

RUSSIA'S ROLE AND INFLUENCE IN THE BALKANS IN THE 21ST CENTURY: INVESTMENT, ENERGY AND POLITICS¹

Nina Markovic

University of Melbourne

n.markovic@pgrad.unimelb.edu.au

Introduction

Energy security and long-term stability of gas supply routes have become a key domestic and foreign policy priority for all European states. This was particularly pronounced after the 2006 and 2009 gas crises in Europe, which developed from a pricing dispute between Russia and Ukraine. These crises adversely affected gas supplies to many European countries, and sent shock waves through international stock markets. In the Balkans, the January 2009 crisis contributed to the contracting of domestic economic activity, furthering the considerable financial impact caused by the spread of the global financial crisis to this region.²

Gas crises also prompted the European Union (EU) to intensify its efforts aimed at creating a common energy policy for its members. On 10 November 2010, the European Commission has adopted the *Communication Energy 2020 - A strategy for competitive, sustainable and secure energy*, which provided a blueprint for discussions ahead of the EU's first Energy Summit which took place on 4 February 2011 in Brussels. One goal of the EU's common energy policy is to diversify energy supply routes to Europe. To this end, the EU encourages the creation of new gas pipeline projects, some of which will pass through the Balkans, providing an alternative to the current energy acquisition sources towards a reduction of the EU members' dependency on the Russian gas. These developments have also encouraged Russia to increase its investment and presence in the Balkans in the first decade of the 21st century.

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² Aleksandar Kovacevic, 'The Impact of the Russia-Ukraine Gas Crisis in South Eastern Europe', Oxford Institute for Energy Studies, March 2009, accessed February 15, 2011, <http://www.oxfordenergy.org/pdfs/NG29.pdf>

The geo-political changes in Southeast Europe after the Cold War saw many formerly Communist countries becoming members of the EU and the North Atlantic Treaty Organization (NATO). This had both positive and negative consequences for Russia, prompting it to become more active in the Balkans under two Vladimir Putin's presidential terms, and the current Dmitri Medvedev's Presidency (2008-12). Russia's economic interests have been advanced with a larger presence of the Russian companies (both state-owned and those in private ownership) in the Balkans. This has been, for example, evidenced in Montenegro, where Russian investments over the past decade have significantly increased, with an aluminum plant in Podgorica (that accounts for about 15 per cent of Montenegro's Gross Domestic Product) and Bauxite mines near Niksic now being under the majority holding of a Russian company.³ According to a research conducted for the European Parliament the views about Russia's seemingly pervasive economic influence in Montenegro as elsewhere in the Balkans, have often been exaggerated.⁴

This paper holds the view that Russia's current presence in the Balkans is part of Russia's overarching new foreign policy framework, which is based on pragmatism, and aimed at increasing Russia's political reach, economic influence and strategic assets in the Balkans.⁵ The influence of other players, such as the EU, the US or Turkey, will not be explored here. This paper also argues that Russia's strategy has provided more independent foreign policy options to policy-makers in countries such as Serbia, complementing their efforts to join the EU which require an implementation of complex legal, economic and political standards. As Zarko N. Petrovic (Research Director of the International and Security Affairs Centre—ISAC Fund) observed, a discourse on Russia's economic, political and diplomatic role and its presence in the

³ Kombinat Aluminijuma Podgorica, accessed February 15, 2011, <http://www.kap.me/index1.php?module=1&menu=35> See also The New York Times, 'Montenegro becomes Russia's window of opportunity', October 31, 2008, accessed February 15, 2011, <http://www.nytimes.com/2008/10/31/world/europe/31iht-balkans.4.17424430.html> and [Estandardsforum.org](http://www.estandardsforum.org), 'Montenegro country profile', August 23, 2010, accessed February 15, 2011, <http://www.estandardsforum.org/system/briefs/347/original/brief-Montenegro.pdf?1283958931>

⁴ Matija Rojec (ed.), 'The Russian economic penetration in Montenegro', European Parliament, Briefing paper on foreign affairs, December 2007, p. ii, accessed February 15, 2011, http://www.tepsa.eu/docs/russian_economic_penetration_montenegro.pdf

⁵ Zarko Petrovic, 'New Russian Strategy Foreign Policy Document, Russian State Duma, Modernization and Cooperation with the West. Cooperation with Serbia on the basis of Realpolitik', International and Security Affairs Centre, Belgrade, 2008, accessed February 15, 2011, <http://www.isac-fund.org/download/Modernization-and-Cooperation-with-the-West-Z.Petrovic-ENG.pdf>

