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Western Balkan EU Accession Prospects: could Russia be a Spoiler?

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Russia “returns” to the Balkans

- Russia’s resurgent presence and strengthened role in the Balkan region has been the focus of increasing attention in recent years.
- The issue has been the focus of renewed interest for researchers, politicians, policymakers, etc..



“Trending” references:

- “The Western Balkans are the new Cold War arena”
- “The Western Balkans as a chessboard for superpower relations”
- “Putin’s Game of Thrones in the Balkans”
- “Do the Western Balkans face a coming Russian storm?”



- Russia's resurgent presence in the region has even been partially credited with "stimulating" the EU Commission's February 2018 "Credible enlargement perspective for the Western Balkans"
- This announcement followed ten years of enlargement fatigue, lost momentum and many challenges to the Western Balkans accession process



A New Impetus..

- The new strategy *inter alia* confirmed the European future of the region as a geostrategic investment in a stable, strong and unified Europe based on common values



- Realisation that as the EU was turned inwards , focusing on its own challenges, e.g. the crisis in Greece and the eurozone, Brexit, the refugee crisis and the rise of Eurosceptism and populist extremism in Europe...
- ... the geopolitical balance in the region had shifted, marked by Russia's increasing influence and resurgent presence



- “Anchoring the Balkans to a perspective of EU accession is in the interest of the EU”.

Federica Mogherini

EU High Representative for Foreign Affairs



What has Russia been up to in the Western Balkans? (and how will this affect EU enlargement)

- Russia has invested considerable time and resources in recent years attempting to consolidate and strengthen its influence in the Balkan area.
- It has been successful on many fronts, and Russia's economic, diplomatic and political influence in the Balkans is greater than at any point since 1991



Russia's objectives in the Region

- ▶ to stop Western Balkan integration into the EU's sphere of interest;
- ▶ to prevent Bosnia and FYROM from joining NATO;
- ▶ to redress the balance of power in what has traditionally been an area of intense Russian strategic importance.



- Significantly, Russia is trying to capitalise:
 - ▶ on the EU's loss of focus on the Western Balkans over the past few years (as a result of its internal problems);
 - ▶ on Western Balkan disenchantment, frustration and disillusionment with the EU, that has resulted from the slow pace of the EU accession process



- “The concern is there and it is significant. Moscow’s presumable goal is to loosen the region’s connection to the EU and present Russia as an alternative to a dissolving Union”.

Federica Mogherini

EU High Representative for Foreign Affairs



Russia's Policy Tools in the Balkans

- ▶ Russia's most important instruments of influence in the region include:
 - energy policy;
 - investment;
 - political diplomacy;
 - “soft power” tools such as cultural, media and religious campaigns.



Energy Diplomacy

- Energy is Russia's most important power asset in the region
- Russia draws its strength from its role both as a major supplier of energy and a key investor in the energy sector
- Russia is by far the dominant oil and gas supplier in the Western Balkans, where all countries remain heavily dependent on imports to meet their needs.
- Russia's energy influence is biggest in Serbia, FYROM and Bosnia, where it supplies over 90 % of natural gas needs



- Russian state-owned companies, such as Gazprom or Zarubezhneft, as well as several private companies...
- ... have acquired a significant stake in the energy sectors of several Balkan countries, particularly Serbia and Bosnia (Republika Srpska).



Other major investors in the region

- Lukoil
- Itera
- Yukos
- Rosneft

- As well as companies involved in ferrous and non-ferrous metals, such as:
 - RusAl
 - Norilsk Nickel
 - Severstal and Meche



Political/Cultural Diplomacy

- Cultural, religious and historical ties give Russia considerable soft power, particularly among the Christian Orthodox peoples of Serbia, Montenegro, and Republika Srpska
- Russia's historical role resonates with many elites and with citizens who reminisce about Russian solidarity during the Ottoman times, the deep Orthodox ties and a common Slav identity.



