Russia in Serbia – soft power and hard interests

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Russian President Vladimir Putin’s visit to Serbia on 16 October has demonstrated Moscow’s willingness to secure its interests in the Balkans and use Belgrade in its confrontation with the West. It seems, however, that Russia does not have much to offer to Serbia’s authorities, which are reluctant to make more concessions towards Russia. However, Moscow has already gained a strong position in Serbia, which is due to the country’s dependence on Russian natural resources and, in particular, strong support for Russian policy on the part of Serbian elites and society. The traditional pro-Russian attitudes have been strengthened as a result of a series of Russia-inspired, wide-ranging soft power initiatives which have proved so successful that a large part of society has begun to believe that Russia’s interests are consistent with Serbia’s.

Russia’s increasingly active policy towards Serbia and the Serbian minorities in the neighbouring countries – Bosnia and Herzegovina, Montenegro and Kosovo – has been part of a larger plan aimed at hampering the integration of the Balkan states with the Euro-Atlantic structures and maintaining an area of instability and frozen conflicts in the EU’s near neighbourhood. Russia’s policy is also becoming increasingly effective due to the EU states’ diminishing support for Balkan countries’ European integration.

The Western Balkans have not been a priority region for Moscow, especially compared with the area of the former Soviet Union. However, the Western Balkans remain significant for Russia for two reasons. Firstly, this is a territory of ongoing rivalry between Russia and other global and regional actors (e.g. the USA and the EU), and secondly, a key region from the point of view of control over the energy supply routes leading to Europe and of the intention to strengthen Russia’s dominant position in the European energy sector. In its policy towards the Balkans, Russia has been focusing mainly on relations with Serbia and the Serbian minorities in Bosnia and Herzegovina, Montenegro and Kosovo. Russia’s underlying assumption is that the politics of Serbia, the region’s largest country surrounded by states which have large Serbian minority groups, is a guaranty of stability in the Western Balkans. Moscow utilises a series of instruments for exerting pressure on Belgrade – from the growing dependence on energy supplies to the support for Serbia’s position on Kosovo in the

1 Concept of the Foreign Policy of the Russian Federation of February 2013: http://www.mid.ru/bdomp/ns-osn-doc.nsf/1e5f0de28fe77f7dc32575d900298676/869c9d2b87ad8014c32575d9002b1c381OpenDocument

2 In the remaining states Russian influence has been much weaker because their dependence on Russian fuel and the volume of trade exchange with Russia are insignificant. Croatia is the only country to import large amounts of fuel from Russia, though this is done on the basis of spot contracts rather than long-term contracts. Excluding Croatia, the volume of trade between the Balkan states and Russia amounts to 1%–1.5% of their total trade exchange.
UN forum and Serbs in Serbia and in the neighbouring countries which are the most vulnerable to Russian influence. Therefore, Serbia has held a special place in Russian policy and, by influencing Belgrade, Moscow intends to secure itself the means of controlling the situation in the region. Simultaneously, Moscow has been developing contacts with Serbian minorities in order to directly influence the developments in Bosnia and Herzegovina, Montenegro and Kosovo, mainly by fuelling separatist ambitions. The intensification of Russia’s actions towards the region dates back to 2008. This was when Pristina declared independence and Russia, which supported Serbia and failed to recognize Kosovo’s secession, gained control over the Serbian fuel company, NIS. Moreover, the consolidation of Vladimir Putin’s regime and the strengthening of the Russian economy at that time enabled Russia to pursue an active policy in the area reaching beyond its immediate neighbourhood. Moscow was becoming more and more determined to regain its influence in the region, which had eroded following the fall of the USSR due to Russia’s weakness. However, the geographical distance, weak commercial relations and years of neglect in developing this direction of foreign policy have resulted in a situation where Russia’s choice of instruments to expand its influence in the region is much more limited than that of the EU. Russia’s actions are becoming ever more effective, however, and an important portion of them involves applying a vast array of soft power measures to win or Serbian popular support.

