. Crimea has, for that purpose, served the domestic agenda of Milorad Dodik to use it as a model for the secession of the RS. Russia, on its part, has used its powers within the PIC to moderate the statements by the PIC or actions of the High Representative over the past few years.

Only a few years ago, some international actors, primarily the EU and some member states of the EU in particular, had been advocating for the closure of the OHR. It was even made a condition for the further EU accession of BiH, but was recently withdrawn. The importance of OHR's continued mandate in BiH is primarily in the its UN Security Mandate to enable the international community to intervene with any means necessary, including a military intervention, in the case of a serious breaches of the Dayton Peace Agreement. The Ukrainian crises and Russia's threats to spread its influences to the region of South East Europe, including BiH, makes OHR's mandate even more important.

Russia does not have a grand expansionist policy towards BiH. However, there is fear that it might be prepared to exploit any destabilisation within

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<sup>6</sup> <http://www.dw.de/russia-warns-bosnia-and-herzegovina-against-sending-ammunition-to-ukraine/a-18224123>.

the country, any little chance or spark of violence that might create a situation of the unrest which domestic secessionists could decide to take advantage of. The risk of an incident that might provoke larger international reaction needs to be taken into consideration in the cases such as the public unrests that have intensified over the past two years in BiH. Although those were protests mainly based on socio-economic uncertainties, in 2014 they did escalate into violence that resulted in several government buildings being set on fire. These protests were contained mainly to the territory of FBiH, but there were modest initiatives to spread the protests to the RS as well. At that threat Dodik already responded that the RS institutions would strongly react to prevent such attempts. It also needs to be borne in mind that those protests were strongly supported, politically as well as financially by the United States Embassy in BiH. Although not a large security threat in themselves, and definitely not a threat to the international or regional security, unrests like that might provide fertile ground for provocations or incidents that would have larger international implications.

Also notable is the intensified cooperation between Turkey and Russia at the expense of the EU. So far, the EU has not been able to present itself as a viable short-term alternative to influences from Russia and Turkey in BiH. Although the majority of population continues to support the EU accession, that prospects appear as too distant and vague. Meanwhile, some politicians are showing strong inclinations to either Russia or Turkey, sometimes at the expense of the EU.

Russia realises that having the support of Serbs does not mean the support of Bosnia; therefore it will be very careful to declare a stronger interest in the country as a whole. It would face embarrassments and their actual weakness in the country would be revealed. Turkey would also be careful not to push BiH too much into the direction of Turco-Russian relations. However useful in their agenda to undermine the EU, they are still well aware that the greatest interest of BiH, from a security and an economic is to remain within the European framework. Besides which, other than political support and some (which have not been even comparable to Turkey's investment in Serbia, for example), Turkey has little else to offer in terms of geopolitics or structural cooperation. Both Turkey and Russia (although Russia openly opposes it), have an interest in keeping the OHR as it gives them a formal voice in making decisions in BiH.

Russia's policy towards BiH thus remains hovering between history and claims of historical legacies on one side, and conspiracy theories on the other side. In the case of BiH, the economic or cultural/ideological arguments about links with Russia do not apply to the extent they apply in some other countries in the region. For now, it can be expected that their influence will remain at the symbolic or rhetorical level, exploiting both the historical legacies and conspiracy theories. Russia is using history and historical legacies to fill in the void created by an absence of a vision or a grand strategy. On the other hand, it uses conspiracy theories to fill in the void created by the vagueness of the EU policy in BiH. However, Russia is cleverly seeking opportunities, which it would seize should they arise. Although Russia does not have such a strong influence in BiH, any influence that negatively impacts the processes of democratisation and integration of the country are clearly counterproductive.

The remaining worry is the fact that within BiH there is no informed debate about the effects of the crisis in Ukraine, or Russia's intentions – at a policy level, or within the public or civil society. The official institutions remain in the passive-reactive mode and have not taken an active approach in assessing the implications of the crisis in Ukraine and the nexus between those wider security issues and the EU agenda of BiH.

The international community in BiH on the other hand is alert and the new EU initiative in BiH, prompted by the German and British diplomacies, needs to be seen from that perspective. On top of the political change in attitudes, some countries have decided to boost their financial support in order to build up the public institutions in BiH in order to provide some stability and rigidity. The weaknesses of BiH institutions are a perpetual problem, which have a high degree of self-harm – the weaker the state, the more prone it is to any negative influences, whether internal or external. And that is the crucial point in assessing the influence of Russia, or any other country, in BiH – the key to greater resistance to external instabilities is in strengthening the BiH institutions. The does EU need to remain alert, but it also needs to provide something tangible to BiH, as well as the rest of the region, if it is to position itself strongly enough against any negative influences from the East.



# Political and Security Implications for Regional Consolidation: the Case of Kosovo

*Lulzim Peci*

## Introduction

The annexation of Crimea and the ongoing Ukrainian Crisis cannot be viewed as isolated acts of Kremlin, but rather as a continuation of Kremlin's aggressive policy towards its non-NATO neighbours populated with Russian minorities. The implementation of this policy practically started with the Georgian Crisis of 2008, which as an outcome has had the transformation into frozen conflicts of the crisis in South Ossetia, Abkhazia and Crimea, while the Eastern Ukraine also faces similar prospects. These aggressive acts have gravely challenged the Post-Cold War International Order, are testing the limits of Western policies, and influence in these areas, including prospects for stronger relations of EU and NATO with Georgia and Ukraine, and their possible membership in these two organizations.

Ironically, President Putin, as a justification for intervention and de-facto annexation of these regions has used the argument of the Declaration of Independence of Kosovo,<sup>1</sup> though in a manipulative manner.<sup>2</sup> Kosovo was neither annexed by any other state, nor was definition of its final status done outside international legal framework. On the other side, Moscow continues to oppose the independence of Kosovo and firmly supports the position of Serbia on this issue.

Kosovo's response to Russia's aggression in Ukraine is in line with US and EU. Kosovo Government introduced sanctions to the Russian Federation in mid September 2014. On the other side, despite the pressure coming from EU, Serbia refused to undertake the same course of action with the

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<sup>1</sup> Russia Today: "Putin: Crimea similar to Kosovo, West is re-writing its rule book", March 18, 2014, <http://rt.com/news/putin-address-parliament-crimea-562/>.

<sup>2</sup> See for example: Daniel Deznar: "Putin's excuse for referendum is wrong: Crimea isn't Kosovo at all", The Guardian, March 17, 2014, <http://www.theguardian.com/commentisfree/2014/mar/17/putin-referendum-crimea-kosovo>.

West in condemning Russian aggression and introducing respective sanctions, though it supports territorial integrity of Ukraine.

The EU facilitated dialogue between Kosovo and Serbia on normalization of their mutual relations, which started in March 2011, has had as an outcome the achievement of more than 10 technical agreements and the First Agreement on the Normalization of Relations of April 2013. As a result of this dialogue, relations between Prishtina and Belgrade have been transformed from an open hostility to fragile detente. Moreover, different approaches of the two countries towards Ukraine's Crisis, has not impeded the EU facilitated dialogue process.

