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Russian foreign policy towards the Balkans: which perspective?

Introduction

The Russian Federation's foreign policy is built on a consensus that emerged from the Soviet collapse and was crystallized in the 1990s. A line in the sand, as recently argued by Leon Aron, beyond which Russia cannot retreat without losing its sense of pride or even national identity. According to Aron, three geopolitical imperatives have shaped Russian foreign action: «that Russia must remain a nuclear superpower, a great power in all facets of international activity, and the hegemon – the political, military, and economic leader – of its region»¹. This seems particularly true if one looks at the Concept of the Foreign Policy of the Russian Federation delivered by President Putin in February 2013. According to this document, «the world is experiencing a period of transition during which a new polycentric international system is forming, which opens the possibility for new economic and financial systems, new alignments in collective security and shifts in political development»². A scenario in which, it reads, «the ability of the West to dominate world economy and politics continues to diminish»³.

In such a context, relations between the EU, the Balkans and Russia are shifting. Today Europe is far from being perceived as a guide or a model, as it was in the early 2000s. For Moscow the 'European choice' – already replaced in 2007 by the policy of

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ABSTRACT

This analysis aims at explaining the nature of Russian foreign policy towards the Balkans taking into account the role of the European Union as an increasingly important player in this radically changed geopolitical context. Pressed by the growing importance of China and Turkey as emerging players in the region and excluded from the project of a united Europe, Moscow faces the risk that, after the Eurozone's financial storm, Brussels will develop a consistent strategy towards Balkans, further strengthening its geopolitical weight. Against this background, this paper emphasizes the growing role of the driving forces behind Russian foreign policy towards the region: the securitization of the economic priorities and the economization of foreign policy. Through the analysis of the nexus securitization-economization, we intend to show how Russia might take advantage of the EU's difficulty to better manage its current economic crisis.

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The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

¹ L. ARON, *The Putin Doctrine*, «Foreign Affairs», March 2013, <http://www.foreignaffairs.com/articles/139049/leon-aron/the-putin-doctrine>

² Concept of the Foreign Policy of the Russian Federation Approved by President of the Russian Federation Vladimir Putin on 12 February 2013, in http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D. The Concept is the fourth consecutive document of this kind in post-Soviet Russia and is a systemic description of the basic principles, priorities, goals and objectives of the foreign policy of the Russian Federation. The previous Concept was announced in July 2008, at the beginning of Medvedev's presidential term.

³ *Ibidem*.

defensive self-assertion shown at the Munich Conference on Security Policy – remains only a possibility to be played pragmatically from time to time. In recent years much has been said about Russia's increased political and economic leverage in the Balkans. Surely, if an element could be indicated as the underlying reason for this trend, it is the eurozone crisis which started in 2008. Balkan countries are closely economically linked to the EU, so what happens in their economic and financial sector is highly correlated to what is happening in the EU's core⁴. An analysis from the Economist Intelligence Unit points out that the transition economies of Serbia, Montenegro, Croatia, Kosovo, Albania and Macedonia suffered the most from the global recession in 2008-09. «Real GDP in the Balkans contracted by 5.2% in 2009 and the recession lasted into 2010, with average GDP falling by 0.4%, because the largest economy in the region, Romania, experienced an output decline. Elsewhere, the recovery in 2010 was tepid and the region's performance in 2011 was modest. This means that average output in the region is still well below pre-crisis levels»⁵. The Balkans' economies are highly vulnerable to a new recession in the eurozone because the crisis in the EU – a key trading partner for all Balkan countries – has also hit local economies hard by discouraging demand for exports and reducing Foreign Direct Investments. In other words, «the EU is now exporting the crisis to its already-troubled periphery and this is to some extent undercutting its policy in the region»⁶.

