

# The Western Balkans between Europe and Russia

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# The Western Balkans Between Europe and Russia

Because Russia's moves in Ukraine have raised questions regarding Moscow's intentions on the Balkans, the EU has once more intensified its engagement in that region. Even though the states of the Western Balkans remain on course to join the EU, uncertainty remains over the future of this region, which also remains important for Swiss foreign policy.

By Matthias Bieri

Russia should keep the Western Balkans out of the Ukraine crisis and not work against the EU in the region – these demands were voiced by the new EU High Representative for Foreign Affairs and Security Policy Federica Mogherini in December 2014. Since the start of the conflict in Ukraine, Russia's increasing political and economic engagement has given rise to concerns in the West about stability in the region and the Western Balkans countries' plans to join the EU.

However, the EU integration of candidates Montenegro, Serbia, the Former Yugoslav Republic of Macedonia, and Albania as well as potential applicants Kosovo and Bosnia-Herzegovina remains far from certain even without Russia's influence. Despite a deep-seated popular desire for accession and formal progress toward membership, the countries are still far away from meeting the political and economic criteria for EU accession. The region continues to be afflicted by corruption, lack of rule of law, organized crime, listless state apparatuses, and underdeveloped infrastructures. Moreover, local power structures display little desire for political reform.

EU Commission President Jean-Claude Juncker has responded to the current expansion fatigue in the EU countries by declaring an accession freeze for new countries until 2020. Nevertheless, the EU



Serbian paratroopers descend to the ground holding Serbian and Russian (L) national flags during a joint exercise in the village of Nikinci, west from Belgrade, 14 November 2014. *Marko Djurica / Reuters*

affirms the Western Balkans' prospects within the Union and wishes to bring the region closer to accession through reforms. It remains questionable, however, whether the EU will regain its appetite for expansion in 2020.

For Swiss foreign and security policy, too, the Western Balkans play an important role. More than 500'000 residents of Switzerland have family ties to the Western

Balkans. The peace support missions of the Swiss Army are concentrated in this region, and Kosovo receives the highest contribution of bilateral Swiss development assistance (CHF 63.1 million in 2013).

## Russian Interests

Russia feels linked to the Slavic and Orthodox parts of the Western Balkans by close traditional bonds. For Russia's policy vis-à-vis the West and in the region, the

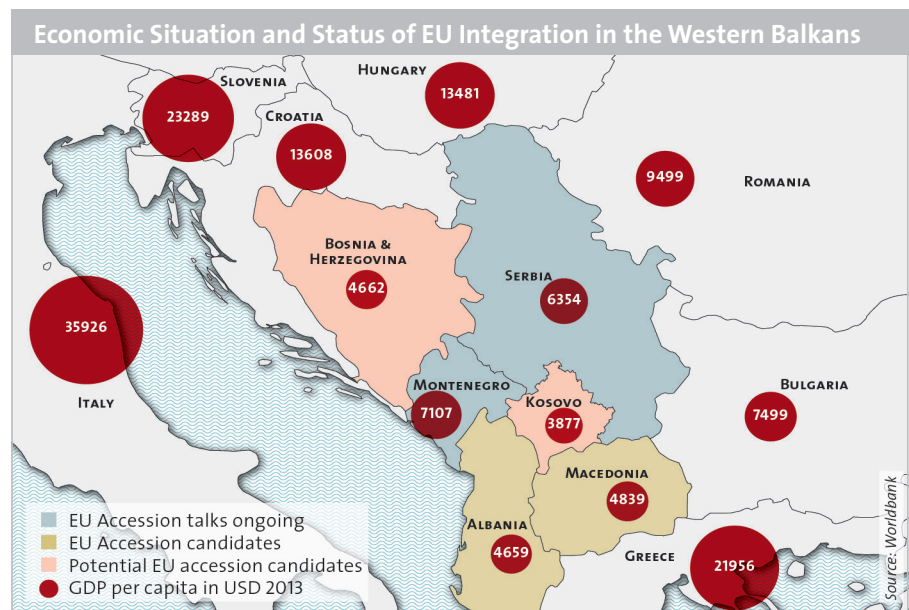
Kosovo war of 1999 was a turning point. Russia felt that its interests had been disregarded by NATO's decision to go to war with Serbia, and henceforth no longer cooperated in good faith with the West. While Moscow's stronger economic engagement in the past ten years has always included a political component, it never seriously challenged the EU perspective for the Western Balkans states. This has changed in the wake of the Ukraine crisis since 2014. With respect to the Western Balkans, too, Russia now refers to external pressure for EU integration as a problem. Already in the Russian foreign policy conception adopted in 2013, the region is ascribed a high degree of strategic importance.

