

The influence of external actors in the Western Balkans

A map of geopolitical players



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Introduction:

The role of external actors in the Western Balkans

by Dr Lars Hänsel and Florian C. Feyerabend

Dear readers,

A spectre haunts the Western Balkans – the spectre of geopolitics. Once again, the region is at risk of becoming a geostrategic chessboard for external actors. Warnings are increasingly being voiced in Brussels and other Western capitals, as well as in the region itself. Russia, China, Turkey and the Gulf States are ramping up their political, economic and cultural influence in this enclave within the European Union – with a variety of resources, intentions and interests. In many cases, they are filling a gap that the United States has left because of its ongoing shift of geostrategic focus, and which the European community has so far failed to adequately address. The West, and here primarily the EU, is no longer unchallenged as the dominant force in the Western Balkans, and Brussels' enlargement policy based on conditionality seems to be reaching its limits as an instrument.

As a result, a sober assessment of the current situation is urgently needed. How do politicians, governments and civil society in the Western Balkans view the influence of the United States, Russia, China, Turkey and the Gulf States? What are their perceptions based on? What is the function and role of these external actors? What are their intentions and interests, and what resources do they have at their disposal? Where do their motivations complement European and Euro-Atlantic concerns and interests, and where are they in conflict or harbour the potential for conflict? This publication looks closely at these issues and makes a substantial contribution to the German debate on the role of external powers in the Balkans. The study

consists of reports from our representatives in the various countries involved. Along with the non-EU countries in the Western Balkans, this study also considers the situation in Croatia and Romania.

One thing is clear: the integration of the Western Balkans into Euro-Atlantic and European structures is already well advanced, with close ties and interdependencies. Apart from Serbia, which is nevertheless actively participating in the *Partnership for Peace* programme, all states in the region are either aspiring to join NATO or are already members of the Alliance. A full 73% of the region's foreign trade is with EU states; European countries are the main investors in the region; with the exception of Kosovo, the citizens of all countries enjoy visa-free travel to the EU; and the governments of all six non-EU Western Balkan countries are actively working towards membership of the European Union. The EU and Europe's heads of state and government have repeatedly reaffirmed the accession promises that they made in Thessaloniki in 2003.

However, since the last accession – Croatia – in 2013, the goal of EU membership for the candidate countries has moved further away. Unfortunately, reforms in the Western Balkan states are progressing more slowly than expected, and the EU is also occupied with internal challenges such as populism and Euroscepticism, shaping the future of the monetary union, coping with the migration crisis and implementing Brexit. It seems to be suffering from a general sense of "enlarge-

ment fatigue". President of the European Commission Jean-Claude Juncker was simply stating the obvious when, at the beginning of his term of office, he announced there would be no more accessions until 2019. However, this was generally understood as a shift away from the policy of enlargement and as a manifestation of "enlargement fatigue".

The EU's approach to the region has been one of friendly indifference. These developments and statements have and will continue to have consequences. The EU's reputation has suffered among the peoples of Southeast Europe. A representative survey recently carried out in the Western Balkans as part of the Balkan Barometer provides cause for concern. 28% of those surveyed no longer want to join the EU and only 42% believe seeking EU membership is a positive step. The EU clearly has an image and credibility problem, and it has to take some of the blame. In this context, and in view of the unresolved economic and social problems facing the Balkan states, governments and society as a whole are turning their gaze eastwards to external actors such as Russia, China, Turkey and the Gulf States.

At least to some extent, Russia's annexation of the Crimea in March 2014 and the migration crisis of summer 2015 restored the West's interest in the Western Balkans in terms of foreign policy. This particularly found its expression in the Berlin Process, initiated by Chancellor Angela Merkel in 2014, and the EU's *recent Strategy for the Western Balkans*, which reaffirms a credible prospect of enlargement, underlines conditionality and indicates 2025 as a possible accession date for Serbia and Montenegro. In this way, the EU is keeping the prospect of accession alive and meeting the challenges posed by external actors by sending out important political signals.

However, any assessment of how external actors are increasing their influence and the factors involved is characterised by ambivalence and heterogeneity. From a Western perspective, the least ambiguous factor is classifying and evaluating the role and intentions of the **Russian Federation**. Moscow is a traditional external player

that has been involved in the Western Balkans since the 19th century and has developed historical relations with the states of the region. However, today Russia is unable to offer the Western Balkan states convincing alternatives to European and Euro-Atlantic integration. The material circumstances are also strikingly disproportionate to public perception and its political influence. Russia does not play a significant economic role in the Western Balkans: only 6.6% of foreign direct investment in the region comes from Russia and Russia's share of regional foreign trade is 3.9% for exports and 5.3% for imports. However, the region is dependent on Russia for its energy supply, though this dependence is waning.

Viewed as a whole, Southeast Europe is only a sideshow in Moscow's strategic thinking, albeit one that should not be underestimated: Russia's foreign and security policy priorities are the so-called "near abroad" (ближнее зарубежье), the Middle East and relations with the United States (and the West as a whole). Russia, on the other hand, regards the Western Balkans as an arena in which it can achieve significant effects with relatively few resources, predominantly through "soft" methods and intelligence, with the aim of distracting, weakening and dividing the Western community of states. While the Kremlin is seeking to prevent "encirclement" (from the Russian perspective) in the "near abroad", along with the restoration of Russia's sphere of influence, and in the process taking advantage of alternative integration models such as the Eurasian Union and the Collective Security Treaty Organisation (CSTO), its policy in the Western Balkans is one of "disrupter". In the absence of a clear, long-term and constructive strategy, it is primarily destructive and focused on creating instability. With the skilful use of tactics, sometimes covert, sometimes open, Russia is seizing every opportunity to exploit the fragility of political systems and intergovernmental relations to its own advantage. It is achieving this by cultivating "pan-Slavic friendship among nations" and an Orthodox faith community, through gesture politics, supporting certain parties and political groups, and targeted PR via the Moscow-friendly media. In this way, it is blurring the boundaries to propaganda and disinformation. The failed coup

in Montenegro on 16 October 2016 highlighted the fact that Russia does not shy away from diversionary tactics, conspiracy and sabotage. Experts believe the Western Balkans is already an arena for hybrid warfare between the West and Russia.

As far as **China** is concerned, just a few years ago the “Middle Kingdom” was largely invisible and of little significance as a player in the Balkans. This only changed with the announcement and launch of the One Belt, One Road Initiative (OBOR), the ambitious international investment strategy presented to the public by President Xi Jinping in September 2013 that will create a new Silk Road between China and its European markets, and the 16+1 (CEEC) initiative for cooperation with the countries of Central and Southeast Europe, which was launched in 2012. The Western Balkans play a key geostrategic role here, as the Chinese view the region as a gateway to the European Union market and as a land bridge between the Chinese-owned port of Piraeus and Central Europe. Against this backdrop, Beijing has begun to increase bilateral trade with the countries of the region and is investing in developing the transport and energy infrastructure and in certain strategic industries in the Western Balkans. At the 16+1 summit held in Budapest in November 2017, Beijing promised additional financial aid to the tune of US\$3 billion for investment and development projects in the region. As a result, there are few reservations about China in the Western Balkan states, which are some of the economically weakest countries in Europe and therefore dependent on what seem to be favourable financing opportunities and direct investment. In absolute terms and relative to other actors such as the EU, the volume of trade is still small, but there is a noteworthy trend: China’s exports to Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia more than doubled between 2004 and 2014, while imports increased more than seven-fold over the same period.

Europe and Germany take an ambivalent view of China’s role. Alternative financing options, significant investment in the economically weak Western Balkans and the implementation of infrastructure projects – albeit in clear competition

with European players – provide a vital impetus for economic modernisation, competitiveness, economic growth and connectivity in the region. In addition, Beijing appears to be a “stabiliser” and hence an apparent ally of the EU, since China supports the states’ integration into European structures, and its long-term investment in the region means that, unlike other external actors, it is not in its economic and strategic interests to destabilise the Balkans, a region that is often described as a “powder keg”. On the other hand, there are fears in Washington, Brussels and Berlin that China’s economic engagement may not be as innocent as it initially appears, and that it may one day lead to the People’s Republic exerting more political influence. There are still question marks hanging over China’s long-term goals and intentions. Because, along with stability, the focus of the EU is on promoting democracy, the market economy and good governance. China’s economic practices, on the other hand, often fail to meet European standards, threaten to undermine EU conditionality and regulatory standards, and increase the region’s overall susceptibility to corruption. The acceptance of Chinese loans for major infrastructure projects, mostly provided by the China Exim Bank, also threatens to create financial dependency and imbalance. In the long run, Beijing’s growing economic power could also lead to an increase in political influence. The EU is already divided when it comes to China, and this provides it with yet another challenge.

Turkey is a traditional external player in Southeast Europe, and over the last 20 years its foreign policy has rediscovered the Western Balkans. Until the Balkan Wars of 1912/1913, the “Sublime Porte” ruled the region for centuries. Under the name Rumelia, the region was an integral part of the Ottoman Empire. It was only after the end of the Cold War that Turkey once again became a serious player on the map of the Western Balkans with its support for the Bosniaks and later the Kosovo Albanians during the Balkan Wars of the late 20th century. When the AKP took power, Ankara’s focus shifted to its western neighbours in the course of the “zero problems with the neighbours” policy proclaimed by its former foreign policy mastermind Ahmet Davutoglu. Turkey’s

involvement attracts a range of opinions. While Ankara – itself a NATO member and (still) a candidate for EU membership – officially supports the Euro-Atlantic and European integration of the Western Balkan states, it is also pursuing an independent “neo-Ottoman” foreign policy with the aim of creating its own sphere of interest. In addition to economic activities, Ankara’s resources are mainly poured into trade, banking, construction, telecommunications and critical infrastructure (e.g. Prishtina, Skopje, Ohrid and Zagreb airports), with a primary focus on soft power and the cultural and religious ties that have grown over the centuries and that are now being systematically expanded.

While Moscow sees itself as a patron of pan-Slavism, Ankara has so far stressed its role as a protector of Muslims in the Balkans and has cultivated special relations with the predominantly Muslim states of Albania, Bosnia and Herzegovina and Kosovo, the Muslim communities in Macedonia, Montenegro and Serbian Sandžak, and the ethnic political parties of Muslim communities. Ankara was long regarded as a model of Muslim democracy, development and government with ties to the West. However, the political developments in Turkey in the wake of the failed coup of July 2016 mean that Ankara’s democratic radiance has been largely extinguished. Now, in certain quarters, Turkey is joining Russia and China as an attractive model of authoritarian rule. Turkey has also expanded its diplomatic and economic activities in non-Muslim countries of the Western Balkans, as is underlined by its recent signing of a free trade agreement with Serbia. For many years, the West viewed Turkey as a stabilising force, but today in many respects it is the West’s competitor in the Balkans, and its intentions are not always clear.

Taken all together, the **Gulf States** – primarily Saudi Arabia, the United Arab Emirates, Qatar and Kuwait – represent a relatively new player in the Western Balkans. Their involvement can be traced back to their support for Muslims (Bosniaks, Albanians) during the Yugoslav wars of the 1990s, when they helped their Muslim brethren by smuggling arms, sending volunteers to

fight and supplying humanitarian aid. When the wars ended, many religious foundations became actively involved in constructing mosques, schools and spreading a Wahabi interpretation of Islam that was not part of the Balkan tradition. This also involved links to transnational Islamic terrorism, both to Al Qaeda and, more recently, the so-called Islamic state (IS). One consequence of this is that Kosovo and Bosnia and Herzegovina have one of the highest proportions of “foreign fighters” in Europe compared to their total population. Today, the influence of the Gulf States is no longer limited to the religious and cultural sphere. Arab countries are increasingly making economic investments, particularly in tourism, construction (e.g. Belgrade Waterfront), agriculture, aviation (Air Serbia) and military technology, and are also providing loans and generous development aid. This investment is not restricted to the Muslim countries of the Western Balkans. Like China, the Gulf States see the Western Balkans as a gateway to the EU market, and – also like China – the lack of transparency when it comes to trade and procurement with the Gulf States also increases the region’s susceptibility to corruption. The promotion of radical Islamic ideas and support for jihadist networks on the part of non-state actors weakens the resilience of Muslim societies and poses a threat to the security of Europe, and hence Germany.

The situation is therefore quite differentiated: there are close ties and dependencies between all the Western Balkan states and Euro-Atlantic and European structures. In addition, trade and investment in the region is dominated by EU states. However, in parallel, external actors are gaining influence in this enclave within the European Union. Of course, not all their actions should be viewed as a risk to the countries’ resilience or indeed as illegitimate. But Germany and the EU need to keep a close watch on the situation and be proactive in addressing these challenges.

