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Russia's Influence on the Western Balkans
The Cases of Serbia, Bosnia – Herzegovina (Republika
Srpska) and Montenegro

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Keywords : Russia, Serbia, Bosnia-Herzegovina, Republika Srpska, Montenegro, Kosovo, Western Balkans, United Nations Security Council, NATO, EU enlargement

Abstract

There is no doubt that Russian foreign policy has become more assertive and revisionist under the leadership of Vladimir Putin. One of the regions that have been directly affected by the Russian foreign policy is the Western Balkans as the Russian influence on the area has been increased over the last decade. The aim of this thesis is to examine the Russian influence on the area of the Western Balkans and especially in Serbia, Bosnia-Herzegovina (Republika Srpska) and Montenegro. The present thesis argues that Russia's approach towards the above mentioned countries does not rely only on a single policy instrument to achieve its goals, but it combines a variety of instruments on economic, political, diplomatic, military or cultural level, adapted to the requirements of each country. However, despite its soft power policy and the rhetoric of brotherhood ties, Russia has not created a real trust in the region and its influence should not be overestimated by its competitors and especially the EU.

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INTRODUCTION

Undoubtedly, in Russian foreign policy the Balkans and especially the Western Balkans has been a significant area of steady geostrategic interest as it is a link between Russia and Europe. What is more, the Western Balkan region is of great strategic importance to Russia, especially as a major transportation and infrastructure hub which can be used for supplying gas and oil to European countries. In the wake of the breakup of Yugoslavia, the EU and the US were more actively engaged in the area, making Russia to adopt an openly revisionist policy in order to redraw the borders and rewrite the rules of the post-Cold War settlement. More specifically, Russia under the administration of President Vladimir Putin has become more proactive in the region since the annexation of Crimea, trying to mitigate the European and NATO's influence in the area. Actually, Russian foreign policy seizes on opportunities to disrupt EU and Western objectives, interfering with local politics and promoting an anti-Western, populist narrative. This narrative resonates among certain political and social groups in Serbia, Bosnia-Herzegovina and Montenegro. Moscow aims at slowing or even preventing these countries from the process of democratization, exacerbating latent tensions and eventually blocking their path towards EU and NATO accession.

It goes without saying that Russia has invested considerable time and resources attempting to strengthen its influence in the region in recent years. These efforts have been successful across a wide range of areas with the most significant to be those of energy and investments. Russia's position as a dominant energy supplier has been established through downstream-asset acquisitions and new bilateral partnerships. Rising trade and investment flows underscore Russia's economic weight in the Balkans which seems to be greater than at any point since 1991 as Russian energy firms enjoy a near-monopoly in Serbia and Bosnia's Republika Srpska.

What is more, Russia's networks of diplomatic and political influence have also grown, given that influential opinion leaders and media echo the Kremlin's view on Ukraine. Needless to say that Serbia and Bosnia-Herzegovina did not align with EU sanctions against Russia. It should also be noted at this point that although Russia seemed to be marginalized during the Balkan Wars of the 1990's, it appears to be once again an important player in the region with a renewed interest in the Western Balkans,

associated with notions of national greatness. In the case of Western intervention in Bosnia- Herzegovina and Kosovo, Russia's self image was severely damaged when North Atlantic Treaty Organization (NATO) ignored Russia's opposition and used force against a Slav Orthodox nation. Putin's foreign policy strategy regarding the Western Balkans seems to emphasize to such cultural and ethnic elements as well as to notions of past greatness, making use of the rhetoric of brotherly ties.

The present MA thesis attempts to explore the Russian influence on the area of the Western Balkans and examine the instruments which are used to strengthen that influence. In order to shed greater light on these issues, this thesis seeks to provide greater understanding of the relations that have been developed between Russia and the Western Balkans countries. More specifically, the thesis is structured on a case-by-case basis, providing detailed information about the cases of Serbia, Bosnia-Herzegovina (Republika Srpska) and Montenegro and analyzing the various dimensions through which Russia exerts its influence on these countries, such as energy, economy, politics, diplomacy, security and culture. As far as the timeframe is concerned, an emphasis has been placed on events and developments that have taken place over the last decade and especially during the third and fourth phase of Russian foreign policy, as suggested in the next chapter. However, in order for the analysis to be accurate and thorough, reference has been made to prior periods as well, especially in the first chapter and in the sub-section of Kosovo. The methodological design that is followed is a descriptive one, aiming at analyzing and synthesizing the data and the information that was collected from scientific papers, books and internet sites. Each piece of information was carefully and systematically collected in order to demonstrate validity.

The thesis consists of three main chapters. The first chapter is the background chapter, which covers the developments from the beginning of Putin's presidency and describes the major shifts that characterize the Russian foreign policy under Putin's administration in general. Actually, the first part of the chapter provides a summary of the four distinct periods that have shaped and established Putin's 'Great Russia' strategy, from the pragmatic relations with the West in 2000-2001, to the open confrontation with the latter following the Ukraine crisis. The aim of this section is to highlight the shifts in Russian foreign policy and outline the socio-political framework in which the Russian strategy towards the Western Balkans was shaped. The second

part of the first chapter focuses on the area of Western Balkans per se and attempts to explore Russia's approach towards this region which seems to be based on three pillars, relating to energy policy, security policy and identity politics. What is more, this part underlines Russia's tendency to see the West and especially the European Union as a rival and therefore in zero-sum terms, exploiting loopholes and blind spots in the latter's policy. In fact, this chapter provides a broader approach of Russian influence on the Western Balkans as the following chapters are bound to give a more detailed account on a country-by-country basis.

The following chapters (2nd and 3rd) form the core of the present thesis and concentrate on case studies and more specifically investigate the Russian influence on Serbia, Bosnia-Herzegovina (Republika Srpska) and Montenegro. The analysis here is not based on a single dimension but it attempts to deal with the issue in a comprehensive way, emphasizing soft power and presenting the different instruments of influence that Russia uses in each country in order to achieve its strategic goals. The Russian stance over the Kosovo issue has been included in Serbia's case study since Kosovo has been central to Russian narrative of supporting Serbia.

Finally, the concluding remarks of the thesis provide an overview of the main ideas and reach some balanced conclusions regarding Russian influence and its effectiveness on the countries of Serbia, Bosnia Herzegovina and Montenegro. Actually, the present thesis has come to the conclusion that even though Russia's influence on the Western Balkans should be kept in mind, its importance and effectiveness should at the same time not be overestimated.

CHAPTER 1

Russia's Foreign Policy under Putin's administration

1.1. Overview

According to Spechler (2010) a number of major shifts have characterized Russian foreign policy during the Putin period, corresponding to four distinct phases : From 2000 to 2001, Putin's strategy concentrated on state consolidation and pragmatic relations with the West. From 9/11 to the start of the Iraq War in 2003, an anti-terror alliance with the West took place and from 2003 to 2013 an increasing systemic crisis in relations with the West was evident, reflecting Russia's desire to examine its foreign policy's limits. Finally, during the ongoing fourth phase of Putin's administration, the Ukraine crisis triggered an open confrontation with the West and its norms.

