European Union Challenged: Russia and China in the Western Balkans

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This Policy Outlook examines the foreign policies of the European Union, Russia and China towards the Western Balkans, in particular, Serbia, Bosnia and Herzegovina, Montenegro and North Macedonia. Although the region mainly relies on the EU both politically and economically, the EU’s reluctance to accept new members causes fatigue towards Brussels in the region. Moreover, in the past decade, Russia and China have increased their footprint in the Western Balkans. Although Moscow and Beijing do not follow a common policy in the region, their activities complement each other in undermining the EU’s influence. This Policy Outlook argues that the EU should not take its influence in the region for granted and develop new strategies to once again become an attractive force in the region. Brussels should also stop regarding Turkey as a competitor in the Western Balkans and work with Ankara to strengthen democracy, rule of law and multiculturalism in the region.

The opinions expressed in this report represent the views of the author(s) and do not necessarily reflect the views of the TRT World Research Centre.
Background

In contrast to the rest of Eastern Europe, the Western Balkans did not have as smooth of a transition period after the end of the Cold War. The dissolution of the Yugoslav Federation led to conflicts between neighbouring entities that had previously formed the federation, namely Serbia, Croatia, Bosnia and Herzegovina, Slovenia, Montenegro, North Macedonia and Kosovo. Collectively, this period of conflict became known as the Yugoslav Wars which continued throughout the 1990s and impeded the transition period in these former Yugoslav republics.

This situation continues to cause setbacks in these countries’ accession to Western international organisations such as the European Union (EU) and North Atlantic Treaty Organisation (NATO). For instance, Bosnia and Herzegovina’s current political order causes instability on the political and economic front as power is divided among Bosniak, Croat and Serb entities, which all have different domestic and foreign policy agendas. The frozen conflict between Serbia and Kosovo continues as the normalisation attempts mediated by the EU have yet to yield results. Macedonia only recently solved its name issue with Greece - which had blocked its membership in both the EU and NATO - after nearly three decades.

Slovenia and Croatia have been the only two Western Balkan countries to become members of both the EU and NATO. Although EU and NATO membership came at a later date compared to other Eastern European countries, the remaining Western Balkan countries such as Bosnia and Herzegovina, Serbia, North Macedonia, Montenegro, Kosovo and Albania, have not been as successful as their neighbours Slovenia and Croatia in obtaining EU and NATO membership.

Before its dissolution, Yugoslavia had a higher GDP per capita compared to most other socialist regimes in Eastern Europe, such as Poland and Hungary. However, the destructive effects of the Yugoslav Wars and economic benefits which came with EU membership has led these countries to surpass the former Yugoslav countries in the economic field. Poland and Hungary’s GDP per capita is at least twice that of any single country in the Western Balkans.

This situation led Western Balkan countries to pursue a pro-Western foreign policy. Democratic governments that came to power after the 2000s put EU membership as their primary foreign policy goal. Western Balkan governments perceived EU-membership as being a direct means of increasing economic prosperity as well as strengthening democratic institutions and the rule of law. Moreover, the EU membership process itself is regarded as a prospectus to help these countries solve their issues and start a reconciliation process among their respective communities. Since these countries have large minorities, reconciliation is one of the most important processes to prevent a resurgence of conflicts in the region. For example, Bosnia and Herzegovina, which was the epicentre of the Yugoslav Wars, has a 51% Bosniak, 31% Serbian, and 15% Croatian population.

However, only Serbia and Montenegro have succeeded in starting accession negotiations with the EU. Albania and North Macedonia recently gained candidate country status after two years. Even though the EU’s executive organ (the European Commission), agreed that the two countries have fulfilled the requirements to start accession talks in 2018, thanks to France’s veto to prevent the admission of new members to the Union, they had to wait until 2020 to become official candidates.

Bosnia and Herzegovina and Kosovo are only potential candidates. The Serbian minority in Bosnia and Herzegovina opposes EU membership and follows a pro-Russian policy. Moreover, the Serbian entity follows a successionist policy and sees integration to Western international organisations such as the EU and the NATO as a threat to its interests. Although Kosovo has a pro-EU foreign policy, its recognition issue prevents its EU membership process from advancing. Until the war in 1999, Kosovo was an autonomous region of Serbia. Ethnic tensions with the Albanian majority region led to war between the Serb central government and the Albanians. Serb forces retreated from the region after the NATO intervention. In 2007, Kosovo declared independence from Serbia. Today more than 100 countries recognise Kosovo’s independence including the US, Germany, France, United Kingdom and Turkey. Along with Serbia countries such as Russia, China, Spain and Greece still consider the region as part of Serbia.

