

POPREBEL

**Populist rebellion against modernity in 21st-century
Eastern Europe: neo-traditionalism and neo-feudalism**

Working Paper no. 10

**Russian (hidden and overt) economic, political and cultural
influences in Serbia, Bosnia & Herzegovina and Montenegro**

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POPREBEL (Populist rebellion against modernity in 21st-century Eastern Europe: neo-traditionalism and neo-feudalism) is a large Horizon 2020-funded research project on the rise of populism in Central and Eastern Europe. The aim of the project is to describe the phenomenon, create a typology of its various manifestations, reconstruct trajectories of its growth and decline, investigate its causes, interpret its meanings, diagnose its consequences and propose policy solutions.

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The POPREBEL consortium comprises six universities – UCL (co-ordinating institution), University of Belgrade, Charles University, Corvinus University of Budapest, Jagiellonian University and University of Tartu – and Edgeryders, a social enterprise.



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1. Introduction and methodology

The fall of the Berlin Wall led to a domino effect in countries of the former Soviet bloc, including the former Yugoslavia. Socialist systems collapsed and a period of transition to the capitalist mode of production began. Due to the civil war, during the entire period of 1990s, the transition in the former Yugoslavia was blocked. In Serbia under the leadership of the nationalist-populist Slobodan Milošević, due to internationally imposed sanctions and civil wars in Croatia and Bosnia and Herzegovina – and somewhat later in Kosovo – a period of great poverty and stratification took place. However, these problems were of relatively minor importance as a large part of the population was under the influence of a narrative saying that the period of Tito's Yugoslavia when Serbia was exploited was over and that Serbia was waging a just war for its nation all over the Balkans to unite in a new independent state. During that period, Russian influence in Serbia was mild, as Russia itself faced the disintegration of the former great Soviet Union it was a bearer of. It struggled with great social and economic difficulties and was also burdened by a war in the Georgian regions of Abkhazia and South Ossetia and two wars in Chechnya. During that period, a strong anti-Western sentiment developed in Serbia as Western countries, namely the European Union and the USA were perceived as allies of hostile rival nations such as Croats, Bosnian-Muslims and Albanians. In the end, Serbia lost all wars, and its worst defeat was by NATO forces in 1999 when Serbia lost its province of Kosovo and Metohija. Russia has never recognized Kosovo as an independent state and presents itself today as a defender of Serbian political interests in the global arena.

On the whole, the local civil wars, the crumbling economy, poverty and a sense of general precariousness were fertile ground for the reception of a populist neo-traditionalist narrative as a route to escape from insecurity brought by “...rapid changes which followed the 1989 political and economic transformation...” and “dangerous new values and ways of life which come to the region from globalisation and from the EU” (Benczes et al. 2020, p. 7). According to Serbian right-wing populists who, in those turbulent times, felt that gaining power demanded the creation of an image of security and a new collective identity, the solution was a “recreation of our own healthy and moral way of life”, i.e. Serbian tradition – referring to “our authentic sacred treasury of society, heritage received from the ancestors, legitimised by antiquity but also by religion” (Benczes et al. 2020, p. 7).

Although, Russian influence in the Balkans was not significant at the time, the narrative of historical, cultural and religious ties with Russia, to which Serbia was bound by similar traditional values, was an integral part of the recreation of our new collective identity. Russia has historically been perceived through the prism of its support for the independence of Orthodox Slavic nations and as Serbia's elder brother. During the 1990s, this historical perception perfectly fitted into a neo-traditional right-wing populist narrative of Russia as a defender of Serbs from Croats, Bosnian-Muslims and Albanians and their Western and NATO allies, as well as a global political player able to prevent Kosovo's independence. Religion was a potent stronghold for these narratives of brotherhood, friendship and traditional historical connections. Namely, Serbia and Russia are strongly rooted and still guided by the Christian Orthodox faith. The Serbian Orthodox Church and Russian Orthodox Church have much in common and are often presented as the two closest churches. Sharing the same view of the Serbian holy land of Kosovo and Metohija, the Russian Orthodox Church has been building strong relations with its Serbian counterpart and significant conservative right-wing and anti-liberal populist circles associated with the Serbian Orthodox Church that see the EU as a threat to traditional Serbian values and openly oppose liberal West which, in the Balkans, promote principles contradictory to the “Slavic” system of values.

The main goal of this report is to explore the influence that Russia has on shaping and acceptance of populism through politics, economy and culture (propaganda) in selected countries of the Western Balkans. More precisely, in this paper, we will try to answer the following questions:



1. What are the mechanisms of strategic pressures from Russia on the EU in general and on Serbia, Bosnia and Herzegovina, North Macedonia, and Montenegro as EU candidate countries, in particular, that have concrete political repercussions?
2. What are concrete political, economic, and cultural issues generated by the strategic pressures, and who are particular social actors that contribute the most to the Russian-led growth of populism in Serbia, Bosnia and Herzegovina, North Macedonia and Montenegro?

Bearing these questions in mind, in the report, we will try to identify some of the mechanisms of pressure and to chart some of the common motives that could be connected with Russian influences. In order to do so, three case studies will be conducted, each one focusing on a different sphere: politics, economy and culture (propaganda).