Russia's military role in the Balkans was almost non-existent since the withdrawal of its troops from the NATO-led Stabilisation Force (SFOR) and Kosovo Force (KFOR) in 2003. However, Kremlin's anti-NATO Enlargement Policy in the Western Balkans,<sup>3</sup> targeting Serbia, Montenegro and Bosnia and Herzegovina, but also and Macedonia, imply that its defence and security ambitions in the region have not fully faded. Moreover, almost a decade after withdrawal of its military forces, with the opening of the Serbian-Russian Humanitarian Centre in Niš in 2011 Moscow re-introduced de-facto its military ambitions in the region, which is a significant concern for Kosovo, due to its unsettled relations with Serbia, especially in the field of defence.

This paper will analyze security and defence policies of Kosovo and Serbia in the light of re-introduction of Russian military ambitions in the Western Balkans and its implications on the regional security.

### **Security and Defence Doctrinal Confrontation between Kosovo and Serbia**

The EU facilitated dialogue process between Kosovo and Serbia has relaxed their bilateral relations, but in the sphere of security and defence they are far away for being settled. In reality, the prevailing security and defence

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<sup>3</sup> B92: 'Serbia's NATO membership – "red line for Russia"', 27 November 2013, [http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=11&dd=27&nav\\_id=88482](http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=11&dd=27&nav_id=88482).



doctrinal confrontation between two countries is an invisible dam to the dialogue process, which may gravely endanger normalization of their relations and regional security.

In its National Security Strategy, Serbia considers that the “risks of the outbreak of wars and other armed conflicts in the region of Southeast Europe, although reduced, have not been eliminated”, while Kosovo is treated as a “particularly distinguished problem” of “separatist aspirations in the region”<sup>4</sup> and it is labelled as a “main/greatest threat”<sup>5</sup> to its security, including Kosovo Security Force (KSF) that is considered as a direct threat “to the existing mode of regional arms control and threatens the balance in the region”.<sup>6</sup> Also, Kosovo is considered as a “regional cradle” of terrorism, organized crime, corruption, and trafficking in narcotics, weapons and people.<sup>7</sup> The same narratives for Kosovo and its projection as the greatest security threat have been used in the “White Paper on Defence of Republic of Serbia”.<sup>8</sup> Even harsher vocabulary is used by Belgrade on the creation of Kosovo Armed Forces.<sup>9</sup>

Serbia aims also to use deterrence for protecting its defence interests from risks and threats that might challenge them.<sup>10</sup> In this regard, Serbia’s definition of security threats is very problematic, given that both, Kosovo and KSF, are considered to be separatist, terrorist and military threats. Consequently, regardless whether the methodology that can be used for defence

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<sup>4</sup> Ministry of Defence of the Republic of Serbia, “National Security Strategy of the Republic of Serbia”, Belgrade, October 2009. p. 6.

<sup>5</sup> Ibid p.8, p. 10.

<sup>6</sup> Ibid. p. 10.

<sup>7</sup> Ibid p. 7.

<sup>8</sup> “White Paper on Defence of Republic of Serbia”, Ministry of Defence of Serbia, Belgrade, 2010.

<sup>9</sup> See for example the declaration of the Defence Minister of Serbia Bratislav Gasic: *Vojska Kosova bi bila pretnja*, [http://www.b92.net/info/vesti/index.php?yyyy=2014&mm=07&dd=27&nav\\_category=640&nav\\_id=881519](http://www.b92.net/info/vesti/index.php?yyyy=2014&mm=07&dd=27&nav_category=640&nav_id=881519) News Agency B92, July 27th, 2014.

<sup>10</sup> “White Paper on Defence of Republic of Serbia”, Ministry of Defence of Serbia, Belgrade, 2010, p.15

planning is capability, threat, or scenario based defence planning,<sup>11</sup> what is said above imposes the assumption that Serbia has in place military contingency planning against Kosovo.<sup>12</sup>

On the other side, contrary to expectations, Kosovo Government has ignored these facts in its Analyses Strategic Security Sector Review (2014).<sup>13</sup> Moreover, it considers that “the relaxation and normalization of relations between the Republic of Kosovo and Serbia has commenced and is continuing in the spirit of non-confrontation and European integration”,<sup>14</sup> while prematurely assuming change of the overall Belgrade’s policy towards Prishtina. The disregard of the “doctrinal attack” of Serbia by Prishtina and Brussels is not a proper prescription for dealing with this challenge to Kosovo’s and regional security, regardless of NATO presence in Kosovo and its current peace-enforcement mandate and overwhelming deterrent capacity.<sup>15</sup>

When it comes to facts and figures, Kosovo’s planned security/defence budget is incomparable with Serbia’s one. Serbia’s defence budget is planned to increase in 2015 from 495.00 to 501.14 million Euros, and to decrease in 2016 from 501.14 to 472.97 million Euros.<sup>16</sup> On the other side, Kosovo’s security/defence budget is planned to increase from 42.03 million Euros in 2015, to 45.50 million Euros.<sup>17</sup>

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<sup>11</sup> For further explanation of capability, threat and scenario based defence planning see: NATO Handbook on Long Term Defence Planning, RTO/NATO, St. Joseph Print Group Inc., Ottawa, Canada, April 2003.

<sup>12</sup> Lulzim Peci, “Kosovo in the Security and Defense Context of the Western Balkans”, KIPRED, 2014.

<sup>13</sup> [http://www.kryeministri-ks.net/repository/docs/Analysis\\_of\\_Strategic\\_Security\\_Sector\\_Review\\_of\\_RKS\\_060314.pdf](http://www.kryeministri-ks.net/repository/docs/Analysis_of_Strategic_Security_Sector_Review_of_RKS_060314.pdf).

<sup>14</sup> Ibid p.16.

<sup>15</sup> Lulzim Peci, “Kosovo in the Security and Defense Context of the Western Balkans”, KIPRED, 2015.

<sup>16</sup> The Government of the Republic of Serbia, “Fiscal Strategy for 2014 with Projections for 2015 and 2016”, Belgrade, 2013. p. 61.

<sup>17</sup> Ministry of Finance of the Republic of Kosovo, “Budget of Kosovo 2014-2016”, Prishtina, December, 2013.

DEFENCE BUDGETS						
Country	2014		2015		2016	
	Defence Budget (Million Euro)	Defence Budget per capita (Euro)	Defence Budget (Million Euro)	Defence Budget per capita (Euro)	Defence Budget (Million Euro)	Defence Budget per capita (Euro)
Kosovo	42.03	22,61	44.00	23,67	45.50	24,47
Serbia	495.00	68,66	501.14	69,51	472.97	65,60

The same patterns of non-proportionality between Kosovo and Serbia are followed in terms of military capabilities. While Kosovo has 2,500 active and 800 members of KSF and almost nothing but light weaponry, Serbia has 28,150 active and 50,150 reserve military personnel incomparably mightier weaponry.<sup>18</sup> Thus, Kosovo does not pose any military threat to Serbia and its plans for establishing Kosovo's Armed Forces (KAF) have not significant impact on the regional balance of power.

Therefore, Kosovo's military security remains heavily dependent on the NATO's presence in the country. The withdrawal of Russian military forces from KFOR in 2003 luckily has swept aside any kind of confrontation related to the NATO's peace-keeping mission in Kosovo. However, in the case of KFOR's withdrawal, Kosovo's protection by international law, will remain exceedingly vulnerable in the case of armed confrontation with Serbia, which cannot be excluded as an option due to Belgrade's prevailing policy intentions towards Kosovo.