Undoubtedly, the situation changed greatly for Russia when Putin came to office in 2000. At that time the situation in Russia was totally decentralized. The state had lost central authority and the oligarchs robbed the country and controlled its power institutions (Cicek, 2015, p.19). Putin seemed determined to strengthen the country's position in the international arena, rebuilding a functioning state and restoring state power. In the beginning, Putin pursued a foreign policy strategy to this direction, giving priority to the improvement of relations with Europe in order to ensure the maximum economic prospects for his country.

The terrorist attacks in the United States in 2001 changed dramatically the picture in Russia's relations with the West as security concerns took place and Putin seemed to be willing to support the United States in the "War on Terror" in an attempt probably to foster Russia's strategic importance in an international level. Moscow agreed to help to end Taliban rule in Afghanistan, estimating that such a move would give it more freedom in Chechnya, as Russell argues (2007). However, there was a widespread concern among the Russian political elites to control the extension of US power that might emerge from the fight against al-Qaeda. At that point Putin made a sharp turn towards nationalism and authoritarianism, leaving behind the liberal position which advocated the integration of Russia with Europe as swiftly as possible. He actually

concentrated his efforts on stabilizing Russia's internal affairs, using oil and gas as diplomatic tools, aiming at establishing Russia as a great power. Indeed, given the stunning economic growth of the country, its position in the global political arena began to change gradually.

Other important factors that gradually influenced relations between Russia and the West was the US-led war in Iraq and the Western support for the colour revolutions in Georgia (2003), Ukraine (2004) and Kyrgyzstan (2005) (Antonenko&Giegerich, 2009, p). In 2007, during his speech to the Munich Security conference, Putin argued that "the US overstepped its national borders through the policies that it imposes on other nations" in an effort to establish a "unipolar" world.

Without a doubt, a number of other factors, such as the Russia- Ukraine gas disputes (2006 and 2009), Russia's war against Georgia (2008), Russia's support for the Assad regime in Syria and Russia's decision to grant political asylum to the whistle-blower Edward Snowden (2013) contributed to the exacerbation of the relations between Russia and the West. From early 2013 onwards, the annexation of Crimea has triggered further confrontation with the West, with Russia struggling to restore its past national grandeur, treating the West as the hostile 'other', as Shevtsova (2014) suggests.

In this context of growing competition and given the strategic importance of the region of the Balkans, it is no surprise that it is becoming one of the principle arenas of foreign policy competition, especially between Russia and the EU. The present thesis attempts to shed light on the third and fourth phase of Russian foreign policy focusing on the area of the Western Balkans.

1.2. Russia's foreign policy in the Western Balkans

There is no doubt that Russia's economic and political presence in the Western Balkans is higher than at any time since the end of the Cold War (Bechev, 2015,p. 1) as the economic and political crisis, which has been besetting the European Union during the last decade, has had negative consequences for the countries of the Western Balkans. The delays in EU enlargement for the accession countries of the region as well as the refugee crisis and the problems resulting from it have created a widespread feeling of resentment among the Balkan peoples, creating new opportunities for Russia

to take advantage of the situation in the region. To make matters worse, due to the imminent departure of the UK following the June 23 referendum on Brexit, the EU is bound to shrink, bringing about a much more uncertain environment for its strategic goals for the area of Western Balkans. Besides, we should not ignore the fact that the annexation of Crimea and the destabilization of Ukraine from early 2013 have led Russia towards an open confrontation with the West and particularly the EU. In this context, the Western Balkans has become one of the principle arenas of foreign policy competition.

It could be argued that Russia's influence in the Western Balkans is based on three pillars, related to energy policy, security policy and identity politics. As far as identity issues are concerned, undoubtedly, Russia feels very closely linked to the Slavic and Orthodox parts of the Western Balkans, given the fact that strong cultural and religious ties have been developed, based mainly on Pan Slavism, a doctrine of common identity and integrity among different Slavic peoples. These common traditional and cultural values became the foundation for further dialogue at a high political level between Russia and the leaders of the Western Balkans after the Soviet collapse (Lo, 2002, p.15-16). Indeed, during their meetings, the leaders of the diplomatic missions from the Western Balkans countries underscore the special historical significance and spiritual-cultural heritage that unites Slavic nations and the importance of their mutual cooperation in both political and economic level in the current world order.

More specifically, as far as Putin's administration is concerned, it seems to have the open support of the Orthodox Church and there has been an evident revival of orthodoxy in politics since the beginning of Putin's presidency (Cicek, 2015, p.19). As Cicek (2015) claims, Putin's administration can be defined as a "Neo-Official Nationalism" and is based on Orthodoxy, autocracy and national pride, strengthened by a Eurasianist and, to some extent, Slavophile influence. Besides, there is an emphasis on national pride and national identity in Putin's speeches. In this context, we could argue that the annexation of Crimea to the "Motherland" is a typical example of Putin's nationalist policies.

The second pillar of Russian influence in the Western Balkans has to do with its security policy. Russia has a privileged position as a permanent member of the UN

Security Council and, therefore, can block all processes run by the United Nations in the Western Balkans if they oppose its political interests. The third and most important pillar concerns a growing economic importance of Russia in the region, particularly on energy issues but also as an investor and trading partner (Mulalic- Karic, 2014, p.96-97). Russian companies play a significant and growing role in the region's downstream energy markets as owners of assets, partners in joint ventures and developers of new infrastructure. Russia is also interested in building underground reservoirs of gas in a number of Balkan countries as well as cooperating with them in the electricity sector. Actually, one of the most important projects in this field is the synchronization of the energy systems of Western, Central and Southern Europe with the energy systems of the former Soviet Union and the Baltic States (Mulalic- Karic, 2014, p.101). These investments are designed in order to create local networks of economic interest that could strengthen Russia's dominant position in the international arena.

However, when analyzing Russian influence on the Western Balkans, we should keep in mind the existence of a kind of EU-Western Balkans-Russia triangle, where the shrinking of relations with the EU could cause a wider involvement of Russia in the area (Stepniewski, 2015, p.53). In the next chapters we will explore the influence of Russian foreign policy in the Western Balkans, by examining, on a country-by-country basis, the main instruments of influence that Russia uses to advance its interests.

CHAPTER 2

The case of Serbia

The case of Serbia is of particular importance in terms of Russia's foreign policy as it is a key Balkan state for Russia's interests and Russia's approach does not rely on a single policy instrument to achieve its goals, but actually combines different instruments, adapted to the requirements of the country. The most important instruments concern the following areas :

2.1. Political and strategic relations

There is no doubt that Serbia is Russia's main partner in the Western Balkans and its political allies include parties of the populist and national right, as well as elements of the post-communist left. The most typical example of Russia's strategy to develop close political ties and alliances is the formal inter-party agreement between Putin's United Russia party and the ruling Serbian Progressive Party (SNS) of President Tomislav Nikolic (Clark-Foxall, 2014, p.10). The SNS came to power in 2012 and it was formed by a faction of the Serbian Radical Party, a far-right movement that supported Slobodan Milosevic and whose paramilitary groups were involved in ethnic cleansing during the Bosnian War. Even though the official position of the former is pro-EU, it seems to be guided by the principle of 'sovereign democracy' which is articulated by United Russia, emphasizing on statism, social conservatism, hostility to NATO, support for the tenets of non-interference in foreign affairs (by West) and the defense of national sovereignty (Clark-Foxall, 2014, p.10). The inter-government agreement actually reflects the close political resemblance between the two parties. It is worth mentioning at this point that during a visit in Russia in 2012, shortly after he became President, Nikolic told Putin: "We love you in Serbia" (Clark-Foxall, 2014, p.10).