The aim of this report is to look closely at the activities of external actors in the Western Balkans and to describe their function and role, intentions and interests, and the resources at their disposal. It also considers local and regional perceptions

and sensitivities and evaluates the involvement of these external actors from a European and German perspective. This report forms part of our wide range of activities and projects that aim to support democracy and the rule of law, the integration of the Western Balkan states into the European Union and promote dialogue on foreign and security policy issues in Germany.

We hope you will find it a stimulating and thought-provoking read.

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Albania

by Walter Glos



Euro-Atlantic and European integration

Albania is a full member of NATO (2009), a candidate for EU membership (2014) and expects EU accession negotiations to open next year. The Stabilisation and Association Agreement entered into force in 2009 and Albanian citizens have enjoyed visa-free entry to the EU since 2010. The accession process is progressing slowly, particularly in the areas of fighting corruption, organised crime and the full implementation of judicial reform. According to the results of the latest OSCE/ODIHR report, parliamentary elections in 2017 made minimal progress compared to the elections of 2013 and 2015. The Albanian people would like the EU to allow accession negotiations to begin, with over 90% of Albanian citizens in favour of their country joining the EU. Albania has been a member of the Islamic Conference since 1992 and a member of the Council of Europe since 1995.

What is the function and role of external actors?

The main players with influence in Albania are the EU, the US and the countries of the region – Italy, Greece and Turkey. On a broader level, there are other interested parties, such as Russia, China and the Arab states. According to Albania's National Security Strategy Paper (2014-2019), the EU and the US are its main strategic partners; Russia is seen as a threat, while Italy, Greece and Turkey are viewed as strategic partners in the region.

Albania has maintained special and very close relations with the **United States** since 1991, particularly on the core issues of democracy, the rule of law, human rights, terrorism and security.

The US plays a dominant role in Albania's political decisions and all of Albania's political parties compete for American support. The US exerts huge influence over the country's political and public life. US ambassadors are afforded the same prestige as governors. The US is seen as a defender of Albanian nationalist interests, particularly for Albanians in Kosovo. In the document on the National Security Strategy (2014-2019), relations with the US as a strategic partner are viewed as a fundamental factor in consolidating the democracy, peace, development and integration processes of the country and region. The two countries have signed 27 agreements and treaties. President George W. Bush's visit to Tirana in 2007 was viewed as the culmination of relations between the two countries. The US supports Albania's accession to the EU, the democratic process and the development of the rule of law.

The **Russian Federation** has no influence on political decisions in Albania, and official cooperation is minimal. There has been no exchange of top-level delegations between the two countries for years and Albania has not yet signed the Treaty of Friendship and Cooperation with Russia. Domestic influence at a non-political level is growing compared to 10 years ago, mainly through social media and Russian language courses, which are offered free of charge by Russia. To date, none of the main political parties have made any positive statements about Russia. Russia's indirect influence in Kosovo, Macedonia and Montenegro, where Albanians live, also has an impact on Tirana's attention and critical attitude towards Russia. In Albania, Russia is perceived as the traditional protector of the Orthodox Slavs. Russian support for Serbia sometimes clouds relations. The Russian government is critical of Albanian policy and

Albania's role in the region. Russia aims to weaken Albania's role and likes to fuel arguments that Albania is a poodle of the US and the EU. Russia was very critical of Albania's position on the sanctions imposed on Moscow by the EU in 2015.

China has focused mainly on increasing its economic cooperation with Albania. After Stalin's death and the end of the close partnership between the Soviet Union and the People's Republic of Albania, Albania looked for a new ally – and found it in China. Between 1968 and 1976, Sino-Albanian relations were particularly strong in the economic sphere. However, with the gradual opening-up of China, this partnership also came to an abrupt end when diplomatic relations were broken off in 1978. Cooperation between Albania and China has been growing once again since 2001, mainly but not exclusively in the economic and infrastructure sectors. This is largely taking place within the framework of the 16+1 cooperation launched by China and the One Belt, One Road project. There have been high-level visits between the two countries (ministers and deputy prime ministers). China has taken over two of the largest investments in Albania: the only international airport in Tirana/Rinas and the largest oil company, Bankers Petroleum. It is also active in the IT, energy and sea freight industries. The Albanian government has extended several invitations to China to take over some of the country's largest infrastructure projects. The main political parties all take a positive attitude towards China. China's cultural influence is also growing slightly. In 2013 a Confucius Institute was established at the University of Tirana and in 2017 at the University of Durres. These institutes disseminate Chinese language and culture. China views Albania as "its necessary partner in Europe".

The influence of the **Gulf States** in Albania is two-fold: economic and religious. The last ten years have seen an exchange of high-level visits (presidents, heads of parliament), particularly with Qatar, Kuwait and the United Arab Emirates. After the fall of communism, the Gulf States concentrated on establishing religious institutions, partly in competition with Turkey. The Gulf States have invested massively in infrastructure and tourism.

The United Arab Emirates financed the construction of a new airport in Kukes, on the border with Kosovo. High-level talks have taken place with Qatar over recent years (the last two Albanian presidents, two prime ministers and other ministers have visited Doha).

In the 2014 National Security Strategy, **Turkey** is considered a strategic partner, together with Italy and Greece. Turkey is Albania's fourth-largest foreign investor. In 2016, its investments amounted to more than 4% of GDP. Turkey maintains historical relations with Albania because of its Ottoman heritage and has always sought to make the most of these traditional ties for its presence in the country and its influence on foreign policy and religious affairs. It supports institutions, foundations, projects and investments, particularly those with a religious background, including the construction of the largest mosque in Albania (in Tirana). In the political and business spheres, its aims to compete with Greek and Italian interests in the country. Turkey's President Erdogan has cultivated personal relations with all of Albania's prime ministers. Turkey has a wide range of private investments in Albania, including banks and production facilities, and there are 12 town-twinning agreements between Albanian and Turkish cities.

What are the actors' long-term goals and interests?

For the **USA**, the priority is Albania's democratic stability and political role in the region. As a full member of NATO, Albania has sent soldiers to missions in Iraq and Afghanistan at the request of the United States and it supports every American position on security issues. Albania and the Albanian people are considered to be the most pro-American of all the Balkan states. The main focus of the US is on strengthening the judicial system in order to contain the threat posed by organised crime and drug smuggling. It is also keeping a close eye on potential extremist Islamic groups in Albania. In the economic area, the US has an interest in the TAP natural gas pipeline and other major regional projects. Despite this, trade

between the two countries is at a relatively low level.

Russia is trying to restore the relations that it had with Albania in the period from 1948-1961. It primarily views the whole of the Balkans from a geopolitical perspective. It is doing what it can to minimise US influence and is opposed to Albania becoming a member of the EU. However, Russia cannot offer Albania any realistic, attractive alternatives because it has little influence on Albania's economy and energy policy.

China is primarily pursuing long-term economic goals in Albania and the Western Balkans. This sub region represents an important corridor in Beijing's new Silk Road (One Belt, One Road project) and China is therefore concentrating its investment on infrastructure projects. Unlike Russia, China is not opposed to Albania joining the EU, as this means stability and market integration.

The **Gulf States** are interested in increasing their religious influence, as the majority of Albanians are Muslims and Albania is a member of the Islamic Conference. Otherwise, they are mainly interested in economic investment in the southern coastal area.

Turkey is keen to increase its political, economic, religious and cultural presence. Turkey assumes that Albania is pursuing its political course and sees itself as the defender of the Albanians against the Greek and Slavic "peril".

What resources do the external actors have at their disposal?

The **US** exerts a great deal of influence through the government and its programmes, especially through USAID and the implementation of judicial reform. It plays a dominant role in matters of security, defence, democracy and human rights. Following the constitutional changes in Albania in 2016, American experts have been afforded broad access in the fight against organised crime and corruption. Five or six high-level delegations (congressmen, senators, Department of State repre-

sentatives, etc.) visit Albania every year. The Voice of America radio station has considerable public impact in Albania.

Russia makes the most of its historic connections from the communist era and cultivates contacts with the generation of Albanians who were educated in the Soviet Union at that time. It also exploits its strong relations with Serbia to exert influence in the region, including Albania. Moscow is investing in education and culture and has visibly increased its presence in the media through regular weekly broadcasts and contributions in Albanian.

China is using Albania's interest in investment to increase its economic involvement in Albania and the region. It has also expanded its cultural activities and increased visits by official delegations, with government delegations from both sides making regular annual trips.

The **Gulf States** are using religious groups and their economic potential to increase their religious and economic influence in the region. Through religious and humanitarian foundations, they have built hundreds of religious institutions, especially in rural areas. There are confirmed cases of communities falling under the influence of extremist ideas.

Turkey is using historical and cultural links to revive its influence in Albania and the region. Ankara is employing political, diplomatic, educational, cultural, religious and economic methods to achieve this aim. Turkey maintains universities and a network of schools, foundations, etc. It also invites numerous Albanian delegations to visit Turkey every year. In 2017, Turkey signed a contract to build the new airport in Vlora in southern Albania.

Economic relations

Albania has economic ties with a great many countries. For example, Greece's financial crisis has reduced Greek influence in Albania, while economic stagnation in Albania has led it to turn

to cheap Turkish and Chinese markets. Some major international corporations have sold their property to other countries (e.g. Tirana Airport changed hands from Germany to China). According to the Albanian Institute for Statistics, foreign investment in 2016 is as follows:

In 2016 **China** was the third-largest trading partner after Italy and Germany at US\$409.61 million; **Turkey** and Greece were neck-and-neck at \$368.02 million, while the **USA** occupied 9th place at \$87.83 million. **Russia** ranked 10th at \$87.79 million, **Saudi Arabia** 51st at \$5.43 million, followed by the **United Arab Emirates** at \$5.36 million; **Qatar** came 61st at \$2.62 million.

In 2016, Italy was the largest trading partner with an import volume of €2.274 million, followed by Germany at €460 million and **China** at €438 million. Greece came fourth with a total value of €427 million, followed by **Turkey** at €364 million. The **USA** followed with €93 million, followed by **Russia** at €82 million. The **United Arab Emirates** ranked 45th, **Saudi Arabia** 60th, **Qatar** 62nd and **Kuwait** 114th.

Which actors can be classified as opponents, and which as like-minded?

The US and EU are on one side, with Russia and Turkey on the other. All Albanian politicians are inclined to maintain close ties with the **USA**. In 2017, the leaders of the main political parties, Prime Minister Edi Rama (Socialist Party), opposition leader Lulzim Basha (Democratic Party) and former party leader of the Socialist Movement for Integration (now President) Ilir Meta, spent around €1 million on lobbying in the USA in order to increase its prestige in the Trump administration. All three supported the presidential campaigns of both Bill and Hillary Clinton, but in the wake of Trump's victory they are now vying for his support. Like the EU, Albania voted against the resolution on Jerusalem. This was the first time that Albania has ever formally voted against the US. For the majority of Albanians, this vote did not affect the country's pro-American stance.

The **European Union** has a great deal of influence in Albania. The majority of Albanians are in favour of joining the EU, so the EU plays a major role and has strong influence on the country's political life. All the parties are pro-EU and every declaration or stance taken by the EU has an impact on Tirana's political agenda. Germany is very active in Albania in the area of development policy and plays an important role. The Albanians have an affinity with Germany, so they are keen to gain its support. Italy is present in every area of life and so exerts a constant influence on Albania. Italy is its most important partner with an export and import volume that is 3 to 3.5 times larger than that of Germany and 20 to 22 times larger than its trading volume with the USA. Albanians feel close ties to Italy, much more so than with Greece or its other neighbours to the east.

Russia acts as a counterweight to the American presence in Albania but has no discernible influence on its politics. In their political speeches, Albania's leaders have become increasingly bold in their criticism of Russia. They also try to avoid events or political occasions organised by Russia.

China and the **Arab countries** do not play an influential role and are unable to act as a potential counterweight to the US and EU. They recognise the influence exerted by the US and EU in Albania and are therefore viewed as countries that have no potential influence on Albania.

Turkey is an important player in Albania. It is using religion and its historic ties to expand its influence in Albania. Greece and Albania are still dealing with some outstanding issues relating to past policies. In this respect, Greece is trying to demonstrate its power by putting pressure on Albanian emigrants in Greece. Moreover, Greece is the only EU Member State to share a border with Albania. The Greek minority in Albania is still an important influencing factor.

Current events that have an impact on the influence of external actors

Albania currently enjoys excellent relations with its neighbours. It has particularly active relations with Serbia and Macedonia, very good relations with Kosovo, Montenegro and Italy and is on the threshold of a new friendship agreement with Greece. A potential problem for the future could be **Turkey's** growing influence in Albania, as well as the benefits that Turkey and Russia could derive from placing hurdles in Albania's path to joining the EU. Turkey has been pressurising Albania to arrest or extradite some Gülen supporters and to close a number of Gülen schools, but these demands have been indirectly refused.