Russia's main partner in the Western Balkan is Serbia. The close connection between the two countries can be traced back to the role of the czarist empire as the protector of all Slavic peoples. More recently, Russia's political support for Serbia in the Kosovo conflict has been of crucial importance. The decision by Russia, a veto power in the UN Security Council, not to recognize Kosovo's declaration of independence on 2008 is a keystone of the Serbian position in this dispute. This circumstance also explains the high popularity of Russia among the Serb minority in Kosovo. The desire for merging the majority Serb areas of northern Kosovo with Serbia was briefly given new impetus by Russia's annexation

## An EU accession of the Western Balkans countries would not be a disaster for Moscow.

of Crimea in 2014. With a view to rapprochement with the EU, the Serbian government has no interest in such a development. Russia, on the other hand, criticizes the compromises achieved between the Serbian government in Pristina and accuses it of betraying the Kosovo Serbs.

Since 2013, Russia and Serbia have maintained a strategic partnership. This includes military and intelligence cooperation as well as coordinated positions in international bodies. In the same year, Serbia became an observer at the Russian-led Collective Security Treaty Organization (CSTO) military alliance. One day, the question may arise whether this security policy cooperation is compatible with EU membership. In October 2014, Vladimir Putin was received with highest honors in Belgrade and awarded Serbia's most pres-



tigious decoration. On this occasion, Putin himself described Serbia as Russia's closest ally. Before 2014, such developments would have been less of a problem. In the current situation, however, such symbolic gestures do a disservice to Serbia's rapprochement with the EU.

Russia also maintains close links with the Republika Srpska in Bosnia-Herzegovina. The political leadership of this constituent republic continues to flirt with secession from the state. Russia's annexation of Crimea was welcomed here, and there was even talk of a possible declaration of independence being recognized by Russia. Thus, Russia has influence over the Bosnian state as a whole via the Republika Srpska, as this constituent entity is often able to block decisions.

Recent years have also seen reconciliation between Russia and Macedonia. The Macedonian government – like those of Serbia and Bosnia-Herzegovina – refused to join the EU sanctions against Russia, hoping to achieve an intensification of economic cooperation.

While Montenegro's economy is strongly dependent on Russian investors, the actions of the Montenegrin government have been politically independent of Moscow since the country won independence from Serbia in 2006; however, Russia still tries to exercise political influence via the opposition and the Serbian minority.

## Dominance in the Energy Sector

Russia's dominant position in the energy sector is crucial for maintaining its influence in the Western Balkans. Serbia, Bosnia, and Macedonia depend significantly on Russian natural gas. Serbia covers more than 75 per cent of its needs with Russian gas. Moreover, Russian state firms control oil and gas production and operate refineries as well as the distribution network. In the Republika Srpska, the only Bosnian oil refineries are under Russian control, while a joint venture with Russian majority shareholders holds the exclusive rights in gas and oil extraction.

However, the strategic value of the region comes down to the importance of the Balkans as a transit route. Russia's announcement at the end of 2014 that it was terminating the South Stream pipeline was widely regarded as a setback for its relations with the Western Balkans. South Stream had been intended to convey Russian gas via Bulgaria and the Western Balkans to Central Europe. The pipeline would have generated annual transit revenues in the nine-figure range for the countries of the region. Now, Russia envisages the construction of a pipeline to Turkey with branches reaching into Europe. The goal is still to replace gas transit through Ukraine with the Balkan route by 2020. There is a danger that gas pricing and gas deliveries could be used for political leverage in the Balkans, as was the case in the past with Ukraine. The EU as well as the Western Balkans states are therefore seeking alternative supply sources.

Russia is quite aware of its limited options in the Western Balkans. It is all the more interested in generating political capital by acting as a serious threat to EU integration of the countries in the region. Putin's politics as well as his emphasis on historic roots and distinctive societal norms do enjoy some support in the region. Also, Putin's Russia is more amenable to the Western Balkans elites and their self-interest in retaining power than the EU. Therefore, there is backing for the vision of an economy integrated into the EU, combined with a society oriented towards Eastern values and authoritarian democracy. Examples of such models can be found in the EU, too – for instance, in Hungary. Ultimately, even

### Politicians in the Western Balkans must support EU accession if they hope to win elections.

an EU accession of the Western Balkans countries would not be a disaster from Moscow's point of view. Member states that are favorably disposed towards Russia could make consensus within the Union difficult to find or could even influence the EU in accordance with Russia's interests.