- Symbolic gestures such as making donations for the reconstruction of damaged Serb Orthodox churches in Kosovo also drive home the message of Russia as the protector of Orthodoxy and all Slavic peoples



Political/Cultural Diplomacy

- The severe criticism of NATO's bombing of Serbia in 1999 and Russia's decision not to recognise Kosovo's declaration of independence in 2008 formed a central part of Russia's powerful pro-Serb narrative.
- Russia use its status as a permanent member of the UN Security Council in Serbia's favour: in 1994 and 2015 Russia vetoed two UNSC resolutions condemning violence by Bosnian Serbs (the latter being the draft resolution describing the 1995 Srebrenica massacre as a genocide)



- Crucially, Serbia, Bosnia and FYROM refused to join the European Union's sanctions on Moscow following the annexation of Crimea in 2014 and the war in Eastern Ukraine.



Investment

- Russia has invested heavily in the region over the past few years:
 - ▶ has become Montenegro's largest investor, with as much as 32 percent of enterprises currently under Russian ownership;
 - ▶ investment is particularly evident in the sectors of real estate, tourism and leisure: for example, one third of all tourists in Montenegro come from Russia;
 - ▶ .. but also the sectors of food and drink, banking, agriculture and transport.



So.. Is the EU right to be Concerned?

- It is important not to underestimate Russia's influence in the Western Balkans...
- ... but also not to overestimate it.
- Russia's power and leverage in the region derives much more from sources of "soft power" (political and cultural diplomacy) than from real economic strength.