Over recent years there has been an increase in migration to the EU (mainly economic migrants and skilled workers) and a drift towards extremism. In its relations with Greece, the Cham issue remains unresolved. This relates to Albanian inhabitants who were expelled from Greece *en masse* after the Second World War and who are still fighting for their rights (e.g. property in Greece).

Despite the trend described above, there are no serious signs of a real longer-term orientation towards **Turkey, Russia, China** or the **Gulf States**. The EU and US will remain Albania's key political partners.

Bosnia and Herzegovina



by Dr Karsten Dümmel

Euro-Atlantic and European integration

Bosnia and Herzegovina (BiH) is a NATO accession candidate, but its Membership Action Plan (MAP) awaits activation pending the registration of military installations and stocks. NATO membership negotiations have been repeatedly blocked, derailed or suspended by the government of Republika Srpska (RS). A Stabilisation and Association Agreement was signed with the EU in 2015. An application for EU membership was then submitted in February 2016, but candidate status remains a distant prospect.

The questionnaire that the European Commission provides to countries seeking candidate status was only completed in mid-January 2018 after numerous delays – almost six months behind schedule. Now more than 3,500 responses have to be translated into English before the questionnaire can be sent back to Brussels. The statements of the new Austrian government are worrying and contrary to the interests of the EU. Vice-Chancellor Strache, who maintains close relations with the RS and its president, Milorad Dodik, has recently – once again – declared that the state of Bosnia and Herzegovina has no right to exist. He has repeatedly called for the RS to be independent of BiH. However, the current Bulgarian Presidency of the EU Council has made the integration of the Western Balkan states a high priority.

What is the function and role of external actors? Which actors can be described as opponents, and which as like-minded?

Since the Dayton Peace Agreement of 1995 and its military intervention in the 1990s, the **United States** has had special responsibility for the state of BiH. It is one of the guarantors of the country's relative stability. The USA's "friend or foe" attitude towards former military opponents has changed little since 1995. For example, the SDS party, which was co-founded by Serbian leader Radovan Karadžić, has since been reformed and is close to the EPP. However, until recently it was on the USA's list of Specially Designated Nationals and Blocked Persons and was politically ignored. Its ability to reform was not acknowledged and it was kept out of political decisions and development processes. The American Embassy and USAID gather information via KAS contacts in the SDS and indirectly "accompany" some of the SDS's projects through KAS. However, since autumn 2017, the US has begun to make its own direct contacts. One year before the general elections in BiH, this suggests a change of strategy. The United States is mainly interested in maintaining security and stability in the region and reducing/preventing the spread of Russian influence and radical Islam. To achieve this, the United States has hard and soft power resources at its disposal. It has military infrastructure on the ground thanks to its command of the NATO headquarters in Sarajevo, and it can also exert indirect influence through IMF loans. USAID is one of the country's main donors.

The US and EU have similar objectives with regard to BiH and should therefore be regarded as like-minded. Shortly before President Obama left office in January 2017, his administration imposed sanctions on the RS president, Milorad Dodik. He was once supported by the US as a “reformer and hope for the future”. Dodik’s hopes that the sanctions would be lifted when Trump took office were soon dashed. It seems unlikely that the situation will change in the near future. However, the EU has been unable to impose sanctions on Dodik.

The **Russian Federation** exerts influence on the government and society of RS via Serbia, but also directly. This influence is often overestimated in the Federation of Bosnia and Herzegovina (FBiH) and by the rest of the world. Like Turkey, Russia is represented in the energy and banking sectors. The two nations also have religious ties that have grown up over the centuries through the Orthodox Church. Russia also advises the RS government and trains and equips its police and paramilitary units. Russian advisors helped to draft a law on NGOs for the RS. Russia’s UN veto on decisions against the RS taken by the Peace Implementation Council (PIC) and on genocide claims against the Bosniaks have prevented the country from making progress on reconciliation. The Russian Federation’s agenda includes consolidating its sphere of influence and disrupting Western interests. Russia is trying to achieve this goal by supporting Serbian interests in the country. Moscow is opposed to both EU and NATO membership. In addition, Moscow is creating dependencies in the area of energy supply and lending in the RS.

The Russian Federation is an opponent of the United States and the EU and often appears to be acting in conjunction with Serbia, particularly with regard to relations with Republika Srpska. The president of the RS, Milorad Dodik, is considered to be Moscow’s ally and Putin’s friend. Moscow indirectly supported the RS government in the referendum on the unconstitutional Independence Day of the RS in September 2015. Indirect support can also be expected for another unconstitutional referendum on independence by the RS, which the RS government under Dodik flirts with on a regular basis. The Srpska Čast group (Serbian

Honour) is also causing a stir at the moment, and it is also said to have connections with Russia. It is ostensibly a humanitarian organisation, but of late its public appearances have featured nationalist symbols and military equipment. Its proximity to Milorad Dodik is undisputed, and experts suspect that it is a paramilitary unit set up by Dodik himself. Opposition forces in the RS fear that he could use this group to intimidate political opponents during the upcoming elections. There is evidence that individual members of this group have connections to the Russian military.

So far, **China** has played no particular role in BiH. Although China is expanding its trade volume with the Balkan countries as part of the One Belt, One Road Initiative, it is doing this to a much lesser extent than in Serbia, for example. It is not possible to discern any long-term, country-specific goals and interests with regard to BiH. China is increasingly investing in power generation from coal-fired power plants. It can be assumed that it is deliberately creating commodity dependencies.

Overall, the influence of the **Gulf States** is increasing steadily. Like Turkey, the Gulf States supported BiH during the Balkan Wars. This led to an influx of weapons and Islamic fighters (Wahabis, Salafis) with religious views that are alien to the indigenous Muslim community in BiH. The Gulf States are strongly and conspicuously represented in the FBiH in the areas of religion, culture, economy (medium-sized businesses), tourism (visa-free entry) and consumption. As has happened in many African countries in the past, they have endowed mosques and funded religious and cultural institutions in BiH (schools, kindergartens, cultural centres, sports fields, libraries, and museums). BiH is regarded as a bridgehead and access route to Europe. Alongside economic interests, the Gulf States are primarily interested in gaining influence in religious and cultural life. Their main resources are financial, and they use them specifically to buy up choice pieces of land and to infiltrate the economy. In terms of religious orientation, they are pushing for their strict Islamic values to be more deeply embedded in everyday life (state religion, alcohol ban, veiling, polygamy, no

women's rights, etc.). However, their influence is sometimes overestimated in Western countries and Croatia. Especially in Croatia, but also in Austria, there is a strong political campaign against Islamic influences in the FBiH. A recent publication by the Austrian Integration Fund included an article entitled *Islam auf dem Balkan – ein historischer Überblick bis hin zur Gegenwart [Islam in the Balkans – A historical view up to the present day]*. It is full of lies and half-truths and was strongly criticised by experts in the field. In fact, large sections of the Bosniak population are sceptical of or opposed to the Gulf States' strict interpretation of Islam.

The Gulf States all act separately and do not seem to have any joint strategies. By financing construction projects and sending ever-growing numbers of tourists, the Gulf States are gradually bringing visible changes in urban and rural areas (such as the sight of fully-veiled women, an influx of 60,000-80,000 tourists in Sarajevo between June and August, changing street and business names, advertising in Arabic and other Arabic street signs).

For decades, **Turkey** has called BiH "its country". In reality, however, Turkey is more active in the entity of the FBiH (banks, motorways, petrol stations, economy) than in the RS. During the "Bosnian Spring" in February 2014, when workers went on strike and mass demonstrations were held in 18 cities of the FBiH, Turkey was immediately asked for help by the Muslim member of the presidency. After its failed military coup in July 2016, Turkey sought the assistance of fellow Muslims in FBiH ministries to investigate supporters of the Gülen movement in BiH and apply political pressure to have them "removed" from schools and universities. Private universities were closed down and professors dismissed – we can only speculate whether this was as a direct consequence. Turkish students and lecturers in BiH have talked openly to the rapporteur about being unable to travel to Turkey for fear of being arrested. The presidents of Turkey (Erdogan) and BiH (Izetbegovic) are personal friends. Turkey is trying to use culture and religion to exert an influence on society and the orientation of Islam in BiH. It is having a degree of success, but certain elements

are rejected by Muslims living in BiH (mass circumcision of boys in sports stadiums, etc.). Due to Turkey's unconditional support for the government of the Republic of Bosnia and Herzegovina (R BiH) and for the Muslim population during the 1992-1995 war, Muslims and Muslim elements in government take a less critical view of Turkey than other nations. Serbs and Croats in BiH and in the mother countries use Turkey's strong influence as an opportunity to warn against "being alienated in our own country", "indoctrination" and the "increasing Islamisation of BiH" (especially FBiH). This often reveals traditional resentments. In addition to economic interests, Turkey pursues a neo-Ottoman policy of securing and restoring its former sphere of influence in BiH. The strengthening of (political) Islam represents an important cultural/religious component in this respect. In addition to soft power resources (religion, entertainment industry, TV), Turkey's economic resources are a key element for exerting its influence. It is investing in business and infrastructure and heavily subsidising tourism in Turkey. Turkey also has close relations with the Muslim Bosniak community, and it gains influence through its close ties with the EPP partner party and ruling SDA party.

Turkey knows other Islamic states are at its side, but it is also in competition with the Gulf States, particularly in the religious area. The SDA and in particular Bakir Izetbegovic as party chairman and member of the BiH presidency are regarded as allies of the AKP and President Erdogan. During a public address in Sarajevo in January 2018, the Deputy Secretary General of the AKP described BiH as "the future Anatolia of Europe". The AKP plans to open offices abroad in various countries in 2018, including BiH. This is justified by the AKP's vision, which does not limit itself to domestic policy.

Kosovo

by Johannes D. Rey



Euro-Atlantic and European integration

The European Union has always supported Kosovo's progress on its European journey. The signing of the Stabilisation and Association Agreement (SAA) in 2015 and its entry into force in 2016 have been key steps in this direction. To support necessary reforms, the EU is providing the Western Balkans and Turkey with pre-accession assistance of €11.7 billion for the period 2014-2020. Of this amount, €645.5 million has been allocated to Kosovo.

Two EU missions are currently operating in Kosovo: the Rule of Law Mission (EULEX) and the Office of the European Union/EU Special Representative in Kosovo (EUSR). The EULEX mission in Kosovo is one of the largest EU Common Security and Defence Policy (CSDP) missions. On 27 October 2015, the EU and Kosovo signed the SAA in Strasbourg. Membership of international organisations remains one of the priorities of the government, which is seeking full membership of the UN.

Kosovo's national security is closely linked to regional and Euro-Atlantic security. Kosovo's independence is recognised by 114 states (including 23 EU states and three permanent members of the UN Security Council). The European Commission's new strategy for the Western Balkans could allow a gradual accession of some countries in the region.

What is the function and role of external actors?

Since 1999, the **United States** has made contingents available to NATO-led Kosovo Force (KFOR). KFOR's task is to maintain safety and protection and to guarantee freedom of movement for all

citizens. Since the launch of EULEX in 2008, the United States has also provided personnel for this mission – for the first time as part of an EU CSDP mission. The US government has invested some \$2 billion in Kosovo since 1999 and is currently building an expensive new embassy, due to open in 2018.

The embassy is particularly committed to improving the rule of law and good governance, tailored to the needs of citizens, and to sustainable economic growth that promotes the stability of Kosovo and its European integration. The embassy also wants Kosovo to make a positive contribution to regional stability through a statutory restructuring of the security sector, measures to combat violent extremism, the promotion of minority rights and integration into Euro-Atlantic structures. The government of Kosovo and the US government's Millennium Challenge Corporation (MCC) have signed a \$49 million threshold programme to boost economic growth and reduce poverty.

Within the framework of KFOR, which currently involves 30 countries and more than 4,600 troops, around 650 US military are currently stationed in the Balkans. According to US Secretary of Defence James Mattis, the US presence in Kosovo will continue until the Kosovo Security Forces (KSF) can be given the mandate to ensure internal security and territorial defence. Such a change would require parliament to pass a constitutional amendment.

The dialogue between Kosovo and Serbia, which began in 2010, is accompanied by the EU and directly supported by the US. These talks established a new arbitration paradigm in which the United States continues to support both sides

and help them move towards a full normalisation of relations.

The aim of the USA's support is to enter into a strategic partnership with Kosovo. A bilateral state partner programme with the Iowa National Guard, a subdivision of the US National Guard, was launched in 2011. The long-term goal of the programme is a broadly established partnership with the KSF through support for regional security and cooperation. The United States also supports Kosovo in the fight against violent extremism and welcomes its efforts to mitigate the threat posed by foreign terrorists and other radicalised individuals through joint activities and counter-messaging.

The Balkans are of great strategic importance for **Russia**, particularly as a transport hub and infrastructure location for the supply of gas and oil to Europe. As a UN member with the power of veto and with its historical interest in the Balkans, Russia is an important player among those countries who refuse to recognise Kosovo's independence. Russia has a traditionally close friendship with Serbia and is interested in maintaining its political and economic influence in the Balkans. As a result, it opposes Kosovo's 2008 declaration of independence and the integration of the Balkan states into the EU and NATO.