Moreover, from the current perspective, the accomplishment of the NATO's led KFOR mission will remain hostage to the unsettled relations between Prishtina and Belgrade, and particularly so due to the absence of any perspective for Kosovo to join the PfP and to acquire the membership into the alliance.

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<sup>18</sup> See the Table: Military Capabilities. Source of data: The International Institute for Strategic Studies, "The Military Balance 2014", 2nd revised edition, London, 2014.

MILITARY CAPABILITIES					
States	Population	Active Forces	Reserve Forces	Major Land Units	Major Air Units
Kosovo	1,859,203	2,500	800		
Serbia	7,243,007	28,150	50,150	<b>Special Forces</b> 1 SF bde (1 CT bn, 1cdo bn, 1 para bn, 1 log bn) <b>Manoeuvre</b> Mechanised 1 (1st) bde (1 tk bn, 2 mech inf bn, 1 inf bn, 1 SP arty bn, 1 MRL bn, 1 AD bn, 1 engr bn, 1 log bn) 3 (2nd, 3rd & 4th) bde (1 tk bn, 2mech inf bn, 2 inf bn, 1 SP arty bnm 1 MRL bnm 1 AD bnm 1 engr bnm 1 log bn) <b>Combat Support</b> 1 (mixed) arty bde (4 arty bn, 1 MRL bn, 1 spt bn) 2 ptn bridging bn 1 NBC bn 1 sigs bn 2 MP bn	<b>Fighter</b> 1 sqn with MiG-21 bis Fishbed; MiG-29 Fulcrum <b>Fighter/Ground Attack</b> 1 sqn with G-4 Super Galeb*; J-22 Orao; Isr; 2 flt with U-22 Orao 1*; MiG -21R Fishbed H* <b>Transport</b> 1 sqn with An-26; Do-28; Yak-40 (Jak-40); 1 PA-34 Seneca V <b>Training</b> 1 sqn with G-4 Super Galeb* (adv trg/light atk); SA341/342 Gazelle; Utva-75 (basic trg) <b>Attack Helicopter</b> 1 sqn with SA341/342L Gazelle; (HN-42/45); Mi-24 Hind <b>Transport Helicopter</b> 2 sqn with Mi Hip; Mi-17 Hip H <b>Air Defence</b> 1 bde (5bn 2msl, 3SP msl) with S-125 Neva (SA-3 Goa); 2K12 Kub (SA-6 Gainful); 9K32 Strela-2 (SA-7 Grail); 9K310 Igla - 1 (SAP-16 Gimlet) 2 radar bn (for early warning and reporting) <b>Combat Support</b> 1 sigs bn, <b>Combat Support</b> 1 maint bn

## Implications for Serbia: from Russian Defence Cooperation to Kosovo's Security

By the end of February 2015, the US State Secretary, John Kerry, while he was talking about growing Russian influence in Europe, stated that “Russia is engaged in a massive effort to sway nations, to appeal to them, reach out to them, and fundamentally, tragically, sort of reigniting a new kind of East-West zero sum game that we think is dangerous and unnecessary”, by adding that Serbia is “in line of fire”, together with Kosovo, Montenegro, Macedonia, and others, Georgia, Moldova, Transnistria, in relation with Western clash with Russia over Ukraine.<sup>19</sup> In this regard, Kosovo's decision, on which side of the line of fire to be, was easy to be taken, in con-

<sup>19</sup> B92: “Serbia in ‘line of fire’ over Ukraine, says US Official”, February 25, 2015, [http://www.b92.net/eng/news/world.php?yyyy=2015&mm=02&dd=25&nav\\_id=93293](http://www.b92.net/eng/news/world.php?yyyy=2015&mm=02&dd=25&nav_id=93293).

trast to Serbia that has to decide to be with the West or Russia, or to remain in the middle of the line of fire.

In this context, it has to be emphasized that Serbia is the only country of the region that in addition to multilateral organizations, gives priority to defence cooperation with “great powers”, namely US, Russia, and China.<sup>20</sup> Furthermore, regardless of its membership in the Partnership for Peace and aspirations to join the European Union, Belgrade’s claim for “military neutrality”, as it might be expected, is not similar to the neutrality of the EU member states, like Austria, Finland and Sweden. Serbia is the single security free rider in the region that is strengthening military cooperation with Russia, at the same time when the West is in a harsh collision course with Kremlin. Given the current circumstances, this cooperation is a source of particular concern for Kosovo security.

Serbia’s defence cooperation with Russia entails three key components: the establishment of the Joint Serbian-Russian Centre for Reaction to Emergency Situations; joint military exercises; and the Serbia’s Observer Status in Parliamentary Assembly of the Russian led intergovernmental military alliance – Collective Security Treaty Organization. The crowning act of Serbia’s military cooperation with Russia is signing of a comprehensive 15 year defence cooperation agreement on November 13<sup>th</sup>, 2013 that among others entails joint military exercises and intelligence sharing.<sup>21</sup>

The Joint Serbian-Russian Centre for Reaction to Emergency Situations has been established in October 2011,<sup>22</sup> and is the first one of this kind that Russia has opened in Europe after the Cold War. Declaratively, this centre is planned to become a regional hub and to manage responses to natural and technological disasters,<sup>23</sup> but according to the then-Prime Minister

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<sup>20</sup> White Paper on Defence of Republic of Serbia”, Ministry of Defence of Serbia, Belgrade, 2010, p. 140.

<sup>21</sup> B92: “Serbia, Russia sign agreement on defense cooperation”, November 13, 2015, [http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=11&dd=13&nav\\_id=88325](http://www.b92.net/eng/news/politics.php?yyyy=2013&mm=11&dd=13&nav_id=88325).

<sup>22</sup> EurActive: Russia Opens “Humanitarian base” October 18, 2011, <http://www.euractiv.com/enlargement/russia-opens-humanitarian-base-s-news-508382>.

<sup>23</sup> Balkanopen report: No Russian Military Base in Serbia, October 18, 2011 <http://www.balkanopen.com/article.php?id=365>.

Dačić, to terrorism as well.<sup>24</sup> This base may have been planned to play also a security role for the Russian South Stream gas pipeline that was planned to cross Serbia and to pass close to the city of Niš,<sup>25</sup> although currently is suspended due to the firm intervention of the European Commission on Bulgaria<sup>26</sup> and consequently Moscow dropped it.<sup>27</sup> It is worth highlighting that the South Stream Serbia is owned 51% by Gazprom and 49% by Serbijagas.<sup>28</sup>

Nevertheless, this base might become a threat for Kosovo, if Serbia and Russia choose to go in a wrong direction. Moreover, Russian ambitions to install military presence are not limited solely to Serbia. In mid-December 2013, Russia asked Montenegro to establish its naval base in the port of Bar. Contrary to Belgrade, Podgorica rejected the Kremlin's request,<sup>29</sup> notwithstanding its significant economic dependence on Russia.