Many of these Western Balkan countries have made more progress with regards to membership in NATO. In 2009, Albania became a member of the alliance along with Croatia. Montenegro gained its membership in 2017 and North Macedonia became the latest member of NATO in 2020,
after solving its so-called *name issue* with Greece. Athens lifted its veto against Skopje’s membership in NATO after Macedonia changed its name to North Macedonia. The reason for the veto was based on historical claim made by Greece to the name ‘Macedonia’ for one of its provinces. Bosnia and Herzegovina and Kosovo do not have a formal NATO membership process due to the circumstances stated above, and Serbia has never intended to join the organisation.

Throughout the 2000s, the EU and the US went unchallenged in the region. Even in Serbia, where opposition to the West is highest due to NATO bombings during the Yugoslav Wars, the EU and US enjoyed high popularity. While US foreign policy was largely guided by NATO’s enlargement in the region, the EU (with its soft power tools such as economic prosperity, democracy and multiculturalism), was regarded by Western Balkan countries as central to solving outstanding regional issues.

However, after the 2010s the dynamics in the region began to change. Under the leadership of Vladimir Putin, Russia increased its activities to prevent Western enlargement in the region. China also began to increase its footprint in the Western Balkans via its Belt and Road Initiative (BRI). For its part, the EU is turning inwards and with the rise of populist far-right politics within the Union obstructing the membership process, its orientation towards the region seems fixed for some time to come. Even for Serbia and Montenegro, full membership seems like a distant hope. This is leading to fatigue and attrition in the region towards the EU. Russia and China are seeking to take advantage of this situation to increase their influence in the region.

**Russia**

Russian interest in the Balkans has deep historical roots. The common Slavic and Orthodox ethnoreligious identity have made the region an important pillar of Russian foreign policy since the 18th century. However, during the 1990s, the dissolution of the Soviet Union and subsequent economic crises in Russia prevented Moscow from pursuing a proactive foreign policy. In this period, Russia was unable to prevent NATO intervention in Bosnia and Herzegovina and Kosovo against its Serbian ally.

However, after Vladimir Putin’s rise to power, Russia once again started to assert itself. As such, the Western Balkans became one of the most important pillars of Russia’s contemporary foreign policy quest alongside Eastern Europe, the Caucasus, Central Asia and, most recently, the Middle East.

Today, Russia’s foreign policy towards the Western Balkans is based on obstructing further enlargement of the EU and NATO in the region. However, Russia’s relative economic weakness vis-à-vis the EU has prevented it from competing in the economic realm. Russia’s GDP is about 40% of Germany’s. Thus, this economic gap reflects on Russia’s trade with the Western Balkans. For instance, Serbia’s trade volume with the EU amounts up to 62% of its total trade, while it is only 7% with Russia. This ratio is much lower for

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<th>EU 27 (m €)</th>
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<td>65.1</td>
<td>372</td>
<td>2.3</td>
<td>299</td>
<td>1.9</td>
<td>756</td>
<td>4.8</td>
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<td>7.9</td>
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<tr>
<td><strong>North Macedonia</strong></td>
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<td>62.8</td>
<td>322</td>
<td>2.2</td>
<td>174</td>
<td>1.2</td>
<td>635</td>
<td>4.3</td>
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*Figure 1. Trade volume in 2019 (% in total trade. million €) (Source: European Commission)*
Russia in other countries in the region (figure 1).

Politically aggressive moves in Ukraine and Georgia have raised concerns over Russia’s hegemonic desires. In this light, it is noteworthy that Western Balkans governments are mainly pro-Western. However, Russia has cultivated significant influence over opposition parties, nationalist Euro-sceptic movements, and Orthodox religious communities in Serbia, Bosnia and Herzegovina, Montenegro and North Macedonia.