The two countries have also maintained a strategic partnership, including military and intelligence cooperation as well as coordinated positions in international bodies. In 2013, Serbia became an observer at the Russian-led- Collective Security Treaty Organization (CSTO) military alliance, a move that does not seem to be compatible with EU membership (Bieri, 2015, p.2).. Later the same year, in November 2013,

Russia and Serbia signed an extensive 15-year bilateral defense cooperation agreement in areas such as training, personnel exchanges, joint exercises, procurement, arms sales and intelligence sharing (B92 Net, 2013b). What is more, in September 2015 Russian, Belarus and Serbian military units even organized a joint military exercise on Russian territory, codenamed 'Slavic Brotherhood'. The exercise took place near the Black Sea city of Novorossiysk, about 150 km southeast of the annexed Crimean peninsula. Actually, the time of the drill was very carefully chosen, given that, several days earlier, a large-scale drill run by NATO had taken place alongside the coastline of Romania and Bulgaria (Bechev, 2015, p.1). In November 2016 'Slavic Brotherhood' drills were held on the territory of Serbia representing continuing cooperation between Russian and Serbian armed forces (Sputnik News, 2016b).

It should be noted at this point that on an official visit to Serbia in October 2014, Vladimir Putin himself characterized Serbia as Russia's closest ally, a move that could be considered harmful as far as Serbia's rapprochement with the EU is concerned. In this context of political and strategic alliance between the two countries, and given that Russia has been struggling to consolidate its power in the area, we should also take into account Russia's support to Serbia over the Kosovo issue.

It goes without saying that Kosovo war of 1999 was a turning point for Russia, as the latter felt that its interests had been disregarded by NATO'S decision to go to war with Serbia. When NATO began its air campaign in Kosovo without the UN Security Council approval, Russian felt to be threatened and perceived this move as a kind of NATO's drive for unilateral security in Europe (Blank, 2000, p.5). For the Russian Federation this military campaign signaled US and the EU domination in the international relations but also a breach of the norm of sovereignty in international relations (Hoxha et al, 2015, p.71). Russian military leaders argued that NATO's Kosovo operation represented the template of future NATO operations against Russia or its vital interests in the "near abroad" as outlined in NATO's April 1999 strategy concept (Blank, 2000, p.4).

The Russian stance over Kosovo does not seem to have changed over the years although Russia suffered a serious setback after Belgrade and Pristina started negotiations under the EU mediation. This shows that Russia's policy toward Kosovo

is not only to support Serbia's interests but also use Serbia for its own strategic ambitions. However, Kremlin officially declared that Kosovo's declaration of independence in 2008 violated the "sovereignty of the Republic of Serbia" and that "Russia fully supports the reaction of the Serbian leadership to the events in Kosovo and just demands to restore the territorial integrity of the country" (The Ministry of Foreign Affairs of the Russian Federation, 2008). In October 2016 Putin himself reiterated Russia's position on the Kosovo issue during a meeting with the Serbian President in Belgrade. He actually stated that Russia has a principled stance which is based not only on friendship and proximity with Serbia but also on international law and justice (Tass Russian News Agency, 2014).

There is no doubt that Kosovo plays a very important role in shaping Russia's foreign policy, as it was the first international intervention carried out without the authorization from the UN and despite Russia's absence in the United Nations Security Council. It is worth mentioning at this point that whenever Russia sees itself excluded and treated unequally, it opts for more resentment-driven politics which we can also observe in the recent past, starting with the Georgian – Russian war in 2008 and culminating in the current Ukraine crisis. In this context, the Kosovo case has turned into a paradigmatic and referential event which has shaped to a large extent the emotional foundations of the current Russia – West relations (Heller, 2014, p.10).

It is evident that as far as international affairs are concerned Russia intends to play the role of the gatekeeper of the international law since in the case of Kosovo it portrayed itself as an advocate of the international law against the "opportunism and lawlessness" of NATO (Grammatikas, 2015, p.39). Without a doubt, NATO countries found themselves in a difficult position in justifying their military campaigns when they were asked to do so. Some NATO countries tried to explain their stance by giving explanations based on the concept of humanitarian intervention, with Belgium providing the most comprehensive justification, classifying NATO action as "an armed humanitarian intervention , compatible with Art" (Grammatikas, 2015, p.39). However, they all mentioned that Kosovo was a unique case and should not be used as a precedent.

Nevertheless, Russia did not hesitate to disregard the basic principles of the international law in the case of the Georgian territories of Abkhazia and South Ossetia, which the former recognized as independent states, in an effort to secure its interests regardless of the legal or political implications. The annexation of Crimea in 2014 is a similar case of flagrant violation of international law even though Russia insists -in the words of president Putin- that it “corrected a historical mistake”. During his speech in the Russian Parliament in March 2014 regarding the request for Crimea to join the Russian Federation, President Putin made a statement comparing Kosovo’s secession from Serbia to Crimea’s secession from Ukraine. Putin claimed that Crimea’s secession from Ukraine followed the Kosovo precedent and referred to the United Nations Charter, which indicates the right of nations to self-determination making Crimea’s secession completely legitimate (The Kremlin, 2014).

By comparing the cases of Kosovo and Abkhazia/South Ossetia, it is evident that Russia has very limited leverage, since Kosovo has been recognized by 111 states so far, while the two breakaway regions of Georgia have been recognized by only four states, including Russia (Grammatikas, 2015, p.43).

Another aspect that should be taken into account is that Russian authorities make reference to the Kosovo case in order to avoid criticism and justify Russia’s disproportionate use of force against civilians in Chechnya. Although this logic may be considered paradoxical or even simplistic, it seems to exist in Russian policy-thinking and policy-making (Baranovsky, 2015, p.268). The “humanitarian intervention” in Kosovo “justified” in Russia’s way of thinking the “humanitarian atrocities” in Chechnya.

Although the case of Kosovo has been only one of the focal issues that shape the Russian foreign policy vis-a-vis Serbia, it dictates, undoubtedly, Russia’s official stance with regard to the preservation of the territorial integrity of Serbia and underscores the close connection between the two countries. Yet, it is more than evident that Russian policy toward Kosovo is not only to support Serbia’s interests but to exploit Serbia for its own great power ambitions in international relations.