Russia has been active on the Kosovo issue since the 1990s and is well represented by its diplomatic liaison office in Prishtina as part of the UN mission, which acts as a branch of the Russian embassy in Belgrade. Russia's economic interests in the region revolve around its complex Balkan policy. At the Balkan Energy Cooperation Summit in Zagreb in 2007, President Putin presented Russia's plans to supply Russian gas via Macedonia to Kosovo, Albania and southern Serbia.

President Putin has repeatedly compared Kosovo to Crimea. Kosovo's membership of the UN will probably eventually be negotiated as a dispute between Russia and the West in the UN Security Council – instead of resolving it via the EU-supported dialogue with Belgrade. Russia fears that the signing of an agreement between Kosovo and Serbia would accelerate Serbia's accession to the

EU and ultimately bring the country closer to NATO. In this context, it is unlikely that Russia will withdraw its veto against Kosovo's UN membership.

Kosovo has legitimate concerns that Russia represents a serious security threat, as it could militarise the Serbian army. This concern seems justified in view of the fact that the Russian-Serbian Humanitarian Centre has recently been established in the southern Serbian city of Niš, less than 100 km from Prishtina. In Kosovo, this centre is viewed solely as a Russian military presence to counterbalance KFOR. It has led to calls for a permanent US military presence in Kosovo in order to deter Russia and maintain stability.

Political relations between Kosovo and **Turkey** are determined by a range of geopolitical, economic and socio-historical factors. The large community of Turkish citizens who have their roots in Kosovo and the ethnic minority of Turks in Kosovo play an important role in this respect.

Turkey actively participated in NATO's intervention and Kosovo's liberation in 1999, was involved in post-war reconstruction and offered its support to numerous bilateral and multilateral platforms. It was one of the first countries to recognise Kosovo's independence on 18 February 2008. Since the establishment of diplomatic relations upon the opening of the Kosovo Embassy in Ankara, there have been numerous visits by high-ranking officials. Between 2008 and 2016 alone, 44 agreements and other decisions on bilateral cooperation were signed.

Since 2008, when the Kosovar-Turkish Chamber of Commerce began its work, €327 million of Turkish investment has flowed into Kosovo. This makes Turkey the country's fifth-largest foreign investor, after Germany, Switzerland, Austria and the UK. Some 800 Turkish companies are registered in Kosovo, of which about 200 are currently active. Over the last few years, Kosovo has imported goods in excess of €288 million from Turkey, while its exports to Turkey have amounted to around €8 million. Turkish companies, together with international partners, have won some of the largest tenders. The contract for the construction of a

motorway link between Kosovo and Albania (at a cost of one billion euros) and between Prishtina and Skopje (around 600 million euros) went to an American-Turkish consortium. In 2010, the Turkish-French association Limak-Aéroport de Lyon received the concession for Adem Jashari international airport in Prishtina for 20 years, with an investment commitment of over 100 million euros. In 2012, the Turkish Limak-Çalik consortium privatised the state power grid (purchase price €26.3 million). Numerous Turkish banks such as Calik Holding (BTK and KEDS), Newco Balkan, Turkish Sparbank (TEB), and Ish Bank (İş Bankası) have successfully established themselves in Kosovo.

The Turkish Cooperation and Coordination Agency (TIKA) has been active in Kosovo since 2004. According to the embassy in Ankara, around 1,600 young people from Kosovo are studying in Turkey. The majority of these are endowed with scholarships from the Turkish government or Turkish businessmen with roots in Kosovo. In December 2009, the KSF signed an agreement with the Turkish armed forces for a broad cooperation that would include training Kosovan forces in Turkish military academies. There is also contact and collaboration in other areas such as culture, sport, art and archives.

Turkey's investments in Kosovo are often criticised by intellectuals, politicians and the media, who question Turkey's motives and are concerned about Kosovo's political and cultural orientation. From Kosovo's perspective, Turkey is a trading partner and supporter of independence, whereas from the Turkish perspective the Balkans is a geopolitical area where it can exert its influence – with Kosovo as its centre. Kosovo's religious identity emerged during Ottoman rule, so Islam in Kosovo largely coincides with Islam as practised in Turkey. So far this is not a major issue in Kosovo, but the fact that Turkey's policy is strongly influenced by religious factors is also reflected to some extent in its foreign policy. When President Recep Tayyip Erdogan visited Prishtina in 2013, he even went so far as to say: "Remember, Turkey is Kosovo and Kosovo is Turkey", which caused concern to the majority of Kosovans. For some, the Turks

are their fellow Muslims, but for others, Turkish investments are harbingers of a planned "reconquest".

Turkey's two main economic and cultural currents, controlled by President Erdogan and his former ally Fethullah Gülen, are also having an impact in the Balkans. Economic experts and journalists in Kosovo differ in their views on investments by these two elements. They both support a great many schools in Kosovo (the exact number could not be confirmed by KAS sources). After the coup in Turkey, President Erdogan called on the Kosovo authorities to close all schools supported by Gülen, but his demand has been refused.

Of all the **Gulf States**, **Saudi Arabia** exerts the greatest influence in Kosovo, although other states such as **Qatar** and the **United Arab Emirates** also have an influence. The Kingdom of Saudi Arabia was one of the first states to recognise Kosovo's independence and supports it to this day. Diplomatic relations were established on 7 August 2009. Kosovo opened its embassy in Riyadh in May 2010, and Saudi Arabia's embassy in Tirana is responsible for Kosovo.

At the 36th session of the Council of Foreign Ministers at the Organisation for Islamic Cooperation (OIC) held in Damascus on 25 May 2009, 57 states adopted a resolution noting Kosovo's declaration of independence, strengthening the role of the UN in Kosovo and reaffirming the great interest of the OIC in the situation of Muslims in the Balkans. Kosovo's cooperation with the OIC was also welcomed and the international community was called upon to continue supporting Kosovo's economy. Saudi Arabia played a key role and it was reported that an earlier draft resolution had called for the OIC to recognise Kosovo, but that it was rejected by certain member states, including Syria, Egypt and Azerbaijan.

Saudi Arabia has invested particularly heavily in rebuilding the schools, polyclinics and mosques that were destroyed during the war in Kosovo. Both countries have majority Muslim populations. The traditional form of Islam in Kosovo is the Hanafi school, described as predominantly liberal

and moderate. But more radical forms of Islam have spread since the war, and the dominant Saudi form – Wahhabism – has gained a foothold in Kosovo through Saudi diplomacy. Saudi Arabian funds have been invested in the construction of new mosques and imams trained in Saudi Arabia have been moving into Kosovo since 1999. Wahhabi schools have been set up, but it is impossible to say how many there are because they are often run illegally. Many commentators believe these schools are behind the hundreds of Kosovo citizens who have joined terrorist groups in the Middle East.

Kosovo holds the macabre record of being the European country with the highest per-capita ratio of Islamic State (IS) fighters in Syria. Over the last two years, 317 Kosovars out of a total population of 1.8 million have been identified by police as IS members. In April 2015, Kosovo's parliament passed a law prohibiting individuals from fighting in conflicts abroad – a crime that incurs a prison sentence of up to 15 years. Local authorities and moderate imams blame a network of extremist religious officials who are being funded by Saudi Arabia, Qatar, Kuwait and other Arab nations. They are spreading Wahabi Islam with the support of a shady network of private and charitable donations and Islamic scholarship programmes.

A new chapter of cooperation has recently been opened by the Saudi Arabian Development Fund, which has committed to investing \$70 million in Kosovo's economic development, particularly in infrastructure projects and health care.

China has long pursued a strategy of political support for smaller developing countries, and the Western Balkans are no exception. During the wars that followed the disintegration of Yugoslavia in the 1990s, China remained fundamentally neutral and supported the decisions of the UN Security Council. Today, Beijing maintains diplomatic relations with all the countries of the Western Balkans except Kosovo. China rejected Kosovo's declaration of independence in 2008 and even appealed Prishtina's decision at the International Court of Justice. Beijing's position is based on the fear that recognition of Kosovo could be

seen as a precedent for its own sensitive domestic situation, notably the troubled regions of Tibet and Xinjiang.

Croatia

by Dr Michael Lange



Euro-Atlantic and European integration

Since gaining independence in 1991, the Republic of Croatia has been keen to integrate itself as quickly as possible into Euro-Atlantic structures. Its NATO membership in 2009 primarily serves its security interests, while its accession to the EU in 2013 mainly serves its economic interests. In addition, many (Catholic) Croats were keen to safeguard themselves by becoming part of the European nation/culture. They no longer wanted to be identified with the (non-Catholic), oriental “Balkans”, so they made a clear shift to the West and Europe in terms of its economy and politics. At present, Croatia is accelerating its efforts to enter the Schengen area through the introduction/application of the Schengen Information System, and it is also seriously tackling its public debt in order to join the eurozone.

What is the function and role of external actors?

The **United States** is interested in increasing its cooperation with partners in Croatia, mainly for geostrategic and energy policy reasons. It is particularly keen to counter Russia’s influence and pursue its energy export interests. With the appointment of a hotel magnate as the new US ambassador, these interests now seem to be expanding to the promising Croatian tourism sector. These plans may be helped by the fact that many of Croatia’s current leaders have personal and professional links with the US. The current Croatian President was ambassador to the USA and NATO for many years, while the current Defence Minister completed part of his military training in the US, so they are considered to have particularly close ties with America.

The **Russian Federation** is also interested in closer cooperation with partners in Croatia, for similar reasons to the US. Despite existing economic ties (such as the Lukoil petrol station chain and WTB-Sberbank), the diplomatic relations that were established 25 years ago are currently under considerable pressure. This is as a result of the statements by Croatian Prime Minister Plenkovic on possible (peaceful) ways of resolving the Ukraine conflict and also because of the Agrokor food group’s heavy indebtedness to Russian banks. It is assumed that the Russian government wants to use the financial dependence of Croatia’s struggling largest food group to put pressure on the Croatian government and in this way gain concessions with regard to EU votes that affect Russia.

As part of its 16+1 Platform, **China** is also interested in strengthening economic relations with Croatia. Since the Croatian President’s visit to China in October 2015 and the return visit of a high-ranking Chinese economic delegation in July 2017, the diplomatic relations that were established in 1992 have experienced a clear upturn, and this is starting to be reflected in plans for joint projects.

As one of the first countries to recognise Croatia’s independence, **Turkey** is particularly interested in the rights of its small Muslim minority and is striving to develop its already strong economic ties, especially in the construction (hotels) and tourism sectors, including for the benefit of Muslim visitors from neighbouring countries.

What are the actors' long-term goals and interests?

With the change of administration in the **United States**, the focus of bilateral relations has shifted even more strongly to the economy. At present, the focus is on the USA's interest in increasing its shale gas/oil exports to the region through the planned (and EU co-financed) gas liquefaction and transport terminal on or near the island of Krk. This means that the US is competing with Russia in the energy sector (gas supplies) and also with the EU's common energy strategy. At the same time, the current US administration seems to be striving to bring Croatia closer to the Visegrad states through pronounced support for the Croatian president's Three Seas Initiative (at the expense of the role of mediator that the EU expects it to play in the Western Balkans). This piles more pressure on the EU's painstaking efforts to maintain solidarity.

The **Russian Federation** is interested in preventing further expansion of the influence of NATO and the EU in Southeast Europe and hence Croatia. It is trying to garner the support of Eurosceptics, particularly among politicians, in order to regain its lost influence. Companies such as Lukoil and Gazprom can use their own export interests (on the energy front) for this purpose, whereby lucrative business relationships with individuals or influential groups can be expanded and competitors' projects (such as the construction of the gas liquefaction plant) can be torpedoed with the help of "socialist-nationalist" political circles.

China has also set its sights on Europe's south-eastern flank because European private investors still have difficulty investing in the region and participating in major projects. Taking advantage of this vacuum, the Chinese government is increasingly interested in carrying out projects throughout Central and Southeast Europe and therefore also in Croatia. It has identified the Balkans as an important corridor for its new Silk Road, so it is mainly involved in large infrastructure projects (road construction, rail networks, airports and ports) in order to ensure and facilitate the future growth of their goods exports and

transportation to the European internal market. This "investment offensive" is also supported by the provision of extensive, low-cost project financing without the political conditions that are customary in the EU.

During the President of **Turkey's** last visit to Croatia in April 2016, the talks focused primarily on the consequences of the refugee crisis, the fight against terrorism, and economic cooperation. Croatia continues to support the accession of Turkey (as well as Bosnia and Herzegovina) to the EU and hopes not only to deepen economic relations but also to assist Turkey in persuading their fellow Catholics in Bosnia to accept the electoral reform advocated by Croatia and thus finally enable the Croats in Bosnia to participate on an equal footing.