Russia seeks to leverage its common ethnoreligious identity to expand its influence in the region. Moscow presents itself as the protector of the Orthodox belief. By this way it seeks to gain wide support from the religious segments of society in the region. In a meeting with his Russian counterpart, the Serbian Orthodox Church’s Patriarch Irinej said “our hopes have always been in Imperial and present-day Russia, and it always comes when we need it most”. Irinej’s praise of Russia as a saviour shows the success of Russia’s utilisation of religion as a foreign policy tool. In another example, a church was also named after Russian President Putin in Serbia.

Russian media outlets such as Sputnik are also useful tools for Russia in the region. Russian-affiliated media organs undermine the West’s image and direct public opinion in a pro-Russian direction. Russian news outlets provide free news to the regional news outlets, which are economically unable to subscribe to international news agencies. This too leads the population to see international developments from Russia’s point of view. According to a Gallup International poll, Putin is the most popular politician in Serbia with 85% support. In another poll, 47% of Serbians believed that Russia was the biggest donor of foreign aid to Serbia, whereas in reality, the EU and US aid to Serbia totalled nearly 90% of the foreign aid Serbia received. This highly valued perception of Russia in the eyes of the population shows the extent of the success of Russia’s efforts to influence public opinion in the region.

The Kremlin’s allies in the region are staunch supporters of these media outlets since they also work in their favour. During a visit to Russia in 2018, then President of Bosnia and Herzegovina’s Republika Srpska region, Milorad Dodik, called for Russian media organisations to widen their activities in the country.

Serbia represents the lynchpin of Russian foreign policy in the Balkans. Although the country is an EU candidate, the Serbian government continues to enjoy deep relations with Russia. Serbia is the only country in the region where Russia has good relations with all segments of society. Belgrade even refused to join EU sanctions against Russia after the invasion of Ukraine in 2014. Russia is the biggest supporter of Serbia on the Kosovo issue. As the US and most EU countries including Germany and France continue to pressure Belgrade to normalise relations with its former autonomous region, Serbia has found it hard to make any foreign policy shift that would endanger its relations with Russia.

Although the Bosniak and Croat entities in Bosnia and Herzegovina follow a pro-Western policy, Republika Srpska, with Russia’s support, prevents Bosnia and Herzegovina’s EU and NATO membership. Russia also supports Republika Srpska’s secession demands, which destabilises the country and hinders reconciliation attempts among the deeply divided Bosniak, Croat and Serb communities that make up the country.

In Montenegro and North Macedonia, Russia’s position is comparably weaker than it is in Serbia and Bosnia and Herzegovina. Both governments there have bad relations with Russia, as Kremlin is accused of interfering domestic politics of these countries.

In 2016, Russia was accused of plotting a coup attempt with the opposition parties to overthrow Montenegro’s government to prevent the country’s NATO membership. Until today, the main opposition maintains close relations with Russia. In 2018, on the second anniversary of the coup attempt, opposition leaders of Montenegro paid a visit to Moscow, demonstrating the extent of the relationship.

Russia was also suspected of interfering in North Macedonia’s 2018 referendum on the issue of changing the country’s name from Macedonia to North Macedonia. The name change was the result of a deal between Skopje and Athens which would see Greece lift its veto on North Macedonia’s accession to NATO. Russia supported the opposition in this process, which objected the name change, in the hope of preventing Skopje’s NATO membership. Although the referendum results served Russia’s interest as the turnout was lower than the required 50%, the Macedonian government ultimately pushed through the name change via a parliamentary vote. Russia does not have significant relations with Albania and Kosovo, as these countries do not share an ethnoreligious common identity and follow a pro-Western foreign policy.
China

The Western Balkans are a new area of interest for China. Although Beijing maintained relations with Yugoslavia and Albania during the Cold War, these relations were based on common communist ideology and were largely symbolic. As China started to follow a more active foreign policy in the last decade, it has become more visible in the Western Balkans.

The Belt and Road Initiative (BRI) is the main driver of Chinese activity in the region. The BRI is a massive infrastructure development project that aims to enhance trade and connectivity between regions and augment China’s influence in the international system. The Balkans, as the ‘south-eastern door’ of Europe, became a key location of BRI projects. Thus, these projects also bring Chinese political influence on the region, making China one of the competitors along together with the EU, the US, Russia and Turkey.