Balkans is permeated with unbalanced or alarmist views, emotive perceptions and myths that are not evidence-based, and a misrepresentation of the Russian current foreign and security policies.⁶

Russian foreign policy under Putin and Medvedev

During the 1990s, Russia displayed weaknesses and policy incoherence in its diplomatic, political and economic sectors, as it was undergoing a transition from state socialism to democratic governance structures and market economy. On the international front, Russia could not prevent NATO members from launching military strikes in the Balkans in 1995 and 1999 despite its vocal opposition in the United Nations to these NATO interventions. The EU members and the US also viewed with suspicion Russia's opposition to NATO expansion and military campaigns, and Russia's responses to the Chechen separatism. Russia's economic troubles also worsened after the 1998 financial crisis, which further weakened Russian diplomatic clout and restricted its foreign policy options.⁷

Russian President at that time, Boris Yeltsin, unexpectedly resigned on 31 December 1999, paving the way for Russia's then Prime Minister Vladimir Putin to usher in a new era of Russian domestic and foreign policy.⁸ Putin won the March 2000 presidential elections, only to be re-elected in March 2004, as an independent candidate supported by the United Russia Party. Following the presidential elections of March 2008, Dmitri Medvedev became Russia's third President on 7 May 2008, whose term will expire in 2012. Under their Presidencies, Russia consolidated its position as a major Eurasian energy provider, through its state-owned gas monopoly company, the *Gazprom*, and strategic control of foreign direct investment (FDI). By the end of the first decade of the 21st century, the Russian Federation had become a powerful political and strategic actor seeking to influence global events in a multi-polar era.

⁶ Zarko Petrovic, 'Russia-Serbia relations: Three years' result', in *Russia Serbia Relations at the beginning of XXI Century: Essay Compendium*, Zarko Petrovic (ed.), ISAC Fund, Belgrade, 2010, pp. 5-8.

⁷ Michael T Owyang, 'A case study of a currency crisis: The Russian default of 1998', *Review - Federal Reserve Bank of St. Louis*, November 1, 2002, accessed February 15, 2011, <http://www.allbusiness.com/north-america/united-states-missouri-metro-areas/1077462-1.html>

⁸ British Broadcasting Corporation (BBC), '1999: Putin takes over as Yeltsin resigns', December 31, 1999, accessed February 15, 2011, http://news.bbc.co.uk/onthisday/hi/dates/stories/december/31/newsid_4102000/4102107.stm

The changes in Russia's foreign and strategic policy, and its stronger economic performance over the past decade, enabled Russia to pursue more robust engagement in the Balkans. Russia's new assertiveness on the international scene, more broadly, has been influenced by the changes in foreign policy under Putin's stewardship. Vladimir Putin encouraged a greater centralisation of decision-making structures in Russia, and solidified the *vertikal vlasti*. This concept refers to the 'vertical line of political authority originating with the president and extending down successively to the levels of federal, regional and city administration', which was one of Putin's key objectives when he assumed office in 2000.⁹

Moreover, the term 'sovereign democracy' was coined and promoted by Putin's former deputy chief of staff, Vladislav Surkov in the early 2000s.¹⁰ It suggested that Russia espoused of an alternative democratic model to that of a neoliberal kind. While Russia's domestic democratic record gradually faded in the eyes of international audiences, Russian policy-makers reviewed and further centralized the country's foreign policy and strategic posture. Putin also placed a renewed emphasis on the nuclear deterrent, and expanded conventional weaponry for the maintenance of security at Russia's internal and external frontiers. While Russian policy-makers, on the one hand, sought to improve relations with the United States and the EU, they also regarded NATO's expansion into Central-East and Southeast Europe as a direct threat to Russia's military and defence doctrine.¹¹

The Russia-NATO strategic rivalry did not necessarily wane with the end of the Cold War, but it continued under the Putin and Medvedev Presidencies. This rivalry was demonstrated during Russia-Georgia conflict in August 2008, when many NATO members including the US supported Georgia diplomatically. It was also extended to the Balkans, where two NATO's bases are located, and elements of NATO's proposed anti-ballistic missile defence shield will be established which Russia opposes.¹²

⁹ Olga Oliker et al., *Russian Foreign Policy: sources and implications*, RAND Project Air Force, 2009, RAND Corporation, Santa Monica, p. 10.