The energy sector and the economic promises

The economic instruments of pressure applied by Moscow towards Serbia include Russian domination in the fuel and gas sector. In 2008 the Russian Gazprom acquired the Serbian company NIS, thereby gaining full control over the oil processing sector (the Pancevo and Novi Sad refineries) and a strong position in the distribution network (in 2012 the company had an 82% share in the fuel market and 38% in retail market). The company has also taken over the only gas depot (Banatski Dvor) and has been granted a monopoly, on favourable terms, for the extraction of gas and oil in the territory of Serbia. An agreement on the construction of the South Stream gas pipeline has also been signed. Serbia has been dependent on the supply of fuel from Russia (98.81% of gas consumed by Serbia comes from Russia), carried out by intermediary companies associated with Gazprom (e.g. the Yugorosgaz company).

Apart from the energy sector and the import of fuels, Russia’s role in the Serbian economy has been insignificant.

Apart from the energy sector and oil and gas imports, Russia’s role in the Serbian economy has been insignificant. In 2005–2013 Russia invested 598.4 million euros in Serbia, which is 4.5% of all foreign investments carried out over that period. Apart from the acquisition of NIS, there has been no significant inflow of large Russian investments to Serbia. The financial promises concerning e.g. the Beopetrol company acquired by LUKoil in 2000, have not been kept, and the investments in NIS have been financed from

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3 In 2008 Russia acquired 51% of shares in NIS and increased its ownership to 56% in the following years.


the loan granted by Gazpromneft or from the company’s own funds. Similarly, the pronouncements made during President Dmitri Medvedev’s visit to Serbia in 2009, concerning budgetary aid and infrastructural investments amounting to 1 billion euros\(^8\) have not been realised either, despite having been repeated by Prime Minister Vladimir Putin during his 2011 visit (this time the estimated amount was 1 billion US dollars)\(^9\).

47% of Serbs believe Russia to be the largest supplier of development aid to Serbia. In fact, 89.49% of funds comes from the USA and the EU, and the Russian contribution has not even been included in statistical reports.

In 2000 Serbia signed a free trade agreement with Russia involving the introduction of a preferential 1% tax rate on specific product groups. Although the agreement has not been ratified by the Russian side, it is being upheld by Russia\(^10\). In 2013 Serbian imports from Russia amounted to 1.4 billion euros, making up 9.2% of the total import volume. On the other hand, the value of Serbian exports to Russia stood at 0.79 billion euros. Although the volume of Serbian exports to Russia have been growing, in the context of the increase in Serbia’s export figures the importance of the country’s trade with Russia has diminished (from 7.7% in 2012 to 7.3% in 2013)\(^11\). The EU and CEFTA remain Serbia’s main trade partners. The economic crisis has boosted the efficiency of the energy- and economy-related instruments of or coercion used by Russia towards Serbia. In 2013 the problems with maintaining budgetary liquidity convinced the Serbian government to seek a loan from Russia for the amount of 344 million euros, which would not be conditional on the introduction of economic reforms or savings plans. The loan has been granted, but on less favourable terms than the financial support offered e.g. by China\(^12\). Serbia has also a problem with paying debts for the gas (around 200 mln euro) and want to keep the price for gas on the lowest possible level. Moreover the Russian promises of investment and the question of access to the large Russian market started to play an important role in the government-promoted strategy of speeding up economic development. In this context, the greatest degree of attention has been paid to the project for construction of the South Stream gas pipeline. It is intended to generate new jobs, provide inexpensive access to fuels and bring income from transit fees. Although the declared involvement of Russian capital in Serbia has so far not materialised in any large scale, pro-Russian commentators see Moscow as an attractive and essential partner of Belgrade, and the Serbian media frequently and willingly present Russian investment plans and development aid as a great opportunity for the country’s economy. Consequently, 47% of Serbs believe Russia to be the largest supplier of development aid to Serbia\(^13\).