The Balkan arena between the Eurozone's *debacle* and the Russian advance

In the uncertainty followed by the financial *debacle* of the eurozone, the EU's supremacy in the region has been openly challenged by Russia which has tried to present itself as a credible and promising economic and political counterpart for the Balkan countries. Giving priority to the economic sphere⁷, in the last four years Moscow has encouraged Russian companies to gain business assets all over Southeastern Europe, trying to convert the region into a strategic hub and a preferential entry point to the Western economic area. Moscow's interests in the Balkans are not simply economic but also geopolitical. With the thrust of NATO eastwards, the EU enlargement and the unsolved question of the Kosovo conflict, geopolitical claims within the Russian political elite became centralized. Looking at the Balkans, this basically means the return of a foreign policy driven by a *kto kogo* (who wins over who) approach as explained by Bobo Lo in his seminal book⁸, "for every winner there must be a loser". Zero-sum equations had been decisive in shaping Moscow's approach towards the Balkans, as a key region for the projection of Russian influence and a buffer zone in which Russia's interests had to be given precedence. In a context like this, two competitive geopolitical strategies have challenged each other in the Balkans: the multilateral approach, led by the EU which has pursued its interest in the region through multi-dimensional and multi-purpose instruments like shared sovereignty, win-win cooperation and mutual interest⁹; and the multipolar approach, implemented by Russia which has continued to refer to the Balkans as an arena in which inflexible devotion is given to retro concepts like the clash of national interests or the emphasis on Russia's great-power nature of its policy.

⁴ WORLD BANK, *South East Regular Economic Report*, December 2012, http://www.worldbank.org/content/dam/Worldbank/document/SEERER_3_Report_FINAL_eng.pdf.

⁵ EUI, *Eastern European Economy: Balkan Vulnerability*, 14 June 2012, http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=1059118890®ion_id=1510000351&country_id=1320000332&refm=vwCtry&page_title=Late+st+analysis.

⁶ ECFR, *European Foreign Policy Scorecard 2013*, http://www.ecfr.eu/page//ECFR73_SCORECARD_2013_AW.pdf, p. 76.

⁷ See T. CASIER, *Russia's Energy Leverage over the EU: Myth or Reality?*, «Perspectives on European Politics and Society», vol. 12, no. 4, 2011, pp. 493-508.

⁸ B. LO, *Russian Foreign Policy in the Post-Soviet Era*, Palgrave MacMillan, New York, 2002.

⁹ CESS, *EU-Russia Relations. Time for a realistic turnaround*, <http://thinkingeurope.eu/publications/eu-russia-relations-time-realistic-turnaround>.

The section of the Foreign Policy Concept devoted to relations with the Balkans wholly demonstrates this perspective. It states, «Russia aims to develop comprehensive pragmatic and equitable cooperation with Southeast European countries. The Balkan region is of great strategic importance to Russia, including its role as a major transportation and infrastructure hub used for supplying gas and oil to European countries»¹⁰. This is a key example of what multipolarity is; a field where global, regional and emerging powers compete strategically and pragmatically to expand their sphere of influence. Trenin has persuasively explained what this approach means for Russia, «As a major country, Russia must be an independent actor. By definition, it can have no natural friends or sponsors. Instead, it has partners who are also competitors. Virtually anyone can be a partner, and practically anyone can be an opponent. The cooperation-to-competition ratio varies, depending on a particular field of interest, point in time, and wider constellation of power relationships»¹¹.

Against this background, this analysis sets out to explain the nature of Russian foreign policy towards the Balkans, taking into account the EU's changed role, undermined by the ongoing economic crisis and hence not very committed to speeding up the enlargement process. Pressed by the growing importance of China and Turkey¹² in acting as emerging players in the region, and excluded from the united Europe project, Moscow would like to avoid the risk that Brussels will reinforce its economic and foreign policy towards the Balkans after the financial storm, thus radically enhancing its geopolitical weight. Moving from this scenario we can understand the growing role of the driving forces behind Russian foreign policy towards the region: the securitization of economic priorities and the economization of foreign policy. Theorized for the first time by Ole Wæver¹³, the concept of securitization provided a different perspective on Russia's approach towards the Balkans: by labeling economic actions, such as energy or infrastructural policy, as a security matter, Russia's economic task in the region has been conceived as a highest geopolitical priority issue. Simultaneously, the emphasis on economization reflects the self-centered interpretation of a foreign policy focused on the benefits of economic cooperation as well as on «the compelling symbolism of participation in Western dominated global processes and institutions»¹⁴. Both subordinated to the traditional geopolitics of power, the securitization of economic priorities and the economization of foreign policy serve to protect and promote Russian economic interests in the European arena (above all access to the export market) with the aim of acquiring political leverage over the Balkan states.