What resources do the external actors have at their disposal?

In Croatia's relations with the **United States**, the military aspect plays a special role, along with energy policy interests. Croatia is currently striving to fulfil its NATO air defence obligations in the region more effectively and to modernise its air force (with the help of US fighter aircraft?). The relationship continues to be affected by the Dayton Agreement, which is unpopular in Croatia because it does not give the Croatian minority in Bosnia and Herzegovina the status of an ethnic group with equal rights. For historical reasons, the influence of American culture is fairly limited, and few American tourists visit "Catholic" Croatia.

Many believe that the **Russian Federation** is seeking to take political advantage of the fact that the goodwill of Russia's two state-owned creditor banks seems indispensable for the targeted restructuring of the overindebted Agrokor group and to save some 60,000 jobs. As a major partner of the Hungarian energy multinational MOL, Gazprom has also played a key role in the Croatian government's buy-back of a controlling interest in Croatian energy group INA.

For **China**, Croatia is becoming increasingly attractive as a holiday destination due to the fact that

the hit TV series *Game of Thrones* was partly filmed in Dubrovnik. As a result, the Chinese government wants the visa process to be simplified, so direct flights between China and Croatia could be economically viable if visitor numbers continue to rise. The number of potential Chinese tourists may worry some Croatian representatives, but experiences to date with Asian tourists in Croatia suggest that it could be very lucrative to open up the Croatian market to Asian tourism.

During his visit in April 2016, Turkey's President Erdogan emphasised the peaceful co-existence of religious communities in Croatia and, at the opening of a Turkish cultural centre, paid tribute to the fact that Muslims can practise their religion there freely and unhindered. However, he also managed to point out that **Turkey** has enjoyed strong economic growth over recent years, with above-average annual real GDP growth of 5.6% and a huge domestic market of almost 80 million consumers.

Economic relations

Companies from the **United States** have invested only minimal amounts in Croatia (€115 million?) Croatia exports more goods to the USA (€455 million) than the US to Croatia (€188 million). The recent decision to tighten US sanctions against Russia is hampering Croatia's efforts to diversify its exports. These sanctions are threatening the expansion of the "Southern Corridor", which was supposed to supply countries like Georgia, Turkey, Greece, Albania, Montenegro and Croatia with gas from Azerbaijan.

Companies from the **Russian Federation** have invested some €400 million in Croatia (mainly in the banking sector). Croatia exports goods to Russia to the value of €190 million, but its imports amount to €300 million (primarily petroleum products). Despite EU sanctions, a joint project was recently agreed to build thermal and hydroelectric power plants in Croatia. Ways are also being sought to increase exports of products from the Croatian agricultural sector, which is suffering severely from the Russian ban on imports of EU foodstuffs.

To date, bilateral economic relations with **China** have been modest. Chinese investment in Croatia currently only accounts for around 1.3% of all Chinese direct investment in the 16+1 countries; however, it has almost doubled in recent years. China is seeking to invest more in ports and tourism companies, as this opens up the possibility of bringing even larger numbers of Chinese tourists to Croatia. Croatia's exports to China are worth around €75 million, but it imports goods to the value of nearly €600 million, resulting in a high trade deficit. Croatia is seeking to compensate for this by increasing its exports of wine and olive oil to China.

Sixty companies from **Turkey** are currently active in Croatia and have invested some €350 million (€250 million of which have been invested in hotels by the DOGUS Group alone); on the other hand, only 26 Croatian companies are active in Turkey. Bilateral trade volume in 2016 was approximately €350 million, with imports from Turkey amounting to €240 million (monitors, textiles, household appliances) and exports to Turkey stood at around €110 million (fertilisers, oil and software).

Which actors can be described as opponents, and which as like-minded?

Now that the EU countries' relations with the **United States** have become more complicated, US activities in the Western Balkans and Croatia have created uncertainty and even a sense of growing mistrust. Some EU states regard the Three Seas Initiative, which is also supported by Croatia, as a bone of contention that should be opposed, and the USA's position on the arbitration court's verdict on the border dispute with Slovenia also deviates sharply from that of the EU. The view expressed by the United States that the border conflict with Slovenia is (above all) a bilateral issue has been broadly welcomed in Croatia, as it opens a potential way out of the impasse. Croatians and their president also viewed the US president's attendance at the Three Seas Conference in Poland as a personal, political success. Like other EU Member States in Eastern Europe, Croatia is

trying to capitalise on the differences between the EU and the USA and to encourage the United States and other third countries to ramp up their involvement in the region (Three Seas Initiative) and in Croatia.

With regard to Ukraine, Russia harshly condemned Croatia's offer "...to advise on the peaceful reintegration of the separatist-occupied eastern part of the country" by sharing its own experiences. Relations remain strained between Croatia and the **Russian Federation**, where, after a two-year absence, for the first time a Croatian ambassador has been accredited. He will try to act as a mediator in conflicts over Ukraine and Agrokor.

China, on the other hand, is pursuing a more long-term, pragmatic and increasingly interdependent foreign/economic policy. Chinese aspirations differ from those of Russia because they are not explicitly directed against the expansion of the European Union. There has recently been significant movement in Croatian/Chinese relations. The Croatian government announced that the Chinese state construction company CRBC had been awarded the tender for the construction of the EU-funded Peljesac Bridge. The group had submitted an offer that was 600 million kuna (approx. €80 million) cheaper than the next-best tender and even promised a construction period of only 3 years (compared to the 3.5 years proposed by its competitors). This is the first time that a Chinese company has participated in an EU tender and won a construction project with EU funding against European competition (Strabag). It has also emerged that China is interested in the planned expansion of the port of Rijeka, the construction of a Rijeka – Zagreb – Budapest railway line, and the completion of the Adriatic-Ionian motorway. The idea of starting direct flights between a Chinese city and the Croatian coastal region (Zadar) is regularly floated, and this would make it much easier for workers to travel to the region from China.

Turkey's relations with both the US and the EU Member States have deteriorated significantly following the failed coup in Turkey. Ankara has accused some political forces in the USA (and EU)

of supporting the coup. Turkey has also criticised Europe for sympathising with critical (secular) journalists and artists whom the Turkish government accuses of supporting terrorist activities. Therefore, Croatia's interest in political cooperation with Turkey remains focused on Bosnia and Herzegovina, where both countries have strong interests and are keen to help bring BiH's domestic problems closer to a peaceful solution through trilateral cooperation.

Macedonia



by Johannes D. Rey, in collaboration with Prof. Zoran Ilievski, Dr Siniša Aleksoski and Davor Pašoski

Euro-Atlantic and European integration

Since signing the Stabilisation and Association Agreement (SAA) with the EU in 2001, when the country was on the brink of civil war, Macedonia has had its share of ups and downs. Together with other Western Balkan states, Macedonia was promised the prospect of EU membership at the 2003 EU summit in Thessaloniki. As the first Western Balkan country to sign an SAA, Macedonia submitted its application for EU membership in March 2004 and was granted candidate status in 2005 after a positive assessment by the European Commission. From 2009 to 2014, the Commission's reports to the European Council were generally positive, suggesting an imminent start to accession negotiations. However, the ongoing naming dispute with Greece has prevented the EU Council from setting a date. Macedonia's accession to NATO has also been blocked by Greece since the Bucharest Summit in 2008. With the recent name solution with Greece, NATO membership and the beginning of EU accession negotiations seem likely for 2019.

What is the function and role of external actors?

The **United States** has been Macedonia's most influential partner since its independence in 1991. Since 2004, the US has recognised the country under its constitutional name. The United States is a decisive factor in all its political processes and, together with the EU, was the main mediator during the major crises (Ohrid Framework Agreement 2001, Pržino Agreement 2015). The US and **Turkey** are the only coun-

tries with which Macedonia has signed Strategic Partnership Agreements. Covering 8,000 m² and with more than 300 employees, the US Embassy in Skopje is one of its largest European embassies. The ambassador plays an important role in Macedonia's public, political and social life. The majority of US support for civil society is channelled through USAID. The US government's agency for international development finances projects relating to democratic institutions, civil society, the media, legal reform and economic development (approximately \$4 million a year is spent on supporting NGOs). USAID also supports measures aimed at restoring state property to religious communities, as well as interfaith dialogue and measures to promote mutual tolerance.

As far as the fight against violent extremism is concerned, in 2015 the Macedonian police, with the support of the United States, carried out Operation Cell, which was directed against people who were trying to recruit terrorists in Skopje. As a result, the Islamic Community of Macedonia has brought under its control the four mosques that were previously outside its jurisdiction. Since 1994, the Macedonian Ministry of the Interior has signed up to various security programmes where the USA funds equipment for the fight against terrorism and border protection and for training employees at the Ministry of the Interior, customs, the army, the security service and public administration. Furthermore, the United States, which does not have a military base in Macedonia, has expressed interest in using the Krivolak military training area, which is located in the central eastern part of the country. It is the largest in the Balkans (measuring 22 km north-south and 18 km east-west) and covering

an area of 22,546 hectares. The USA is keen to use it to station drones, known as UAVs.

The USA's key strategic objective is to secure the stability of Macedonia and the region and ensure the inviolability of existing national borders. NATO enlargement and the prevention of Russian influence are high on the US agenda, although the clarity of these political objectives has dimmed somewhat since Donald Trump won the presidency. The United States invests in Macedonia primarily in the automotive and tobacco industries (Johnson Controls, Adient, Visteon, Kemet Electronics, Delphi Electronics, Alliance One and Phillip Morris). In 2016, the total trade volume between Macedonia and the USA amounted to €181 million (€46 million in exports, €135 million in imports, resulting in a trade deficit of €89 million).

Russia did not play an active role in Macedonian domestic policy until 2015. During the protests of the "Colourful Revolution" organised by the "I Protest" alliance in response to revelations about a wiretap scandal and supported by the Social Democratic Union of Macedonia and other parties such as the newly founded "Left" party, Moscow took the opportunity to accuse the West of wanting to overthrow the democratically elected government. Since then, Russia has repeatedly complained of interference in Macedonia's internal affairs, including a significant number of diplomatic communiqués concerning Albania's domestic interference under Prime Minister Edi Rama. Russia rejects any action that could inspire the USA's strong ally, Albania, to seek greater influence in the region. Russia's main objective is to polarise the population and weaken support for NATO and the EU by highlighting the mistakes of Western diplomats and their policies in the Balkans, in particular by suggesting the West supports the Greater Albania project.

The Russian Federation recognises Macedonia by its constitutional name. Russia's influence on the business sector is small but it holds sway in the area of religion. The Russian Orthodox Church maintains good relations with its counterpart in Macedonia and is regarded as an important factor

in finding a solution to the "church question" and in the recognition of the Macedonian Orthodox Church. However, the Russian Orthodox Church is closer to the position of the Serbian Orthodox Church, which is prepared to grant autonomy to the Macedonian Orthodox Church, but not independence. At the end of 2017, the Macedonian Orthodox Church decided to adopt the Bulgarian Orthodox Church as its "Mother Church", setting it on a course that differs from that of Russian Orthodoxy.

Russia's strategic interest is to prevent or slow down Macedonia's accession to NATO and, if the country should become a NATO member, to at least ensure that no NATO military bases are established on Macedonian territory. In January 2018, Russia's Foreign Minister Sergei Lavrov issued a statement insinuating that the United States would push for a solution in the naming dispute in order to speed up Macedonia's accession to NATO – a step that would be a strategic defeat for Russia's efforts to reassert its influence in the Balkans. Lavrov said the issue had been in limbo for a long time and only resumed "when the United States decided that Macedonia should be admitted to NATO."

On 21 January 2018, the newly founded Macedonian nationalist party "United for Macedonia" presented itself as an ally of President Vladimir Putin's ruling party. Russia is interested in controlling the southern flank of the planned Turkstream gas pipeline, which will connect the country with the EU gas market. The Balkans are commonly seen as a buffer zone between Russia and NATO, with enclaves of Russia sympathisers, such as Republika Srpska (to a greater extent) and Serbia (to a lesser extent; however, Russia maintains a "centre for humanitarian assistance" in Nis (which is a *de facto* intelligence hub). Russian investments in Macedonia relate primarily to the oil and pharmaceutical industry (Lukoil and the Protek Group), and Strojtransgaz was obliged to build a gas network in Macedonia. In 2016, the total trade volume between Macedonia and Russia amounted to €173 million (€44 million in exports, €129 million in imports, resulting in a trade deficit of €85 million).

Macedonia is one of the Balkan countries where Russia has the least influence, considering that the two states have no significant military cooperation, no major arms deals, and no military or intelligence exchange agreements. Macedonia, on the other hand, maintains strong ties with the USA and Turkey in all the areas mentioned above. Unlike the United States, Russia does not fund activities in Macedonia with a view to shaping public opinion, but their financial support for development and civil society is used precisely for this purpose. Russia awards 20 to 30 scholarships per year to students with Russian roots to study in the Russian Federation. There are no media outlets or banks under Russian ownership in Macedonia. Russian media propaganda in Macedonia comes either directly from Moscow or from Serbia, Greece or Bulgaria.