The case study dealing with political influence is focused on direct political interference of Russia in the EU in general and in Serbia, Bosnia and Herzegovina, North Macedonia, and Montenegro, as the EU candidate countries, in particular. Based on the secondary analysis of discourse and researchers' own analysis of relevant contemporary events, in this part of the report, both research questions will be most directly answered. Namely, through the analysis of individual cases of political interference, mechanisms of Russian strategic pressure will be analysed and concrete political actions and social actors which contribute to the growth of populism will be identified.

The case study dealing with economy will be focused on Russia's utilisation of its energy monopoly as a strategic mechanism of pressure. More precisely, based on the secondary analysis of literature and on data available in public documents and media reports, we will focus on Russian energy policies in Serbia (Privatization of Beopetrol, Serbian-Russian mediators in gas trade, the Energy Treaty and the South Stream and Turkish Stream Project). Finally, bearing in mind these energy policies, foreign trade and foreign direct investments will be analysed in the context of the Russian energy monopoly. Considering our first research question, energy agreements in Serbia should be understood as an example of one of the mechanisms of strategic pressures exerted by Russia.

Finally, the case study dealing with cultural influence will be focused on the preservation of the myth of historical and traditional "fraternity" and "friendship" between the Serbian and Russian nations and the creation of the image of opposing interests of the Serbian nation *vis-à-vis* the West in pro-Russian media. *Sputnik*, formerly *The Voice of Russia* and *RIA Novosti*, is a news agency, news website platform and radio broadcast service established by the Russian government-owned news agency *Rossiia Segodnya*. In Serbia and the Republic of Srpska in Bosnia and Herzegovina, *Sputnik* is the central news agency backed by both governments, and a basic stronghold for pro-government media. As will be further explained in this report, the Russian state agency *Sputnik news* took the most important role in the dissemination of fake news and defamation campaigns. Therefore, this study will be based on the findings of the content analysis of news reports published by *Sputnik News* in Serbian. We decided to analyse this media outlet because it is unquestionably pro-Russian and because it is very influential, not only in Serbia, but also in Bosnia and Herzegovina (or at least in the Republic of Srpska) and Montenegro, where many local pro-Russian media broadcast *Sputnik's* news. The Russian Ambassador in Serbia Bocan-Harchenko defined their policy well: "*Sputnik* helps us to show the essence and truth of our policy here in Serbia and the region and open people's eyes, and in the situation, we have in Serbia, of course, we have benefits, because we work in a friendly atmosphere and environment. Sometimes this is difficult, because preserving and developing friendship is a difficult task." (Trikić 2020) We will study the frequency of mentioning the mythical, historical and traditional "fraternity" and "friendship" between the Serbian and Russian nations since 2015, when *Sputnik* started releasing news in Serbian as a way of improving Russia's image among the wider public. But we also intend to find out if this kind of "Russian marketing" was done by journalists (in their commentaries) either directly or by giving attention to politicians willing to enforce the usage of this myth. If this myth is used by politicians, we will try



to determine if it is associated with populist narratives. Namely, this study should help us detect some of the concrete problems and social actors (media and politicians) which contribute the most to the growth of populism and allow us to chart some of the common motives that could be connected with Russian influence within the narratives of populist politicians.

Though it could be argued that “amongst developing democracies— populism can be present as a poorly grounded ideology, a quasi-ideology, or merely a technique” (Lutovac 2020: 193), it should be stated that in this paper populism is perceived as type of ideology. As stated in POPRABEL Working Paper 4 (Political populism from the fringe to the mainstream: A conceptual framework, 2020) we argue that populism has two forms: *thin* and *thick*. Following Cas Mudde, we assume that thin populism has four features: 1. Vertical polarisation that sets ‘the people’ against ‘the elites’, 2. There exists antagonism between these two groups; 3. The whole construct is Manichean meaning that the essential feature of social reality is the struggle of the forces of good and evil and that any conflict between two mentioned groups is an instance of that fundamental struggle; 4. There is the idea that politics should be the expression of general will. Populism *thickens* when populists try to define ‘the people’, usually by using concept of national identity, religion, etc. So, in addition to four mentioned features, populism in its thick form has fifth characteristic—horizontal polarisation whose essence is the juxtaposition of ‘good’ and ‘bad’ people. Finally, though it is not necessary for defining populism, it is useful to mention that in unconsolidated democracies, such as Serbia, Bosnia and Herzegovina or Montenegro, populism tends to appear in form of authoritarian populism, which is characterized by anti-pluralism, control of the media, and the absence of a relevant autonomous civil society. (Lutovac 2020: 193)

2. Russian collision with the EU and its political engagement in Serbia, Bosnia and Herzegovina, North Macedonia and Montenegro

After the first wave of EU integration, in the late 1990s, Russia became increasingly dissatisfied with the US-dominated position in international relations, seeking to restore its superpower status lost during the Soviet disintegration and the first transition period that followed. Russia also faced frustrations as the society sharply split into extreme winners and extreme losers, while the state apparatus of ideological guidance and political coercion, now in coalition with the Russian Orthodox Church and transitional oligarchs, retained its position and started planning a revenge on a global scale. At the end of the twentieth century, Russia had two levers of power and global influence for the twenty-first century: strategic weapons and the export of cheap energy to the European market.