After the crisis in Ukraine, Serbia proved to be the single country in Europe that held military exercises with Russian military troops on its soil. The first joint exercise of the elite Special Brigade of Serbian Army (based in Pančevo and Niš) and the 106 Russian Air-Troopers Division took place last November. The exercise included an attack against a terrorist base, with armoured vehicles and about 200 troops, some deployed by Ilyushin IL-76 transport aircraft.<sup>30</sup> Moreover, future Serbian plans are to

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<sup>24</sup> <http://www.srbija.gov.rs/vesti/vest.php?id=60064>.

<sup>25</sup> Gazprom South Stream, <http://www.gazprom.com/about/production/projects/pipelines/south-stream/>.

<sup>26</sup> Wall Street Journal : "EU tells Bulgaria to stop work on Gazprom's South Stream Project", June 3, 2014, <http://blogs.wsj.com/frontiers/2014/06/03/eu-tells-bulgaria-to-stop-work-on-gazproms-south-stream-project/>.

<sup>27</sup> BBC News: "Russia Drops South Stream gas pipeline plan", December 1st, 2014, <http://www.bbc.com/news/world-europe-30283571>.

<sup>28</sup> Gazprom South Stream, <http://www.gazprom.com/about/production/projects/pipelines/south-stream/>.

<sup>29</sup> "Montenegro Rejects Russian Request to open military base in Bar", <http://www.balkaninside.com/montenegro-rejects-russian-request-to-open-military-base-in-bar/>, December 19th, 2013.

<sup>30</sup> Military Times: "Serbia, Russia hold joint military exercise" November 14, 2014, <http://www.militarytimes.com/story/military/2014/11/14/russia-serbia-military-exercise/19024753/>.

carry out a number of military exercises with Russia, regardless of the discretely expressed opposition from the EU and the United States.<sup>31</sup>

Also, in April 2013, Serbia was granted the Observer Status in Parliamentary Assembly of the Russian led intergovernmental military alliance - Collective Security Treaty Organization,<sup>32</sup> established by Moscow in 1992 to rival NATO. This particular act is in contradiction with Belgrade's stated objective to become an EU member and, subsequently, an integrated part of ESDP – European Security and Defence Policy.

Having in mind that similarly with Belgrade, Moscow also shares a view of Kosovo being a source of terrorism and “instability”,<sup>33</sup> it is not hard to assume that in any changed international circumstances their defence and military cooperation might pose a serious threat to Kosovo and the region, if Belgrade does not change its policies towards Brussels and Prishtina.

## Conclusion

Serbia's double-headed policy with Brussels and Moscow may produce grave security implications for the region and Kosovo as well. By flirting and engaging with Russia, Serbia is obviously playing soft-balancing strategy with the US and the Western Europe. Through soft balancing against Washington and Brussels – though, this is still short of any formal alliance – and via non-offensive but opposing case by case coalition building with Russia, Serbia intends to neutralize an overwhelming imbalance with which it is confronted with the West in relation with its regional ambitions and security intentions, regardless of its declaratory EU integration objectives.

Ironically, while being a heavy collision course with Russia, Brussels has not expressed even a single strong public reaction on the strengthened mili-

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<sup>31</sup> B92: Daily; “Serbia Plans several military excises with Russia”, February 27, 2015 [http://www.b92.net/eng/news/politics.php?yyyy=2015&mm=02&dd=27&nav\\_id=93322](http://www.b92.net/eng/news/politics.php?yyyy=2015&mm=02&dd=27&nav_id=93322).

<sup>32</sup> CSTO press release: “Parliamentary Delegations of Islamic Republic of Afghanistan and Republic of Serbia Granted Observer Status in Parliamentary Assembly of Collective Security Treaty Organization,” Moscow, April 12, 2013: [http://www.odkb-csto.org/news/detail.php?ELEMENT\\_ID=1776](http://www.odkb-csto.org/news/detail.php?ELEMENT_ID=1776).

<sup>33</sup> Lena Jonson, “Vladimir Putin and Central Asia: The shaping of Russian Foreign Policy”, I.B. Tauris & Co. Ltd, London – New York, 2006, p. 79.

tary cooperation of Serbia with Russia. Obviously, Brussels' policy towards Belgrade has been both, to diminish the possibility of belligerent use of Serbia's conflict making capacity, and to integrate it into the European Union. Nevertheless, this policy might prove disastrous, if Brussels does not impose clear redlines to Serbia's adventurous defence and security cooperation with Russia.

Hard balancing of Kosovo against Serbia is not an economically and militarily rational option that will ensure its successful defence and deterrence of Belgrade's possible offensive intentions. Also, permanent peacekeeping presence of NATO in Kosovo is not a viable option as well. Moreover, the achievement of meaningful normalization of relations between Kosovo and Serbia, including even the mutual recognition, is inconceivable without addressing current doctrinal confrontation and moving ahead towards defence cooperation between the two countries.

Normalization of defence relations between Kosovo and Serbia, through confidence building measures, as well as the PfP membership of Kosovo, is a prescription for diminishing possibilities of Moscow to use Serbia as a harbour of its aggressive interests in the Balkans, also for changing the nature of NATO's engagement in Kosovo.



# **Macedonia between the “West” and Russia: Aspiring to the “West” and Flirting with the “East”**

*Dane Taleski*

## **Introduction**

This article explores the relations between Macedonia and Russia. I first explore the economic and political relations between the two countries. Despite laudable words from high officials, I find that the foundations for closer economic and political cooperation are quite weak. On the other hand, Russia has increased its public presence in Macedonia and has taken a more active role by supporting the government during the political and security crisis in 2015. The government has welcomed the support and for a certain period of time has emulated the governance style of Vladimir Putin. However, it is uncertain whether the government in Macedonia wants anything more from Russia and to what extent can Russia influence the policies of the government in Macedonia. But siding with Russia is likely to have negative internal consequences and increase the existing political and ethnic divisions in Macedonia.

## **Economic relations between Macedonia and Russia**

For the President of the Republic of Macedonia, Mr. Gjorgje Ivanov, relations with Russia are among the top of his foreign policy priorities. He stated this in his address in Parliament in 2014. The other foreign policy priorities included supporting EU and NATO membership and improving relations with the neighbours.

The president wants Macedonia to have closer relations with Russia. In February, 2014, he gave an interview to ITAR-TASS, titled „Relations with Russia are of Special Interest to Macedonia”.<sup>1</sup> In the interview the President claims that the cooperation „is consistent with the long historical, spiritual and cultural traditions of our peoples, as well as the common im-

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<sup>1</sup> <http://president.gov.mk/mk/2011-06-17-09-55-07/vo-mediumite/2565-itartass.html>.

perative for strengthened economic interests”. He also adds that „the list of Russian companies that have recognized Macedonia as a favourable country for investment ... are proof that the Macedonian-Russian cooperation in the area of investment has, indeed, a realistic perspective”. The President expected that investment from Russian companies will continue to grow.

In the outlook of the President, there are substantial economic foundations for cooperation between Russia and Macedonia, and there are long and strong, historical, cultural and spiritual traditions that foster the cooperation. However, a more detail examination of these two arguments shows a different picture.