The securitization-economization nexus in practice: evidence from the field

¹⁰ See point 66 of the Concept of the Foreign Policy of the Russian Federation Approved by President of the Russian Federation Vladimir Putin on 12 February 2013, http://www.mid.ru/brp_4.nsf/0/76389FEC168189ED44257B2E0039B16D.

¹¹ D. TRENIN, *Getting Russia Right*, «Carnegie Endowment for International Peace», Washington DC, 2007.

¹² Turkey as a new emerging regional power has expanded its economic, political and diplomatic role in the Balkan countries by carrying out a multi-dimensional and multi-regional foreign policy. The Istanbul Declaration signed in April 2010 by the presidents of Turkey, Serbia and Bosnia and Herzegovina, marked an important achievement regarding Turkey's diplomatic role in the region. Due the EU economic crises, China is also expanding its influence in the region. Therefore, the Chinese central strategy is to spread influence through increased trade and political alliances, fostering tighter relations with governments and businesses throughout the whole region. Recently, China has shown great interest in power plants in Serbia, an automotive plant in Bulgaria, and the mines sector in Albania, and Serbian authorities and Chinese representatives signed a memorandum of co-operation in March 2012 to introduce Chinese language classes for Serbian students in elementary and high schools.

¹³ The concept of securitization is generally associated with the Copenhagen school of security studies. See O. WÆVER, *Securitization and Desecuritization*, in R. LIPSCHUTZ, *On Security*, New York, 1995, Columbia University Press, pp. 46-86.

¹⁴ B. LO, *Russian Foreign Policy in the Post-Soviet Era...*, cit., p. 45.

Indeed, if there is a paradigmatic example of what the securitization-economization nexus means in practice, it surely can be envisaged in the South Stream project - the Russian-led pipeline launched in December 2012 and designed to link Russia's gas fields to the markets of the Balkans, Austria and Italy, carrying up to 63 billion cubic meters of gas annually¹⁵. Is the current struggle for the Balkans founded on the control of energy supplies and routes, as recently argued by the Atlantic Council¹⁶? If so, it is foreseeable that this competition will be strengthened now that South Stream is in function. Funded by the Russian state-controlled Gazprom, Italy's ENI, France's EdF and Germany's Wintershall, the project is planned to start operating in 2015. By launching its construction, Russia will get ahead of its competitor, the *EU's flagship Nabucco*¹⁷ pipeline, which has been beset by a lack of funds and a reliable supply of natural gas. Today Western Europe has become the major external market for Gazprom, which supplies one-third of Western Europe's aggregate gas imports, usually under long-term contracts. In 2006 and 2007, Gazprom's key European partners, such as ENI, Gaz de France and Wintershall, renewed their contracts for up to 25 years. It has been rightly observed that «gas is not only supplied “up to the border”, but directly to European consumers. European gas trading houses, established in importer countries through joint ventures with Gazprom, serve as traders. Through these joint ventures, Gazprom has over the past ten years successfully expanded its presence in Europe's gas consumer market»¹⁸. Essentially, Russia's control of the pipelines and gas prices has permitted Moscow to act as a monopolist and impose on its gas suppliers, as wittily pointed out, «either you accept our prices or you freeze»¹⁹. Analogously, this strategy is applied all around the Balkans, where Russia aims to secure its sphere of political and economic influence by building interdependencies among the countries in the region by securing bilateral pipeline deals. As a main operator of South Stream, Gazprom has also tried to acquire many downstream assets to gain control over gas distribution networks, transforming economic influence into enduring political power over local governments. To date, intergovernmental agreements have been signed with Croatia, Bulgaria, Hungary, Serbia, Greece, Slovenia and Austria, where the pipeline will run. Specifically, one-fourth of the gas supply would be bought by energy companies in Serbia and Croatia. Gazprom plans to include Balkan countries in its South Stream project before they acquire EU membership – a potential time bomb for the energy hegemony of Gazprom in Europe – considering that the EU's Third Package for Electricity and Gas Markets²⁰, which came into force in March 2011, limits Russia's monopoly in EU territories by forcing EU countries to unbundle companies in the gas sector and separate production and supply from transmission networks.