The turning point for Russian strategic policy was the 1999 NATO intervention in Serbia and Montenegro. Russia began to see the West as a threat and sharpened its official anti-Western stance, first towards NATO, and then the EU, especially after the Great Enlargement in 2004 (De Haas 2010: 30–48). During the first presidential term, 2000–2004, Russian President Vladimir Putin further centralized power and emphasized his personal role in the chain of political decision-making and strategic command. The first decade of the twenty-first century brought economic and strategic growth of new global powers such as China, India, Brazil, and Russia. The political weakness of the West was foreshadowed by mutually affected US–EU relations in 2003, and subsequently worsened due to the corrosion of political leadership. In 2003 the Italian European Council Presidency’s chairman Silvio Berlusconi declared that he would be Putin’s advocate during the Chechen War, the first proxy conflict which Russia used to regain its regional influence, lost with the collapse of the Soviet Union, and to produce disorder and conflict toward the EU’s eastern borders. “Chechen War was in total contradiction to the EU’s outspokenly critical stance towards continuing Russian human rights violations in the north Caucasian republic. His statement resulted in a spectacular clash in the EU and provoked a significant redesign of EU–Russia relations” (Maas 2017).

In attempts to regain its role in European relations, Russia reiterated that NATO ignored Russian views and failed to comply with UN standards and international law during its intervention in Bosnia and Herzegovina,



Serbia and Kosovo. Russia became increasingly concerned about the accession of several Central and European states into the EU and the eastward NATO expansion (Stent 2019: 211–219). In order to regain its role Russia relied on many lobbyists. Some argue that former German chancellor Schroeder is one of the most influential and relationship between Putin and him “is so notorious that it has spawned a word used by political analysts and human rights activists in three languages: “Schroederization” in English, “Schröderisierung” in German, and “Schroederizatsia” (“Шрёдеризация”) in Russian—meaning “the corruption of a political elite in another country” (Haldevang, 2018)¹. Except Schröder, some other European politicians are accused for lobbying for Russia. For example, media reported that “it took the U.S. Treasury Department—not the EU—to single out several Bulgarian politicians and individuals for corruption and ties with Russia.” (Dempsey, 2005). In that vein, some officials recently reported that “Russian intelligence has “significantly increased its activity” and that agents to trying to “establish contact in the environment of political decision-makers” (Ibid.).

The integration of several countries of Eastern Europe into the EU in 2004 and 2007 followed NATO’s expansion bring the Alliance to Russian borders. Ukraine’s Orange Revolution of 2004–2005 frustrated the Russian elite, as it challenged the essence of the Soviet power restoration project. Facing political and strategic challenges, Russia was searching for weak political and strategic points within the increasingly complex EU structure. On the other hand, the EU was beginning to reveal the lack of unity in interests and attitudes, while facing the first serious international political and economic crisis threatening to undermine its economic potential and political strength. The EU’s weaknesses were reflected in its indecisive and unfocused foreign and security policy, energy dependency, corruption of officials and other members of political, cultural, and scientific establishment, and by internal dissatisfactions caused by social shifts and inequalities. While preparing for a great Eastern Europe in 2004, the EU did not really have enough capacity to commit to Ukraine (Conradi 2017: 273–326). “The Chechen War was not the only occasion on which the EU hesitated over the imposition of sanctions against Russia. About 13 years later, when EU–Russia relations were shaken by the Ukraine crisis, the EU failed once again to take a coherent position on the imposition of restrictive measures against Russia. A group of prominent European officials and heads of state sought to pursue appeasement with Russia, which prevented them from speaking out in favour of imposing sanctions (Maass 2017: 37). Russia was also using black funding and both institutional and non-institutional pressures on the margins of its energy policy in order to reach influential individuals in EU governments and businesses. “Russia uses its energy wealth for three reasons: to gain economic benefits; to maintain, increase and exert its political influence in its perceived sphere of influence, the so-called near abroad; and, should the need arise, to exert political pressure on end-consumers.” (*Energy as a tool of foreign policy of authoritarian states, in particular Russia*. Policy Department for External Relations Directorate General for External Policies of the Union PE 603.868 - April 2018). In particular, Russia exploited EU weaknesses on the EU peripheries, Ukraine, Turkey and the Western Balkans. Russia also used old connections and lines of influence in former communist states, especially within the Visegrád Group (the Czech Republic, Hungary, Poland and Slovakia), while retaining segments of reputation and influence in Romania, Bulgaria and even Greece. Presumably corrupt officials, along with political organizations of the extreme left and right, became the main points of support. Russia’s energy policy in the former Soviet periphery, primarily in the Baltic, the Black Sea and the Balkans, and its energy policy towards the European Union became the source of the European populism. The U.S. and the EU have ignored the Russia’s non-transparent and monopolistic energy policies, and its use of natural resources to exert political influence over the new democracies of Central and Eastern Europe after 2004 and 2007 enlargement. President Putin was effectively using personal diplomacy with individual European leaders to achieve energy deals that benefit companies in individual states (Germany, France, Italy), and

¹ “Germany’s former chancellor Gerhard Schröder was yesterday at the centre of damaging allegations of sleaze over his decision to accept a lucrative job with Russia’s biggest company.” (Harding, 2005)



these direct negotiations have deterred the EU from carrying out a unified energy strategy (Tichý 2019: 15–26).