In terms of strengthening the armed forces, training military personnel and joint exercises, the US and Turkey are Macedonia's only strategic partners and donors of military equipment.

Turkey has traditionally been a strong partner of Macedonia since its independence in 1991 and was one of the first countries to recognise Macedonia's independence. The two countries cooperate closely on military and economic issues. Turkey is using economic, cultural and infrastructural measures to create a sphere of interest in the former Ottoman-controlled areas and to increase its influence, especially in countries with significant Muslim populations. In Macedonia, Turkey is not only investing in the economic sector, but also in education, culture and religion (though it has no significant influence over the Muslim community in Macedonia). Over the last 15 years, the Hizmet movement has found its way into educational institutions and the private sector. President Erdogan's goal is to regain influence and control in these areas. Through the Turkish Cooperation and Coordination Agency (TIKA) in particular, Turkey looks after the technical infrastructure for preserving the cultural heritage of the Ottoman Empire. Over the last few years, several mosques and cultural assets have been renovated as part of this programme.

Macedonia has a substantial Turkish ethnic minority. Their political parties are in the governing coalition and provide representatives at all levels, from deputies to ministers and mayors. The BESA party (the party of Macedonia's ethnic Albanians) has recently entered the political arena in Macedonia, supported by the ruling Turkish party, the AKP. Erdogan's goal was to use BESA to win over communities that are considered to be fortresses of Gülen supporters in order to gain control of these "Jemaats" – as a first step in the "conquest" of the Islamic community of Macedonia. As a result of key political misjudgements and the division of the BESA party into pro-Albanian nationalists and pro-Turkish conservatives, the AKP is now expanding its strategy towards opening its own offices in Macedonia. The AKP in Macedonia would target members of the Turkish minority and over 3,000 Turkish students living in Macedonia. This would significantly weaken the Turkish minority's existing parties.

In addition to numerous investments in the construction of residential and commercial buildings (Cevahir Sky City, Limak Holding, Koç), the banking sector (Halk Bank) and the private health sector (Acibadem Sistina), Skopje's new airport was also built by a Turkish company. TAV Airports Holding was not only awarded the contract for the construction of this airport, but also for the one in Ohrid, which will be opened in the next twenty years. In 2016, trade between Macedonia and Turkey totalled €379 million (€64 million in exports and €315 million in imports; resulting in a trade deficit of €251 million).

China has traditionally maintained good bilateral relations with Macedonia and recognises the country under its constitutional name. Beijing is working diligently on its One Belt, One Road project, which aims to create a modern version of the Silk Road. Macedonia is on the list of 16 states in Eastern and Central Europe that will benefit from the transport and trade corridors to Europe. With its acceptance of a Chinese state loan of €580 million in 2013, Macedonia began to invest in infrastructure projects such as the construction of the Skopje-Štip (Eastern Macedonia) and Kičevo-Ohrid (Western Macedonia) motorways. Since

taking over the port of Piraeus, China has been supporting the reconstruction of the railway line linking Athens (Greece), Skopje (Macedonia) and Belgrade (Serbia) with Budapest (Hungary). There are plans to make the Vardar-Morava-Danube rivers navigable in order to create a direct link between the Mediterranean and the Danube and thus to Central Europe. The implementation of these plans would cost around \$17 billion and take at least ten years to complete. Unlike in Serbia and Hungary, China has not yet set up or taken over a company in Macedonia to serve as a hub. The activities of Chinese companies in Macedonia are managed from either Bonn, Belgrade or Athens. In the educational and cultural field, China has a presence thanks to its Confucius Institute in Skopje. In 2016, trade between Macedonia and China totalled €425 million (€43 million in exports and €381 million in imports, resulting in a trade deficit of €338 million).

The **Gulf States** are primarily trying to strengthen their influence on the Islamic community and establish closer economic relations. Only **Qatar** has an embassy in Macedonia. Saudi Arabia coordinates its presence in Macedonia from the Albanian capital Tirana and primarily supports the reconstruction of religious buildings and educational programmes for Islamic officials. Both these efforts have been met with resistance from the Islamic Religious Community, the official religious representation of Muslims in Macedonia.

The Wahabis, whose movement is rooted in Saudi Arabia, controlled several mosques in Skopje until the Operation Cell crackdown in 2015. Bilateral trade between Macedonia and the Gulf States is not particularly pronounced. It can only be calculated for all trade with OPEC countries, which in 2016 amounted to €6 million in imports and €31 million in exports (a trade deficit of €25 million). The total sum that Saudi Arabia, Qatar and Kuwait donate annually to non-governmental organisations in Macedonia amounts to just a few hundred thousand dollars and is therefore of little significance. Saudi Arabia and Turkey are constantly competing for influence over the Muslim community of Macedonia and for the supremacy of teaching in mosques. Certain donations by the

Gulf States for religious activities in Macedonia have been diverted through Turkish NGOs and communities. The Turkish city of Bursa plays an important role in this respect. There are Salafist communities (but not mosques) in Macedonia that operate outside the Muslim community and are under the influence of self-proclaimed imams who are trained and funded by the Gulf States. There is a representative office of the Muslim Brotherhood in Macedonia, which has infiltrated the (Albanian) DUI party under the name of the Islamic Youth Forum and is active in communities with DUI mayors. This has led to an increasing risk of radicalisation.

Romania

by Dr Hans Martin Sieg



Euro-Atlantic and European integration

Romania has been a member of NATO since 2004 and an EU member since 2007. But it has not introduced the euro and does not belong to the Schengen area.

What is the function and role of external actors?

The **United States** is considered to be Romania's key strategic ally. For 20 years, the two countries have been linked by a Strategic Partnership, which was expanded in September 2011 on the basis of the Joint Declaration on the Strategic Partnership for the 21st Century. Part of the American missile defence system has been stationed in Romania since 2016.

On the other hand, relations with the Russian Federation are effectively frozen at political level. They have conflicting interests, particularly with regard to Moldova. This is important to Bucharest because of the two countries' common language and generally similar cultural and historical heritage. Bucharest at least wants Moldova to move closer to Western structures (EU and NATO) and parts of the political and cultural elite are even striving for (re)unification with Moldova. Meanwhile, Moscow wants to keep Moldova within its own sphere of influence and supports appropriately oriented politicians on the ground.

Romania had close relations with **China** before the fall of communism, and their bilateral relationship remains strong. The Social Democratic Party (PSD) in particular attaches great importance to the links between Romania and China.

In 2004 and 2013, during the terms of office of PSD-dominated governments, the two governments adopted declarations on deepening relations between Bucharest and Beijing.

The **Gulf States** play a limited role in Romania. The proportion of Muslims in the Romanian population is extremely low, so countries like Saudi Arabia and the UAE have little incentive to get involved in Romania. Before 1989, Romania traditionally enjoyed good relations with the Arab states in North Africa and countries such as Iraq, Jordan and Syria. By contrast, it has only started developing ties with the Gulf States relatively recently. It established diplomatic relations with Saudi Arabia in 1995, with the UAE in 1989 and with Qatar in 1990.

Romania has a much closer relationship with Turkey. A Strategic Partnership was agreed between the two countries in December 2011.

What are the external actors' agendas and interests?

Given Romania's geopolitical and strategic importance for regional stability and against the background of the ambivalent foreign policy course of other countries in Southeast Europe – including Bulgaria and Serbia – Bucharest has been able to play a central role as an ally of the **United States**. That's why Washington is also endeavouring to support the Romanian fight against corruption, which is unique in the region, in order to make the actions of Bucharest's political elites more predictable in the long term.

The **Russian Federation** does not seem to have a long-term strategy with regard to Romania.

Moscow is trying to counter Romanian influence in the Republic of Moldova, but even this dispute, which is primarily discursive, should not be over-estimated.

China places particular emphasis on the economic dimension in its relations with Romania, although Chinese investments do not occupy a leading position. At the same time, Romania is one of the countries within the EU that tends to have a pro-China attitude. Bucharest has no ties with Taiwan and initiatives to this end have been blocked by the Romanian authorities at the request of the Chinese.

The **Gulf States** do not seem to have any particular strategic interest in Romania. The economic dimension of relations is particularly important, but this is also limited.

Although Romania plays an important role in **Turkey's** regional and economic policy due to its geographical position, it is only home to a tiny Turkish community (whose loyalty to the Romanian state has never been questioned), so there is no basis for President Erdogan's "neo-Ottoman" diplomacy as can be seen elsewhere in the region.

What resources do the external actors have at their disposal? What do their economic relations look like?

With the possible exception of Albania and Kosovo, few countries in the Balkans and its immediate neighbourhood have such a pro-American attitude. Surveys show that over 70% of Romanians have a positive view of the **United States**. After the Second World War, many Romanians hoped that the "Americans would come", and after 1989, American culture actually became a social ideal – from films to fast-food restaurant chains. American niche players, such as neo-Protestant free churches, also settled in Romania after 1990, while civil society organisations such as the Soros Foundation and American political foundations were involved in a broad spectrum of actions, particularly to develop future leaders.

Since 1995, Romania's geopolitical orientation has been shaped by the so-called "Snagov consensus", which has anchored the European and Euro-Atlantic orientation of the country in all parties. In parliament, no political parties have tried to change the country's geopolitical direction. Political relations with the **Russian Federation** have been effectively frozen since Traian Basescu's presidency (2004 - 2014). The last contact at presidential level took place in 2008, when Vladimir Putin visited Bucharest within the framework of the NATO-Russia Council. In contrast, there have been no bilateral contacts over recent years, apart from cooperation in the fields of education and culture. The last time a Romanian foreign minister visited Moscow was 2013. Compared to all the other countries of Southeast Europe, Romania is only marginally dependent on Russian gas imports. Only 17% of the country's energy needs were met through imports (as of 2014), which makes Romania the EU Member State with the highest energy independence after Estonia and Denmark.

Meanwhile, **China** enjoys a good reputation in Romania as a high-tech country, but a section of the Romanian public views the "Middle Kingdom" with a certain scepticism because of its authoritarian political system. For example, the visit of the Chinese Prime Minister to Bucharest caused controversy in civil society in 2013. The submissive attitude of the Romanian authorities, who, in July 2017, refused to allow a Chinese opposition newspaper to access the parliament building during a Sino-Central European parliamentary summit, also attracted criticism.

The Arab soft power exercised by the **Gulf States** has little impact in Romanian society, which is relatively conservative and has strong Christian roots. The UAE is mainly known as a luxury tourist destination.

Turkey, on the other hand, is an important economic partner. In 2017, more than 14,000 companies with Turkish capital were registered in Romania. Turkey also exerts a limited amount of soft power – for example, a local subsidiary of the Turkish TV station Kanal D broadcasts in Romania. However, the religious barrier prevents it having any great influence.

Bilateral trade between the **United States** and Romania amounted to US\$ 2.677 billion in 2016. However, the US is only 13th for foreign direct investment in Romania (this corresponds to 1.90% of foreign direct investment). The US is currently trying to expand the economic component of the Strategic Partnership. Bilateral trade with the **Russian Federation** amounted to \$3.3 billion in 2015 – 33.8% lower than in the previous year. In 2008, the corresponding trading volume was \$5.9 billion.

China plays only a limited role in foreign direct investment in Romania. Bilateral trade amounted to around \$4.5 billion in 2016, with a clear upward trend.

The bilateral trade volume with the **Gulf States** is low and totalled less than \$1 billion in 2015. In 2016, bilateral trade with Turkey amounted to \$4.852 billion.

Outside the EU, Turkey is the main destination for Romanian exports.

Which actors can be described as opponents, and which as like-minded?

Due to Romania's geographical location, the conflict between **Russia** and the **United States** plays a central role. Moscow is interested in limiting American influence in the region and is particularly sceptical about the US missile defence system. **China** plays a rather minor role in the regional policy network in the Balkans, particularly in Romania, whose obligations as a member of the EU and NATO are clearly a priority in shaping Bucharest's foreign policy guidelines. To date, **Turkey** has been regarded as an important strategic partner in Romania, partly because of a common interest in limiting Russian influence in the region.

In contrast to the countries of Western Europe, which have viewed the election of Donald Trump as US President with scepticism, relations between Romania and the **United States** do not seem to have been affected negatively. In fact, quite the opposite. Klaus Iohannis was invited to the White House on 9 June 2017 – the first head of state to visit from Eastern Europe. Trump took the opportunity to publicly praise Romania's fight against corruption, declared his support for the North Atlantic Treaty and described bilateral relations as "stronger than ever".