Russia's reaction to any further admissions to NATO membership would be more thin-skinned: It seems quite likely that Montenegro might join the alliance in 2015 – a scenario that Moscow described as a "major provocation" in September 2014. In Serbia, the NATO attacks of 1999 are not forgotten. The country does not aspire to NATO membership; however, it is part of the NATO Partnership for Peace (PfP) and further deepened its cooperation with the alliance in January 2015. Bosnia-Herzegovina strives for NATO membership, but still has to implement many reforms before it can be considered for membership.

#### Investors from Beyond Europe

Russia's growing influence in the Western Balkans has partly been facilitated by the Euro crisis. In the Western Balkans, the economic crisis struck with full force once more in 2012. Since then, the region has been desperately seeking new sources of funding. On the one hand, the crisis has thus revealed the full extent of the region's dependency on the European economy. If the EU's economic outlook improves, the situation in the Western Balkans will also recover thanks to increasing investment and growing remittances from the diaspora. On the other hand, however, a number

of links to the EU have been lost, and are currently being replaced by new investors. Especially in the area of infrastructure, a number of new projects have been initiated in the past months. China has confirmed investments of €2.5 billion in the rail link between Belgrade and Budapest, designed to connect the port of Piraeus with the continental European markets. Beijing has also financed the construction of power plants and roads in Serbia, Bosnia-Herzegovina, and Montenegro.

Major investments in the Western Balkans have been made by Azerbaijan; Turkey, which is strongly engaged in the Muslim parts of the Balkans; and a number of Arab states. Besides Russia, only Turkey has derived political influence from its economic activities. However, for Turkey, the focus is on the Muslim regions of the Western Balkans that are not amenable to Russia. Turkey's engagement has more of a cultural focus, though, and is centered on the common Ottoman heritage.

The widespread economic difficulties have also aggravated frustration over the poor performance of the political class. For many, hopes of change for the better have waned. The mass exodus of about 20'000 Kosovars to Germany and Austria in January 2015 was the visible expression of such resignation.

#### European Give and Take

Despite the crisis of the Euro, the desire for EU accession remains widespread in the population across the Western Balkans. For this region, the economic promise that the EU holds is still considerably greater than that of Russia. In Serbia, trade with the EU accounted for 62 per cent of the country's foreign trade, while trade with Russia accounted for only 9 per cent. Furthermore, up to €11.7 billion in EU pre-accession funds are to be transferred to the Western Balkans and Turkey by 2020. In a poll conducted in Serbia in September 2014, 57 per cent of respondents were in favor of EU accession. Currently, all politicians in the Western Balkans must support EU accession if they hope to win state-level elections.

The EU is interested in accepting the Western Balkans states as members in order to provide sustainable security and peace in this part of its neighborhood. In Brussels, the hope is that after 2020, the mood within the EU will have shifted in favor of permitting accessions again. However, this

| FDI of the EU Countries            |       |       |        |       |       |
|------------------------------------|-------|-------|--------|-------|-------|
| in million Euro                    |       |       |        |       |       |
|                                    | 2009  | 2010  | 2011   | 2012  | 2013  |
| Serbia                             | 826,9 | 820,9 | 1710,3 | 96,4  | 575,9 |
| Montenegro                         | 787,8 | 292,7 | 204,9  | 219,7 | 79,8  |
| Kosovo                             | 183,8 | 217,9 | 205,3  | 123,2 | 118   |
| Bosnia                             | 154,4 | 147,7 | 195,4  | 174,1 | n/a   |
| Macedonia                          | 135,6 | 139,4 | 218,2  | 83,9  | 175,3 |
| No data for Albania available.     |       |       |        |       |       |
| <i>Source: European Commission</i> |       |       |        |       |       |

would first require the Western Balkans states to make progress in economic development and meet the accession criteria. Moreover, the EU requires that the Western Balkans states find sustainable solutions for their regional disputes, which hearken back to the Balkan wars of the 1990s.

The EU intends to pursue a tough policy of conditionality on the Western Balkans. Only if the criteria are truly met will the states be allowed to embark on steps towards EU membership. The key question, however, remains what will happen to those countries that cannot accomplish sufficient reforms in the medium term.

Many of the problems experienced by the accession candidates are similar across the board: The political leadership does not combat corruption wholeheartedly, and the creation of an independent judiciary is a sluggish affair. Institutions remain weak. Economic reforms meet with popular resistance and are difficult to enforce in the current crisis. Furthermore, freedom of the press is also often lacking.

Then again, each country is faced with particular problems of its own. Bosnia announced in February 2015 that it would finally implement the Stabilisation and Association Agreement with the EU that it signed in 2008. Additionally, in all three population groups, the parliamentary elections of 2014 strengthened those forces that have the least interest in consolidating the common overarching state. The nationwide protests in spring 2014 had little political impact.