¹⁰ Lena Jonson, *Vladimir Putin and Central Asia. The shaping of Russian foreign policy*, IB Tauris, New York, 2006, p. 9.

¹¹ Aleksandar Fatic, 'A Strategy based on doubt: Russia courts Southeast Europe', *Contemporary Security policy*, Vol. 31, No. 3, December 2010, pp. 441-464.

¹² Miami Herald, 'US launches new missile defense program for Europe', March 4, 2011, accessed March 5, 2011, <http://www.miamiherald.com/2011/03/01/2092338/us-launches-new-missile-defense.html>

Russia's concerns about further NATO expansion to the East have been expressed in nearly all key strategic and foreign policy documents by the Russian Federation since 2000. Some closer cooperation has been developed between Russia and NATO on issues of common concern, such as the fight against international terrorism and transnational crime in Afghanistan. Russia-NATO relations have become more complex and multi-dimensional in face of post-Cold War security challenges, to include dialogues on countering terrorism, addressing the issues of failed states and piracy at sea, to more recently include discussions on Theatre of Missile Defence and military academic exchanges.¹³

Russia's economic position has significantly improved over the past decade, *inter alia* through large revenues acquired from hydrocarbon oil and gas production. Russia's economic growth at an average rate of 6.7 per cent annually, and an increase in exports of about 7.4 per cent annually between 2000 and 2006 gave the Russian federal budget and its foreign policy apparatus additional resources.¹⁴ This has encouraged further Russian investment overseas and increased Russia's confidence and activities on the international scene. Despite increased Russian economic influence the Balkans which continues to generate heated debates in local parliaments and media, Liliia Fedorovna Shevstova from the Carnegie Endowment for International Peace observed that often the positive side of Russia's global economic integration and investment activities has been underestimated.¹⁵

The use of force by the NATO alliance against Serbia and Montenegro in 1999 was a catalyst for Russian foreign policy to turn towards greater self-reliance, and away from a more multilateralist orientation and closer cooperation with the West that was promoted by Boris Yeltsin. Russian foreign policy assumed a greater security focus under Putin's leadership. This development has been influenced by the increased numbers of suicide attacks by terrorists sympathetic to Chechnya's separation from the Russian Federation, which threatened Russia's internal stability. A RAND Corporation analyst, Olga Oliker and her colleagues have observed that Russian

¹³ NATO, 'NATO-Russia Council Chiefs of Defence approve the Work Plan for 2011', January 26, 2011, accessed March 5, 2011, http://www.nato.int/cps/en/SID-8E7980DA-E6C6D8FE/natolive/news_70086.htm

¹⁴ Dirk-Jan Kraan et al., 'Budgeting in Russia', OECD Journal on Budgeting 8(2), 1-58, p. 5.

¹⁵ Liliia Fedorovna Shevstova, *Russia-lost in transition: the Yeltsin and Putin legacies*, Washington, DC: Carnegie Endowment for International Peace, 2007, p. 138.

foreign policy embodies a ‘responsive and evolutionary effort to define and advance the country’s national interests’. In their view, Russia’s foreign policy over the past decade has been driven by economic prerogatives. The key strategy of Russia’s policy-makers has hence been to increase the levels of domestic economic growth and productivity whilst promoting Russia’s international prestige, influence and role to enable its leaders to better defend and pursue Russian core economic, political and strategic interests.¹⁶

Vladimir Putin’s first term in office was marked by the signing of major foreign and security documents, such as the Foreign Policy Concept (FPC) which was ratified by a presidential decree on 28 June 2000. This document affirmed that Russia saw itself as a great power that possesses a formidable diplomatic clout.¹⁷ The Ministry of Foreign Affairs of the Russian Federation reviewed the FPC in March 2007—a document which played a part in the drafting of the President Medvedev’s Foreign Policy Concept of 2008.¹⁸

The reviewed Concept had five chapters, which dealt with multilateral dialogue forums, geographical areas of interest to current Russian diplomacy, trade liberalisation and energy security, protection of Russian citizens abroad, and diversification of Russia’s foreign policy instruments.¹⁹ A Dutch scholar, Marcel de Haas, observed that Russia’s FPC reinforced the country’s foreign policy independence, and its desire to formulate policy as an agenda-setter rather than as a responder to international events as they occur. From the FPC it was also evident that energy factor increased in importance for the Russian foreign policy.²⁰

