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## Russia in the Balkans: How should the EU respond?

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### BACKGROUND

On 3 September 2015, Russia's 7<sup>th</sup> Guards Airborne-Assault (Mountain) Division kicked off an exercise near the Black Sea city of Novorossiysk, some 150 km southeast of the annexed Crimean peninsula. The timing was chosen carefully. 'Swift Response', a large-scale drill run by NATO alongside the coastline of Romania and Bulgaria, along with other European locations, had concluded several days earlier. Codenamed 'Slavic Brotherhood', the war games at Novorossiysk involved Belarusian Special Forces and, strikingly, paratroopers from Serbia. Here was a country negotiating its accession to the EU and a recent signatory of a cooperation deal with NATO that was siding with the self-declared competitor of the West.

This development was not unprecedented. In November 2014, Serbia hosted a Russian airborne detachment in the SREM-2014 exercise, held in the vicinity of Ruma, not far from Croatia, a member of both the EU and NATO. As a rule, Belgrade plays down ongoing collaboration and stresses the fact that it also pursues ties with NATO.<sup>1</sup> The Kremlin's mouthpieces, however, never miss an opportunity to score propaganda points and there have been numerous occasions: e.g. Russian President Vladimir Putin's triumphant welcome at the military pageant to mark the 70<sup>th</sup> anniversary of Belgrade's liberation from Nazi occupation; or Serbian President Tomislav Nikolic's attendance at the 9 May Victory Parade in Moscow.

Such events have prompted Western observers to highlight deep-running historical ties between Russians and Serbs along with other Balkan nations. Senior politicians on both sides of the Atlantic have voiced concern over Moscow's "infiltration" of the region. To US State Secretary John Kerry, countries like Serbia, Kosovo, the Former Yugoslav Republic of Macedonia (FYROM), and Montenegro are "in the line of fire" – much like Georgia or Moldova.<sup>2</sup> Interviewed by *Welt am Sonntag*, Germany's Angela Merkel opined that "Russia [was] trying to make certain Western Balkan states politically and economically dependent".<sup>3</sup>

That is clearly an overestimation of Moscow's actual influence. True, Russia's economic and political presence in Balkan countries, whether inside the EU or not, is higher than at any time since the end of the Cold War. Russian energy firms enjoy a near-monopoly in Serbia, Bulgaria and Bosnia's Republika Srpska (RS). Influential opinion leaders and media echo the Kremlin's views on Ukraine. Serbia and FYROM, both EU candidate countries, have refused to join the Union's sanctions, as has Bosnia. Like its defunct predecessor South Stream, the Turkish Stream pipeline commands a great deal of attention across countries. Russia has become more vocal on Balkan political and security issues, notably in FYROM and Bosnia. However, the region remains firmly anchored in the West – with Russia simply taking advantage of the loopholes in EU and NATO's policies. The slowdown of EU enlargement has opened up opportunities for Russian policymakers to build additional leverage across the Balkans, scoring points in the overall tug-of-war with the West.

This Policy Brief takes stock and analyses Russian policies, and argues that policymakers should neither overstate nor downplay Moscow's capacity to disrupt and insert itself in the region. It furthermore calls for measures in response to the Russian challenge.

## STATE OF PLAY

Russian influence is particularly strong in the energy sector. Lukoil Neftochim, Gazprom Neft and Zarubezhneft largely control the oil trade in Bulgaria, Serbia and RS respectively, through ownership of refining facilities and petrol stations. Gazprom Neft acquired a controlling stake in Naftna Industrija Srbije (NIS) in early 2008, on the promise that Serbia would be included in South Stream. The purchase consolidated bilateral links at a time when Moscow came out strongly on the side of Belgrade in their fight against Kosovo's proclamation of independence. In Bosnia's Republika Srpska, Zarubezhneft bought the refineries at Bosanski Brod and Modrica in 2007 and the Banjaluka Petrol trading company in a direct deal rather than through a tender, and is seen as being close to RS leader Milorad Dodik.

Gazprom remains a monopoly supplier of gas to most countries in the region, with the exception of Greece, Romania and Croatia. FYROM and Bosnia reportedly pay the highest price in Europe for their long-term contracts (USD 564 and 515 per 1,000 cubic meters in 2012, respectively<sup>4</sup>). EU-backed diversification schemes have not made a great deal of headway and the Trans Adriatic Pipeline (TAP) will not be pumping Azerbaijani gas before 2019. On the positive side, in contrast to neighbouring Turkey, the Balkans do not consume large quantities of natural gas, with electricity generated from coal, renewables (mainly hydropower) and, in the case of Bulgaria and Romania, nuclear energy. Gas is mostly used for heating and in the Western Balkans only Serbia imports any significant volumes (about 2.5 billion cubic meters or 11% of gross domestic consumption of energy).