Russia has a modest economic presence in Macedonia. According to the total volume of foreign direct investments (FDI), Russia is not in the first 10 investors in Macedonia.<sup>2</sup> The top 5 investors are all from EU and their share of FDI makes over 60% of all FDI. In rank, according to their individual investment they are the following:

1. Netherlands – 20.4%
2. Austria – 11.4%
3. Slovenia – 11.1%
4. Greece – 10.7%
5. Hungary – 9.5%

Also, if one looks at the 30 biggest individual private investments in Macedonia, one finds only two Russian companies.<sup>3</sup> One is the company “Grishko”, a renowned producer of ballet shoes, and the other is the company “Prodis”, a pharmaceutical company that produces homeopathic products. On the other hand, Russian companies are substantially present in the energy market in Macedonia. For example, “LukOil” is modestly present with a retail network of 25 gas stations around the country. In comparison, “Okta”, the Greek owned oil refinery in Macedonia, has retail networks of 26 gas stations, while “Makpetrol AD”, a domestic owned company, dominates the market with a retail network of 124 gas stations.

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<sup>2</sup> National Bank of the Republic of Macedonia. Основни економски показатели за Република Македонија [Basic economic data for Republic of Macedonia] (available at <http://www.nbrm.mk/?ItemID=750FC531FC3D1B49B16440313562D400>).

<sup>3</sup> For more see Agency for Foreign Investments and Export Promotion of the Republic of Macedonia (<http://www.investinmacedonia.com/>).

However, the central heating company in Skopje, a monopoly, is owned by a Russian company.

Russia is not among the most important trading partners of Macedonia. For example, Russia was on 13<sup>th</sup> position according to total volume of trade in 2013. That was the last available data from the State Statistical Office up to August, 2015. The entire trade between Russia and Macedonia in 2013, both export and import, amounted only to 1.8% of the trade which Macedonia had in that country. When it comes to trade, the economy in Macedonia is heavily interconnected with EU member states. Trade with EU member states made for over 75% of the entire trade in 2013. Also, the trade with Russia seems to be diminishing between 2011 and 2013, as the data in table 1 show.

	Export in US \$ .000	Export in % of total	Import in US \$ .000	Import in % of total
2011	39, 643	0.9	684, 326	9.7
2012	33, 144	0.8	362, 143	5.5
2013	31, 581	0.7	163, 624	2.5

Tab. 1: Volume of trade between Macedonia and Russia, 2011-2013<sup>4</sup>

Macedonia has a low export to Russia, compared to its total export, which has eroded in the past couple of years. Macedonian exports to Russia are mainly food, chemical products and machinery. On the other hand, imports from Russia, of which oil and gas are predominant, have substantially decreased over the years. Imports from Russia were close to 10% in 2011, but dropped to 2.5% in 2013. In that respect, Macedonia is not energy dependent on Russia. The network for usage of natural gas is underdeveloped. It is limited only to several private companies in Skopje and it not accessible for individual households. Therefore, natural gas is not widely consumed in Macedonia. The, now defunct, “South-Stream” aka “Turkish Stream” pipeline project

<sup>4</sup> For more see State Statistical Office, “Стоковна размена на Република Македонија со странство, 2013,, (<http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=14>).

was supposed to go through Macedonia. However, it would not have made a great impact in the short term; notwithstanding, that it would quite likely impact energy consumption in the long term and open other possibilities for the country. Macedonia had different considerations to support the project. Macedonia inherited part of Socialist Federal Republic of Yugoslavia (SFRY) assets, including a part of Russian debt to SFRY. Instead of repaying in hard currency, Russia and Macedonia signed an agreement that Russia will invest in building a pipeline in Macedonia to settle the debt. If Macedonia is ever going to collect the debt from Russia, then it will through investment in energy infrastructure.

When the “Turkish Stream” project seemed alive, in March 2015,<sup>5</sup> “Stroytransgaz” announced that the pipeline going through Macedonia, from Greece to Serbia, will be build. The whole section is supposed to be 96 kilometres and cost US \$ 75 million. “Stroytransgaz” committed to build 61 km by June 2016 and the rest is supposed to be built by the government. Even though, Nikola Gruevski, the Prime Minister of Macedonia, announced the beginning of the construction project, until August 2015 the project was halted.

Despite the laudable words of President Ivanov, Macedonia and Russia do not have strong economic links. The cultural and historical ties between the two countries are also on very weak foundations. Very few people in Macedonia speak Russian. People do not follow Russian media and are largely ignorant of Russian history. Most of the resemblance and ties between the peoples are build on stereotypes. Namely, the majority of people in both countries are Slavic speaking Christian Orthodox. But this is where the resemblance stops, in most of the cases. The public presence of Russia in the capital Skopje was boosted with the building of Hotel Russia and the accompanying sport hall. The investor, a Russian businessman Sergej Samsonenko, is the owner of “Vardar” football and handball clubs, and has close relations to pro-government oligarchs and politicians.

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<sup>5</sup> For more see “Stroytransgaz to build gas pipeline in Macedonia”, 12.03.2015 (available at <http://www.stroytransgaz.ru/en/pressroom/news/2015/03/3219/>).

## **Political Relations between Macedonia and Russia**

The political relations between Russia and Macedonia have been stable, but not very intensive. For example, the last visit of Sergey Lavrov, the Russian Minister of Foreign Affairs, to Macedonia was in 2011 and the return visit of Nikola Popovski, his counterpart in Macedonia, was in 2013. In general, there is a low dynamic of bilateral visits and political cooperation. This statement describes the relations between Macedonia and Russia from 1991 to 2015.

However, there was a sudden interest and greater involvement of Russia in 2015. Russia made some strong comments following the political crisis and the security incidents in Macedonia in 2015. Russia strongly supported the government's position. It seemed that the narrative and explanations which the government provided were strongly resonated by Kremlin.

For example, the start of 2015 was marked by a wire-tapping scandal. The opposition released illegal wire-tapped materials of the entire political and economic elite and journalists, as well as the diplomatic corps in Skopje. The opposition claimed that the government conducted illegal wire-tapping of some 20,000 individuals. The released materials showed that high level government officials were deeply involved in corruption, abuse of power, politicization of public administration, political control of judiciary and the media. On the other hand, the government responded that the opposition colluded with a foreign secret service and was implementing a scenario to destabilize Macedonia and to topple the government.

When the wire-tapping scandal broke through, the EU, UK and US issued statements of concerns, while Russia issued a statement in support of the constitutional order. The second official reaction of the Russian Ministry of Foreign Affairs was when a security incident took place in Goshince, on the border with Kosovo, in April 2015. Some 40 armed men, allegedly KLA members from Kosovo, took control of a police border post for several hours. They send a threatening message to Nikola Gruevski, Prime Minister of Macedonia, and to Ali Ahmeti, leader of Albanian DUI who is junior coalition partner in government. The armed men criticized the Ohrid Framework Agreement and asked for state of their own. The reaction of the Russian Ministry of Foreign Affairs was that it cited and sup-

ported the reaction of the Macedonian Ministry of Interior. Furthermore, Russia added that the cause for the incident was the unresolved status of Kosovo because it emanated lack of rule of law and lack of security. In the Russian perspective the incident was part of the aspirations to create Greater Albania.

The peak of Russian comments came after the security incident in Kumanovo in May 2015. The same group who raided the Goshince border post clashed with police and security forces in one of the biggest cities in Macedonia. The short weekend war left eight police officers and 14 combatants dead. Additionally, 30 combatants were arrested, detained and will appear in the court of law. Many of the aspects of the security incident are unclear. For example, from the motives of the group, their movement, how they manage to enter a city and settle in a very densely populated neighbourhood to the way the operation was handled, the way that information were given to the media and how the incident was portrayed to the public.