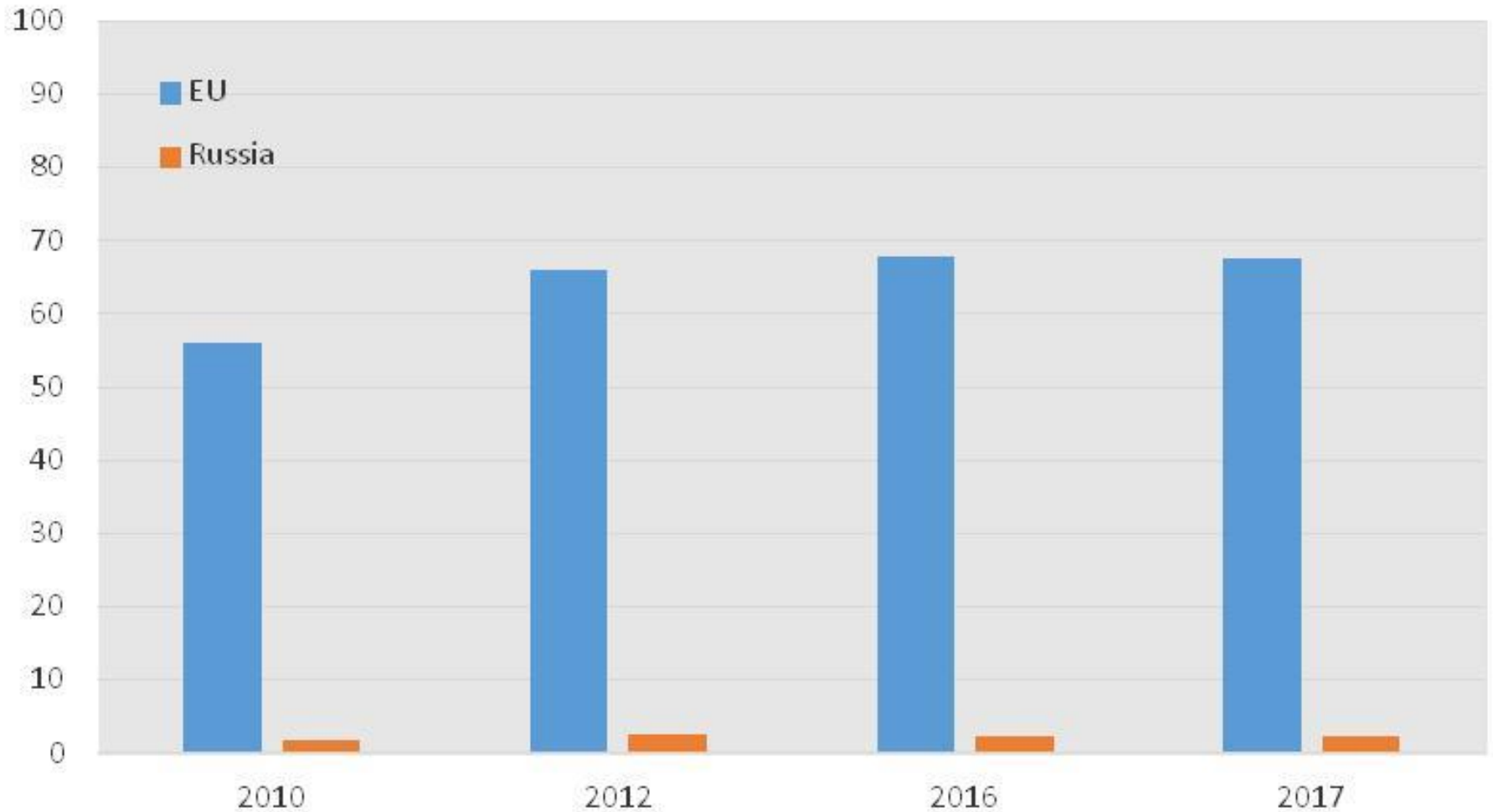


Crucially..

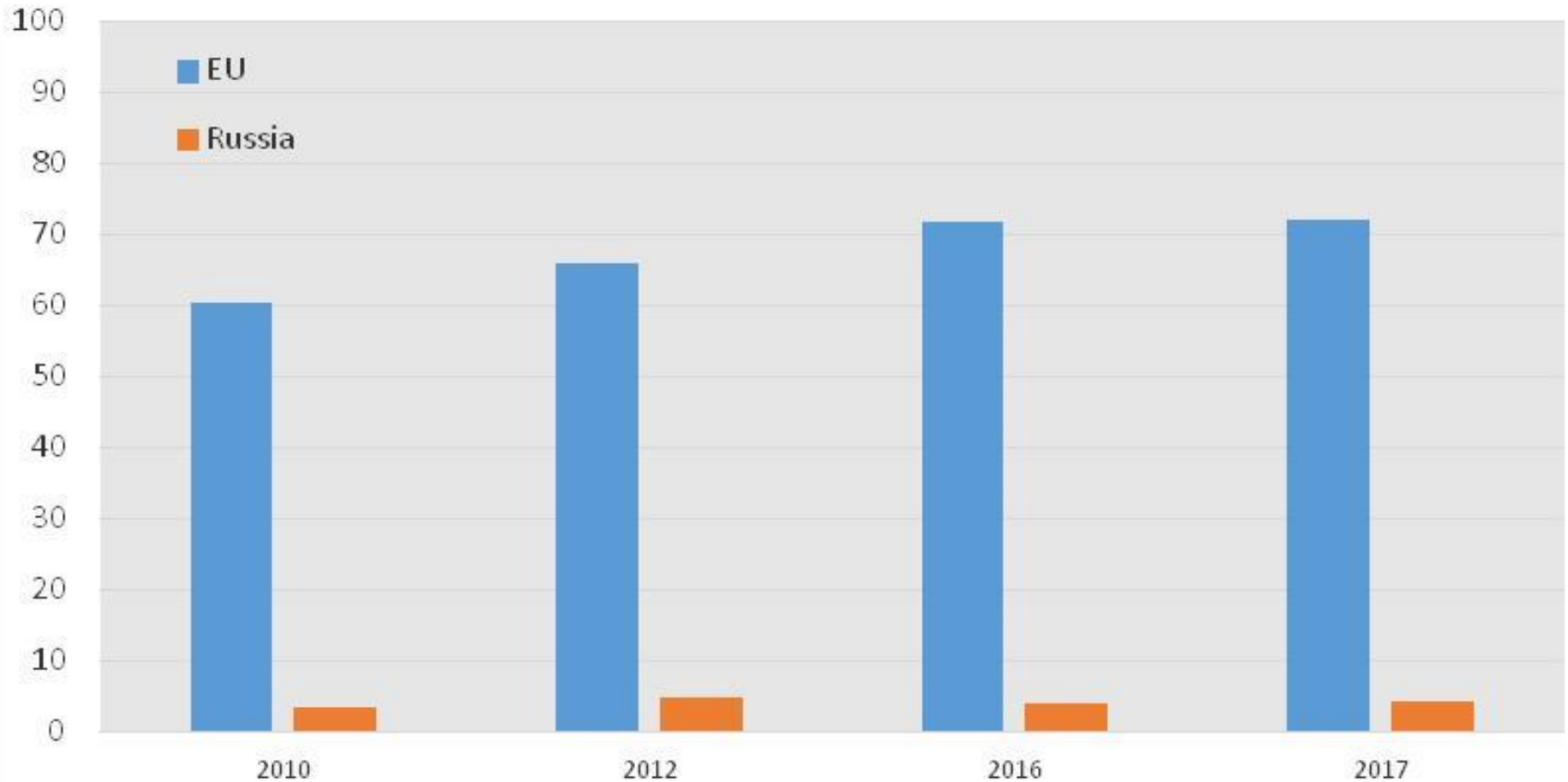
- Outside the energy sector, Russia's economic presence in the Western Balkans is dwarfed by that of the EU, even in strong “allies” Serbia and Montenegro
- Trade, as well as Russian investment in the region, still remains significantly lower than that of EU member states.