2.2. Energy and Economy

Without a doubt, Russian companies play a large and growing role in Serbia's downstream energy markets as owners of assets, partners in joint ventures and developers of new infrastructure. Specifically, as far as the energy sector is concerned, the "South Stream" project, which was announced in 2010, was embraced by Serbia with enthusiasm. The expectations were really high as the construction of the South Stream was expected to provide approximately 2.1 billion euro of direct foreign investments to the country's economy (Nelaeva-Semenov, 2016, p.63). Given the unstable situation in Ukraine, which had been the traditional route of Russian gas and oil transport to Europe, the South Stream was expected to bring natural gas supply in the European markets through the Black Sea and then across Bulgaria, Serbia and Hungary. With respect to the South Stream project, Gazprom would invest 1.5 billion, creating 2.500 job opportunities in Serbia. This project was cancelled in 2014, after it had been strongly opposed by the European Union (Hoxha et al, 2015, p.77). However, Serbia has expressed interest in taking part in Turkish Stream, the pipeline which was announced by President Putin in December 2014 and is expected to pump Russian gas to Hungary via Turkey and the Balkans. The construction of Turkish Stream is actually frozen at the moment because of a pricing dispute between Gazprom and Turkey and an intergovernmental agreement (IGA) is not imminent (Bechev, 2015, p.2).

In the field of investments, it is worth mentioning that there has been a significant increase since 2008, when Gazprom acquired a majority stake (51%) in Naftna Industrija Srbije (NIS), the state-owned oil company, in a strategic effort to ensure Gazprom's presence in the energy market in the Western Balkans (Nelaeva-Semenov, 2016, p.64). Apart from having the monopoly of oil and gas production in Serbia, NIS operates two oil refineries, one gas refinery, a major distribution network of terminals and depots and 388 petrol stations located in Serbia, Bulgaria, Romania and Bosnia-Herzegovina. In addition, Gazprom's minor counterpart, Zarubezhneft, privatized, without a tender, oil plants in Modrica and Rafineria Nafte Refinery Company in Republika Srpska, the Serbian entity in Bosnia –Herzegovina at about the same time as the Gazprom-NIS deal (Abrahamyan,2015, p.4).

Many analysts claimed that the signing of the Gazprom-NIS deal was a Russian victory in a “pipeline war” with the EU and the Russian opposition to the independence of Kosovo was a key bargaining chip. Signing the deal, Putin said : “ Our close political relations today converted into economic results”(Shchedrov, 2008, p.1).

Another point that should be taken into account is that Serbia and Russia have institutionalized their bilateral economic relations by signing a number of important agreements, the most important of which is the Free Trade Agreement. The latter was signed in 2000 and suggests that 99% of products are free of customs in mutual trade if the clause concerning 51% of the product’s domestic origin has been met (Simic, 2014, p.23). In July 2011 the governments of the Republic of Serbia and the Russian Federation signed the Protocol on expanding the Free Trade Agreement between Serbia and the Russian Federation. One of the most important agreements is the one that was signed between the governments of the two countries, promoting a wider cooperation in industry and traffic, trade, construction industry, the opening of a common business information and trade center, banking, tourism, mutual relations between chambers of commerce, health care and joint ventures of small and medium-sized enterprises. When Putin paid an official visit in Belgrade on 23 March 2011, several agreements were signed, such as an agreement on road traffic which would facilitate turnover of passengers and goods between the two countries, an agreement on scientific-technical cooperation, an agreement on cooperation in the area of tourism, an agreement in order to advance heat generation sector and another one on establishing a joint stock company between the Serbian pharmaceutical company “Galenika” and a Russian pharmaceutical agency (Simic, 2014, p24).

In terms of trade relations, it should be noted that in 2013 bilateral trade between Serbia and Russia reached \$3,034 million, compared to \$2,719 in 2012. In a struggle to cut budgetary deficit, Serbia received a loan of 344 million Euros, by Russia, disregarding a much more tempting offer by China (Hoxha et al, 2015, p.77). Moreover, the Russian company Lukoil owns 80% of Serbian gas stations chain Beopetrol and 98% of gas consumed by Serbia comes from Russia, carried out by intermediary companies associated with Gazprom, e.g the Yugorosgaz company (Szpala, 2014, p.2).

However, with the exception of the energy sector and oil and gas imports, Russia's contribution to the Serbian economy is not of great importance. From 2005-2013 Russia invested 598,4 million euros in Serbia, which is equivalent to 4.5% of all foreign investments that were carried out during that period (Szpala, 2014, p.2). Also, in 2013 Serbian imports from Russia amounted to 1.4 billion euros, making up 9.2% of the total import volume. As far as the Serbian exports to Russia are concerned, their value stood at 0.79 billion euros. According to the "National Information Portal Russian Exports"(2016), in 2015 Serbian – Russian bilateral trade volume decreased by 27% and reached 2.5 billion USD compared to 3,4 billion USD in 2014. Serbian exports to Russia fell to 0.72 billion USD (by 30%) while imports fell to 1.7 billion USD (by 26%).

It should also be noted that in the banking sector, the Russia's state-owned Sberbank, which took over Austria's Volksbank Belgrade in 2012, is an important player in Serbia. Actually, during a meeting in 2013, the Serbian Minister of economy and members of the Sberbank management announced plans for a special funding program for farmers in Serbia and agreed on intensifying the talks on Sberbank's possible support to Serbia's exports to Russia via the Export Credit and Insurance Agency of the Republic of Serbia. They also discussed possible financial support to the investors from Russia and former Soviet Republics, such as Belarus and Kazakhstan (B92 Net, 2013a).

We should also take into consideration JSC Russian Railways' (JSC RZD) projects in Serbia. In 2013 an agreement to provide Serbia a loan of \$800 million was signed. The Serbian government allocated this money to Russian Railways International (a Russian Railways subsidiary established in 2012) in order to rebuild Serbia's railway system. Construction began on March 26, 2014, modernizing a total of 350 km of railways, including 200 km of the Belgrade – Bar (Montenegro) line. This agreement is of great importance since it was the first major Russian project in the region that is not related to energy. Actually, Serbia is one of the few countries outside Europe and the first in Europe, in which Russian Railways operate (Pivovarenko, 2014). Recently, the latter launched a new project to rebuild Serbia's Vinarci- Djordjevo line, which is expected to be completed in the second quarter of 2017 (Sputnik News, 2016a).

In fact, as far as investments and trade are concerned, the EU states remain the main trade partners and investors in Serbia, offering substantial financial assistance. The amount of financial assistance in the period 2001-2014 exceeded EUR 2.6 billion and in 2014 the European Union, as a sign of “special trust”, transferred managerial power of over 600 EU-funded projects to the Serbian government (Nelaeva-Semenov, 2016, p.62). However, the Serbian media frequently present Russian investment plans and development aid as a great opportunity for the country’s economy and, therefore, 47% of Serbs believe that Russia is the largest supplier of development aid to the country. Actually, 89,49% of funds come from the USA and the EU (Szpala, 2014, p.3).

Still, despite the fact that the EU is the most significant trade partner in the country, the abundance of bilateral agreements and protocols that have been signed between Russia and Serbia have created a fertile ground for a further dynamic development between the two countries, providing Russia’s ‘ruble diplomacy’ the opportunity to develop further strategic partnership with Serbia.