Ten years after the 1992 Maastricht Treaty on the European Union, the final boundaries of the European project's geographical spread were becoming clearer. The Russia–EU Partnership and Cooperation Agreement of 1994, enforced on 1 December 1997 to last 10 years, established the main common goals, and recognized a shared responsibility for international order based on multilateralism. "The EU–Russian PCA set out the guiding principles for their relationship, such as trade liberalisation, the harmonisation of standards and political dialogue in return for the continuation of reforms. It had entered into force in 1997 and was valid until 1 December 2007 when it would be automatically renewed unless one of the contracting parties was not content with the agreement in its current form and sought to review it. Some EU figures used the expiry of the PCA as an opportunity to make its renewal conditional upon improvement of Russia's human rights record and liberalisation of its energy policy. This controversy within the EU was exacerbated by clashes between 'new' EU member states and Russia, further aggravating EU–Russia relations" (Maass 2017: 120). The European Security Strategy (2009) highlighted that the EU and Russia, with the US and NATO, and other international partners, made the Balkans no longer at risk of major conflict. However, in the decade 1998–2008, the distance between two systems began to grow. EU was promoting its values of freedoms and democracy, science, knowledge, technologies and open market economy as instruments of power. On the other hand, Russia was imposing a concept of personal rule and energy as instruments of power and influence. Energy resource became Russia's key political instrument, especially after 2004 due to rising global oil and gas prices that responded to the increasing demand to a large degree caused by global economic growth (China and India), so that Russia could blackmail the European market by pointing the demands from Asian markets. In 2003, Putin defined Russian gas company Gazprom as a future powerful lever of influence over the rest of the world (Tinhy 2019: 22).

The optimism of EU and NATO enlargement to Southeast Europe was short-lived, culminating in the EU–Western Balkans Summit in Thessaloniki, on 21 June 2003: "The EU reiterates its unequivocal support to the European perspective of the Western Balkan countries. The future of the Balkans is within the European Union. The ongoing enlargement and the signing of the Treaty of Athens in April 2003 inspire and encourage the countries of the Western Balkans to follow the same successful path. Preparation for integration into European structures and ultimate membership into the European Union, through adoption of European standards, is now the big challenge ahead. The Croatian application for EU membership is currently under examination by the Commission. The speed of movement ahead lies in the hands of the countries of the region" (European Commission 2003).²

The EU–Russia summit in 2010 led to a series of bilateral modernization partnerships between Russia and EU member states. At that point, Russia had already exploited the weaknesses of the EU's foreign and security policy to consolidate in the Caucasus region, and continue to push aggression against Ukraine (Rácz 2017). Russia needed a stronger foothold in the Western Balkan states in order to undermine EU enlargement objectives.

² "The fluctuating relationship between the EU and Russia over the period 2002 to 2004 deteriorated when Russia rejected the European Commission's invitation to join the ENP. Russia's decision defeated one of the major purposes of this policy, namely the 'active transference' of some of the EU's 'norms and values'.⁷⁰ As a consequence of Russia's rejection of ENP membership, the EU did not have the leverage to export some of its values in its relations with Russia. As a result, a normative gap developed between the EU and Russia, which contributed to the deterioration of their relations. The increasing gap between the values the EU sought to uphold in its relations with Moscow and Russia's political reality was a source of increasing strain in the further evolution of EU–Russia diplomatic relations. Furthermore, the fact that the EU attempted to transfer its values through integrating former Soviet satellite states became an additional source of friction, which culminated in the strategic partnership's existential crisis." (Maas 2017: 65).



The next and last major EU success in the Western Balkans took place as Croatia became the 28th member state on 1 July 2013. Following the EU integration of Croatia in 2013, and the signing of the Brussels Agreement between Serbia and Kosovo, aimed at ensuring a peaceful solution and mutual recognition, the obstruction of the EU and NATO integration of the rest of the Western Balkans became Russia's priority. "Russia has successfully hindered almost every step the Western Balkan states have taken to move closer to NATO or the EU. This helped President Putin to consolidate his popularity and strongman image in Serbia (with a 57% approval rating there, he is the most trusted foreign leader), while sustaining sympathy in Republic Srpska, the northern municipalities in Kosovo, a pro-Russian base in Montenegro and the nationalist political party VMRO-DPMNE in North Macedonia" (Secieru 2019). Along with its aggression on Ukraine, Russia definitely launched, a hybrid war against the EU using propaganda, campaigns of lies and deception, corruption of officials, and support for populists both in ruling parties and in the opposition. In order to achieve its strategic goals, Russia had to ensure subordinate clientele bound to obstruct the reforms and promote anti-EU alternatives (Galeotti 2016: 282–301; Chivvis 2017).

Favourable circumstances arose when a series of successive crises made the EU leadership and institutions ineffective and unconvincing, in particular the 2008 Global financial crisis, the Ukrainian Crisis of 2013–2014, the migrant crisis that started in 2015, and the 2016 Brexit.

Russia's military intervention in Ukraine started in February 2014, and continued into 2020, in the Crimean Peninsula and the Donbas region. At the request of the President of Russia, Vladimir Putin, the Federation Council of the Russian Federation decided to use military force on the territory of Ukraine: on 1 March. Russia annexed Crimea after a referendum organized by Russian authorities on 16 March 2014. On 11 May, the Donetsk Republic declared independence. On 17 July, pro-Russian separatist forces shot down the Malaysian Airlines Boeing 777, believing that it was a Ukrainian air-force jet, and killed all 298 passengers, the majority of them Dutch, and 15 crewmembers. In August, the Russian military launched a land invasion on Donetsk Oblast and defeated Ukrainian forces in early September. Since March 2014, the EU has progressively imposed sanctions against Russia, such as diplomatic measures, individual asset freezes and travel restrictions, restrictions on economic relations with Crimea and Sevastopol, and restrictions on economic cooperation. Ukraine remains a divided state.