The Kumanovo incident received a divergent political interpretation in Macedonia. The government maintained that it was part of the wider scenario to destabilize Macedonia and topple the government. However, as media reports in Kosovo surfaced that some members of the armed group were contacted by members of Macedonian intelligence community, and were paid to cause the incident; the interpretation of the opposition, that the security incident was staged by the government to distract attention from the wire-tapped scandal, became more credible.

Most of the international community were puzzled by the Kumanovo incident and there have been repetitive request to have it thoroughly investigated. On the other hand, Russia chose to give a very strong and prominent support to the government's version. Sergey Lavrov, Minister of Foreign Affairs of Russia, suggested that international organizations controlled by the West were plotting to destabilize Macedonia and to topple the government. Speaking in the upper house of the Duma, Mr Lavrov blamed the West for instigating a coloured revolution in Macedonia. In his view, the ultimate goal would be to divide the country between Albania and Bulgaria. The Russian Ambassador in Skopje seconded his message, saying that Rus-

sia was concerned about the stability of Macedonia.<sup>6</sup> The Ambassador considered that the situation in Macedonia was similar to Georgia, Kyrgyzstan, Ukraine and Egypt, where coloured revolutions were instigated by internal political forces who had support from the outside. He further added that Russia supported the government, because it had electoral legitimacy.

The US Embassy in Skopje sent a press release denouncing the accusations of Mr. Lavrov as “absurd”.<sup>7</sup> The Embassy stated that the US was working to assure peace and democracy in Macedonia and that this was consistent with their policy goals to have a joint, free and peaceful Europe. Also, the Daniel Mitov, the Bulgarian Minister of Foreign Affairs, denounced the statement of Mr. Lavrov as irresponsible. He further added that changes of borders are unacceptable and that Bulgaria will guarantee the independence and territorial integrity of Macedonia.

It is not surprising that Russia wants to introduce divisions and dissent in Europe. It is in Russia’s strategic interest to diminish the cohesion and potential for unified actions between the European partners. It is also in Russia’s interest to rally up supporters in the Western Balkans, and Vladimir Putin to build up a group of new loyal minions. But why is the government in Macedonia willing to appropriate such a role?

### **The Underlying Logic of Warming up to “East”**

The public political messages of Russia serve as an instrument to increase the credibility of the government. Their role of Russia is to justify the governance style of Mr. Gruevski, who is strongly emulating the governance style of Vladimir Putin. On the other hand, the public solidarity is not followed with a shift of strategic priorities. The government in Macedonia stays committed to EU and NATO integration, at least in words. They seem to believe that close and strong cooperation with Russia can be done in parallel to EU and NATO integration.

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<sup>6</sup> For more see Dnevnik, “Russia is concerned over attempts to destabilize Macedonia”, 26.05.2015 (available at <http://dnevnik.mk/default.asp?ItemID=321CC06D7C6C904A9BC6ED455F77EC87>).

<sup>7</sup> For more see Nova Tv, “US Embassy: The statements that the West is destabilizing Macedonia are absurd”, 22.05.2015 (available at <http://novatv.mk/index.php?navig=8&cat=2&vest=22555>).

This is at least the believe of President Ivanov. He decided to attend the May 9 parade in Moscow, and argued that “the decision to attend the ceremony in Moscow is in no way contradictory with the strategic priorities which Macedonia has, [and those are, D.T] membership in EU and NATO”.<sup>8</sup> For President Ivanov there is nothing contradictory with the political governance in Russia, or with their international actions. On contrary, he would be inclined to regard it as a good role model.

At least, that is what Gjorgje Ivanov considered when he was a professor of political science and before becoming elected as president. In 2006, he was an adviser to the then newly elected Prime Minister Gruevski. After a research trip to Moscow, Ivanov published a public column where he advised to ‘read’ about Russia, but to ‘write’ about Macedonia. In other words, he recommend a greater political control of the public administration, the media and the private sector as means to stabilize the country and to bring more efficiency. He called it a democracy with a centralized model of political management. Others saw it as a guide for Nikola Gruevski as to how to build an authoritarian and populist regime.

One might say that the column of Ivanov in 2006 was among the first public advocacy to promote ‘Putinism’ as a governing paradigm and a suitable political model in Macedonia. It brings forth justification and credibility to build an authoritarian and populist regime. There have been others, such as journalists and media pundits, sometimes labelled as ‘Putin orchestra’, that aspire to Putin’s governance style and push Gruevski in Russia’s embrace. And there has been a direct policy impact. Macedonia did not followed the EU applied sanctions on Russia.

Officially, the Macedonian government does not take sides between the West and Russia, even though it is a EU and NATO candidate country. Unofficially, it has more sympathy for Russia, than for the West. The government shows a willingness to be in Russia’s zone of influence. The US is out from the Balkans and the EU is weak, with a foreign policy that is not efficient and cohesive. Hence, there is a clear invitation for Russia to step

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<sup>8</sup> For more see Utrinski Vesnik. “Ivanov in Moscow for 70 years anniversary of victory over fascism”, 27.04.2015 (available at <http://utrinski.mk/?ItemID=FC14A10470D732439CFBF69215C4C62A>).



up its game and increase its influence in the Balkans. The Macedonian government is welcoming the new role of Russia; even though it is uncertain to what extent will a more pronounced influence of Russia influence the policies of the government in Macedonia.

The Government and especially the 'Putin orchestra' want to present Russia as an illusion. The 'Putin orchestra' claim that Russia is an alternative to EU and NATO integration. The government welcomes a public argument that state sovereignty is more important than Euro-Atlantic integration, because it is a pretext for stalemates in democratic reforms. Then state sovereignty becomes an argument to justify the consolidation of an authoritarian and kleptocratic regime. But the interest of Gruevski's regime, as far as expectations from Russia's are concerned, is to obtain political support, if possible. Gruevski's regime is not really interested in closer political cooperation with Russia or in some sort of integration. In the words of Nikola Gruevski, the "future of Macedonia is EU and NATO".<sup>9</sup> However, his actions are not consistent with the fundamental principles of freedom and democracy on which both organizations are based.

### **Consequences for the future**

To a large extent, the EU has overlooked the above detailed dynamics; even though there were many warning signs and messages along the way. For a certain period of time, Brussels favoured a strong man rule for the sake of stability and for the promise of efficient policy reforms. However, now the EU is faced with authoritarian national-populist in power in Macedonia, with serious backsliding of democracy and with potential instability.

In 2015, Macedonia is the most illustrative case that shows what can happen to a NATO and EU candidate country if 'Putinism' becomes the main paradigm for governance. Seeing that authoritarian-populist are gaining grounds in other Western Balkan countries, one should be concerned. If 'Putinism' becomes the dominant paradigm for governance in the region, then it will have a profound impact on regional cooperation. In such a sce-

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<sup>9</sup> For more see Press24. "Nikola Gruevski: The future of Macedonia is in NATO and EU", 26.05.2015 (available at <http://press24.mk/nikola-gruevski-idninata-namakedonija-e-vo-nato-i-eu>).

nario, the regional cooperation is not likely to develop based on a shared community of values, but is more likely to take the shape and form of cooperation between feudal overlords.