As elsewhere in Europe, Russia wields gas as a diplomatic tool. The main objective is political, rather than economic: to show that containment by the West is futile. Greece, FYROM and Serbia have all expressed interest in being part of Turkish Stream, the pipeline touted by President Putin in December 2014 to pump Russian gas to Hungary via Turkey and the Balkans. On April 7 2015, Hungarian Foreign Minister Peter Szijarto hosted his counterparts from those three countries plus Turkey, while Greek Prime Minister Tsipras discussed the project during his visit to Moscow several days later, holding a joint press conference with Putin. While such moves carry much political symbolism, it is hard to gauge their practical consequences. Work on Turkish Stream is practically frozen as a result of a pricing dispute between Gazprom and Ankara, and the signing of an intergovernmental agreement (IGA) is not in sight.

Russia's role is much less prominent in other sectors, with the partial exception of tourism. The EU remains the leading trading and investment partner (see table below for trade figures). The Russian Federation is not a major export market, a fact that distinguishes the Balkans from the Eastern Neighbourhood. For countries like Albania or even Montenegro, the negative fallout from the sanctions appear to have been limited – even if Russia listed the two as targets of counter-measures. Serbia has been mostly exempt from the Russian sanctions on agricultural exports, giving Belgrade some advantage and providing Moscow with leverage. Still, *Rosselkhoznadzor*, the food safety agency, has recently stopped certain imports from Serbia on suspicions (in all likelihood well-grounded) that the Balkan country serves as a backdoor for EU food products.

### Trade with Russia and EU, % of total, 2013

	Trade with Russia	Trade with EU
Albania	2.0	60.4
B&H	6.3	84.1
Bulgaria	11.2	60.6
Croatia	5.7	63.3
Macedonia	0.9	71.8
Montenegro	0.4	55.3
Romania	3.6	73.3
Serbia	8.5	62.4
Greece	9.4	46.9

Source: Economist Intelligence Unit

In more political terms and following a series of setbacks during the 1990s, Russia made a return to the Balkans in 2006 with the commencement of the so-called status process for Kosovo. In the Contact Group and the UN

Security Council, Russia threw its weight behind Serbia but suffered a serious setback after Belgrade and Pristina embarked on normalisation talks under EU mediation in early 2011. However, Russia made use of Kosovo as a precedent in the case of recognising the Georgian territories of Abkhazia and South Ossetia as independent states in 2008 and, later on, with the annexation of Crimea. Rather than pushing hard to roll back Western institutions in the post-Soviet space, it has sought to expose their policies as short-sighted, duplicitous and prone to failure, as well as seek extra leverage through building ties with Serbia, Greece, FYROM or other countries in the area.

The crisis in FYROM illustrates these dynamics. When protestors poured onto the streets in Skopje in April 2015, calling for the resignation of Nikola Gruevski's government, Russian media accused the West of pushing for yet another colour revolution with disastrous consequences, similar to Ukraine.<sup>5</sup> The argument was readily picked up by pro-government outlets in FYROM. Conspiracy theorists, both in Moscow and in the Balkans, linked demonstrations to attempts to derail Turkish Stream. After the armed clashes between security forces and Albanian radicals in the city of Kumanovo (9-10 May 2015) Russian Foreign Minister Sergey Lavrov pointed the finger at NATO members Albania and Bulgaria, accusing them of plotting to partition their neighbour. The theory, originating from pro-Kremlin websites, had made its way into Balkan media before finally being voiced by Lavrov, on May 20 to Russia's State Duma. This caused a stir in relations with Sofia and Tirana, with respective Foreign Ministers Daniel Mitov and Ditmir Bushati each calling it "irresponsible" and "unacceptable". Yet Lavrov continued exploiting the Kumanovo incident. On a visit to Belgrade, Lavrov accused the EU of tolerating separatism, spoke of the worrisome rise of terrorism and of alleged plans to recreate Greater Albania.<sup>6</sup>