2.3. Cultural and Religion Diplomacy

On the diplomacy level, in order to promote its image among the Serbian society and foster the feeling of proximity between the two countries, Russia has created a network of Russian institutions and organizations. To begin with, the Russian Centre in Belgrade University as well as a branch of “Russkyi Myr” foundation headed by “United Russia” are institutions of great importance. What is more, a representative office of the International Fund for the Unity of Orthodox Nations has opened in Novi Sad and Belgrade in 2005. Also, in 2013 a representative office of the Russian Institute of Strategic Research (RISI) was established in Belgrade, as well as a branch of the Russian Foreign Cooperation Agency (the Cultural Centre Russian House) (Szpala, 2014, p.4). What is more, a number of Russian foundations operate in Serbia, such as the Russian-Serbian Humanitarian Center in Nis, the Gorchakov Public Diplomacy Fund, the Strategic Culture Foundation, the Centre of National Glory, the Foundation of St. Andrew and numerous NGOs, promoting the ideas of cultural ties and Slavic brotherhood.

Another interesting point that should be mentioned is the fact that Russian state institutions, such as the news channel RT, the Voice of Russia broadcasting network

and various Russian foundations, such as the Strategic Culture Foundation have created Serb language versions of Russian news portals, with a section devoted to local political affairs. It is also worth noticing that Russian organizations support in any possible way the actions of domestic far right and Eurosceptic organizations (Dveri, Nasi), political parties (Treća Srbija) and non-governmental organizations which have a pro- Russian ideological orientation (Szpala, 2014, p.3).

At this point we should not ignore the role of the Russian Orthodox Church (ROC) in Serbia as patriarch Cyril often visits Serbia and holds meetings with Serbian officials. During his visits he does not neglect to refer to Kosovo independence, characterizing it as intolerable and condemning the damage done to the historical and religious heritage in Serbia and Kosovo (Nelaeva-Semenov, 2016, p.65). What is more, ROC organizes donor campaigns and educational activities

All the above mentioned organizations and institutions concentrate their efforts on promoting the Russian version of the international situation, for example the crisis in Ukraine or even undermine the EU- Serbia relations, maintaining that the EU states operate against Serbia's interests. They, also, present Russia as Serbia's closest ally and as a reliable and consistent partner, whose actions go along with the interests of the country (Szpala, 2014, p.5). Actually, by analyzing the role of Russian organizations in Serbia, one could draw the conclusion that Russia seems to be determined to challenge Serbia's EU integration plans as well as the process of reconciliation in the area, which is carried out with the EU mediation.

2.4. Humanitarian aid

Another aspect of Russia's influence on Serbia and the Serbian community living in Kosovo is that of humanitarian aid. The rhetoric of humanitarian aid was used by Russia in 2010, when Russia built actually the largest military base outside Russia since the end of the Cold War. This base was built in the southeast of Serbia, in Nis and was supposed to be a humanitarian base from which Russian aircraft would offer help in case of natural disasters (Hoxha et al, 2015, p.75). However, some analysts and Western NGO's claim that Russians have created a thinly disguised military base and in such a case, the base would be the first in Europe outside the former Soviet Union since the collapse of the Warsaw Pact in the early 1990s. NATO officials have refused

to comment on the nature of the base, saying that they are not too worried about it whereas EU officials maintain that if Serbia becomes a member of the EU, as it wants to, it will have to join the EU's emergency relief programs and abandon the Russian ones (Stojavanovic, 2016). This particular base has the capacity to accommodate Russian forces in a possible deployment and cooperate with special units of the Serbian military. Moreover, the fact that it is able to coordinate with two brigades in Raska and Vranje in Serbia (each brigade has 11 battalions of combined forces, which are on the border with Kosovo) demonstrates that there is significant scope for cooperation. Actually, joint military drills have already taken place in Ruma in the form of joint anti-terrorist exercise (Hoxha et al, 2015, p.75). At this point, it is worth mentioning that according to the base's Russian co-director, neighbouring countries such as NATO and EU member Croatia, or aspiring members FYROM and Bosnia have been reluctant to accept Russian help even during significant natural or humanitarian disasters such as the refugee crisis, which forced one million people to cross the Balkans. What is more, Bosnia has not even responded to an offer to sign an "agreement of understanding" which could enable joint action in case of natural disasters (Stojavanovic, 2016).

Russian aid was also evident in the case of Kosovo Serbs in 2011, when 25 cargo trucks entered Kosovo territory to deliver aid to the Serbian minority (Hoxha et al, 2015, p.78). There is no doubt that the Serbian minority in Kosovo as well as the Bosnian Serbs constitute an instrument of Russia to influence the unstable environment in Kosovo and Bosnia – Herzegovina, gaining advantage in the international arena and countering the growing influence of the European Union in the area. It should also be noted that Russia's support during the floods of 2014 was immediate, sending about 70 tons of humanitarian aid and teams of rescuer units in Serbia, and therefore, reinforcing the image of Russia within the Serbian civil society.

On the other side of the coin, Serbia, as well, was willing to respond to Russia's call for humanitarian aid to Syria in 2016. According to Russian Defense Minister Sergei Shoigu, Serbian participation in the efforts undertaken by Russia to stabilize the situation in Syria has proved once again that Moscow and Belgrade are maintaining open and confident cooperation (Sputnik News, 2016c).

Without a doubt, Russia's involvement in Serbia, even in the case of humanitarian aid, is a strategic move to counter the growing influence of the European Union and NATO both on the country and the Western Balkan area in general.

CHAPTER 3

The Cases of Bosnia – Herzegovina (Republika Srpska) and Montenegro

3.1. The case of Bosnia-Herzegovina (Republika Srpska)

Undoubtedly, Bosnia has been one of the primary concerns of Russian foreign policy in the Western Balkans. Moscow has been strengthening its ties with Republika Srpska (RS), the Serbian entity of Bosnia- Herzegovina, as shown by their mutual political support. It is worth explaining at this point that according to the Dayton Agreement, the two entities in Bosnia- Herzegovina (The Croat-Muslim Federation and Republika Srpska) are allowed to function as “states within a state” given that they enjoy considerable sovereignty rights and independence vis-à-vis the Bosnian State. They also reserve the right to retain their own separate armed forces and develop parallel relationships with neighbouring states (Tzifakis, 2007, p.87). In this context, Republika Srpska has developed close economic ties with Russia and enjoys increased financial support from the latter in the form of loans and investments (Bieri, 2016, p.3). But, before we go further to analyze the economic dimension of their relations, we will first examine the Russian influence on Republika Srpska on a political level.