Instruments of public diplomacy

The most important means of influence used by Russia to strengthen its position in Serbian society is Russia’s proximity, as well as the pos-

\(^{8}\) Russian President Deepens Balkan Ties On Belgrade Visit, http://www.rferl.org/content/Russian_President_Seeks_To_Deepen_Ties_In_Belgrade/1856602.html

\(^{9}\) Putin: Russia remains Serbia’s ally, 23.03.2011, http://www.b92.net/eng/news/politics/politics.php?yyyy=2011&mm=03&dd=23&nav_id=73400. The officially stated reason for failing to complete the investment plans has been the lack of the necessary documentation on the Serbian side.

\(^{10}\) Russia deliberately choose not to ratify the agreement to keep leverage on Serbia.

\(^{11}\) Statistical Release ST16-6, no. 198, 16.07.2014. http://webzrzs.stat.gov.rs/WebSite/repository/documents/00/00/45/00/st16g072014e.pdf

\(^{12}\) Russia has granted two loans to Serbia. In the case of the first one, the interest rate is 6M Libor + 2.95%, the other one – 3.5%. The interest rate of loans granted by the Chinese Export–Import Bank is 3% and 6M Libor + 1.30%.

itive image of Russia and its policy\textsuperscript{14}. The task of fostering the feeling of proximity and promoting the Russian vision of the international situation and Serbian-Russian relations lies with a network of dedicated Russian institutions. The network has been expanded in recent years to provide support (including financial aid) to organizations and groups which favour Russian interests. Branch offices of the organization Russkii Mir (the Russian World) and a representative office of the International Fund for the Unity of Orthodox Nations have been opened in Novi Sad and Belgrade (2005). In 2013 a representative office of the Russian Institute of Strategic Research (RISI) and a branch of the Russian Foreign Cooperation Agency (the Cultural Centre Russian House) were established in Belgrade. Several Russian foundations operate in Serbia, including the Gorchakov Public Diplomacy Fund, the Strategic Culture Foundation, the Centre of National Glory, the Foundation of St. Andrew and the Fund for the Russian Necropolis in Belgrade, created especially for Serbia\textsuperscript{15}. Serb language versions of Russian news portals have been created, often with a comprehensive section devoted to local political affairs. They are prepared mainly by Russian state institutions such as the news channel RT (www.vostok.rs), the Voice of Russia broadcasting network (www.glasrusije.rs), various Russian foundations such as the Strategic Culture Foundation (www.strategic-culture.org) and groups associated with the Russian Orthodox Church (www.pravoslavie.ru). The major Serbian daily newspaper \textit{Politika} and the monthly \textit{Geopolitika} contain supplements \textit{Ruska Reč} and \textit{Rusija i Srbija}, published by \textit{Rossiyskaya Gazeta} as part of the Russia Beyond the Headlines project. Russian organizations and funds also support the actions of domestic far right and Eurosceptic organizations (Dveri, Naši), political parties (Treća Srbija) and non-governmental organizations with an ideological profile favoured by Moscow (e.g. Srbski Kod, Beogradski Forum za Svet Ravnopravnih).

Russia is principally determined to challenge Serbia’s EU integration plans and the process of reconciliation in the region, carried out under the auspices of the EU.

The actions of Russian organizations and the media, as well as the Serbian counterparts associated with them, focus on several thematic areas. First, they promote the Russian version of the international situation, e.g. the current crisis in Ukraine, or the re-interpretation of history according to Moscow’s interest in the spirit of support for the long-term Russian-Serbian alliance. Second, they attempt to discredit the Western cooperation structures (NATO, the EU) claiming that they operate against Serbia’s interests (e.g. in the case of the EU – by supporting the separatism in Vojvodina) and pose a threat to global peace and stability. Third, they present Russia as Serbia’s closest ally, whose actions are always consistent with the interests of the Balkan partner, and as an attractive partner with a strong position in the global arena, a thriving economy and fascinating culture. Common aspects of Serbian and Russian history are also emphasised, in particular the tradition of fighting shoulder-to-shoulder in the two world wars. Fourth, they criticise the pro-European actions