The Ukrainian Crisis coincided with the appointment of Federica Mogherini as the High Representative of the European Union for Foreign Affairs and Security Policy, in Jean-Claude Juncker's new Commission, following the 2014 European election. Her nomination proposal had been opposed by Latvia, Estonia, Lithuania and Poland, while Sweden, Ireland, the Netherlands and the United Kingdom also raised concerns, since her stance on Russia concerning the Ukrainian Crisis was considered to be "too soft" (Wright 2014). On 2 August 2014, Italian Prime Minister Matteo Renzi formally nominated Mogherini by letter to EC President-elect Jean-Claude Juncker, as Italy's official candidate for EU Commissioner. The decision became effective on 1 November 2014 (Juncker 2014).

The annexation of Crimea and the Russian occupation of eastern Ukraine provided a new framework of EU–Russia relations that empowered all European populists. "Following the annexation of Crimea and the ensuing worsening of EU–Russia relations, Moscow's strategy in cyberspace has been increasingly hostile and assertive. While Europe's multiple crises have been impacting on citizens' everyday lives, Russia has been making full use of its influence on traditional and social media to inject confusion and ignite fears in EU politics" (Amadio Viceré 2019: 2). The Ukrainian Crisis spilled over into Southeast Europe and Syria. The collapse of the EU's foreign and security policy encouraged populists both in the EU and in the immediate periphery of the EU. The Visegrád Group, an intergovernmental cooperation between Poland, the Czech Republic, Slovakia and Hungary, mainly opposed the EU sanctions against Kremlin, while only Poland remained resolute on sanctions against Russia. With regard to the Ukrainian Crisis, Poland supported personal and economic sanctions against the Russian Federation. The Czech Republic also criticized Russian activities, where the social democrat Minister of Foreign Affairs, Lubomír Zaorálek, even compared Russia's aggression



against Ukraine with German annexation of the Sudetenland and occupation of Czechoslovakia (1938–1939). However, Czech Prime Minister Bohuslav Sobotka disputed the effectiveness of the economic sanctions against the Russian Federation, and the government refused to supply Ukraine with weapons. Former Czech president Václav Klaus and former conservative prime minister Petr Nečas also expressed explicitly pro-Russian stances. The Slovak Prime Minister disagreed with the official EU policy towards the Russian Federation, even stressing “the pointlessness of sanctions against Russia”. In September 2014, Fico described the conflict in Ukraine as a “geopolitical struggle between Russia and the USA”. “Despite these critical remarks, Slovakia did not block the sanctions. Both Fico and M. Zeman participated in the 70th anniversary celebrations marking the end of the Second World War in Moscow in May 2015; however, Fico did not take part in the military parade. Their actions contradicted decisions made by Polish and Hungarian representatives not to attend the Victory Day celebrations. One month later, on a working visit to Moscow, Fico stressed that there were no controversial issues between Slovakia and the Russian Federation.” Hungary officially condemned the annexation of Crimea; however, Prime Minister Viktor Orbán stated that “Hungary is not a part of the Russian–Ukrainian conflict” (The Wall Street Journal, March 3, 2014: <https://www.wsj.com/articles/BL-NEB-7413>). Orbán disapproved of economic sanctions against Russia and stated that the EU had “shot itself in the foot”. As Marusiak observed: “In June 2015, Hungary was also one of the very few EU countries, besides Finland, Austria and Slovakia to hold bilateral talks with President of the Russian Federation Vladimir Putin. Putin visited Budapest in February 2015” (Marusiak 2015: 38–44).

However, the EU recognized the reality of divided, partly occupied Ukraine. Already in January 2015, Mogherini launched an initiative among EU foreign ministers exploring a potential rapprochement with Russia, including a pathway to ease the economic relations and open discussion on topics such as travelling, visas and energy policy. The proposal was sharply refused by the United Kingdom and Poland. In the following years, Mogherini continued to avoid naming Russia as the main creator of the hybrid war against the EU, especially the hostile disinformation campaigns and corruption of officials. On 27 April 2017, on her first official visit to Russia, Mogherini met with the Minister of Foreign Affairs, Sergei Lavrov. They discussed the implementation of the Minsk Agreement, the Annexation of Crimea, homophobic discrimination in Chechnya, and other topics. Mogherini stated that she supported policies in the spirit of “cooperation rather than confrontation” (US News 2017).

In 2015 and 2016, Russia took advantage of Mogherini’s goodwill and weaknesses of the EU foreign and security policy. Russia was using state agencies, the Federal Security Service (FSB), the Foreign Intelligence Service (SVR) and the Main Intelligence Directorate (GRU) to gather information and target public opinion and leadership to promote its foreign policy and political values (Haas 2010: 33–34). Populist leaders and organizations became a key political tool. Populists allowed Russia’s official policy to penetrate the institutions of EU member states and candidate states (Euractiv 2019; Statista 2020). Populists offer the apathetic part of the EU electorate a seemingly tempting alternative as their political partner Vladimir Putin stands with his resolute, clear leadership, and the promotion of traditional values. “Worse yet, they oppose policies aimed at curbing Russia’s influence in Central and Eastern Europe” (Rohac, Zgut and Gyori 2017). News agency *Sputnik*, related to the Russian government, became the main vehicle for misinformation and public pressure campaigns in the Western Balkans.³ While promoting official policies and values, *Sputnik* was disseminating lies and defamation to discourage public’s support to EU integration with NATO, and to direct

