

The Russian Challenge in the Balkans

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Executive Summary

Russian influence in Eastern Europe has been the preoccupation of European and U.S. policymakers since the outset of the Ukraine crisis. They have paid particular attention to the countries of former Yugoslavia, known as “the Western Balkans”, considered to be vulnerable and exposed to Moscow’s moves. There is certainly a grain of truth in such scenarios. Russia is indeed willing and able to manipulate the rifts in the region in order to assert its writ. Russia’s main objective in the Balkans is to obstruct the West’s transformative agenda. It benefits from instability in multiple ways: diverting the EU and U.S. attention from the Eastern neighbourhood, driving a wedge in the Western alliance, exposing as flawed and morally bankrupt its mission to spread the values of liberal democracy, human rights and the rule of law. Russia does not seek to establish its hegemony in ex-Yugoslavia, much less to pursue military adventures, because of the costs and trade-offs involved. However, it possesses a remarkable ability to insert itself into local politics, project influence, and exploit the West’s weaknesses. Moscow remains a critical player because of the leverage over the economies, domestic politics and societies but also thanks to the local political elites’ resolve and skill to make use of Russia to advance their own interests and goals.

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Introduction

Russian influence in Eastern Europe has been the preoccupation of European and U.S. policymakers since the outset of the Ukraine crisis. They have paid particular attention to the countries of former Yugoslavia, known as “the Western Balkans”, which are considered particularly vulnerable and exposed to Moscow’s ambitions. These can be seen in statements made by European and American officials. For example, the German Chancellor Angela Merkel stated that Russia was “trying to make certain Western Balkan states politically and economically dependent.” Even the EU High Representative for Foreign and Security Policy Federica Mogherini, generally viewed as a dove on Russia, has recently warned the Balkans are turning into “a geopolitical chessboard “. More than that, there is no shortage of speculations in the media that tensions in ex-Yugoslavia can escalate into war, with Vladimir Putin weighing in on the side of nationalist allies in Serbia, Republika Srpska in Bosnia and Herzegovina, Montenegro and elsewhere.

There is certainly a grain of truth in such scenarios. Russia is indeed willing and able to manipulate the rifts in the region in order to assert its writ. Its embassy in Sarajevo, to give one example, has consistently provided cover to Republika Srpska’s recalcitrant President Milorad Dodik as he plays chicken with the international community and threatens a secession referendum. Moscow has furthermore toughened its rhetorical opposition to NATO and even EU expansion in Southeast Europe, which – in the not-so-distant past - it tacitly accepted as inevitable. The Russian Federation has stepped up security and defence cooperation with non-aligned Serbia, recently agreeing to donate six surplus MiG-29 fighter jets, 30 T-72 tanks and 30 BRDM-2 armoured reconnaissance vehicles. Belgrade has an observer status in the Russia-led Collective Security Treaty Organisation (CSTO), though it has a Individual Partnership Agreement (IPAP) with NATO since January 2015. Starting from November 2014, however, the Serbian military conducts annual exercises with Russia and Belarus.

There are fears that Russia is prepared to go much further than that. In October 2016, Montenegrin authorities alleged that a group of Serbian nationalists and rogue security operatives, acting in league with Russians, attempted to stage a military coup on the night after the general elections. The apparently objective was to derail Montenegro’s imminent accession to NATO. The alleged conspiracy also involved plans to assassinate the Serbian Prime Minister Aleksandar Vučić. Of course, all these claims, recently reconfirmed by a Podgorica-based prosecutor, remain to be verified in court. But the murky story in question testifies how prominent Russia has become of late in the Western Balkans.

From Russia’s perspective, links with Serbia, Republika Srpska, the Montenegrin opposition and other political actors across the region mean extra leverage vis-à-vis the West. While it lies outside of the privileged sphere of influence Russia claims in the former Soviet Union, the Western Balkans generates opportunities for Moscow’s foreign policy. Along with Macedonia and Bosnia and Herzegovina, Serbia declined to join the EU sanctions in response to the Crimea’s annexation and the war in Eastern Ukraine. Even members of NATO and the EU in ex-Yugoslavia, such as Slovenia and, to a lesser degree, Croatia, have been eager to restore and upgrade economic cooperation with Moscow. In other words, Russia can meddle in Europe’s backyard in order to reciprocate what it sees as Western interference in its “near abroad”.