\textsuperscript{14} In the entire area of the Balkans, Russia is perceived through the prism of its support for the independence of Slavic nations, and because of the geographical distance and the familiarity of the Communist regime Russia is not seen as a threat or a state which forces certain measures on its smaller neighbours. The positive image of Russia has been confirmed in opinion polls. In Serbia 55% of the respondents approve of Russia’s actions, in Bosnia and Herzegovina’s Republika Srpska inhabited by Serbs the level of support is 59%, and 57% in Montenegro. \textit{Balkan views of a multipolar world}; http://balkanfund.org/

\textsuperscript{15} In recent year there has been an increase in the number of events sponsored by Russian organizations and funds. The events included the Young Leaders Forum in Novi Sad, the exhibition devoted to 48 victims killed in Odessa clashes, the world premiere of a film directed by Nikita Mikhalkov, the Russian Culture Days, the Russian Film Days. The Russian authorities have sent at least three humanitarian aid convoys to victims of May 2014 floodings. These events have received extensive coverage in the mainstream media.
of the current government. In this context, Serbia’s pro-European aspirations are presented as an example of the “Stockholm syndrome”. According to them, Serbia, as a country repeatedly humiliated by the EU states, has decided to become a part of its “tormentor”, i.e. the EU, to the detriment of its society. Fifth, they provide constant reminders of the disputes, the conflict victims and the real and imaginary damages suffered by Serbs and inflicted on them by their neighbours. Sixth, they present Russia as a state upon which the economic development of Serbia depends. An analysis of the message spread by the organizations associated with Moscow suggests that Russia is mainly determined to challenge Serbia’s EU integration plans and the process of reconciliation in the region, carried out under the auspices of the EU, claiming that these initiatives are contradictory to Serbian state interests. It also seems that Russia intends to foster close cooperation between Belgrade and Moscow, promoting it as the most natural project from the perspective of the development of the two states.

Moscow’s Serbian allies

The actions carried out by Moscow in Serbia have received support from groups which are hostile towards the idea of the country’s EU membership, rather than overtly pro-Russian. Among these groups are the oligarchs who have built their position by undertaking unlawful actions and using their political ties (e.g. in the energy sector). For them, the introduction of EU regulations would mean losing their influence and, more often than not, criminal liability. Another significant group are the conservative and anti-liberal circles associated with the Serbian Orthodox Church (SOC) which considers the EU a threat to traditional Serbian values. Frequently emphasised in this context is the opposition towards the liberal West, which in the Balkans promotes principles contradictory to the “Slavic” system of values. In neighbouring Montenegro, Kosovo, Macedonia, Bosnia and Herzegovina, the SOC is fighting for supremacy over the orthodox churches of these states; it questions these countries’ independence, supports Serbian nationalist organizations in their attempts to regain the “Serbian territories” and fosters plans to maintain Serbian influence in this region via a network of church organizations. Thus, the actions of the SOC seem to be consistent with the Russian policy of aiming to perpetuate ethnic tensions in the region. In his conversation with Vladimir Putin during his visit to Moscow in 2013, the SOC Patriarch Iriney criticised Serbian authorities’ policy towards Kosovo as being pursued under EU pressure, and solicited support for the actions of the SOC in Macedonia and Kosovo. According to the Patriarch’s words, “the Church can only count on support from God and from Moscow”.