³ “Russian pro-government traditional media have a large reach and budget. Two of those outlets, RT and Sputnik, operate in 100 countries and broadcast programs in thirty languages. RT’s annual budget of around €270 million allows it to compete on the global news scene with BBC World and France 24, which have similar budgets. Then there is the Internet Research Agency, which was revealed to be a so-called troll factory owned by Yevgeny Prigozhin, a close associate of Putin. The agency conducts online information operations and is an important part of Russian disinformation activities. Operating since 2013, it has a monthly budget of around €1 million and employs about eighty people divided across foreign sections” (Legucka 2020). It is argued that the most important task for this agency is to “question the EU’s democratic legitimacy and play up sensitive topics in public debate such as migration, national sovereignty, and values.” (Ibid.)



the EU and NATO candidate countries' public policies towards self-isolationism in relation to the European neighbourhood, as shown in the examples that will follow Russian propaganda mainly exports the messages of internal propaganda in more sophisticated formatting (Karlsen 2019). The campaigns were also aimed at discrediting democratic institutions, raising ethnic tensions and fanning religious intolerance. The main goals were to provide stable support for Serbia, to keep Kosovo in a state of so-called frozen conflict, to provoke new ethnic divisions in Bosnia and Herzegovina, and to stop Montenegro and North Macedonia in their intentions to join NATO and the EU. The actions also included support for populist leaders, organizations and governments in Hungary and Bulgaria (Racz 2021; Bechev 2018).

EU foreign and security policy failures further aggravated all serious internal issues in the Western Balkans, already weakened by the long duration of Yugoslav disintegration. In addition, the challenges of the recognition of Kosovo and Macedonia were postponed, while cross-border disputes remained unresolved, even between Slovenia and Croatia, which had already been integrated in the EU. A coup attempt in Serbia with the assassination of the Western-oriented Prime Minister Zoran Đinđić in 2003 turned out to be successful in the long run. Serbia's gradual dissociation from the EU and NATO caused restlessness and instability in the former Yugoslav neighbourhood and slowed down the whole of Southeast Europe. The incitement of instability in the region took place primarily through political obstruction of the relations between Serbia and Kosovo, in order to preserve the nationalist tensions in Serbia and obstruct the EU-NATO integration of Serbia and Kosovo. Serbia was determined to preserve the state of the frozen conflict, as Russia was using the destabilization mechanisms in the former Soviet neighbourhood. Furthermore, Serbia deepened the division of Bosnia and Herzegovina by encouraging the separatism of the Republika Srpska. From 2016, as the EU was weakened by Brexit and the Trump administration in the USA, there was an obvious understanding of official Serbia for the separatism of the Croatian national community in Bosnia and Herzegovina. Since 2008, and more actively since 2016, Serbian administrations sought to destabilize Montenegro using the irredentism of the Serbian community and political power of the Serbian Orthodox Church, in order to influence Montenegro's withdrawal from the EU and NATO. Good relations with Albania have been established to encourage the ethnic division of Kosovo and Bosnia and Herzegovina, opening up the possibility of a larger Albanian ethnic state that would include the major part of Kosovo, south of the Ibar river.

The domino effect of the collapse of fragile democracies in Southeast Europe was triggered by the 2008 elections in Serbia. The alleged victory of the European forces was illusive, as the true outcome revealed the long-term return of the communist nationalist regime in its full capacity. Previously, Boris Tadić, the President of Serbia (2004–2012), visited Russia during his presidential campaign. The Socialist Party of Serbia (led by Slobodan Milošević until 2000), which was responsible (more than any other actor) for starting the war, war crimes, genocide, international sanctions, self-isolation and the destruction of institutions and society, possessed the key coalition capacity and was thus able to influence strategic decisions of all governments since. The Socialist Party of Serbia became the most important conduit for the Russian influence in Serbia. Immediately after the elections, Serbia sold the state-owned oil company 'Naftna Industrija Srbije' (NIS) to the Russia's state-owned Gazprom, which bought 51% of shares and thus gained control and an exclusive right to exploit natural resources. The agreement, approved by a convincing pro-government and opposition majority in the parliament, was nonetheless disputed by experts to be under-priced in favour of Russia. Serbia justified the deal as a necessary step to secure energy stability in the region, as well as a method securing the beneficial inclusion in the South Stream project and prompting Russia's involvement in defending Serbia's territorial rights over Kosovo.⁴

⁴ "Gazprom has taken advantage of the disarray inside the European Union by forging ahead with its own contracts with Italy, Bulgaria, Hungary and now Serbia, as it consolidates its presence in South-Eastern Europe. Under terms of the provisional agreement, approved Tuesday by Serbia's cabinet, Gazprom has offered to pay \$600 million for a 51 percent stake in NIS, with pledges to turn Serbia into a hub for Russian energy. The contract is to be signed Friday in Moscow" (Dempsey 2008); see also in: Vlček, Jirušek 2019: 163–176.