This briefing note takes stock of Russian policies and levers of influence in the Western Balkans. It shows that the region has been a fertile ground for Moscow to assert its interests. Lacking a grand strategic plan for the Balkans, Russia nonetheless exploits weak spots and fissures to outmaneuver and pressure the EU and the U.S. The paper sets off by sketching out Russian involvement since the early 1990s. Then it zooms in on areas where Moscow’s role looms large: Balkan security, the economy, and, last but not least, and influence on society and domestic politics.

The Evolution of Russia's Balkans Policy

There have been, very roughly, three phases in the Russian Federation's involvement in the Balkans. Phase I coincided with the 1990s and the violent disintegration of Yugoslavia. Under President Boris Yeltsin, Moscow aspired to play a leading role in the management of the conflicts in Bosnia (1992-95) and Kosovo (1998-9). The stakes were high: it was not just the Balkan at issue but as the future of Europe's security architecture, Moscow's position relative to NATO, and the shape of transatlantic ties. Yeltsin and the Russian MFA struggled struck a fragile balance – cooperating with the West at both the UN Security Council and the so-called Contact Group set up in 1994 but also nurturing ties with Slobodan Milošević and the Bosnian Serbs as a bargaining chip. Assertive policies in ex-Yugoslavia were also aiming at silencing the hardline anti-Western opposition at home. Russia suffered many setbacks: it failed prevent NATO interventions in Bosnia and especially Kosovo (March-June 1999). More than once, it was forced to compromise and bandwagon with the West: endorsing international administrations at the UN Security Council and deploying peacekeepers as part to NATO-led missions (IFOR/SFOR in Bosnia, KFOR in Kosovo).

In the second phase, following Putin's arrival to power in 2000, Russia disengaged. It withdrew its troops in 2003, focusing its attention to issues and regions closer to home. Yet by the middle of the decade Russia was back: pushing back against Kosovo's unilateral declaration of independence backed by the U.S. and most EU members, rekindling ties with Serbia, and recruiting new allies with economic incentives. Putin's squabbles with Ukraine put Southeast Europe on the Russian energy map as a transit region for gas deliveries to the EU. By 2009, the South Stream pipeline -- one of Putin's pet projects -- enlisted all countries in the region, from Bulgaria to Slovenia, as partners. Under President Dmitry Medvedev, Moscow's influence in the region peaked. Balkan governments could have the cake and eat it: pursue integration into the West and expand economic links to Russia.

The Ukraine crisis ushered in a dramatic turnaround. Russia's confrontation with the West took toll on its Balkan ventures. In 2014, South Stream was effectively cancelled as Europe's political will to resolve a long-standing legal dispute between Gazprom and the European Commission expired. Russia upped the ante. It assumed the role of a spoiler – challenging and thwarting the West at every step, taking advantage of opportunities such as the constitutional deadlock in Bosnia, the political crisis in Macedonia, or the polarisation in Montenegro regarding NATO membership. Russia invested into media mouthpieces such as the Serbian branch of the *Sputnik* news agency and upgraded ties to parties and civic groups with a radically anti-Western agenda. This is more or less the state of play at present.

Russia's limited goals, as well as capabilities, is one of the two key reasons that make it an unlikely participant in a putative all-out Balkan war. The other, more important reason, is that the internal drivers of conflict are not as potent as it might seem. It is certainly true that the political climate in ex-Yugoslavia worsening. Following a brief honeymoon, Serbia and Croatia are now at loggerheads. The normalisation talks between Belgrade and Prishtina led by the EU have entered *a cul de sac*. Kosovar authorities have recently accused Serbia of plotting "a Crimean scenario" in Serb-majority municipalities in the North. It threatens to upgrade the Kosovo Security Force into an army. In September 2016, Republika Srpska carried out a referendum to have its "national holiday" in defiance of both the West and the state Constitutional Court. On the day itself (9 January 2017, the feast of St. Stephen), the entity's capital Banja Luka witnessed a military parade, bringing back the painful memories of the 1990s war. The crisis in Macedonia, which was about high-level corruption and the abuse of power by the centre-right VMRO-DPMNE governing since 2006, is now focused on inter-ethnic relations and the rights of the Albanian community. Add to the mix the general trend towards de-democratisation and return to authoritarianism and the overall picture becomes very negative.