3.1.1 Political influence on Republika Srpska

Russia’s political influence on RP is largely encouraged by the President of the Republika Srpska, Milorad Dodik who is very closely related to Moscow and seems to be unwilling to adopt the social, economic, political and judicial reforms that have been demanded by the EU in order for the country to proceed towards accession. President Dodik has repeatedly threatened that the entity will secede from Bosnia and his party platform includes an explicit threat to hold a referendum on independence in 2018. In such a case, any prospect of EU integration for the Serb entity would probably come to an end. He has also called for a referendum on the status of the Bosnian judiciary and on the authority of the Office of the High Representative in Bosnia (OHR) which is held by an EU diplomat. What is more, he has demanded the removal of the mandate of the EU military mission (EUFOR) in Bosnia. It is worth mentioning

here that Russian officials came out publicly in favour of the referendum on state institutions and the OHR (Lasheras, 2016, p.6). What is more, in 2014 and 2015 Russia abstained from the Security Council vote on the extension of the EU's military mission in Bosnia, indicating Moscow's unilateral approach to the region as well as its support for the Bosnian Serbs (Belloni, 2016, p.12). Actually, that was the first time Russia had done so, since the EU was deployed there in 2004. Russia also seems to have played the spoiler vis-à-vis the German –British initiative to reform Bosnian institutions and put the country back on the path of European integration (Dempsey, 2014).

It is true that Russia has not officially supported the independence of Republika Srpska, however, it has supported Dodik by blocking Bosnia's territorial integrity and Euro- Atlantic path at the Steering Board of the Peace Implementation Council, the international body that oversees the implementation of the Dayton Agreement. It has also abstained from statements of condemnation of the referendum as a "direct challenge" to Dayton and has explicitly stated that any review of the Dayton Agreement that would weaken the position of the Serb entity would be a red line for Russia (Lasheras, 2016, p.6).

On the other hand, Dodik took advantage of the Ukraine crisis so as to strengthen relations with Russia and in a joint news conference after a meeting with Serbia's Deputy Prime Minister, he stated that the referendum in Crimea was a democratic expression of the people's will and that RS is observing world events very closely and it will follow the best examples from the world once the time for that comes (InSerbia, 2014). At this point it should also be mentioned that in an effort to show support for Russia, Bosnia- Herzegovina as well as Serbia abstained from the UN General Assembly Resolution 68/262 entitled 'Territorial Integrity of Ukraine' and completely rejected invitations to join the EU's sanctions against Russia (Hellquist, 2016, p.16). It goes without saying that in July 2015, Russia vetoed a UN Security Council resolution on the occasion of the 20th anniversary of the 1995 genocide at Srebrenica. Undoubtedly, this move must have pleased Serbia, which had reportedly asked Russia to use its veto power (Lasheras, 2016, p.6).

What is more, Russia's support to Bosnian Serbs and Dodik was demonstrated recently when sanctions were imposed on Dodik for his refusal to stop celebrating the January 9

holiday that was banned by Bosnia's top court. The January 9 holiday commemorates the date in 1992 when Bosnian Serbs declared the creation of their own state in Bosnia. Dodik celebrated the holiday on 9th January 2017 with a parade of armed police forces through the northern city of Banja Luka. He also declared that Bosnian Serbs were still "dreaming of becoming one with our motherland, Serbia". Although the EU and the US condemned the celebration, Russia insisted that its Orthodox Christian brethren in Bosnia have the right to celebrate any holiday they want, demonstrating this way its full support for Bosnian Serbs (The New York Times, 2017).

3.1.2 Trade and Investments

Russia has also achieved a strategically significant presence in the trade and investment sector in Republika Srpska as the Russian state-owned oil company Zarubezhneft has a prominent position in the oil sector. It actually acquired the Rafinerija Nafta Brod oil refinery and the Modrica motor oil plant when they were privatized in 2007. These facilities are located in Republika Srpska and they are the only oil facilities in Bosnia. The Russian oil company also acquired the local retailer, Nestro Petrol, which currently has a chain of 82 petrol stations and a 35% share of sales. In 2011, the government of Republika Srpska granted the Zarubezhneft – NIS joint venture, Jadran-Naftagas, a 28-year exclusive concession for the exploitation of oil and gas reserves on its territory (Clark-Foxall, 2014, p.8) .

As far as economic relations between the two countries are concerned, the leadership of Republika Srpska had tried, in 2014, to negotiate a commercial loan with one of the Russian state-owned banks -reportedly in the amount of \$500-700 million- in order to deal with entity's growing budget deficit and avoid a liquidity crisis. However, these plans were finally abandoned. Given the economic problems in Russia caused by Western sanctions, Russian officials refused to provide easy terms for the loan and asked for commercial interest rates, as well as guarantees in the form of shares in some public companies. Local and international experts had expressed their concerns about this kind of loan from Russia , maintaining that it would not only make the economic situation in Republika Srpska more difficult as the government would not be able to pay commercial interest rates, but would also increase significantly Russia's financial and political influence on the entity (Latal, 2015a).

After his visit in Moscow in 2015, President Milorad Dodik announced that he had secured a loan from the Florida-based fund Global Bancorp Commodities& Investment, a little known company which according to international business database is based in Florida and is managed by a Russian citizen called Alexander Vaisliev. The announcement triggered criticism, given the controversial loan provider and some critics of the government even claimed that the loan was actually a part of a deal in which Russian investors would buy the government-owned Bank of Srpska (Latal, 2015b).

Undoubtedly, Moscow seems to exert a significant influence on both Serbia and Bosnia (Republika Srpska) since it has gained a critical mass of pro-Russian actors that help the latter achieve its goals and stop the process of stabilization, decreasing at the same time the importance and attractiveness of European integration. It remains to be seen if the EU will develop and follow a more decisive enlargement policy supported by innovative economic initiatives for the whole region in order to mitigate the consequences of Russia's approach.

3.2 The Case of Montenegro

The involvement of Russia in Montenegro in both political and economic level could not be considered negligible as the two countries have developed close relations. Montenegro, the Balkan country that broke away from Serbia a decade ago, has been trying to walk a fine line between keeping its close relations with Russia while at the same time strengthening ties to the West. It is worth mentioning at this point that NATO has invited Montenegro to join the alliance and during 2017 Montenegro and NATO's current 28 members are expected to ratify the country's entry into the alliance. In order to reach this point, Montenegro undertook many reforms, including strengthening its governing structures and democratic institutions, as well as bringing its military up to NATO standards (Gramer, 2015). However, Russia in order to prevent Montenegro from joining NATO has tried to use its soft- power allure and exert its influence on various levels which will be discussed in detail below.

3.2.1. Russia's political leverage in Montenegro

Russia and Montenegro have had close political and traditional ties for three centuries and the latter was even a Russian bastion in the Western Balkans at some point (Coffey, 2014, p.2). Besides, Russia was the first country to recognize Montenegro's independence from Serbia and establish diplomatic relations with Podgorica (Radio Free Europe, 2006). However, the situation has completely changed and Russian influence has considerably decreased, especially during the last years. Although Montenegro tried to walk a fine line between keeping its close ties with Russia and strengthen ties to the West, aspiring to become a NATO member at the same time, various actions on behalf of the Russian side led the relations between the two countries to deteriorate.

According to media reports, the Prime Minister of Montenegro, Milo Djukanovic in a meeting he had with President Putin in August 2006 in Sochi discussed a defense relationship between the two countries but apparently nothing came of that talk. Montenegro was also in close consultations with both NATO and the US, planning its national security and defense policies.