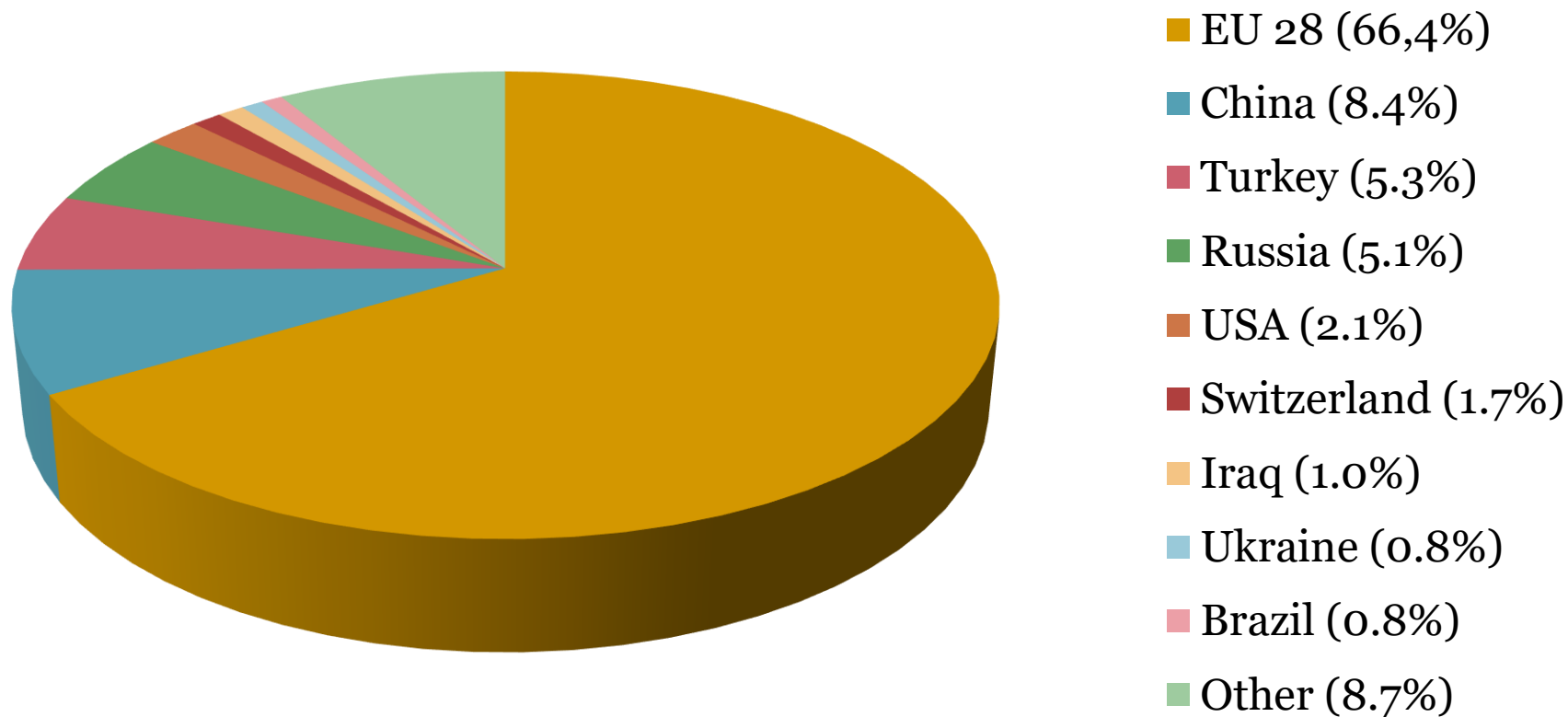
Western Balkan trade with the EU and Russia (Imports, % of Total)