In the Western Balkans, China’s BRI investments are largely concentrated in Serbia, Montenegro, Bosnia and Herzegovina, and North Macedonia. China supports Serbia on the Kosovo issue, therefore, Beijing does not recognise Kosovo’s independence and has not included Kosovo in the BRI. Although in 2017, China and Albania agreed to enhance cooperation, there is no Chinese investment in the country under the BRI framework.

Serbia is the primary destination of Chinese investments in the Western Balkans. Chinese state-affiliated firms are taking part in railway, motorway, public transportation, and energy projects. These projects are funded by China with long term credits. The amount of Chinese investment in these infrastructure projects is over 75 billion Euros.

The BRI also provided a way for Chinese firms to enter the region. Chinese state-owned Hebei Iron and Steel Group (HBIS) purchased Serbian steel mill Železara Smederevo after BRI projects began in the country. In 2003, the mill was sold to the American U.S. Steel. However, it was subsequently sold back to Serbian Government in 2012 for a symbolic one dollar after the company failed to make the mill profitable. HBIS bought the plant from the government in 2016 for 46 million Euros and invested a further $300 million. Today the plant is Serbia’s second-largest exporter and employs over 5 thousand workers.

![Figure 2: Trade volume with China (million €) (Source: World Bank and European Commission)](image-url)
In Montenegro, BRI investments are focused on a motorway that would connect the inner northern parts of the country with the coastal south. The project is Montenegro's biggest infrastructure project. China came to Montenegro's aid after the EU refused to fund the motorway on the basis that it would be unprofitable. China is funding 80% of the 1 billion Euro project and Chinese firms are building the motorway.

In Bosnia and Herzegovina, BRI investments are largely focused on transportation projects in the Republika Srpska region. However, as the EU refused to fund coal-based energy plant projects, the Bosniak and Croat majority Federation of Bosnia and Herzegovina region have appealed for Chinese help. China is currently funding a 700 million Euro power plant in the region.

In North Macedonia, BRI investments are also mainly focused on motorways. Chinese companies are building two motorways with credit provided by Chinese state-owned financial institutions. These projects created a political crisis in Skopje. In 2015, then opposition leader and the current Prime Minister, Zoran Zaev, revealed an audio recording where the Prime Minister of the day, Nikola Gruevski, discussed giving the motorway projects to Chinese firm Sinohydro for a 25 million Euro personal gain.

Western aid largely comes with strings attached such as profitability, environmental concerns, rule of law and anti-corruption measures, issues that China does not often bring to the table. Thus, Chinese projects in the Western Balkan are mainly focused on fields the EU refuses to fund. This way, China enters the scene as a saviour. The North Macedonian example shows that this no strings attached aid has the potential to impede the rule of law and the democratic institutions in these countries as it led to corruption among high level government officials. Another example is the motorway project in Montenegro. As stated above, the EU refused to fund the project claiming that it would be unprofitable. According to studies, the motorway would need a daily 25 thousand vehicle traffic to be profitable. However, current traffic is nearly a quarter of this with nearly 6 thousand vehicles. Considering small 600 thousand population of Montenegro, it is arguable that the project started with populist political calculations rather than actual needs.

Another concern regarding Chinese aid is that they may be the basis of debt-trap diplomacy. As of 2018, 40% of Montenegro’s debt is owed to China. For North Macedonia, this ratio is 20%, Bosnia and Herzegovina 14%, and Serbia 12%. These countries are developing countries and have experienced many economic crises in the past. Beijing may use these debts to influence their foreign policy decisions in the future if they fail to pay back their debts. In a similar case, China took over a Sri Lankan port it built under BRI framework after the Sri Lankan government failed to pay its debts. This port is now a strategic asset for China against its regional rival India.

Rising interaction with the BRI has also boosted trade volume between the Western Balkans and China. Although the region mainly relies on exports and imports to and from the EU, in the last decade trade volume with China has increased dramatically (Figure 2). As of today, the trade volume of China with the region may not be a threat to European economic interests, however, this trend is a solid indicator that Europe is not only losing political ground in the region, but it is also lagging on the economic front.

Moreover, China is also using soft power tools to expand its visibility in the region. For example, in Republika Srpska, Chinese language classes have opened throughout all the schools in the region and teachers are provided by the Confucius Institute of the Chinese government. The same institute also opened branches in major universities and cities throughout the region.