What is more, on 8th August 2007, after a meeting between Prime Minister Djukanovic and then-Russian Minister for extraordinary situations, Sergey Shoigu, the Russian official gave an interview to the leading local paper and warned Montenegro that it risked its friendship with Russia if it continued to pursue ties with NATO. These statements irritated a large group of the Montenegrin public and contributed to the disruption of the relations between the two countries (Global Security, 2016).

However, the most important reason that contributed to the deterioration of the relations between the two countries was the Montenegro's decision to join the EU sanctions regime against Russia. In March 2014, Montenegro voted with the West and against Russia in the UN General Assembly resolution on Crimea. In April 2014, Djukanovic visited Washington and told Vice President Joe Biden that NATO needed to expand further east in response to the Ukraine crisis (Samorukov, 2015). It goes without saying that Djukanovic turned down the invitation to attend the World War 2 Victory Day celebrations in Moscow in 2015. Also, the whole atmosphere was soured because of claims on behalf of Montenegrin media that Moscow was demanding that

Montenegro host a Russian naval base given the uncertain future access to Russia's main Mediterranean naval port in Syria (Samorukov, 2015). The reports alleged that the Kremlin was promising billions if Montenegro agreed and, if it did not, Moscow threatened to send in "polite people"-the Russian term for armed men in unmarked military uniforms (Samorukov, 2015).

Undoubtedly, Moscow has attempted to exert its influence through alternative channels in order to thwart Montenegro's NATO bid because any further NATO enlargement is considered by Russia as a direct threat to Russian security and a negation of Russia's regional and global power status (Joseph - Vukovic, 2016). Therefore, it has reportedly funded several opposition parties, particularly the Serbian nationalists in the Democratic Front. The latter ran the most intense campaign against Montenegro's accession to NATO, organizing rallies that in some cases turned violent and calling for unrest if the government joined NATO without holding a referendum. Its leaders also claimed that they would abolish EU sanctions against Russia, with which the Montenegrin government had aligned, and develop the closest economic and political ties with Moscow. During the October 2015 protests, Montenegrin government accused Moscow of being responsible for stirring up dissent, as members of Democratic Front and other pro-Russian groups displayed Russian flags and Putin banners (Lasheras, 2016, p.7). What is more, the Democratic Front Coalition has deepened its ties with key Russian officials such as EU-blacklisted Dmitry Rogozin and with parties such as United Russia and Rodina. These close links have been reinforced by declarations from high-level Russian officials who have been warning the Montenegrin government against the NATO path and reiterating their support for a referendum on the issue (Lasheras, 2016, p.9).

Also, the Russia-backed Sputnik news agency set up a local language portal in Belgrade and from there it broadcasts anti-Western programs into Montenegro (Bugajski, 2016). Moreover, the Kremlin seems to have a deep reach in Montenegrin civil society, which allows it to communicate its anti-EU and anti-Western rhetoric through highly influential public figures, including religious ones. More specifically, in an attempt to criticize the government's decision to support the EU's stance on Crimea, the head of the Montenegrin Orthodox Church stated : " May he who is not loyal to the same language, same blood Russia, have the living flesh fall off him. May he be cursed

thrice and 3000 times by me. This is what Saint Peter of Cetinje left to his Montenegrins and it would be good if the current Prime Minister of Montenegro read these words at a time when he, for the first time in history, introduced sanctions against Russia” (Lasheras, 2016, p.9).

It goes without saying that the issues of relations with the West and ties with Russia were central to the 16th October 2016 parliamentary elections in Montenegro. Prime Minister Milo Djukanovic presented the vote as a choice between becoming a NATO and EU member and becoming a “Russian colony” (Bugajski, 2016). What is more, Montenegrin authorities accused Russia of direct interference in the election process. On the eve of the elections, Montenegrin police arrested 20 Serbian nationals who were alleged to be behind a failed plot to break into parliament on the election day, assassinate the Prime Minister and install a pro-Russian government in Podgorica, the nation’s capital. Some of the alleged plotters arrested had fought in eastern Ukraine for Russian-backed forces. Although Russia denied involvement in the plot, Montenegro’s chief prosecutor named two Russian citizens as the alleged organizers, claiming that the plot was the work of nationalists from Russia. Also, one of the suspects arrested has reportedly given details about Russia’s role in the plot in order to take down the government in Montenegro (Kochis, 2016). This coup seems to be the latest example of Russian attempts to expand Russian influence on the Western Balkans and block the Montenegro’s accession to NATO getting rid of a ruling party that led the nation on a pro-Western track.

Undoubtedly, Russia is fiercely opposed to NATO’s expansion and therefore, to Montenegro’s accession to the alliance given its deep-seated and historical fear of being encircled by a potential foe. However, in the case of Montenegro Russia did not take any practical steps to retaliate in the sanctions war or punish it for its decision to join NATO. Even the threats and warnings on Russian side seem to be rhetorical as the Russian policy has not been noticeably aggressive against Montenegro in terms of economic measures since the free trade agreement between the two countries remains in effect. Of course, their relations may deteriorate after the country officially joins NATO but Russia seems to be more interested in preventing Serbia from following Montenegro’s path than Montenegro itself, given the fact that the former has worked in various levels to consolidate influence in Serbia.

3.2.2. Economy and investments

There is no doubt that Montenegro is the country in which Russia used to have the biggest stake in the Western Balkans. According to the German Institute for International and Security affairs, Russia was the country's largest inward investor in 2010, as it owned as much as 32% of enterprises. Most of the investments are concentrated in tourism, real estate and leisure since Russian entrepreneurs have taken advantage of the visa-free travel and low tax rates (Clark-Foxall, 2014, p. 10). Given the fact that a third of all tourists comes from Russia, it is evident that there is a strong economic dependency on Russia which has been used from Russian authorities in order to achieve their geopolitical and strategic goals. More specifically, Montenegro has been characterized as the "Russian VIP resort" and the preferred destination of Russian oligarchs. Actually, in popular coastal resort towns like Budva, Russian is considered as a second language (Knezevic, 2017). Moreover, according to the Russian Embassy in Podgorica, between 5.000 and 7.000 Russians are permanent residents in Montenegro (Kekic, 2015). In addition, an investigation into the possessions of Russia's powerful elite by the leading Russian newspaper Novaya Gazeta in 2012 has led to the claim that more than 40 per cent of property in Montenegro is owned by Russians. On top of that, there are even entire villages which are 100 per cent Russian owned, according to an article which was published in Croatia's Slobodna Dalmacija in 2012 (Bradbury, 2012).