Serbian minorities as a tool

Russia’s actions in the Balkans include intensification of the relations with the Serbian minority in neighbouring states – mainly in Bosnia.
and Herzegovina, as well as Montenegro and Kosovo. The strengthening of Russian influence in the Serbian diaspora has two aims. Firstly, it enables Russia to influence the internal situation and the stability of these states. A good example here is provided by the propagation of anti-NATO attitudes among Serbs living in Bosnia and Herzegovina and Montenegro, which has resulted in blocking the integration of these states with the Alliance. Furthermore, it has been an element of pressure exerted on the authorities in Belgrade. Any strengthening of separatist aspirations among the Serbs could pose a threat to the current policy of Belgrade, which is determined to develop cooperation with the region’s states – which in itself is a condition for making progress in the EU integration process. The right-wing Serbian government, supported mainly by a nationalist-oriented electorate, would have to respond to the separatist ambitions of the Serbian diaspora.

The strengthening of Russia’s influence in the Serbian diaspora enables Moscow to influence the internal situation and the stability of Montenegro, Bosnia and Herzegovina, and Kosovo, and is an element of pressure exerted on the authorities in Belgrade.

Russian influence is strongest in Republika Srpska (RS) – one of the two entities making up Bosnia and Herzegovina. Moscow is closely cooperating with Milorad Dodik, the President of RS. The support granted by Russia to Serbian politicians in BiH has been one of the factors blocking the reform of the extremely inefficient political system in this country, and further deepening the divisions between the three BiH nations – the Serbs, the Bosniaks and the Croats. Russia has offered its support, including financial support\(^\text{17}\), for Dodik’s attempts to gain maximum independence from the central authorities in Sarajevo. An example of this support has been the invitation extended by the Russian side to Milorad Dodik to travel to Belgrade to take part in a meeting with Vladimir Putin during his visit to Serbia in October 2014. The invitation was used by Dodik in his electoral campaign before the general elections in BiH. This was also a clear signal suggesting that Belgrade’s influence on the relations of Serbian politicians in BiH with Moscow is diminishing. This appears to be contrary to the policy pursued by Belgrade which wishes to act like an intermediary between Banja Luka and Russia and to weaken the position and independence of Dodik himself.

On a smaller scale, Russia has also granted support to Serbs in Kosovo, aiming to torpedo the peace plan calling for normalization of the relations between Belgrade and Pristina and to include Serbs in the Kosovan institutional system. One example of such actions has been the initiative of the Russian embassy in Belgrade concerning the signing of a petition to the Russian government to grant Russian citizenship to Serbs living in Kosovo. The petition’s aim was to disrupt the negotiations carried out by Belgrade with the government in Pristina; it has been signed by 20,000 Serbs\(^\text{18}\). As part of other initiatives, Russia has sent humanitarian aid convoys to Kosovo and emphasised the dramatic situation of the Serbian minority in the province, claiming that it has been left without the necessary support and attention by Belgrade.

EU membership on Russian conditions?

Serbia’s Prime Minister Aleksandar Vučić has decided to continue the two-track policy initiated in 2008 by President Boris Tadić of pursuing EU integration while simultaneously maintaining close relations with Russia. In January 2014 Serbia opened EU accession negotiations, and the government has announced a plan to carry out quick reforms in order to fulfil the EU

\(^{17}\) In 2014 Russia granted a 72 million euros loan to Republika Srpska to help it maintain its budgetary stability.