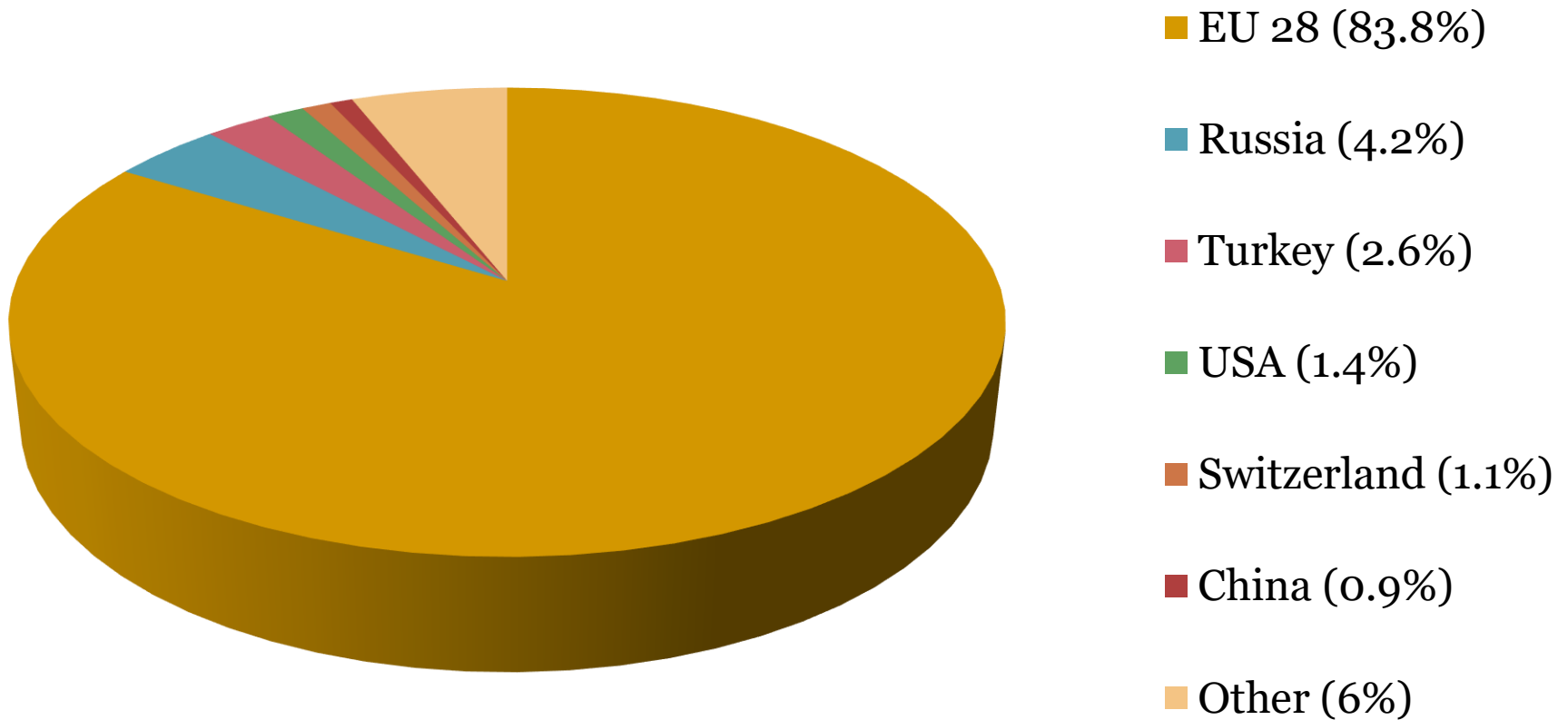
Western Balkan trade with the EU and Russia (Exports, % of Total)