While Russia took a backseat as EU Commissioner Johannes Hahn mediated a deal between Gruevski and the opposition, the episode is quite telling of Moscow's ability to put a stick in the West's wheels. There are other examples too. In July 2015, Russia came out in support of Dodik's call for a referendum on whether the national court has authority over RS, implicitly backing his threats that the Serb entity might secede from Bosnia. The move is a slap in the face of Serbia's Prime Minister Aleksandar Vucic who opposed Dodik's referendum. It indicates that Moscow, which also vetoed a UN Security Council resolution on the occasion of the 20<sup>th</sup> anniversary of the 1995 genocide at Srebrenica in early July, is playing the spoiler *vis-à-vis* the German-British initiative to reform Bosnian institutions. Last but not least, Russia was boosted by Prime Minister Alexis Tsipras' courtship, though it was clear from the outset it had neither the will nor the means to bail out Greece.

## PROSPECTS

Despite overtures to Russia, no Balkan leader has shown willingness to make a foreign policy U-turn. In most cases, one witnesses a Tito-style balancing between Moscow and Brussels. But, in reality, it is Brussels (and Berlin) that is calling the shots. The annual EU-Western Balkan summit in Vienna (27 August) has underscored that fact. Pressing issues, from economic growth to infrastructure development, to the recent influx of Syrian refugees, only reinforce the region's anchorage to the EU. Serbian Prime Minister Vucic, moreover, has cultivated ties with Angela Merkel but also with the US, having visited Washington twice – in June and September – to meet Vice-President Joe Biden. Vucic has effectively positioned himself as the pro-Western figure in Serbian leadership, in contrast to the more genuinely pro-Russian Nikolic or even Foreign Minister Ivica Dacic.<sup>7</sup> Similarly, FYROM's Gruevski steered away from Moscow, opting for the European Commission as an interlocutor and accepting early elections in April 2016. Milorad Dodik, one of the most Russia-friendly leaders, has hinted that NATO membership is acceptable – provided there is popular approval. Under the radar, Serbia's ties with NATO are deepening, too.<sup>8</sup> Elections in Bulgaria in October 2014 brought to power a pro-Western government, which has lately denied Russian jets access to its airspace. The deadlock over Turkish Stream diminishes Greece's incentives to work with Russia too. As the Kremlin has shifted its attention to other regions, notably the Middle East, and the EU has stepped up its presence (e.g. Angela Merkel's tour of Balkan capitals in July) there is a perceptible swing towards the West.

If leaders hedge their bets, the societies often show a clear sympathy for Russia. In Serbia an IPSOS survey (November 2014) found that Russia enjoys the highest rating amongst foreign powers, with 52% holding favourable views and 17% unfavourable. By comparison, only 32% view the EU favourably and 40% negatively.<sup>9</sup> Such attitudes stem from deeply rooted anti-American and anti-Western sentiment dating back to the wars of the 1990s. In neighbouring Bulgaria, according to Alpha Research, more than 60% shares a positive perspective on Russia, although roughly the same percentage supports the country's continued membership in EU and NATO – vs 32.9% preferring the Moscow-led Eurasian Economic Union.<sup>10</sup> What Russia lacks in cultural influence (Russian is not widely spoken in ex-Yugoslavia) it makes up for by tapping into local resentments. It is a small wonder that the official Moscow views about the war in Ukraine have found reception in a number of Balkan countries.<sup>11</sup>

However, there is a need to read surveys in a more differentiated manner. While Russia is popular on the general level, a more nuanced glance reveals that its appeal is somewhat limited. Polls show that, even in Serbia, a majority of respondents look at Western Europe, rather than Russia, as a desired place to live, work or pursue an education. Politicians have therefore sufficient manoeuvring space and there is no great cost attached to shifting to the West, especially if the pro-Moscow rhetoric stays in place.

## Conclusions and policy recommendations

Russia's chief strength is profiting from the EU's weakness. All things being equal, Balkan political elites continue to look to the Kremlin for business and political benefits. Yet they will choose the West over Russia if pushed harder by Brussels or indeed Washington. A clear commitment from the EU is therefore essential in keeping the region on track. The so-called Berlin Process provides the best opportunity to keep the momentum going and ensure that enlargement is not relegated to the bottom of policy priorities.