Serbia and Montenegro



by Norbert Beckmann-Dierkes

Euro-Atlantic and European integration

Serbia pursues a policy of strategic neutrality and has no aspirations to become a NATO member, but is a member of the NATO Partnership for Peace programme. By contrast, Montenegro was accepted into NATO in 2017 as its 29th member state. However, both countries are keen to join the EU and are candidates for EU membership. A Stabilisation and Association Agreement between Serbia and the EU entered into force in 2013, and Serbia has had EU visa freedom since 2009. EU accession negotiations began in 2015 with the opening of the first accession chapters. A Stabilisation and Association Agreement between Montenegro and the EU entered into force in 2010, and Montenegro has had EU visa freedom since 2009. EU accession negotiations began in 2012 with the opening of the first accession chapters. Well over half of the acquis chapters are now open in the negotiations.

What is the function and role of external actors?

In 2010, the **United States** initiated a phase of slow, persistent dissociation from the Southeast Europe region, and the EU subsequently became its main political partner. The US administration turned its attention to other regions of the world but retained a presence in Serbia and Montenegro. The main objective of American foreign policy in Serbia and Montenegro is to maintain stability and integrate the region into NATO's security structures. To greater and lesser extents, the US is actively supporting the EU accession of Serbia and Montenegro, which are at different phases in the

process. For the current governments, the United States is an important partner for developments in Bosnia and Herzegovina, and they are also hoping to strengthen economic ties with the US.

The political influence of the **Russian Federation** in Serbia is based on three pillars:

1. Russia as a permanent member of the UN Security Council (e.g. Russia prevented Kosovo from being recognised as an independent state)
2. Historical, cultural and political ties between Russia and these states with an Orthodox tradition
3. Russia as the region's main energy supplier (Russia as an investor and trading partner)

Russia's aim is to prevent the expansion of American influence in the Western Balkans. Due to Serbia's central location and particularly close relations, Moscow is making some political efforts to underpin its role as Serbia's only reliable and "value-oriented" partner.

China is held in high esteem in Serbia, as it supported the Republic of Serbia's position vis-à-vis Kosovo, and Serbia itself, during the bombing raids of 1999. China has not recognised Kosovo's independence and continues to support the implementation of Resolution 1244. In 2009, the former President of the Republic of Serbia, Boris Tadic, and the former President of the People's Republic of China, Hu Jintao, signed an agreement on a strategic partnership between the two countries. The Minister of Economy and Regional Development, Mladan Dinkic, signed an agreement on economic and technical cooperation on

infrastructure projects between the Republic of Serbia and the People's Republic of China. The concrete results are two infrastructure projects: a bridge over the Danube and the Kostolac thermal power station. In the same year, Boris Tadic described China as the fourth pillar of Serbia's foreign policy and in 2013, Presidents Tomislav Nikolic and Xi Jinping signed a joint declaration on deepening the strategic partnership.

In 2014 Serbia was invited to the 16+1 summits – China and the countries of Central and Eastern Europe – with China's support. This summit was held in Belgrade in 2015, where infrastructure projects worth \$900 billion were promised for the region as a whole. Prime Minister Vucic signed a letter of intent with the Chinese company HBIS (the world's second-largest steel producer) to purchase the Smederevo ironworks, one of the Serbian government's most difficult privatisation projects. The Hesteel Group finally bought the Smederevo ironworks in 2016.

In Serbia, China is trying to strengthen economic ties between China and the European Union as part of its "new Silk Road". China is also promising substantial financial resources for Serbia and Montenegro on the grounds of deepening the social and cultural links between Europe, China and other Central Asian countries. China supports Serbia's participation in the 16+1 summits and is promoting an active role for Serbia. In 2017, the establishment of a separate office and National Council for Cooperation with China and Russia in Serbia under the leadership of former President Nicolice is a clear signal of China's increasing influence in Serbia. The Chinese are also among the 31 recognised minorities in Serbia, although they are not members of the National Minorities Council.

The **United Arab Emirates** is attracting particular attention with prestigious investments such as the Belgrade Waterfront project. As a major investor, the UAE receives special attention in Serbia's foreign policy, and regular visits by high-ranking government representatives from Serbia to the UAE and vice versa are aimed at strengthening their economic ties. Serbia's new Prime Minister Brnabić has stated that the gov-

ernment will continue the same foreign policy course, which means rapprochement with the EU, good relations with Russia, the United Arab Emirates and China, and the preservation of Serbia's territorial integrity.

Serbia and Montenegro share an Ottoman history dating back some 500 years. To this day, the Ottoman heritage can still be felt in everyday life, but this does not mean the people feel particularly attached to, or friendly towards, **Turkey**. Indeed, the opposite is the case, as independence from the Ottoman Empire is linked in people's minds to Russia as a close friend and ally. Turkey's political influence in Serbia and Montenegro is based on Muslim communities, also a legacy of the Ottoman Empire. In this sense, Albanians and Bosniaks are equally important for Turkey and are at the heart of Turkish interests in Serbia and Montenegro. As Western Balkan states, Serbia and Montenegro are part of the "first zone of interest" in Turkey's foreign policy, as defined by the former Foreign Minister and Prime Minister Davutoglu.

What are the actors' long-term goals and interests?

The **United States** is primarily interested in maintaining stability in the region and in integrating Serbia and Montenegro into NATO's security structures. At times there has seemed to be a stronger economic interest, but in this respect its commitment tends to be patchy.

The **Russian Federation** regards the Balkans as a traditional sphere of influence and is committed to Serbia's territorial integrity and sovereignty, which is also in line with the constitution and Serbia's previous foreign policy objectives. In matters concerning Kosovo, Serbia has always been able to rely on Russia's support, meaning full recognition under international law has repeatedly failed due to Russia's veto. It remains to be seen whether Serbia's slight shift on the Kosovo issue will impact relations with Russia or change Russia's position. There is currently no indication that this is the case.

Russia's priorities are to prevent NATO enlargement and to sign new strategic treaties in Europe. The NATO missile attacks on Serbia are the reason for the country's resounding rejection of NATO and make Serbia an ideal launchpad for Russia's anti-NATO policy.

It may be concluded that Russia's strategic goal is to neutralise Serbia as the most influential country in the Western Balkans. This would enable Russia to maintain its influence in the region and thus influence EU integration policy as well as Europe's strategic interests. Russia's influence is also aimed at slowing down the EU integration process for Serbia and Montenegro.

In this sense, Montenegro's NATO membership was a bitter setback for Russia and led to correspondingly strong political reactions, ranging from support for political troublemakers in Montenegro to economic sanctions. Approximately 50% of Montenegrins are still opposed to NATO membership, but all the ruling parties and some opposition elements have actively pursued membership and refuse to allow a referendum on this issue, as demanded by parts of the Russian-controlled opposition. Accordingly, Montenegro's relationship with Russia has cooled, although the potential for Russia to exert economic pressure on Montenegro remains high, as 40% of real estate on the Montenegro's Adriatic coast is owned by Russia, and Russians continue to form the largest group of tourists.

The Belt and Road Action Plan 2015 – New Silk Road aims to increase trade with Central Asia, the Middle East and Europe and to ramp up **China's** long-term influence. Access to the European Union plays a particularly important role here, which is also demonstrated by other infrastructure projects (port and airport holdings in Greece, road and railway expansion in the Western Balkans and Hungary).

China expects some Western Balkan states to join the EU in the foreseeable future. Today's investments mean that more "friends of China" will be sitting around the negotiating table in Brussels and defusing problematic issues for China, such as human rights.

The **United Arab Emirates** primarily see Serbia as an interesting area for investment on the EU's doorstep, and like the fact that it is easy to make major investments without "unnecessary" legal hurdles. Investments in agriculture, real estate and infrastructure serve to diversify the UAE economy in order to free it from its dependence on oil.

Turkey is pursuing a "zero problems with neighbours", win-win policy in the Western Balkans, therefore also in Serbia and Montenegro. This primarily relates to economic and strategic interests, since the security of the Balkans is regarded as the basis for the security of Turkey's western borders.

Economically, Turkey is interested in the development of transport routes between the Balkans, the Middle East and Asia, connecting Istanbul with the Adriatic and the Danube. To balance Russian influence in the region, Turkey is committed to ensuring the internal security and territorial integrity of Serbia and Montenegro, and particularly of Albania, Bosnia and Macedonia.

For Turkey, it is important to strengthen the position of Bosniaks in Serbia and Montenegro as this is a promising way of promoting Islam in the region. The Bosnian Muslim region, the Sandzak, extends over Serbia, Montenegro, Bosnia and Kosovo. The Serbian and Bosniak political parties in Montenegro are opposed to the region's aspirations for independence. They are in favour of integration in the respective states but are demanding a special position within the framework of the countries' minority policies. Bosniak and Muslim minority parties form part of the government in both Serbia and Montenegro.

What resources do the external actors have at their disposal?

The **United States** has active embassies in both Serbia and Montenegro. Recent publications emphasise the development of closer cooperation on security and economic policy. The NDI and IRI are also present in both Serbia and Montenegro. Both institutions are involved in promoting young

politicians, working with parliamentarians and developing the rule of law. The Anglo-American understanding of law is propagated in contrast to the continental European understanding, particularly in cooperation with the judicial authorities and legal associations.

The Serbian public associate the current NATO engagement with the US and EU and it therefore has a negative connotation.

It seems paradoxical that in 2007 the Serbian parliament passed a resolution on protecting the sovereignty, territorial integrity and constitutional order of the Republic of Serbia, but military neutrality and cooperation is the most important form of collaboration between the Republic of Serbia and the US. In 2015 alone, the Serbian armed forces carried out 197 military exercises with NATO, 370 bilateral activities with NATO member states and 36 with Russia. Perceptions in the international media, particularly the Western press but also the national press, are totally different.

The US supports the dialogue between Belgrade and Pristina and works successfully with the EU. USAID is active with aid programs in both Montenegro and Serbia. The United States is unpopular in the Serbian media and among the public because it is perceived primarily as a NATO leader. At the Belgrade Film Festival, American productions attract attention but are not particularly showcased.

Along with its embassy in Belgrade, the **Russian Federation** runs the Russian-Serbian Humanitarian Centre in Nis, which exerts a strong influence on civil society actors and scientific institutions. By supporting a large number of NGOs, Russia is promoting a positive image of Russia in contrast to the liberal, tolerant image of Western society. The Serbian Orthodox Church also plays a significant role here, as it is in constant contact with the Moscow Patriarchate, which exerts a massive influence. On the question of the recognition of Kosovo in particular, Church representatives are making every effort to maintain the constitutional status, and they regard Kosovo as part of Serbia. Through the Humanitarian Centre in Nis, Russia

also influences the orientation of scientists and scientific institutions in terms of their policies and subject matter, partly through offering high fee payments. In the media, Russia influences public opinion via newspapers, but above all through TV and radio broadcasts. Politically, there are good contacts with the ruling EPP partner party SNS and the establishment of the National Council for Cooperation with Russia and China headed up by former President Nikolic means there is also a dedicated, government-level institution.

Culture and religion play an important role in Russian-Serbian relations. The Serbian Orthodox Church is the connecting element here. It constantly stresses Russia's close relations with pre-Tito Serbia and the Kingdom of Yugoslavia. Russia and Yugoslavia's communist and socialist periods do not play a prominent role in the perception of history. The Russian House in Belgrade was founded in 2015 to contribute to the dissemination of Russian culture. Russia is stepping up its efforts to bring students and scientists to Russian universities by offering generous scholarships.

In Montenegro, Russia is trying to exert strong influence on society through the Orthodox Church, but the links between the opposition Democratic Front and Russia are more significant.

The Confucius Institutes set up by **China** in Serbia are intended to promote Chinese culture and the Chinese language, although public awareness is still low. However, applicants for KAS scholarships in both Serbia and Montenegro regularly state that they have completed courses in Mandarin. In 2016, during the three-day state visit of Chinese President Xi Jinping to Serbia (the first visit by a Chinese president in 32 years), an agreement was signed to build a Chinese cultural centre. A monument to the Chinese philosopher Confucius was also unveiled, a street was named after Confucius, and a plaque was placed at the site of the former Chinese embassy, which was destroyed by NATO missiles.

The **United Arab Emirates** has its own embassy in Serbia, and embassy staff and representatives of major investors have direct access to key gov-

ernment departments. Previous meetings between representatives of the two governments have also discussed the possibility of cooperation on defence, and closer cooperation on social and labour law issues. The latter is probably aimed at simplifying labour and social legislation in Serbia, as the UAE would benefit from this in the agricultural sector.

The UAE financed the construction of a school and kindergarten in Novi Pazar, the largest city in Sandzak, the majority Muslim-inhabited region of Serbia. Otherwise, the UAE remains cautious in the religious and cultural context; support or active promotion of radical Islamic groups is not made public in Serbia.