Russian foreign policy apparatus also resorted to more innovative uses of what scholar Joseph Nye calls ‘soft power’, or an ability of a country to promote its national interests through non-coercive activities, such as public and cultural diplomacy, the funding of think-tanks and research institutes overseas.²¹ Nicu Popescu from the European Council on Foreign Relations

¹⁶ Olikier et al., op. cit., pp. 5-6. For an analysis of Russia’s multilateral diplomacy, see Elana Wilson Rowe and Stina Torjesen (eds.), *The multilateral dimension in Russian foreign policy*, Routledge, New York, 2009

¹⁷ Marcel de Haas, *Russia’s foreign security policy in the 21st century: Putin, Medvedev and beyond*, Routledge, 2010, Oxon, p. 15.

¹⁸ Ibid, p. 22.

¹⁹ Ibid.

²⁰ Ibid, p. 28.

²¹ See Joseph Nye, *Soft power: the means to success in world politics*, Public Affairs, USA, 2004

(ECFR) suggested that although few would consider that Russia harbours soft power ambitions, Russian policy-makers since the first Putin Presidency started to invest in the ‘infrastructure of a soft power’, especially after Ukraine’s ‘Orange Revolution’ in 2004.²²

The EU has been interested in examining Russia’s soft power, which is evident through the EU-supported research projects dedicated to this field of study.²³ In international relations theory, the study of ‘soft power’ in reference to Russian foreign policy towards the Balkans is a relatively new scholarly phenomenon. In broader literature on soft power, much has been written about the EU’s use of soft power in Eastern Europe and internationally, a topic not covered in this paper

Nevertheless, Russia also resorted to defending its economic and strategic assets in its neighbourhood through the use of ‘hard power’, such as through the use of coercion, threats and/or military force, demonstrated in the war with Georgia. The Russian policy-makers also feared that Russia’s influence has been diminished with the extensive EU leverage over pre-accession countries in the Balkans. By creating a stronger economic base for the Russian enterprises in the Balkans, the Russian Government has sought to extend its geo-political reach there. However, this policy was grounded in pragmatism and Russia’s new foreign policy framework, which was revised and diversified under Presidents Putin and Medvedev.

Russia and the Balkans

The Balkans as a geographical area does not neatly fall within territories of Russia’s primary strategic interest, which include the Commonwealth of Independent States (CIS) and Shanghai Cooperation Organization (SCO) countries, the Baltic regions and other places with a Russian population (such as the Republic of Georgia). The Balkans, however, features prominently in foreign policy discussions in the Russian Federal Assembly and in the Russian press. The official visits of the Russian political and business leaders to the Balkan countries have increased over the past decade with the feasibility projects and the construction of planned pipeline projects.

²² Nicu Popescu, ‘Russia’s Soft Power ambitions’, CEPS Policy Brief, No. 115, October 2006, p. 1.

²³ Examples include studies and roundtables held in Serbia since 2006 on various aspects of Russia-Serbia relations, and Russia in the Balkans generally.

This has, in turn, enhanced Russia's political, business and cultural ties with this region, and increased Russia's diplomatic clout in Southeast Europe.

The most important partner of Russia's today is the EU—its key energy consumer; then the United States, and Asian economic powers, such as China, Japan and India. The Balkans constitutes, nevertheless, a strategic area of Russia's economic presence abroad. Upon assuming Presidency in 2008, Dmitri Medvedev emphasised that the areas of privileged interest for the Russian foreign policy do not necessarily border Russia's geographical territory. With the expected completion of the Southern Stream gas pipeline project around 2015, it is likely that the Balkans will increase in significance to Russian diplomacy. It is likely that Russian activities in the economic, strategic and political realms will also increase closer to 2015 in this region.

During the Cold War, scholars examined cultural diplomacy exercised by the Soviet Union aimed at promoting the positive image of its policies abroad.²⁴ The principal aim of this type of foreign policy activity was also to influence the public opinion of political elites and citizens in another state towards establishing a 'preferential and advantageous policy by the foreign state towards the state carrying out the cultural diplomacy.'²⁵ This was often conducted through language and arts promotion, intercultural and educational exchange programs and scholarships, building rapport with foreign media, academia and leaders, and so on. Similarly, the United States of America resorted to public and cultural diplomacy in order to counter the Soviet influence globally. The Russian State has, in recent years, encouraged more extensive use of academics, energy companies, the business sector (including business clubs) and foreign investment in pursuit of Russian national interests.