While Serbia has made large strides towards the EU in recent years, normalization of relations with Kosovo remains difficult. Before other negotiation chapters

can be opened, the country must find further compromises with the government in Pristina. It also appears obvious that the major EU countries will only agree to admit Belgrade one day provided that it recognizes Kosovo as an independent state – a step that no Serbian government is likely to make for the foreseeable future. What is more, Serbia is still experiencing strong pressure from the EU to join the sanctions against Russia. Serbia cites its OSCE Chairmanship as a reason for its neutral stance. However, a number of EU representatives have made clear that Serbia cannot hope to act as a neutral mediator.

Accession negotiations with Montenegro, begun in 2012, are making slow progress. The case of Montenegro illustrates the EU's dilemma – while it must take into account the accession fatigue among domestic populations, it is also trying to keep the accession candidates on track towards reform. Since the announcement of an accession freeze until 2020, incentives for rapid reform have been lacking. Montenegro's Prime Minister Milo Djukanovic countered criticism from Brussels by threatening to quit negotiations with the EU altogether.

Macedonia's accession process is stuck in a dead end. The country has been an accession candidate since 2005; however, the dispute with Greece over the country name "Macedonia" is blocking any further progress. Greece does not accept the name because it claims the heritage of ancient Macedonia for itself and wishes to avoid any future territorial claims. Unrest in the summer of 2014 showed that the agreement reached between the Slav majority and the Albanian minority remains fragile. The political sphere is divided along ethnic lines, and the internal coherence of the state remains in jeopardy.

In Kosovo, the events of recent months have once more revealed the difficulties experienced at every level by this country, which still hosts 5'000 KFOR peacekeeping troops. The many years of cash infusions from the international community have improved neither the economy nor

the state structures. The population hardly benefits from the invested funds, although Kosovo receives the largest share of development aid to the region (US\$243 million in 2013). The liberalization of visa regula-

## Switzerland hopes one day to benefit from any economic recovery in the region.

tions for travel to the EU, urgently anticipated by the population, appears even more distant after the exodus of January 2015: The economically stronger EU countries fear a surge of immigration. Added to these woes are ethnic disputes that imperil the reconciliation process with Serbia: Because one minister representing the Serbian minority has been forced out of office by street protests, his constituency is contemplating a complete withdrawal from government.

Albania has been an accession candidate since June 2014, but it will be some years before negotiations over accession can begin. In this NATO country, combating corruption appears to be particularly difficult.

### Switzerland's Focus

Switzerland has been engaged since the 1990s in many ways in the Western Balkans. During the wars following the breakup of Yugoslavia, many people fled to relatives who had been living in Switzerland as guest workers for decades. The Western Balkans is one of the focus areas of civilian peace support today, while Switzerland is also engaged here with its two biggest military peace support operations. The Swisscoy mission in Kosovo was extended in 2014 for three more years and encompasses a maximum of 235 soldiers (cf. CSS Analysis No. 150). The mission in Bosnia currently involves 26 soldiers; it is focused on early warning and on training for safe management of munitions and weapons stockpiles. Switzerland's OSCE Chairmanship in 2014, in which the Western Balkans were a priority issue, was a particularly important aspect of Berne's engagement in the region. The focus of the Swiss Chairmanship was to extend support

to Belgrade and Pristina in implementing the 2013 accord on normalization of relations between the two sides. For instance, Switzerland helped finance the first nationwide parliamentary elections in Kosovo. The special representative for the Western Balkans, who took up this position in 2014, is a Swiss diplomat who will also remain in office in 2015 as part of the successive Swiss and Serbian Chairmanships. The special representative also fosters Swiss interests: Fostering regional cooperation and coming to terms with the past, for instance in connection with missing people, are among his priorities. In 2015, he will also accompany the Serbian foreign minister in the latter's role as OSCE chairman on politically sensitive visits in the region.

Compared to the diminishing engagement of other countries, Switzerland's commitment in the region is actually growing. In 2014, Switzerland contributed CHF150 million to programs for development and cooperation, human security, and peacekeeping in the Western Balkans. Switzerland's engagement is often tied to niche areas, such as explosives disposal and demining. The intention is to complement the activities of other countries in a useful way. Coordination with the EU as the lead actor is seamless, and Switzerland is appreciated as a partner. Berne also supports the European integration process on the Western Balkans and tries to make meaningful contributions in this area as well.

With regard to the large Western Balkans diaspora, migration is also an important topic. Switzerland hopes one day to benefit from any economic recovery in the region. Migration partnerships with Serbia, Bosnia, and Kosovo show that collaboration with countries in the region is working well.

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