By taking over the energy sector, Russia also acquired means of financial penetration of the Western Balkans and thus contributing to the rise of corruption in the region. Russian Sberbank entered both Serbia and its neighbourhood, including in Croatia, as an extended arm of the Russian state. Serbia's foreign policy was established on "four pillars", the EU, the US, Russia, and China. The EU Parliament concluded that:

Competing with Russian influence in Serbia will mean a needed change in EU policy towards Serbia, appealing to Serbian society directly and demonstrating that the EU is the winning alternative (which also means getting the message out beyond Belgrade and into the regions). Voiced by virtually all our interviewees, we recommend that the EU needs to better communicate its efforts in Serbia and the Balkans, dispelling myths and combating *dezinformatsiya*. The fact that nearly a quarter of people surveyed in Serbia believed Russia was the biggest aid donor in Serbia (while having little awareness of the scale of EU investments) is as much a failure of message as it is of medium, and the EU must be able to project the simple message that it cares about the Serbian on the street and is actively working for his or her benefit. (Directorate-General for External Policies Policy Department 2017)

The report also emphasizes that reliance on Russia and China threatens the EU commitment in general.

The events that followed confirmed that Serbia had given up pursuing EU integration, and only simulated agreements and cooperative efforts in order to maintain EU financial assistance and political support. From 2008 to 2015, two Russian presidents, the Prime Minister and the Minister of Foreign Affairs visited Belgrade eight times. Serbian officials were hosted in Moscow nine times in total. In 2014, both Medvedev and Putin visited Belgrade, orchestrated an agreement concerning the South Stream gas pipeline and gave "unconditional support" for the Kosovo return to the sovereignty of Serbia, or ethnic division, as Serbian officials rejected the application of the previously signed 2013 Brussels Agreement. Russia and Serbia also reached agreements on trade liberalization in 2009 and 2011, making Serbia the only state outside the Commonwealth of Independent States to be given exclusive rights. Serbia used EU sanctions to increase its exports to Russia up to 68% compared to 2013 (Zorić B 2017: 39). Serbia even joined the military manoeuvres "Slavic Brotherhood 2017".⁵

Apart from Serbia, the Republic of Srpska became the central territory of Russian strategic influence in the Western Balkans, as Bosnia and Herzegovina failed to become an effective and functional state, with a minimum of common institutional interest. The other part of the state, the Federation of Bosnia and Herzegovina, was also split as Turkey established key influence over the Bosnian people (Aydintasbas 2019, Weise 2018), and both Croatia and Russia over the Croatian people. The Croatian Democratic Union (*Hrvatska Demokratska Zajednica*), as a conservative party, while declaratively pro-NATO and pro-EU, was blocking the state's NATO accession, as party leader Dragan Čović became the immediate executor of Russian interests. Russia's economic influence in the Republic of Srpska was established, similarly as in Serbia, with the purchase of the oil refinery in Brod, refinery in Modriča and distributor Petrol (for only 120 million euro), and the deal was confirmed by the National Assembly of the Republic of Srpska (the first session was declared secret). "The South Stream" narrative was mostly used by Serbian politicians in promoting Russian interests. The Russian state-owned Sberbank established a huge regional presence (Kremlin Watch Program 2020: 8–16).

In North Macedonia, Russia was using the Macedonian name dispute with Greece, internal tensions in the relations between Macedonians and Albanians, and partly controls Bulgaria and Serbia using their populist leaders. An increase in Russian intelligence activity was noticed already after the Greek veto for North Macedonia at the 2008 NATO Summit in Bucharest. Given that it faced relatively little support for its strategic

⁵ "Belarus, Russia and Serbia are holding joint military exercises of landing troops close to the Polish border. The choice of time, place and participants is not accidental. This is a response to Montenegro's accession to NATO and a further confirmation that Serbia and Russia closely cooperate in the field of security", according to: Warsaw Institute 2017.



goals in North Macedonia,⁶ Russia started counting on the nationalist VMRO-DPMNE (The Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity) and the support of the party leader and Prime Minister Nikola Gruevski, as well as on the support coming from Bulgaria, Serbia and Hungary, and their populist leaders. The Democratic Party of the Serbs, which was part of the ruling coalition with the VMRO-DPMNE, became another tool of destabilization.⁷ Russia was describing ethnic relations in Macedonia as the result of foreign interference designed to create the so-called Greater Albania. Disinformation campaigns outlined the Macedonian political elites as servile to the Albanian political elites.⁸

Corruption and abuse of institutions were the triggers for the 2015 and 2016 civil protests in Macedonia, against the ruling VMRO-DPMNE, President Gjorgje Ivanov and Prime Minister Nikola Gruevski. The political change took place after the early parliamentary elections held on 11 December 2016, as the Social Democratic Union of Macedonia succeeded to form a coalition government. In late February 2017, Russian political pressures emerged in critical moments during the change of government and the announcements of improving relations with neighbouring Greece. Russian actions in Macedonia turned out to be clumsier than the Sputnik-directed propaganda. The culmination of Russian interference took place on 27 April 2017, when Serbian intelligence officer Goran Živaljević was exposed as a link in the chain of malignant influences of Serbian journalists, MPs, and intelligence officers.⁹ Around 200 demonstrators, many wearing masks, broke into the parliament, attacking MPs in protest against the opposition Social Democrat Party and others representing Albanian ethnic minority, and even wounded the opposition leader, Zoran Zaev (The Guardian 2017).¹⁰

On 31 May 2017, the Macedonian parliament confirmed Zaev as the new Prime Minister. The Prespa Agreement was reached on 12 June 2018 between Greece and North Macedonia, concluding the 27-year name dispute. The Prespa Agreement was ratified by the Macedonian Parliament on 20 June. Opposition party VMRO-DPMNE boycotted the session and declared the Treaty a “genocide of the legal state” and a “genocide of the entire nation”. Political bots, organized trolling, disinformation, and hate speech on the referendum boycott campaign suggested an organized structure behind it. The campaign was even linked to the ruling party in Serbia – the Serbian Progressive Party. The non-mandatory referendum was held on 30 September 2018, where voters were asked whether they supported EU and NATO membership by accepting the Prespa Agreement. Despite the fact that 94% of voters voted in favour, voter turnout was around 37%, which was less than the 50% threshold required to validate the results (Kremlin Watch Program 2020: 17–27).