Scholars of Russian foreign policy share a view that energy has become a key tool in shaping Russian foreign policy 'both in the wider global and narrower regional aspects'.²⁶ Popova and others have noted that those countries in the Balkans which are not exclusively dependent on

²⁴ See, for example, Frederick C. Barghoorn, *The Soviet Cultural Offensive: The Role of Cultural Diplomacy in Soviet Foreign Policy*, Princeton University Press, New Jersey, 1960.

²⁵ Cultural diplomacy website, accessed February 15, 2011, <http://textus.diplomacy.edu/textusBin/BViewers/oview/culturaldiplomacy/oview.asp?position=2&items=5&FilterToPic=/38142>

²⁶ Linda Popova, 'Russian foreign policy toward the Balkans: a situation assessment', May 13, 2008, Mercyhurst College Institute for Intelligence Studies, p. 37.

Russian gas, such as Romania, have been able to adopt in recent years a more antagonistic approach towards Russia and demonstrate a firmer support for other pipeline projects, such as the Nabucco pipeline.²⁷ Other regional countries which are almost entirely dependent on Russia for gas supplies, such as Bulgaria and Serbia, have had a much narrower geo-political maneuvering space in which to operate.

Russia-Serbia relations

Located at the social, political, and geographic crossroads of Eastern and Western Europe, Serbia occupies a key strategic juncture in the Balkans.²⁸ Diplomatic relations between Russia and Serbia were officially established in 1838.²⁹ Despite the obvious geographical distance, Russia has been associated historically with a patronage role for the Eastern Orthodox Slavic peoples against the foreign occupying forces, such as the Ottoman Turks. Russian influence was particularly manifested during the late Ottoman period with the production of Russian spiritual and educational literature that was sent to the Balkans.³⁰ During the Balkan wars of liberation in the 19th century, Russia supported nationalistic resistance movements, in particular in today's Serbia and Montenegro. Serbia regained independence from the Ottoman occupation in 1878 at the Congress of Berlin, largely thanks to Russian support.³¹ In both world wars, Russia remained a staunch ally of Serbia's.

Although Russia has traditionally had close relations with Serbia, there were 'moments of divergences', as was the case during the Cold War under Marshall Josip Broz Tito's regime in

²⁷ Popova, op. cit., p. 29. For a concept of energy security and underpinning theories, see Mikko Palonkorpi, 'Matter over Mind? Securitizing Regional Energy Interdependencies', accessed February 15, 2011, <http://www.lsa.umich.edu/UMICH/ceseuc/Home/ACADEMICS/Research%20Projects/Energy%20Security%20in%20Europe%20and%20Eurasia/Matter%20Over%20Mind%20-%20Palonkorpi.pdf>

²⁸ US State Department, 'Background note: Serbia', September 13, 2010, accessed February 15, 2011, <http://www.state.gov/r/pa/ei/bgn/5388.htm>

²⁹ The Serbian embassy in Moscow, 'Politicko-ekonomski odnosi', accessed February 15, 2011, http://www.moskva.mfa.rs/lat/ustext.php?subaction=showfull&id=1250077866&archive=&start_from=&ucat=33&

³⁰ Nikita Bondarev, "Russia and Russians in Serbia and Montenegro: Part I", *Russkiy Mir*, October 9, 2009, accessed February 15, 2011, <http://www.russkiymir.ru/russkiymir/en/publications/articles/article0140.html>

³¹ US State Department, 'Background note: Serbia', op. cit.

the Socialist Federal Republic of Yugoslavia (SFRY).³² Although official relations between the Soviet Union and Yugoslavia were established on 24 June 1940, the Yugoslav leader, Marshall J. Broz Tito, and Joseph Stalin of the Soviet Union could not reconcile their political differences. In an act that officially marked the SFRY's independence from the Warsaw Pact and the NATO, Marshall Tito co-founded with other partners the Non-Aligned Movement in Belgrade in September 1961, where its 50th anniversary will be held in September 2011. Even with a reduction in people-to-people contacts during the Communist period, the Serbian and Russian peoples felt bound by common values and a shared religious heritage, particularly due to cordial relations between their national churches.