On balance, the new generation of demagogues and nationalist leaders are different from their predecessors in the early 1990s who presided over Yugoslavia's bloody descent into chaos. Today's leaders gladly wage symbolic violence to rally their constituencies behind the flag but they lack the financial and military resources to launch and sustain full-scale wars. The political costs of using military force are high (e.g. being ostracised by the West), while the payoff is uncertain. Overall, hate speech is a less risky strategy than bullets. The presence of NATO and EU in the region is also a deterring factor, even if the West's "soft power" might be in relative decline. Yet, Balkan leaders have an interest in keeping tensions high as that translates into electoral gains domestically and brings them into the spotlight internationally. Manipulating nationalist grudges and passions also shifts attention away from more mundane concerns such as corruption, the misuse of office, and state capture.

Russia's Strategic Asset: Economic Ties

For Russia, the Balkans' volatility and the Western failure to keep the region on track, provides the perfect opportunity to exert influence. There is no need to project military power. There are more cost effective strategies to play the influence game linked to Russia's penetration of local economies and domestic politics.

Economic ties remain Russia's principal strategic asset in the Balkans. Its footprint is most visible in the energy sector but also spreads in other areas such as real estate and banking. Major Russian firms such as Gazprom, GazpromNeft and LUKoil dominate the oil and gas markets in the region. Their role grew exponentially in the 2000s. In 2008, for instance, Serbia decided to sell a controlling stake in its national oil company NIS (*Naftna Industrija Srbije*) to GazpromNeft, Gazprom's oil branch.

The privatisation deal drew criticism by economic experts at the time but it rested on a political rationale. It was to seal the partnership between Moscow and Belgrade in pushing against Kosovo's independence and, more importantly, working side by side on South Stream. Even though South Stream did not happen and the alliance with Moscow did little to help Serbia in Kosovo, NIS continues to link the Serbian economy to Russia. Same with LUKoil, which privatised large retailer Beopetrol back in 2003. In contrast to government-controlled Gazprom, LUKoil is nominally a private company with a business, rather than geopolitical agenda. But in the final analysis it is also dependent on the Kremlin's good graces and therefore can be easily transformed into a foreign policy instrument if need be.

At the same time, it is important to not overstate the Russian role in post-Yugoslav economies. Except for the imports of gas and oil, Russia is not a major trading partner for the Western Balkans. What is more, local countries tend to consume small volumes of gas, and in the case of Montenegro and Albania none at all. A major consumer such as Croatia is largely self-sufficient or has access to alternative sources.

Russia's influence derives mostly from the lack of transparency in Balkan economies, rather than its ability to compete with the EU in areas like trade and investment. The energy sector stands out. Srbijagas, the national gas company, has long been a fiefdom of the Socialist Party of Serbia (SPS), a coalition partner of Vučić's Serbian Progressive Party (SNS). As elsewhere in Eastern Europe, gas sales to Serbia are carried through opaque intermediate business entities raising suspicions of side payments and kickbacks.

In Bosnia's Republika Srpska, the sale of the only local refinery to a Russian bidder, *Zarubezhneft*, without a tender in 2007 has also been a matter of controversy. Overseen personally by Milorad Dodik (at that time serving as prime minister), it resembled the 2005 sale of Aluminium Plant of Podgorica (KAP) in Montenegro to a Russian oligarch, Oleg Deripaska, via a Cypriot offshore intermediary. That particular deal was personally brokered by then President Milo Djukanović. Though he and Deripaska subsequently fell out and a complicated legal battle for KAP ensued that is still not over, this case study illustrates the intimate links between Russian business and Balkan political elites.

The real estate sector, which is by definition a soft target for money laundering activities in jurisdictions where the rule of law is shallow, is another transmission belt of corruption – and by extension of political influence.

As elsewhere in Europe, Russian money could make or break political careers. In Croatia, for instance, Tomislav Karamarko, leader of the principal center-right party HDZ tendered his resignation in June 2016 after a scandal concerning a donation from a murky Russian foundation. The affair shed light on the close contacts between Russia and political and business elites in the post-Yugoslav state, which, unlike Serbia, rarely comes into the spotlight when Moscow's influence is discussed. And there are currently speculations that Agrokor, Croatia's largest company, might be taken over by two of its largest creditors based in Russia, Sberbank and VTB.