More recently, China has sent medical equipment and doctors to the region to help with the Covid-19 pandemic. Serbian President Aleksandar Vucic welcomed the Chinese expert team in the airport with a state protocol. Vucic also criticised the EU for not helping them during the virus outbreak, saying that "European solidarity does not exist. That was a fairy tale on paper."
Outlook: Russia and China vs the EU in the Western Balkans

Although Russia and China have close relations in many respects, they do not act together in the Western Balkans. There may be several reasons for this. For China, aligning with Russia in the region could represent a burden since Russia is regarded as an aggressive power with links to coup attempts and infiltration of electoral systems. China follows a more nuanced policy where it puts forward economic relations to gain ground in the region.

For Russia, China is a new competitor in the game. Since Russia’s relations with the region largely rely on anti-Western groups, China’s entrance to the scene as another anti-Western power could impede Russia’s influence among these groups. Moreover, Russia’s influence in the region mostly relies on historical ethnoreligious and political ties, whereas China leverages its growing economic ties. Having said this, their respective approaches do complement each other regarding undermining Western interests in the region.

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The EU must carefully consider its strategy in the Western Balkans to effectively cope with the growing Russian and Chinese influence. As in the cases of Albania and North Macedonia, the EU’s reluctance to appreciate the steps taken by these countries serves the interests of its rivals. In the current environment, even front runners Montenegro’s and Serbia’s EU-membership are seen as a distant dream. Kosovo, which follows a pro-Western stance in its foreign policy also faces double standards from the EU. Although the Kosovan government took all the necessary steps required by Brussels for the visa-free travel, the EU still has not granted it due to opposition of some of its members who fear a new migrant flow from Kosovo.

The Western Balkans remain politically fragile. Democracy and the rule of law are far from being institutionalised in the region, and the EU’s reluctance to develop its relations with the region hinders the durability of the democratic institutions. Russia and China are using this situation to further distance the region from the EU through an expansion of their respective influence. For example, Chinese technology firm Huawei is building a smart camera surveillance system in the Serbian capital Belgrade with futures such as facial recognition. China already uses these systems and they have proven to be a threat to human rights. Hence Belgrade’s decision drew widespread criticism from local and international human rights organisations.

For its part, Russia is weaponizing Serbia and the Republika Srpska region of Bosnia and Herzegovina. Moscow recently donated fighter aircraft, reconnaissance vehicles and tanks to Belgrade. Although Republika Srpska does not have its own army, Russia has provided arms to the region’s police force and Russian instructors are training the special branch of the force. These steps ultimately serve to further the Serb dominated region’s independence attempts; which has the potential to destabilise the whole region with spill over effects since ethnic groups are intertwined throughout the region.

One option available to the EU is to stop considering Turkey as a rival in the Western Balkans. Although French President Emanuel Macron has stated numerous times that Turkey, along together with Russia and China, is considered a competitor to the EU in the Western Balkans, Turkey’s policy towards the region is mostly in line with that of Brussels. Since the Yugoslav Wars, Turkey has worked together with the West to bring peace to the region by contributing to NATO operations. Since then, Turkey has been a keen supporter of NATO and the EU enlargement towards the region. Turkey’s open support for the EU accession process of Western Balkan countries alone invalidates French President Macron’s claims that Turkey is rival for the EU in the region.

Furthermore, Turkey has deep historical and cultural connections with the region’s Muslim and Turkic communities. Apart from Muslim majority Bosnia and Herzegovina, Kosovo and Albania, in recent years Turkey has also enhanced its relations with Serbia. Montenegro and North Macedonia. Muslim communities were the main victims of the atrocities during the Yugoslav Wars. Therefore, Ankara’s foreign policy towards the region is built on keeping peace and stability in the region by helping to strengthen democracy and rule of law, which - in the bigger picture - compliments the EU’s foreign policy toward the region in many ways.

All in all, the EU is still the powerful player in the region. It has many carrots and sticks with which to attract Western Balkan countries. However, the European Union should understand that the 2020s will not be like the 1990s or 2000s, where the EU had no challengers. Brussels should develop new strategies to cope with Russia and China while presenting a concrete vision for membership to the Western Balkan capitals to continue being an attractive force in the region.