Rents of various sorts are Russia's most powerful tool in asserting influence in the Balkans. Sustained reforms to bolster transparency and accountability in key sectors, notably energy, are essential to ensure that the Russian economic presence is consistent with the rule of law. The EU should not abandon its conditionality in the name of geopolitics. Brussels should resist efforts by Western Balkan governments to leverage the presumed threat of a takeover by Russia in obtaining a more lenient treatment with regard to the Union's accession criteria.

The EU should support initiatives introducing Western Balkan opinion-makers and societies at large to the complex politics of Russia and the Eastern Partnership countries. The best way to counter propaganda is by building links with pro-democracy and human rights forces in Russian society but also in Ukraine, Georgia, Moldova, etc.

Though in the short term Serbia's participation in the sanctions against Russia is not a priority for the EU, Chapter 31 in the membership negotiations ('Foreign, security and defence policy') should serve as a vehicle for full alignment on external relations. The opening of the chapter by Serbia should be conditioned on joining the sanctions.

It is true that Russia is not in a position to rival EU influence in South-East Europe in the way it does across the Eastern Neighbourhood. Yet the Union should ensure that Moscow's actions do not obstruct or dilute its own transformative agenda in the region.

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- 1 In 2013, Serbia became an observer at the Russia-led Collective Security Treaty Organisation (CSTO).
- 2 Serbia "in line of fire" over Ukraine, says U.S. official, B92, 15 February 2015.
- 3 Würden Sie Krieg mit Russland führen, Frau Merkel? [Will you lead a war with Russia, Ms Merkel?] , *Welt am Sonntag*, 7 December 2014, <http://www.welt.de/politik/deutschland/article135110372/Wuerden-Sie-Krieg-mit-Russland-fuehren-Frau-Merkel.html>
- 4 Bol'she vsek v Yevrope Gazpromu platyat makedontsy i polyaki [Macedonians and Poles pay more than anyone in Europe] *Izvestia*, 1 February 2013, <http://izvestia.ru/news/544100>
- 5 See for instance an article by the eminent Kremlin spin-doctor Dmitry Kiselev, *Fond Soros* podbiraet kadry dlya revolyutsii v Makedonii [The Soros Foundation is choosing cadres for a revolution in Macedonia] *Vesti.RU*, 24 May 2015. <http://www.vesti.ru/doc.html?id=2604657>
- 6 "Greater Albania" ambition setback for Balkans - president, B92, 15 May 2015. [http://www.b92.net/eng/news/politics.php?yyyy=2015&mm=05&dd=15&nav\\_id=94135](http://www.b92.net/eng/news/politics.php?yyyy=2015&mm=05&dd=15&nav_id=94135)
- 7 Dacic took part in the St Petersburg economic forum in June.
- 8 In January, Serbia signed an Individual Partnership Action Plan, advancing military-to-military cooperation, The Head of the General Staff General Ljubisa Dikovic, who hosted the head of NATO Military Committee in April, praised the alliance's mission in Kosovo as guaranteeing stability and security.
- 9 Srbi vole Rusiju ali zele da im deca zive u EU [Serbs love Russia but would like their children to live in the EU] , N1 Television, 2 January 2015 <http://rs.n1info.com/a24604/Vesti/Gradjani-Srbije-imaju-pozitivniji-stav-prema-Rusiji-nego-prema-EU.html>
- 10 "Alfa Research": vse poveche bulgari ne haresvat politikata na Rusiya [More and more Bulgarians do not like Russia's policy], *Capital*, 16 March 2015. [http://www.capital.bg/politika\\_i\\_ikonomika/bulgaria/2015/03/16/2493004\\_alfa\\_risurch\\_vse\\_poveche\\_bulgari\\_ne\\_haresvat/](http://www.capital.bg/politika_i_ikonomika/bulgaria/2015/03/16/2493004_alfa_risurch_vse_poveche_bulgari_ne_haresvat/)
- 11 Russia has invested some resources in media outlets e.g. the Sputnik, the successor of RIA Novosti, launched a portal in Serbian in February 2015 ([www.sputnik.rs](http://www.sputnik.rs)). There have been reports about Russian interest in public broadcaster RTS Studio B sold off to a local businessman from Serbia. In Bulgaria, pro-Kremlin oligarch Konstantin Malofeev has been linked to the TV7 station. See Christo Grozev, Malofeev's JV Partner Acquiring Strategic Bulgarian Assets: A Risk Analysis, 26 March 2015. <https://cgrozev.wordpress.com/2015/03/26/malofeevs-jv-partner-acquiring-strategic-bulgarian-assets-a-risk-analysis/>

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