Russia's Influence on Societies and Domestic Politics

Soft power, that is the ability to appeal and attract, constitutes yet another aspect of Russian influence. Russia and Vladimir Putin are hugely popular in societies with Orthodox Christian majorities -- Serbia and Republika Srpska as well as Macedonia and Montenegro. That is a fact registered by numerous sociological surveys over the years. Russia cultivates the image of a historical ally and protector guarding its Balkan brethren against the twin threat of the treacherous West and radical Islam. There are furthermore high expectations that Moscow is there to provide financial aid and badly needed investment for the struggling local economies. A poll in Serbia has shown that a majority sees Russia as a donor on a scale similar to that of the EU, whereas in fact it lags far behind and even Japan has disbursed more by way of monetary assistance. Such favourable views facilitate Russia's "strategic communications". The Kremlin's line on the war in Ukraine, the intervention in Syria, EU's refugee crisis etc. resonates with audiences across ex-Yugoslavia.

In countries like Serbia, the love for Russia has more to do with grudges against the West rather than appreciation of Russian culture, society and domestic institutions. Sociological data from Serbia indicates that young people are supportive of an alliance with Moscow but are much more likely to travel, work or study in Western Europe. Secondly, Russia's alignment with Serbian, and to a lesser extent Macedonian, nationalism makes it unpopular amongst Muslim-majority communities, including the Bosniaks or Kosovar Albanians. Montenegro is a special case because the attitude to Russia correlates with the pro- and anti-NATO cleavage as well as the polarised views of the identity of the Montenegrins – as an extension of the greater Serb nation or a historically separate ethnic community.

What matters is that Russia is able to turn its popularity into political leverage. It has on its disposal a vast network of allies and fellow travelers that includes political parties, the Serbian Orthodox Church, civic groups, media, prominent public figures and opinion makers. United Russia (UR), the party of power in Moscow, has cooperation arrangements with a number of interlocutors across ex-Yugoslavia. Attending UR's congress in 2016, a group of nationalist and ultraconservative groups such as the Democratic Party of Serbia (DSS), the Dveri movement, Montenegro's New Serbian Democracy, the Democratic People's Party and the Socialist People's Party, and Milorad Dodik's Alliance of Independent Social Democrats from Republika Srpska adopted a joint declaration opposing NATO's expansion. They chose to do so on June 28, St. Vitus' Day (Vidovdan), the date of the 1389 Battle of Kosovo and the assassination of Archduke Franz Ferdinand in Sarajevo in 1914.

Those allies can be easily mobilised into action. In the spring of 2016, ahead of the general elections, Serbia saw a wave of anti-NATO demonstrations calling for a referendum on membership. That was an indirect attack against Prime Minister Aleksandar Vučić whose position was that Serbia had settled the issue once and for all with a parliamentary declaration on neutrality in 2007.

Russia has become more vocal with regards to domestic conflicts in former Yugoslavia. In Macedonia, the Russian MFA castigated anti-government protests, erupting in 2015 and then in 2016, as an instance of Western-sponsored "coloured revolution" injecting instability and emboldening radical elements within the Albanian community to take up arms. By contrast, in Montenegro, Moscow sided with street protests in the autumn of 2015 as the incumbent government worked towards NATO membership.

On the whole, Balkan power-holders prefer to accommodate rather than push back against Russia. Serbia's Vučić provides the best example. Though coming under pressure from Russia's radical proxies, he has tried stay on good terms with both Russia and the EU and extract strategic and commercial benefits from both sides. To him, Serbia's interest lay in cooperating with both the West and the East, just like socialist Yugoslavia in the days of Josip Broz Tito. That seems to be in tune with mainstream view in Serbian society too. The same was true of Montenegro until the crisis in Ukraine. Now the government's strategy is the opposite: use the threat of Russia to deflect legitimate criticism about corruption and state capture. In Macedonia, VMRO-DPMNE and its leader Nikola Gruevski have switched from a staunchly pro-EU and NATO position through a Russia-friendly one, cheering for the likes of Hungary's Viktor Orbán and the U.S. President Donald Trump as well. In any event, Balkan elites have been playing the Russia card domestically and internationally just like Russia plays the region in its tug-of-war with the West.