The EU members have become Russia's main contenders vying for regional economic and political influence in the Balkans since the disintegration of the former Yugoslavia. In the 1990s, Russia-Serbia relations were generally close as Serbia was internationally isolated as a result of the Balkan wars. With a reorientation of the newly independent Balkan states towards the Euro-Atlantic institutions and their inclusion in the EU and NATO dialogue processes, Russia's prospects for regional influence began to diminish. One of the principal foreign policy tools, which Russia has resorted to in order to counter this challenge, is the use of soft power and targeted financial investments to boost its economic, political and strategic leverage in the Balkans. The EU on its own part has also employed soft power tactics in order to increase its influence in the Balkans, such as by acting as an attractive model for regional integration.

Over the past decade, Russia has pursued strategic investments in the energy and infrastructure sectors in the Balkans, demonstrating that Russia's policy towards this region is principally based on pragmatism and strategic calculations.³³ While the role of values and norms in Russia's policy towards Serbia—like in the EU's policy towards Balkan states more broadly—should not be overlooked, Russian economic and strategic imperatives have guided the development of Russia-Serbia relations after the fall of Milosevic on 5 October 2000. Moreover, Russia has

³² Miroslav Jovanovic, *Project Monitoring Russia Serbia Relations*, International and Security Affairs Centre, Belgrade, accessed February 15, 2011, http://www.isac-fund.org/index.php?subaction=showfull&id=1241640607&archive=&start_from=&ucat=1&

³³ Irina Isakova, *Russian Governance in the 21st Century. Geo-strategy, geopolitics and governance*, Frank Cass, New York, 2005, p. 96.

sought to strengthen its regional position vis-à-vis other actors (namely, the EU and US) as a dominant economic player, which has in turn increased its political clout in the Balkans.

A strategic competition between Russia and other actors in the Balkans is seen in the construction of the two diverse gas pipeline projects. The Nabucco line is supported by many EU countries and the United States, whilst the Southern Stream line is a project jointly initiated by Russia and Italy.³⁴ The expected completion of the Southern Stream pipeline project is 2015. It is likely that Russia will strengthen its economic presence in the Balkans by this date, which would also confirm Russia's role as a key energy supplier to Europe. Similarly, the Nabucco pipeline project would increase other actors' presence in this region, with a possible effect of deepening the political divisions amongst parliamentarians and rival business elites in the Balkans. However, with a recent agreement between Russia and the EU Commission that would allow Russia to showcase the Southern Stream pipeline project in Brussels, it is also likely that by having both major pipeline projects operational by 2015, the risks of gas supply cuts in Europe would be significantly reduced.³⁵

Serbia's balancing act between Russia, the EU and NATO

The Serbian Government and parliamentarians are conducting a balancing act between Russia, the EU and NATO. Russian companies are holding the majority stakes in Serbia's former state-owned oil company, Naftna Industrija Srbije (NIS Jugopetrol). The EU, on the other hand, is the Serbian Government's key foreign policy priority. Serbia's parliamentarians remain divided on the issue of Serbia's relations with NATO, primarily because of experiences with NATO's military strikes against Serbia and Montenegro in 1999 of which economic and health implications persist as Russian foreign minister Sergei Lavrov indicated.³⁶ Serbian policy-makers are pursuing a policy approach that on the one hand, emphasizes the need for more

³⁴ Information about the Nabucco gas pipeline is available at: <http://www.nabucco-pipeline.com/> and about the Southern Stream line at:

<http://www.gazprom.com/production/projects/pipelines/south-stream/>

³⁵ Euractiv, 'Neslaganja EU i Rusije oko energetike', February 25, 2011, accessed on February 26, 2011, www.euractiv.rs/eu-prioriteti/1259-neslaganja-eu-i-rusije-oko-energetike

³⁶ International Radio Serbia, 'Lavrov: Long-term consequences of the NATO bombing of Serbia', March 24, 2009, accessed on February 15, 2011, http://glassrbije.org/E/index.php?option=com_content&task=view&id=6673

democratic and economic reforms towards faster EU accession and closer collaboration with NATO, and on the other hand, seeking to retain independence in foreign policy and nurture good relations with Russia. The Serbian Government sees these approaches as mutually compatible.³⁷