If 'Putinism' continues to be the paradigmatic governance style in Macedonia, then it will have negative effects on internal political and ethnic cohesion. It is very likely that there will be a social and cultural split between people who favour 'East' and ones who favour 'West'. More importantly, it is very likely that these divisions will overlap with the deep segmented inter-ethnic divisions. In such a scenario, on one side of political spectrum would be the 'pro-Russia' camp. It would be anti EU and NATO, dominantly made of ethnic Macedonians, largely conservative and would support authoritarian governance. On the other side of the spectrum would be the 'pro-West' camp. It would be pro EU and NATO, made of progressive ethnic Macedonians and almost all of the Albanians in Macedonia, and would support democratic governance. Also, one should be reminded that if inter-ethnic divisions are increased, then radicals in both ethnic camps (e.g. ultra nationalist – Christian and Muslim) will be encouraged and empowered.

For these reasons it would be best if democracy and governance in Macedonia is restored. The country needs to continue toward NATO and EU membership. The integration process provides the best road map to build a functional democracy and free market oriented economy. Building a functional multi-ethnic democracy in Macedonia is the only guarantee for the stability and prosperity of the country and its citizens.

Key points of findings in the region may be summarised in the following way:

- Standards for the establishment of NGOs in the region have already been accommodated by legislation, but need to ensure their proper implementation and harmonization in practice.
- There is a need to ensure a new system in place to collect data about the size and sector qualification which will support policy development.
- Legislation should provide tax benefits for the CSOs.
- Public funding should be available to all CSOs and distributed in a transparent manner.

- There should be transparency regarding the increase of distribution of non-financial support which is very important for small organizations.
- Strategies for government cooperation with NGOs are strong documents but states have to be engaged in their implementation.
- There is a need for increased involvement of NGOs in decision making and investment in the building of capacities and mechanisms to ensure better quality of the processes.
- A good opportunity for improving successful cooperation is to create mechanisms that would help NGOs to be engaged in providing services.



## **PART IV:**

# **POLICY RECOMMENDATIONS**



## Policy Recommendations

*Predrag Jureković*

### Situation Analysis<sup>1</sup>

Russia's reappearance in territorial conflicts in the heart of Europe, in particular, using the instruments of "hybrid" warfare in the Ukraine crisis has alarmed EU and US politicians, as well as political leaders in some of the capitals of Central, Eastern and South East Europe. Russian political and economic pressure has been increasingly perceived as an alarming shift in the Russian geopolitical interest. The Western Balkans as a part of South East Europe that is still passing through a complex process of post-war consolidation, need further international support to successfully continue with conflict resolution. Hence the advancing geopolitical rivalry between „the West" and Russia, which also has a considerable impact on the before-mentioned region, threatens to impede positive processes.

With his new geopolitical strategy regarding the Western Balkan countries Putin seems to aim at undermining, slowing down or even preventing further rapprochements with, or even accession to the EU – not to mention NATO. Clear signals for that course of the present Russian leadership can be identified in Moscow's latest harsh criticism directed to Brussels and Washington that the Western Balkan countries would be "forced to integrate into the EU and NATO". In line with this argument was Russia's

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<sup>1</sup> These policy recommendations reflect the findings of the 30<sup>th</sup> RSSEE workshop on 'A Region in Limbo: South East Europe in the Light of Strained Western-Russian Relations' convened by the PfP Consortium Study Group 'Regional Stability in South East Europe' from 23-25 April 2015 in Reichenau/Austria. They were prepared by Predrag Jureković; valuable support came from Maja Grošinić, Benedikt Hensellek and Aly Staubmann (all Austrian National Defence Academy), as well as from the Study Group Members Franz-Lothar Altmann, Dennis Blease, Blagoje Gledović, Dennis Sandole, Michael Schmunk and Dane Taleski. It is important to emphasize that a smaller part of the participants of the workshop did not share all the views presented in this paper. This applies in particular to Russia's general role in the region and its specific role in single Western Balkan countries which by some of the participants was assessed as less negative or as a legitimate pursuing of Moscow's own interests.

abstention during the voting in the UN Security Council in November 2014 on the extension of EUFOR Althea's presence in Bosnia and Herzegovina. As Russia seems to have rediscovered the politically and economically weak – and therefore still not fully consolidated – countries and entities in the Western Balkans as an area of influence, traditional alliances gain on importance.

In this regard Moscow is mainly focused on Serbia and the Bosnian entity Republika Srpska, in parts bringing back glorified memories of both traditional friendship and strong religious Orthodox and cultural bonds. Russia tries to present itself as a key ally of Serbia and the Republika Srpska, but also with strong interests in Macedonia, Montenegro and Bulgaria. Although all the Western Balkan countries officially are dedicated to the EU – and with the exception of Serbia and the Serb politicians in Bosnia and Herzegovina – also to the NATO membership, the influence of Putin's political model is already visible in some of the Western Balkan countries. Leading politicians like Milorad Dodik (Bosnian entity Republika Srpska), Aleksandar Vučić (Serbia), Milo Đukanović (Montenegro) and Nikola Gruevski (Macedonia) practice a cult of personality that is contrary to the democratic standards of the European Union.

The Russian Federation's geopolitical drive in the Western Balkans has been mainly expressed economically, especially in the field of energy supplies and energy transport. Above all with Serbia, though, more and more political and even military cooperation can be observed. That has raised question marks in Western alliances as the EU and NATO. It is interesting to note that the Western Balkan country with the highest share of Russian FDI in its economy, Montenegro, has beside Albania and Kosovo taken the clearest pro-Western stance among South East European countries concerning the Ukraine crisis and the question of joining economic sanctions towards Russia.

Russia – like any other country – has the legitimate right to follow its own economic interests in South East Europe and to strengthen trade relations. However, it cannot be overlooked that in recent times Moscow with its increasing anti-Western policies has acted as a producer of new dividing lines in this region rather than as a contributor to consolidation and regional cooperation. Serbia, which tries to balance between its official pro-



EU orientation and its traditional friendship with Russia, has found itself in an unpleasant political position. The President of the Republika Srpska in Bosnia and Herzegovina, Dodik, in turn, openly supports the Russian military intervention in the Ukraine and flirts with establishing a special relationship between his entity and Russia, presenting this cooperation as a serious alternative to the integration into the Euro-Atlantic structures. Such a policy finds no support in the other entity of Bosnia and Herzegovina and therefore deepens gaps and complicates the already difficult processes of defining common state priorities in this country. Macedonia, in turn, symbolizes the limbo situation which some of the Western Balkan countries currently are part of the best. Being blocked in its EU and NATO aspirations for several years by Greece and passing through a new wave of political and possibly ethnic polarization, Macedonia is at the crossroads for its future political orientation without having a clear perspective.

In this geopolitically negative climate latent nationalistic tensions surface easily. This was recently the case with some of the comments of Albania's Prime Minister Edi Rama that could have been interpreted as a plea for creating a Greater Albania. Nationalistic setbacks of any kind which still appear in the region complicate the integration efforts of candidate countries into the EU and NATO. Such a development is most probably in the current interest of Russia which actually seems to be more interested in keeping the Western Balkans in a not fully consolidated situation. A renewed partnership between the EU, USA and Russia would be beneficial also for the Western Balkans, but it's – unfortunately – highly unlikely to happen in the foreseeable future.