In any case, Russia's geopolitical advance reported in recent years does not only entail energy investments. While it is difficult to obtain data on Russian FDI destinations, some assumptions can be made on the basis of the various Russian investments that have taken place in many Balkan countries. Today, the biggest Russian investors in the region are natural resource-based firms, with oil and gas sector companies (such as Gazprom, Lukoil, Itera, Yukos and Rosneft) being dominant, although ferrous and non-ferrous metals are also represented (see for example RusAl, Norilsk Nickel, Severstal and Meche). Serbia is an exemplary case of the strengths and weaknesses of this entrepreneurial trend. What do the official figures say about the real level of Russian FDI

¹⁵ See <http://www.south-stream.info/en/pipeline/route/>.

¹⁶ S. BLANK, *Russian Policy in the Western Balkans*, in Atlantic Council, January 2013, <http://www.acus.org/files/Blank.pdf>.

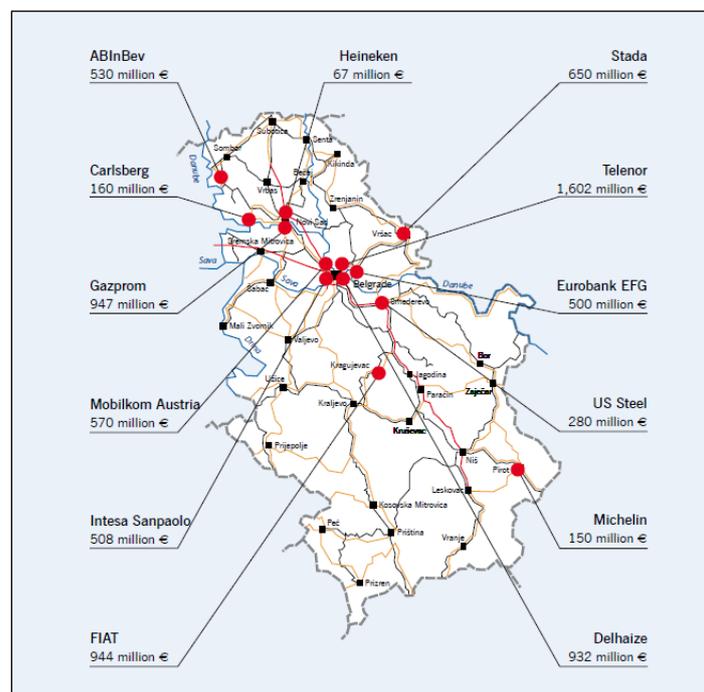
¹⁷ Nabucco, whose shareholders are Bulgarian Energy Holding, Botas (Turkey), FGSZ (Hungary), OMV (Austria), Transgaz (Romania), aims to connect the Caspian and Middle East gas regions to the European consumer markets. The pipeline will link the Turkish-Bulgarian border with the latter via Bulgaria, Romania and Hungary.

¹⁸ T. MITROVA, *Gazprom's Perspective on International Markets*, «Russian Analytical Digest», 41/08, www.laender-analysen.de/russland.

¹⁹ S. BLANK, *Russian Policy in the Western Balkans*, op.cit.