According to a publication by the ECFR of 2007, Russia's policy towards the Balkans has been 'better developed, better coordinated and better implemented than the EU's.'³⁸ A London School of Economics Professor Emeritus, Margot Light, highlighted that Russia since presidential elections of 2000 has rejected the EU's use of normative agenda as expressed by the absence of values in their recent agreements, and that it regarded the EU's policies as incoherent.³⁹ This was supposedly evidenced by the support which most EU members extended for Kosovo's self-declared independence in February 2008 while rejecting the notion of independence for the Republic of Srpska in Bosnia-Herzegovina, or Abkhazia and South Ossetia in the Republic of Georgia. The Russian policy-makers have also used arguments similar to those put forward by the EU members (in support of Kosovo's statehood recognition) to confirm the Russian parliamentary recognition of independence of Georgia's two secessionist areas, South Ossetia and Abkhazia in late August 2008.⁴⁰

Linda Popova from the Mercyhurst College Institute for Intelligence Studies investigated Russia's use of soft power, including in the Balkans. Popova observed that Russia offers advantageous diplomatic carrots or benefits to its allies, which include: access to cheap energy; a growing market for labour, goods and services; a visa-free regime; cultural cooperation and financing of non-government organisations; diplomatic protection in international fora, especially given Russia's permanent membership of the UN Security Council; and even Russian citizenship and pensions.⁴¹

³⁷ B92 portal, 'Tadić on Serbia's "four pillars of diplomacy"', August 30, 2009, accessed on February 15, 2011, http://www.b92.net/eng/news/politics-article.php?yyyy=2009&mm=08&dd=30&nav_id=61454

³⁸ Mark Leonard and Nicu Popescu, 'A power audit of EU-Russia relations', European Council on Foreign Relations, November 2007, cited in Popova 2008, p. 35.

³⁹ Margot Light, 'Russia, Europe and EU enlargement', pp. 83-96, in Rowe and Torjesen 2009.

⁴⁰ Nina Markovic, 'Behind the scenes of the Russia-Georgia conflict', September 17, 2008, accessed February 15, 2011, <http://www.aph.gov.au/Library/pubs/BN/2008-09/RussiaGeorgiaConflict.htm>

⁴¹ Popova, op. cit., pp. 36-37.

Russia's soft power diplomacy in the Balkans has benefited Russia economically, strategically and politically. Serbian political and business elites have, on the other side, also gained concessions from Russia, such as by securing lucrative financial loans following the global financial crisis. As a sign of the mutual trust developing between Russian and Serbian business groups, prior to the official announcement of the Southern Stream gas pipeline project in June 2007 Russian and Serbian companies already conducted an exploratory study in 2006.⁴² In advancing their relations, Serbia and Russia signed an energy cooperation agreement in 2008.⁴³ In February 2009, Serbia and Russia signed a visa-free travel agreement for stays of not over 30 days, with Serbian Foreign Minister Vuk Jeremic promising at the time a conclusion of a cultural cooperation agreement in the near future.⁴⁴

In October 2009 during President Medvedev's visit to Belgrade, Russia and Serbia signed further agreements in the fields of education, sports, culture, parliamentary cooperation, air travel and science and technology.⁴⁵ During his first official visit to Serbia, Medvedev also granted the Serbian Government a loan of 1 billion Euros, and offered Russian diplomatic support in international institutions regarding the disputed independence of Serbia's southern province of Kosovo and Metohija.⁴⁶ Further agreements and collaborative measures are likely to be sealed after Putin's visit to Serbia in late March 2011.

In 2010, Russia concluded an agreement with Serbia to partake in the development of a regional crisis response centre in the town of Niš, while planning to open two more such centres in Asia and Africa.⁴⁷ Regional security experts, such as Professor Zoran Dragisic, questioned whether the rationale for establishing the centre in Niš was to station Russian military personnel in the region, rather than to improve regional response mechanisms to natural disasters, given large-

⁴² Hydrocarbons Technology website, 'South Stream Pipeline, Europe', accessed February 15, 2011, <http://www.hydrocarbons-technology.com/projects/southstream/>

⁴³ Global Research (Centre for Research on Globalization), 'Serbia, Russia sign energy cooperation agreement', January 28, 2008, accessed February 15, 2011, <http://www.globalresearch.ca/index.php?context=va&aid=7926>

⁴⁴ International Radio Serbia, 'Russia and Serbia signed a visa-free regime agreement', February 20, 2010, accessed February 15, 2011, http://glassrbije.org/E/index.php?option=com_content&task=view&id=6286&Itemid=30

⁴⁵ The Balkan Insight, 'Serbia, Russia sign bilateral agreements', October 21, 2009, accessed February 15, 2011, <http://www.balkaninsight.com/en/article/serbia-russia-sign-bilateral-agreements>

⁴⁶ Deutsche Welle, 'Medvedev makes first visit to Belgrade as Russian president', October 20, 2009, accessed February 15, 2011, <http://www.dw-world.de/dw/article/0,,4810672,00.html>

⁴⁷ Studio B, 'With regional cooperation against emergencies' [Lit. Regionalnom saradnjom protiv vanrednih situacija], February 16, 2011, accessed February 18, 2011, <http://www.studiob.rs/info/vest.php?id=47959>

scale inefficiencies in Russia's response to the wildfires in 2010.⁴⁸ This issue will likely become more prominent closer to the centre's establishment, inviting further discussions about Russia's role in the Balkans.