### **Summary of recommendations**

#### *Regarding the relations between EU, the United States and Russia*

The West should pursue a realistic and pragmatic relationship with Russia, which should primarily be focused on mutual economic interests and joint engagement in mitigating the spread of global threats like terrorism, weapons of mass destruction etc. These channels of communication should be kept open in any case.

On the other hand, the fact cannot be ignored that Russia's actions in Crimea and in particular in the Eastern Ukraine by most of the EU political leaders and in the United States are perceived as a flagrant breach of international norms. For this reason, a return to cooperative and trust-based security relations between the West and Russia should be subject to the condition that Moscow reaccepts the fundamental norms of the United Nations Charter, the Helsinki Final Act and other OSCE documents and acts accordingly.

The EU could support positive trends in the Western-Russian relations by showing openness for a fostered economic cooperation with the Eurasian Union for which the Russian Federation has become a motor for. Such a constructive policy carried out by the EU would increase the chances for avoiding further antagonist geopolitical confrontations with Putin's Russia.

As long as the official relations between the West and Russia will remain tensed NGO activities should be used to foster the dialogue, also in regard to the Ukraine crisis.

Russian attempts of undermining partially EU's consolidation policies vis-à-vis the Western Balkans (e.g. in Bosnia and Herzegovina) should not be taken lightly. In these cases Brussels should react with adequate political and economic counter strategies.

#### *Regarding internal developments in the EU*

The crisis of Western-Russian relations for the EU has shown the necessity to refocus on its own unity. Bilateral agreements between single member states and Russia which are not in accordance with common EU goals have to be avoided.

EU's future highly depends on the identification of its citizens with the goals, policies and institutions of the Union. Information campaigns that are aimed at increasing public support – also in regard to further enlargement – and at addressing the rising EU scepticism among EU citizens therefore should be intensified.

The previous developments have shown very clearly that being too much dependent on Russia's energy supply makes the EU vulnerable. Therefore implementing the plans for diversifying this sector represents a key challenge for EU's common energy policy which is in the process of arising.

*Regarding EU and US policies vis-à-vis the Western Balkans and single countries*

At the Western Balkans Summit in August in Vienna special attention and room for discussion should be given for the implications of the deteriorating relations between the West and Russia for the Western Balkans.

Critical shortcomings in the regional consolidation processes that can be exploited by Russia – in particular in case of continued geopolitical antagonism – (e.g. energy sector, policies of nationalistic and authoritarian politicians etc.) should be addressed concretely by the EU and USA.

The enhanced Russian interest for South East Europe and the IS religious-ideological infiltration and terrorism in mind, the EU and the West have to become clear about the Western Balkans' strategic relevance in this context again.

To answer both challenges properly a “smart power” bulwark must be erected, serving the overall European community and the European partners in the Western Balkans. The by far best “smart power tool” in the regional context remains the EU perspective, flanked by specific supporting policies, as, for example, in the energy sector.

In this sense, EU and NATO enlargement processes in Brussels should again be seen as important strategic rather than only technical processes. A fast entering of all Western Balkan countries in the negotiation phase of the EU integration process would underline such an approach and could contribute to the faster consolidation of countries which like Bosnia-Herzegovina and Macedonia suffer from internal tensions.

For the purpose of underlying the reliability of the EU's enlargement process accompanying economic initiatives like the “Berlin Process” for the whole region or the “German-British Initiative” for Bosnia and Herzegovina should be concretized and implemented in a short time period.

Western policy makers should be reminded that EU and in particular NATO enlargement was and is primary a matter of security policy. If there is a vacuum in regard to EU and NATO integration, then the region, and individual countries, will be open to potential negative consequences for democracy and rule of law deriving from different actors with dubious agendas.

At the end of an intensified and focused dialogue Montenegro should be invited to become NATO member. This would additionally strengthen the Euro-Atlantic ties between the West and the region of South East Europe and would reward Montenegro for its consistent pro-Western course.

Observing the increased internal tensions in Macedonia and the apparent shift of external policies away from the EU and NATO as a result of frustration that EU and NATO memberships were promised but do not happen due to Greece's obstruction, the EU and NATO member countries should be more distinct in making Greece clear that an indefinite blocking of Macedonia is not any longer acceptable.

At the same time the EU and the USA should pronounce very clearly towards the Macedonian government that Greece's obstructive behaviour must not be used as an argument for an increasingly repressive domestic policy in the sense that external threats endanger the country's cohesion. To exclude any compromise in the name issue will only help to position and keep Macedonia ever more at the margins of Europe and to make this country receptive for anti-Western external influence.

EU must have a unique and consistent approach towards all candidate countries concerning the demands for implementation of its Common Security and Defence Policy (CSDP) (especially in the light of enforcement of sanctions and restrictive measures against third states and entities).

EU policy makers should reconsider favouring stability at the expense of democracy. The experience in the region has shown that a strong man rule only leads to authoritarian practices and creates impediments for the consolidation of democracy. The final results are the lack of stability and the deterioration in democracy, as witnessed by recent events in Macedonia.

The spreading of “Putinism” as an authoritarian political role model is a danger for the young democracies in South East Europe. The only possible answer to this is a strict continuation of EU’s conditionality policy in regard to democratic standards. Substantial support should be provided to Civil Society Organizations that foster the democratic culture and to new hopes among politicians.

*Regarding the policies of Western Balkan countries*

Understanding the interests of the Western Balkan countries with their weak economies to benefit from trade relations with Russia, this should not legitimate the policy of some political leaders in the region to present special relations with Moscow – as the Serbian politician Milorad Dodik in Bosnia and Herzegovina is doing – as a possible substitute for EU integration.

Appropriation of authoritarian policies (see for example the complaints of Civil Society Organizations in Macedonia, Montenegro and Serbia concerning pressure on media), or emulation of Russia’s governing style, is clearly in odds with the democratic values and norms to which EU member states and future members aspire to and therefore should be avoided by the political leaderships.

Civil Society Organization in the region should continue to observe precisely breaches of democratic standards and to mobilize a critical mass against such developments.

The Western Balkan countries which constantly express that their future is solely in the EU, shall harmonize their Foreign and Security Policy better with that of the EU. The EU is not any longer just a free market area but has the clear determination to become a political union aligning crucial parts of internal and external politics. The “red line” which should not be crossed by no means by the regional politicians is – as again Dodik already did – to show support for Putin’s military expansionism in the Ukraine.

As the present OSCE chair holder, Serbia should recognize its responsibility vis-à-vis the Western Balkans and the all-European community and

become active in reinforcing the role of the OSCE in assessing and resolving the Ukraine crisis.

In order to diversify their sources for energy supply and to reduce their energy dependency of Russia in this sensitive field the Western Balkan countries should try to follow the new trends of building an EU energy community, while leaving large scale infrastructure projects to be decided at the EU level.

By avoiding new gaps in the region as a consequence of Russia's south-eastwards rush the countries in South East Europe should intensify their cooperation, in particular in regard to the solution of those complex problems that – like e.g. climate change, terrorism, corruption and scarce resources management – no country or organization can adequately address in its own.

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