²⁰ See http://ec.europa.eu/energy/gas_electricity/legislation/legislation_en.htm.

penetration in this country's economy? Beyond the increasing data on Russian FDI in the Serbian energy sector, the overall picture depicts an economic framework which is still in favor of EU investors. While it is true that Russian investors are becoming more important, figures from the Serbian National Bank²¹ report that in 2012, Russia was only the twelfth most relevant investing country in Serbia, far behind Italy, Austria or Germany. Still, how important are Russian investors now and what will their impact be in the future? The answer is not simple and can be approached from various perspectives. If one looks at the national origin of companies that have invested in Serbia in the last decade, it is clear that, while EU countries dominate the list of investments, Russia maintains the leadership in the gas sector²². The relevant novelty is Russia's recently increasing prominence in sectors traditionally dominated by EU investors.



Serbia Investor Profile. Siepa Research 2011

Taking a look at the specific sectors which attracted the largest investments in 2012, SIEPA – the Serbian Investment and Export Promotion Agency – reports increased Russian FDI also in sectors like agro-foods, financial (the vast majority of banks operating in Serbia are foreign-owned), retail, real estate and pharmaceuticals²³. Russian influence in the country is also becoming stronger due to loan agreements for infrastructure projects and financial aid. According to the EIU, in 2012 Russia agreed to lend Serbia \$US800m to build a track on the Belgrade-Pancevo line. In the same year, Moscow provided Serbia with \$US300m for general budgetary purposes, and will lend it a further \$US700m in 2013²⁴.

²¹ Available at http://www.nbs.rs/internet/english/80/platni_bilans.html.

²² At the end of 2012, Gazprom, which owns the two largest oil and gas companies in the country and controls the domestic petro-products market, persuaded the state-controlled gas company Srbijagas to invest in building the Serbian section of the South Stream pipeline.

²³ SIEPA, *Doing Business in Serbia*, 2013, Belgrade.

²⁴ EIU, *A new era in Russian-Serbian relations?*, 12 September 2012, <http://country.eiu.com/article.aspx?articleid=939550278&Country=Serbia&topic=Politics>.

Russian economic expansion in the country can be explained in different ways. EU FDIs have declined due to the economic crisis, leaving some room for new economic players, and Russia and Serbia have signed a number of bilateral agreements aimed at improving economic relations between the two countries. As of today, outside the CIS, Serbia is the only country with a Free Trade Agreement with Russia that stipulates that Russian goods produced in Serbia are considered to be of Serbian origin and exported to Russia customs free. The possibility of exporting goods from Serbia to the Russian market without paying customs has already been recognized by leading multinational Russian companies which established their production facilities in Serbia in order to export to the customs union of Russia, Belarus and Kazakhstan. Although the core of the Russian-Serbian relationship is economic, political factors also contribute to the enforcement of bilateral relations. The EIU notes that «Russia has in recent months reaffirmed its support for Serbia over the Kosovo issue, including making symbolic donations for the reconstruction of damaged Serbian Orthodox churches in Kosovo»²⁵. «The only thing I love more than Russia is Serbia»²⁶, declared Serbian president Nikolić – former leader of the ultranationalist Radical Party – during his first official foreign visit to Russia. There are many reasons to believe him. Russian and Serb representatives often talk about their Slavic and Orthodox brotherhood. This is the case of Aleksandr Konuzin, Russia's ambassador to Belgrade, who gave an insight into the Serbian – Russian relationship in an interview on B92 television. «The Serbs are bright representatives of the Slavic tribes», he said, «whom he would like to see recapture their faith in their own strength and guard every inch of their Serb land, which was safeguarded and left as a legacy by their ancestors»²⁷.