membership criteria within five years. Yet Russia’s ambassador in Belgrade, Aleksandr Chepurin, had already stated in 2013 that Serbia’s EU membership should not be devised so as to hamper the country’s long-term close relations with Russia, as these should be Belgrade’s priority19. As the Ukrainian crisis has demonstrated, the deepening of cooperation both with Brussels and Moscow will be difficult, if not impossible, in the long term. Serbian authorities have not joined the EU’s sanctions against Russia, although Serbia as a candidate country should be harmonising its foreign and security policy with the EU’s actions. The Serbian-Russian agreements on visa abolition, trade preferences or – most importantly – the rules of cooperation in the energy sector and the agreement on the construction of the South Stream gas pipeline will need to be renegotiated, which is against Russia’s interests. Serbia has already been criticised by the Energy Community for its failure to introduce energy regulations directly aimed at breaking the monopoly of Russian companies on the Serbian market. The restructuring of the state-owned company Srbijagas, managed by pro-Russian politicians, has been hindered due to pressure from Moscow. The development of military cooperation between Serbia and Russia is likely to be another problem for partners from the EU and NATO. After a long period of military cooperation with NATO within the Partnership for Peace programme, Serbia has been intensifying its cooperation with Moscow in this area since 2011. In that year a Regional Humanitarian Centre was established in Niš, where, for example, Russian sappers are stationed. Due to its strategic location it might be considered a bridgehead of the Russian military presence in the region. In 2013 Serbia and Russia signed a military cooperation agreement and Serbia joined the Collective Security Treaty Organization (CSTO) as an observer state and the only non-CIS participant20. The authorities in Belgrade are trying to balance the deepening of cooperation with Moscow by intensifying the relations with NATO. In September 2014 it was announced that Serbia would sign an Individual Partnership Action Plan (IPAP) shortly. However, the military parade with the participation of Russian soldiers in Belgrade, the planned Srem 2014 Serbian-Russian military exercises of airborne troops near the Croatian and Hungarian border in the period when Moscow is carrying out military operations in Ukraine, bring Serbia’s credibility into question in the context of its cooperation with the Western states21.

Prospects

Vladimir Putin’s visit to Belgrade carried a largely symbolic meaning. Its aim was to strengthen the pro-Russian groups within the ruling elite and in society, as well as to confirm that Serbia lies within Russia’s zone of influence. The Serbian side has failed to gain any concessions from Russia22, and the signed agreements concern matters of secondary importance or serve the purpose of strengthening the Russian presence in Serbia23.

It is not inconceivable that if tensions between the EU and Russia continue to grow, and as a consequence pursuing a friendly policy towards the two partners becomes impossible, the Serbian government would have to drop the EU integration project under pressure from

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20 Apart from Afghanistan.


22 The Serbian authorities have solicited for the consent to raise the tax on the extraction of minerals, eliminate intermediaries from the trade in gas, introducing export quota for Fiat cars etc.

23 Although seven agreements, memorandums and protocols have been signed, they concern mostly the performance of agreements already in force. The contents of the only agreement which could considerably change the relations between Moscow and Belgrade, concerning the guarantee of the extraterritorial status of the Russian military base in Niš, has not been revealed.
Serbian society, persuaded by the pro-Russian and anti-EU circles that the revision of relations with Russia, carried out on the EU’s demand, is not favourable for Serbia. This is all the more important as public support for EU membership has declined to 51% (in December 2013). According to a survey conducted in October 2013 by the conservative organization NSPM, 67.5% of Serbs support their country’s alliance with Russia, whereas 53.7% opt for Serbia’s membership of the EU. In this context, the declaration made by Prime Minister Aleksandar Vučić during President’s Putin visit, stating that Serbia is grateful to Russia for respecting its sovereign decision to opt for European integration, should be considered as a request rather than as gratitude.

The attempts to block the Euro-Atlantic integration of the Balkan states have been directly related to the rivalry between Russia and other actors for influence in the region. The weaker and more feuding the Balkan states are, the more vulnerable they will be to Russian influence. In this context, Moscow’s aim is to sabotage EU efforts focused on introducing democratic principles and the rule of law, building strong state institutions and a liberal economic system, as well as fostering reconciliation in the region. Moscow’s actions are designed to challenge the attractiveness of the EU’s political and economic model and to encourage Serbia to choose another integration project, one that is promoted by Russia (CSTO, the Customs Union). If the Serbian authorities decide to develop closer cooperation with Russia at the cost of the country’s integration with the EU, this would be a strong blow to the EU concept of fostering stabilization in the Western Balkans. In such circumstances, Belgrade would most probably return to conducting a revisionist policy towards its neighbours, which would represent a threat to the entire region.

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