Turkey is financing various projects in Serbia and Montenegro through the TIKa agency. It is supporting Muslim communities in Novi Pazar by providing funding for mosques and schools. TIKa is also involved in the social sector by providing direct financial assistance for needy families and in social projects. In Montenegro, for example, some €15 million was invested in such development projects up to 2015. The Muslim minority parties maintain contact and a regular dialogue with the AKP. Turkish companies are welcomed because they make targeted investments in Muslim regions with weak economies and poor infrastructure. Turkish banks play an important role in Serbia's economy.

Turkey sees itself as a protector of Muslim interests in the Balkans. Turkey influences the religious and cultural life of Muslims in Serbia and Montenegro via their Muslim communities. But there is no common religious voice for Muslims in Serbia because of rivalries between the various Islamic sects. Both the Turkish government and the Gülen movement are trying to exert influence on the religious sects. On the other hand, the UAE and Saudi Arabia still wield little religious influence in Serbia and Montenegro, but this is something that should be watched. According to official estimates, the number of radical Islamists is still low.

It is interesting that the religious influence in the Serbian part of Sandzak means that the food on offer in grocery stores is constantly changing.

International observers note that two years ago it was possible to buy alcohol in most supermarkets, whereas now it has almost disappeared from the shelves. In terms of clothing, European and Muslim fashions exist peacefully side-by-side in the city streets.

Economic relations

Economic relations between Serbia and the **United States** are showing a slight upward trend. These relations are mainly based on investments by American companies in Serbia, modest trade exchanges, financial assistance from the US, and on the preferential trade status given to certain categories of Serbian products. However, Serbian products struggle to compete in the US market. In 2016 Air Serbia began direct flights between Belgrade and New York, which is important for building closer ties with the USA.

There is a free trade agreement between the **Russian Federation** and Serbia, but this has not led to high levels of trade between the two countries, with the exception of energy. Serbia's energy dependence on Russia means that Russia is Serbia's fifth-largest trading partner. In 2005 the Russian company Lukoil opened its first petrol stations in Serbia and this can be viewed as the starting signal for Russia's economic offensive throughout Southeast Europe.

In 2008, the Serbian parliament ratified an energy agreement with Russia, which runs for 30 years and will be automatically renewed. Under the agreement, Gazprom received a guarantee that it could acquire 51% of shares in NIS, Serbia's state-owned oil company, under very favourable conditions. The sale of NIS was not publicly tendered nor conducted in a transparent way. In February 2009 Gazpromneft acquired 51% of NIS shares. It paid €400 million for the shares and committed to investing a further €547 million in the renewal of NIS' obsolete infrastructure by 2012. It was clear that this was the Serbian government's way of thanking Moscow for its support on Kosovo. Russia is still Serbia's main energy supplier. Serbia is 100% dependent on Russian gas.

The Serbian government assumes that the sale of the loss-making Smederevo ironworks to the Chinese steelmaker Hesteel will result in long-term business activities in Serbia and thus secure many jobs. Experts assume that **China** therefore has a special interest in the ironworks as a means of gaining favourable access to the European market. In 2009, the Chinese car manufacturer Dongfeng signed an agreement with the Serbian vehicle manufacturer FAP for the assembly of commercial vehicles in Serbia, and in 2010 the Chinese trade centre Zmaj was opened in Belgrade.

Chinese investment in the Kostolac energy power plant is significant, as it will make an important contribution to Serbia's energy supply and planned investments in the expansion of the railway line between Belgrade and Budapest and the motorway linking Belgrade and the Adriatic. With regard to the Belgrade – Budapest railway line, it is rumoured that it will be built to Chinese specifications. The different standards and equipment involved would make it difficult to integrate it into the European rail network, so it would be for exclusively Chinese use. A total of €3 billion has been invested. The Belgrade – Adriatic motorway construction mainly affects Montenegro. It has been announced that investment to the tune of €380 million will be granted as a loan to Montenegro. Even with favourable repayment terms of 2–2.5% over 20 to 30 years, this sum could place a massive burden on Montenegro's national budget and lead to financial dependence on China.

The good relations that exist between the Republic of Serbia and the **United Arab Emirates** are based on the UAE's extensive investments. For example, 49% of the Serbian airline Air Serbia is owned by Etihad. The agreement on this cooperation was signed on 1 August 2013 by Aleksandar Vucic, who was Serbia's Deputy Prime Minister at the time, and Etihad President James Hogan. The company Al Ravafed has also invested in Serbian agriculture, with a contract being signed on 4 July 2014 by Serbia's Economic Minister Dusan Vujovic and Mahmoud Ibrahim Al Mahmoud, Executive Director of Al Ravafed. The Serbian government and the company Mubadala also agreed a mem-

orandum of understanding on the production of microchips in Belgrade on 3 October 2013, signed by former Deputy Prime Minister Aleksandar Vucic and Khaldoon Al Mubarak, General Director of Mubadala. Joint investments by the Al Dahra agricultural company were formalised with the signing of a contract in Abu Dhabi on 28 March 2013 by Mladan Dinkic, Serbia's Minister of Economy and Finance, and Hamad Saeed Al Chamsi, Managing Director of Al Dahra. The largest Arab investment is in the Eagle Hills Belgrade Waterfront urban development project. Over the next three years, Belgrade Waterfront is developing a large railway wasteland on the Danube in Belgrade with a planned investment volume of €3 billion. In Belgrade, the project is still stirring up a great deal of controversy among urban planners and many sections of civil society. They are critical of the fact that the public was given little opportunity to have a say on the plans and that the sales and contract negotiations have been kept under wraps. There are also allegations of illegal expropriations. The evacuation of some buildings on the site during the night of 24 April 2016 attracted particular criticism. Masked men threatened and forced residents out of the buildings, which were then bulldozed. The police were called to the incident, but they did not respond. To this day, no-one has been found guilty and no political leaders have been called to account. Settling this case is an important test for Serbia for developing the rule of law. Mirabank was set up as the first UAE bank in Serbia to provide financial security for the UAE's investments.

Turkey is an important transit country for gas and the region also depends on the pipelines that cross Turkey. Turkey has invested particularly heavily in the textile industry in Serbia, especially in Sandzak, and Turkish companies are the main job creators in this region. Turkish Airlines run direct flights to Podgorica and Tivat, which is important for tourism in Montenegro. The connections to Belgrade serve the tourism industry but are also important transit hubs for Turkey and the Arab states. In Montenegro, the Turkish company Toscelik has bought the struggling ironworks in Niksic, one of the country's few large industrial complexes.

Which actors can be described as opponents, and which as like-minded?

Both President Aleksandar Vucic and Prime Minister Ana Brnabić maintain close ties with the **United States**. This is demonstrated by Aleksandar Vucic's frequent visits during his term as prime minister and his trips there in the early days of his presidency. Ana Brnabić studied in the United States and is publicly positive about maintaining good relations with the US.

The EU works closely with American institutions and they pursue common goals in Serbia and Montenegro. Russia is a clear rival to the US, and this is particularly reflected in military cooperation. Turkey is also no friend of the USA in the region. The Orthodox Church is a powerful domestic political opponent of the USA. Its leaders categorically reject the Western way of life and have very good political channels, both directly and via Moscow.

The **Russian Federation's** rivals in Serbia and Montenegro are the EU, the US and Turkey. Turkey sees the Western Balkans as a separate area of strategic interest; the USA and the EU are committed to integrating the region into the Western values alliance. In Serbia, Russia is supported by the Orthodox Church, the pro-Russian population and politicians from various parties. Russia will try to exert its influence wherever the other actors leave a gap. If the EU fails to maintain a high public profile for its engagement in Serbia, Russia will step in with an increased presence. The public dialogue between the various actors is also clearly recorded. Greater EU efforts in the media, radio, television and newspapers would contribute significantly to a positive perception. As far as KAS is concerned, Serbia's special situation can be exploited through a dialogue between Germany, Serbia and Russia, as Germany is currently the most influential country in Serbia.

There is currently no sign of open opposition to **China** in Serbia and Montenegro. The new Prime Minister Ana Brnabić said that the Serbian government welcomes China's policies: "China has placed us at the heart of its global project, which is of

interest to the whole world. The day the president took office, I spoke to five investors from China who said Serbia was very important to this project." Cooperation between the countries of Central, Southeast and Eastern Europe also depends on the EU's position towards China – mainly that of Western Europe – as the main objectives of Chinese policy in the Balkans have so far focused mainly on transport infrastructure and trade.

The **United Arab Emirates** is struggling with negative public perceptions as a result of the Belgrade Waterfront project. The UAE's reputation has been besmirched by accusations of inadequate transparency, corruption and a lack of public debate. Paradoxically, the UAE supports Kosovo's independence and provides the country with significant economic assistance while at the same time being one of Serbia's key strategic partners.

Turkey's main rival in Serbia and Montenegro is Russia because of the two countries' strategic interests and spheres of influence. Turkey is working to build trust among the Bosniaks and Albanians, but it takes a critical view of the USA because it views it as the main opposition to its religious involvement. However, this does not affect their partnership in NATO and joint security efforts. In the area of religious and cultural influence, Turkey is in competition with the Arab states. Turkey's deteriorating relations with its traditional partners in the EU are also making themselves felt in Serbia. It is becoming increasingly difficult to discuss and reach agreement on joint policy issues.

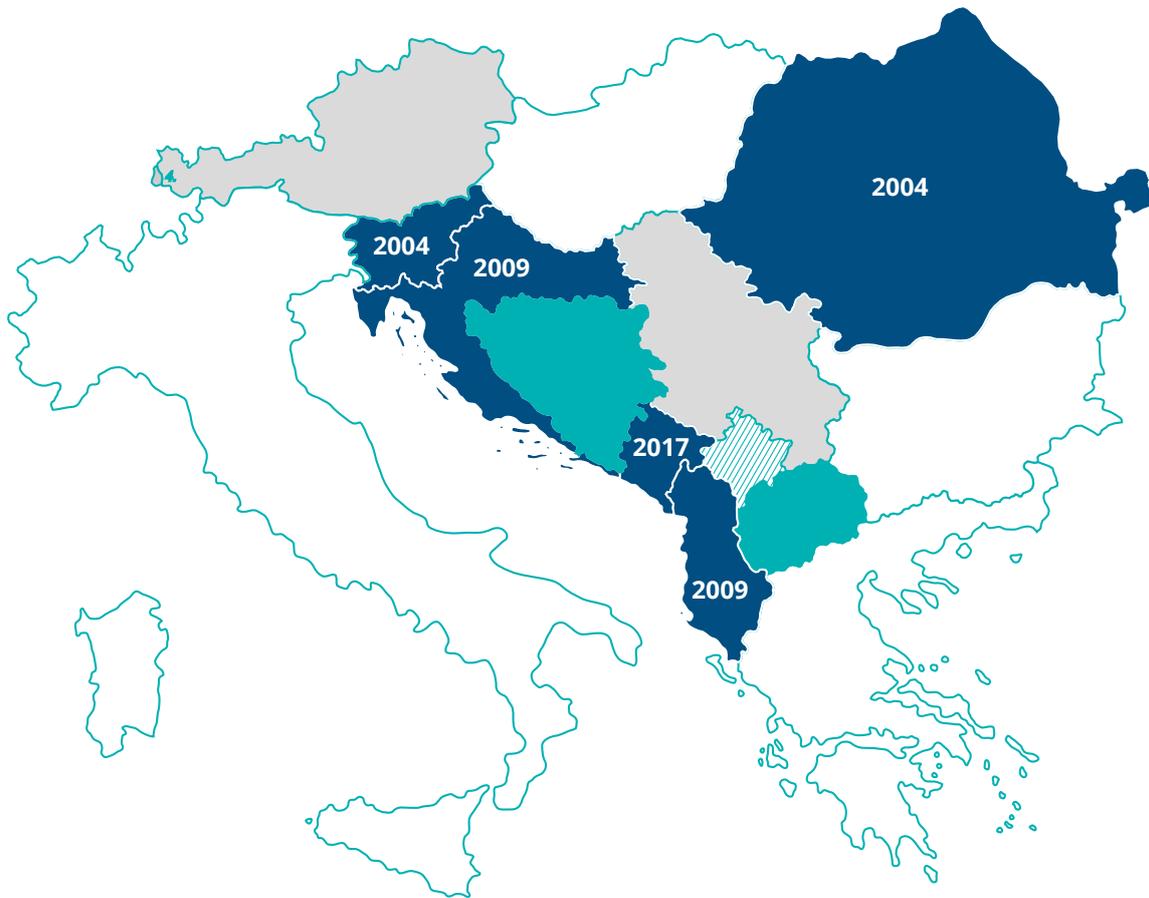
The geopolitical context

The EU integration process in the Balkans



-  EU Member State
-  Candidate status with negotiations
-  Candidate status without negotiations
-  Potential candidate
-  Other EU Member States

NATO enlargement process in the Balkans



-  NATO Member State
-  Candidate for membership
-  Long-term aspirations
-  No plans to join
-  Other NATO Member States