Leaving aside the multifaceted question of pan-slavism, it is reasonable to believe that the Russian influence will not be limited to Serbia only. In the last years Moscow has looked with interest at Montenegro, a country in which Russian FDI penetration is significant, especially in the extractive sector, in the tourism industry. The acquisition of the real estate is so impressive that public opinion and press talk about *selling off* the Montenegrin land to Russian investors. Yet, as duly observed «the question, therefore, is what is the truth behind the statements, articles and rumors about the Russian invasion on Montenegrin real estate»²⁸. While it is true that real estate related FDI is a terrific phenomenon in this country²⁹ the real dimension of Russian FDI diffusion in the Montenegrin economy remains difficult to evaluate due to the lack of reliable and official statistical data and due to the fact that a huge proportion of Russian investments in the country are made via third countries, via local companies or by paying cash. The real estate boom may be a cover for turning dirty money into licit income, since Montenegro unilaterally adopted the euro in 2002. The European Commission has even recently warned that money-laundering remains a serious problem which has to be tackled if the country wants to move towards full alignment with the EU *acquis*³⁰.

²⁵ EIU, *ibidem*.

²⁶ President "loves only Serbia more than Russia", September 10 2012, http://www.b92.net/eng/news/politics-article.php?yyyy=2012&mm=09&dd=10&nav_id=82164.

²⁷ T. JUDAH, *To Russia with love*, «The Economist», 18 September 2012, <http://www.economist.com/blogs/easternapproaches/2012/09/russia-and-serbia>.

²⁸ EUROPEAN PARLIAMENT, *The Russian Economic Penetration in Montenegro*, December 2007, [http://www.europarl.europa.eu/RegData/etudes/etudes/afet/2007/385551/EXPO-AFET_ET\(2007\)385551_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/afet/2007/385551/EXPO-AFET_ET(2007)385551_EN.pdf).

²⁹ According to the Central Bank of Montenegro, in 2012 the share of inflow from investments into real estate was 53.6%, followed by banks and companies (31.9%) and intercompany debt (14.4%).

³⁰ EUROPEAN COMMISSION, *Montenegro 2012 Progress Report*, October 2012, http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/mn_rapport_2012_en.pdf.

Conclusions

The Russian and the Montenegrin cases show that while, Russia certainly is trying to acquire prominence in local economies, its segment of overall investment remains lower and far less diverse than that of the EU member states. Furthermore, it is uncertain whether Moscow geo-economic vision will be translated into political relations with the Balkan countries, especially those like Serbia and Montenegro, candidates for the EU membership. While the harshness of the Eurozone crisis and the slowing of the EU's enlargement³¹ have raised uncertainties throughout the Balkans about the reliability of the European project, the EU is still the most prominent economic actor in the region. Russia's attempt to take advantage of Brussels' difficulties in managing its ongoing crisis, as of now has not been followed by strong evidence of economic hegemony in the region. Of course this scenario will get worse on the geopolitical side if the EU continues to accept the limbo of «wait and see or go slow approach to further enlargement»³².

- So the EU should be more proactive for avoiding that the Balkans become an arena for Russian future economic and geopolitical ambitions.
- The question is not if Russian economic advance towards the region has geopolitical implications or not, but rather what the EU can do to use this situation to its advantage, enforcing its role as a global actor.
- We retain that it would be a serious political error by the EU to wait to resolve the economic crisis before defining itself as a credible global player.
- According to Stratulat European politicians should start actively promoting EU enlargement to the Balkans. The risks of the disengagement are evident: «Leaving the Balkans in limbo or devising peripheral-type associations in a multi-speed Europe will erode hard-won achievements, particularly in terms of peace, stability and democracy, and will open up space for other ambitious actors like Russia, Turkey or China to compete with the EU's influence and vision in the region»³³.

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³¹ See *Council Conclusions on Enlargement and Stabilisation Process*, 3210th GENERAL AFFAIRS Council Meeting, Brussels, 11 December 2012, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/134234.pdf.

³² R. BALFUR, C. STRATULAT, *The enlargement of the European Union*, http://www.epc.eu/documents/uploads/pub_3176_enlargement_of_the_eu.pdf.

³³ C. STRATULAT, *EU enlargement to the Balkans: the show must go on*, http://www.epc.eu/documents/uploads/pub_2988_eu_enlargement_to_the_balkans.pdf.