Western Balkans, Top Trading Partners Imports 2018



Western Balkans, Top Trading Partners Exports 2018



What about FDI?

- Similarly, FDI from EU countries continues to dominate total investment flows and stocks in the region.
- Even when the relative decline in investment activity in the region is taken into account (during the early years of the crisis)...
- ...in conjunction with the increase in total Russian investment over the past decade...
- ... Russia's FDI still remains significantly lower than that of the EU member states.



- FDI flows and stock from EU countries have consistently accounted for between 60% and 80% of the total in all Western Balkan countries...
- ...with Germany, Austria, Italy, Greece, Cyprus and the Netherlands accounting for the lion's share.



So why the concern?

- First, although Russia's economic footprint in the Western Balkan countries is clearly much smaller than the European Union's...
- ... on many levels the *perception* of Russian strength is much stronger than the reality, and Russia leverages this to its advantage.



- There is a widespread perception in the region that Russia contributes more than it actually does, even compared to the EU.
- For example, between 2005 and 2013, Russia was Serbia's 8th largest investor – making it an important player but by no means a dominant economic force.
- Yet, in 2016 a majority of Serbs believed that Russia is the biggest investor in their country - although Austria alone invested four times more than Russia



- Second, despite being the overwhelmingly dominant force in the region, the EU's public relations narrative has failed in *connecting with the people* of the Western Balkans...
- ... and communicating to them the level and scope of the EU's contribution to the economies of the region.



- In a poll conducted by the Ministry of European Integration of Serbia in December 2017, when asked which countries have been the largest donors of international development assistance to Serbia in the period 2000-2016, 24% said the EU and 24% said Russia.



- The reality is that during this period the EU has given 59.9% of total developmental aid, while Russia has given less than 0.5% of the total.



“The EU does not tell its own story with enough determination, and has been unable to leverage its tremendous economic involvement into political influence”.

Johannes Hahn

EU Commissioner for Enlargement



- Third, regardless of who spends more in the Western Balkans, as long as EU accession seems like a faraway prospect...
- ... Russia will be able to enhance and feed an anti-EU and anti-Western line, to discredit Western institutions and to capitalise on regional dissatisfaction



- The prospect of Russia increasing its strength and presence in the region and presenting itself as an “alternative” to frustrated Western Balkan countries that are tired of being in the European Union’s waiting room...
- ... should be perceived as a powerful enough stimulus to push forward and accelerate EU enlargement.



- “There are new players at the geopolitical scene and we have to open our eyes or else we will be very surprised. Russia, China, and others are seeking their place and their position in the Balkans. And how much they will get, depends on how much EU and NATO will give them”

(Milo Đukanović, President of Montenegro)