Misrepresentation of Russian foreign policy in Serbia

As an indirect consequence of Russia's increased political and economic presence in the Balkans over the past decade, some right-wing political interest groups began to turn the local public opinion increasingly against the EU. In Serbia, several right-wing nationalistic groups, such as 'Obraz' and '1389', have called on the Serbian Government to develop closer relations with Russia, and to abandon the EU integration policies which are seen as having detrimental consequences for the Serbian society more broadly. At a nationalistic gathering in Serbia in February 2011, members of these organisations publicly burned the EU flags and displayed pro-Russian sentiment as reported in the local media.⁴⁹ These uncivil acts are often based on the misrepresentation and erroneous views of the Russian foreign policy, which is, on the contrary, openly supportive of Serbia's and other regional countries' regional integration.

Misa Djurkovic from the European Integration Institute cautioned that the 'problem with this [uninformed] "pro-Russian" worldview is that such a vision has nothing to do with the realities of the current Russian domestic and foreign policy".⁵⁰ According to this analyst, Russian officials have stated on numerous occasions that it is in Russia's national interest to increase cooperation with countries inside the EU and at its borders, in order to facilitate better EU-Russia relations. Key foreign policy objectives of the Serbian Government consist of developing closer relations with Russia and the EU, alongside strategic partnerships with US and China as part of Serbia's four pillar foreign policy that emphasizes relations with these four actors. The question of how these relationships could be best managed is likely to remain a prominent topic of

⁴⁸ Radio Free Europe, 'The region needs a strong centre for emergency situations', [Lit. Regionu je potreban jak centar za vanredne situacije], August 14, 2010, accessed February 15, 2011, http://www.slobodnaevropa.org/content/srbija_centar_za_vanredne_situacije_nis/2127076.html

⁴⁹ 'Blic' newspaper, Extremist party on the celebrations marking Karadjordje's uprising, [Lit. 'Pir ekstremista na dan Karađordevog ustanka'], February 16, 2011, accessed February 17, 2011, <http://www.blic.rs/Vesti/Drustvo/235724/Dan-drzavnosti-uz-Obraz-skandiranje-Mladicu-i-gazenje-zastave-EU>

⁵⁰ Misa Djurkovic, 'Russia, EU and Serbia', June 11, 2009, accessed February 15, 2011, <http://www.politika.rs/pogledi/Missa-Djurkovich/RUSIJA-EU-I-SRBIJA.lt.html>

discussion in the Serbian Parliament, media and politics, as well as in regional talks regarding Russia's role in and presence in the Balkans in the early 21st century.

Concluding remarks

This paper has argued that Russia's foreign and security policy outlook was transformed under the Putin and Medvedev Presidencies. Russia's greater economic and strategic assertiveness in the Balkans over the past decade came about as a consequence of these changes, as well as in response to other actors' increased influence in this region. Russia also invested heavily after 2000 in soft power instruments, including in the Balkans, to improve its image, and create the local political, social and economic environment more open to Russian regional presence. Research evidence suggests that Russia's economic, cultural, strategic and political investment might increase in the Balkans over the next decade as a result of Russia's pragmatic and strategic foreign policy orientation that favours economic growth. This could also help stimulate local economic development provided that the Russian companies—like all foreign investors—uphold their investment promises.

There has also been a misrepresentation of Russia's foreign policy in the Balkans, a vision which is based on myths, emotive historical narratives and alarmist views rather than reality. This development serves to demonstrate that the complex socio-political landscape in the Balkan countries remains fragile and susceptible to nationalistic rhetoric, which might, in turn, threaten to derail democratic and market reforms. Issues relating to Russia's current and future role and influence in the Balkans, as well as how the national governments, the EU and NATO would respond to it, will undoubtedly invite more scholarly attention in the years to come.

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