However, the economic relations between the two countries have begun to deteriorate during the last years and a case in point is Russian tycoon Oleg Deripaska, once considered as a potential savior of Montenegro, who is now suing the Montenegrin state for around 700 million euros, a large chunk of the country's \$4.25 billion GDP, over purported losses (Marusic, 2016). Deripaska had bought the aluminum factory KAP in the capital Podgorica, which used to be the biggest single contributor to the GDP of the country, and the bauxite mines of Niksic. Djukanovic, the Prime Minister of the country had personally negotiated with Deripaska over the initial privatization of KAP in 2005. He had also purchased 30% of the Austrian company Strabag, a co-owner of Montenegro's road construction company Crnagoraput. His attempt to buy the coalmine in Pljevlja and the only coal-fired power station of the country almost triggered a political crisis in Montenegro as the acquisition would have placed

Deripaska in control of about 40 per cent of Montenegro's economy (Malek, 2008, p.143). Deripaska is also a key investor in the Porto Montenegro marina project, which is being designed specifically to cater to the yachts of the world's richest people (Marusic, 2016).

Undoubtedly, the Russian economic presence in Montenegro is noticeable but has not resulted in significant influence. Indeed, the latest data (2016) from the national statistical agency MONSTAT confirm that out of over 4.200 foreign- owned firms registered and operating in Montenegro 32 per cent are owned by Russians (Tomovic, 2016). However, Russian investments in Montenegro tend to be individual and recreational rather than industrial. Contrary to popular perception, KAP was not Montenegro's largest privatization as there have been largest investments in the country. According to a report on foreign direct investments (FDI) that have been made in Montenegro during the first months of 2016, published by the Central Bank of Montenegro, Norway is in the first place among top investors and Russia in the fourth (Tomovic, 2016). Actually, total Russian investment in Montenegro came to only 22 million euros during the first six months of 2016. It is evident that Russian investment in Montenegro has dropped markedly and this is partly due to Russia's declining economy as a consequence of Western financial sanctions and a severe drop in oil prices.

It goes without saying that Podgorica remains committed to forging ties with the West as this year Montenegro could become the 29th member of NATO, a process that could conclude with a ratifying vote in the Montenegrin parliament in the Spring of 2017 (Knezevic, 2017). Consequently, the current situation creates an unfavorable background for further Russian strategic investments in the near future.

CONCLUSIONS

There is no doubt that Russia has been making significant efforts throughout history to keep influence on the Western Balkans as in Russian foreign policy, the region has been seen as a natural and traditional sphere of Russian influence. Unlike other parts of Eastern Europe, where historical and cultural ties were much weaker, the Western Balkans is perceived by Russia as an area with common historical, cultural and religious background. However, the region of Western Balkans does not seem to be the core of Russian foreign policy and it is not high on Moscow's agenda. But even if such is the case, the area remains significant for Russia for two main reasons. Firstly, the region has been a matter of ongoing rivalry and competition between Russia and other actors, such as the EU and the USA. Moreover, it is a key territory for Russia's energy vision to control the energy supply routes leading to Europe and thus strengthen its dominant position in the European energy sector. Certainly, it should also be taken into consideration the fact that Russia under Putin's administration has been trying to revive its past greatness and consolidate its power both in regional and global context.

In its policy towards the Western Balkans, Russia has focused mainly on relations with Serbia, the Serbian minority in Kosovo and the Serbian ethnic groups in Bosnia-Herzegovina and Montenegro. More specifically, Moscow seems to perceive Serbia as the country which can guarantee stability in the region since it is the largest country in the area surrounded by states which have large Serbian ethnic groups. In order to reinforce its political ties with Serbia, Russia has been trying to apply a soft power scheme using a range of instruments to exert pressure on Belgrade. The most important of these instruments have been the growing dependence on energy supplies and the support for Serbia's position on Kosovo in the UN forum. As far as energy investments in Serbia are concerned, Russian energy firms such as Lukoil and Gazprom have made inroads into both Serbia and Bosnia-Herzegovina increasing Russia's economic interference. However, a leading position in the oil sector and a monopoly in gas do not necessarily involve political leverage given that the gas in the energy consumption plays a minor role in the region.

Actually, with the exception of the energy sector, Russia's contribution to the Serbian economy is not of great significance. In fact, the EU states remain the main trade

partners and investors in Serbia, offering substantial financial assistance. However, Moscow has stepped up its influence in Serbia through other channels as well, such as media, educational institutions and organizations and the Orthodox Church. When it comes to the Kosovo issue, it is evident that Russia is taking advantage of the situation in order to promote its primary interest to conduct relations with the West as an equal, rather than uphold Serbian priorities. What is more, Russia has used Kosovo precedent in order to justify its “hard power” operations in Abkhazia and South Ossetia or the annexation of Crimea.

For all the above mentioned reasons, Serbia has held a special place in Russian policy and by influencing Belgrade, Moscow intends to secure itself the means of controlling the situation in the region. However, although Russia and President Putin personally enjoy popularity in Serbia because of the resentment felt towards the West over the dissolution of Yugoslavia in the 1990’s, when elites and citizens are called upon to decide, they opt for the EU and the West. Therefore, the Russian foreign policy when it comes to Serbia does not seem to be quite effective.

It goes without saying that Moscow has been developing contacts with Serbian ethnic groups in Bosnia-Herzegovina (Republika Srpska) and Montenegro in order to influence the developments in these countries, mainly by fuelling separatist ambitions, and thus hamper the integration of these states with the Euro-Atlantic structures. In this way, Russia can maintain an area of instability and frozen conflicts in the EU’s near neighbourhood. More specifically, Russia’s authorities are very closely related to the president of the entity Milorad Dodic and have vehemently supported Republika’s Srpska’s plans for a referendum on Bosnia’s judiciary as well as the entity’s political interests in a number of other cases. Nevertheless, Russia has refrained from endorsing plans for independence of the entity. As far as the economic presence of Russia in Bosnia-Herzegovina is concerned, it should be mentioned that Russian companies, indeed, control parts of the energy sector and Russia provides loans and other financial assistance to Republika’s Srpska leadership, but always with strings attached. Therefore, and despite the fact that Bosnia did not align with EU sanctions against Russia and that Moscow’s anti-Western narrative seems to appeal to many Bosnian Serbs, it could be concluded that Russia’s political leverage in the country is rather limited and one-sided.

With regard to Montenegro, although the Russian economic presence in it is noteworthy, it has not resulted in any significant influence in the country as Russian investments in the state are mainly in the private and recreational sector. Besides, the country is in the process of NATO accession at the moment and has openly aligned with EU sanctions against Russia, a fact that has contributed largely to the deterioration of relations between Moscow and Podgorica. Therefore, it could be concluded that the level of influence of Russia in Montenegro is relatively low and without particular significance.

All things considered, it is evident that Russian foreign policy does not seem to have a grand strategy for the Western Balkans and one could argue that it seems to have other priorities at the moment, such as finding a way out of the deadlock in Eastern Ukraine and getting sanctions relief, or even dealing with the ongoing events in Syria and reaching an agreement with the West as well as China over Eurasia. However, it is clear that Moscow is back to the Western Balkans trying to rebuild its influence in order to thwart the region's Euro-Atlantic integration and establish its power in the area. Although its influence should not be exaggerated, the EU, as an actor most affected by Russian foreign policy strategy in the area of the Western Balkans, should adopt an active policy response to prevent the region from becoming a source of geopolitical rivalry.

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