In Montenegro, Russian pressures were deeply rooted in the starting points of the anti-western course adopted by Russia back in 1999.¹¹ The final breakup of the state union with Serbia in 2006 weakened Russia’s

⁶ In 2017, 14% thought that Russia would be the best ally, compared to 42% for the EU and 17% for the US, and the opinion on who had the most significant influence, 41% thought that it was the US, 38% for the EU, and only 4% for Russia.

⁷ In June 2016, together with party representatives from Bulgaria, Montenegro, Serbia, and the Republic of Srpska (Bosnia and Herzegovina), DPS signed a pact with the ruling United Russia Party, and called for neutrality for the Western Balkans and membership of North Macedonia in the Eurasian Economic Union.

⁸ In Macedonia, a propaganda campaign by the Russian *Sputnik* agency was based on spreading the belief that the majority rejects the idea of joining NATO, but that the government will implement that decision, regardless of public opinion. An important pillar of the campaign was the anti-NATO policy of official Serbia. A dissemination of hostility in regard to ethnic Albanians was related to their alleged plans to make Macedonia part of Greater Albania (see Čerin 2017b). *Sputnik* also emphasised the EU and NATO’s hostility to Russia, but also to China and its “Belt and Road” initiative (see: Kankaraš Trklja 2017a).

⁹ Goran Živaljević had close contacts with MP Ivan Stojiljkovic, and Miroslav Lazanski, a Serbian journalist, political analyst, and late Ambassador of Serbia to the Russian Federation well known for his pro-Russian and anti-NATO attitudes. Lazanski frequently commented North Macedonia should not change its name to join NATO etc.

¹⁰ "Earlier this year five more people were added to the list of suspected organisers including former VMRO DPMNE Prime Minister Nikola Gruevski, who fled to Hungary in November 2018 to escape a two-year prison sentence for corruption", according to: "Heavy sentences handed down to North Macedonia parliament attackers." (EU-OSC 2019).

¹¹ In this case, Russian state agency *Sputnik news* obviously took the most important role in the dissemination of fake news and defamation campaigns. From 2015, *Sputnik* had campaigned vigorously against Montenegro’s entry into the EU and NATO and



strategic interests and discredited Serbia's rapprochement with Russia. Russia's presence in Montenegro was also based on historical closeness and the projections of Montenegro as an anchorage of Russian influence in Southeast Europe, including access to the Mediterranean. Another interesting fact was that President of Montenegro Milo Đukanović remained in power, as a unique populist who was not backed by Moscow or Beijing, and was openly pro-EU and pro-NATO orientated. The levers of influence were also based on a vivid memory of the persecution of Montenegrin Stalinists in communist Yugoslavia from 1948. Subsequent pro-Stalinist generations remained close to the Kremlin and Belgrade, but also to the Serbian Orthodox Church as an exponent of conservative and belligerent politics.¹²

Russian pressures grew stronger after Montenegro's declaration of independence in 2006, as Serbia also became more pro-Russian. Campaigns of pressures, defamation and disqualification were also made possible by growing weaknesses of EU diplomatic missions in the region. Montenegro is the only example of populist rule that maintained and strengthened the commitment to the EU, and joined the NATO. Montenegro succeeded precisely owing to the populist leadership that was not willing to retreat while facing Russia's pressure and public opinion (Kremlin Watch Program 2020: 29–39).¹³ Moreover, the events were not short of serious drama. Large anti-government protests began in mid-October 2015, organized by the opposition coalition Democratic Front, and escalated with large riots in Podgorica on 24th October 2015. Russian TV channels covering the protests were adding anti-NATO comments. By then, it had already been uncovered that the Democratic Front leaders had taken trips to Russia and had been supported by Russia to varying degrees. Montenegro accused the Russian Federation of meddling in the 2016 parliamentary elections by attempting to violently overthrow the Government through the Democratic Front. "On the Election Day, on October 16, the Montenegrin security services arrested 20 Serbian nationals who were suspected of organizing a plot to prevent the election of a pro-NATO government, and possibly assassinate the-then Prime Minister, Milo Đukanović. The former Serbian Prime Minister and now-President Aleksandar Vučić himself later acknowledged the plot, even presented further evidence, and offered his cooperation to the Montenegrin Special Prosecution. The indictment for this case charged 14 people, including Andrija Mandić and Milan Knežević. The trial for coup attempt was live broadcasted and attracted enormous media attention. After 19 months of trial all accused were found guilty at the first instance court in May 2019. Andrija Mandić and Milan Knežević were each sentenced to five years in prison" (Reuters 2017). On this occasion, Russia was even accused of organizing plot to assassinate the Prime Minister (Zorić B 2017a: 11; Kremlin Watching Report 2019: 7 with further details on the plot; see also Stradner 2020).¹⁴

Montenegro joined NATO on 5 June 2017 and remained the most successful state in the process of negotiations with the EU. North Macedonia joined NATO on 27 March 2020. The 30th August 2020 elections in Montenegro resulted in a slender victory for the opposition, ending, as was commonly said, the nearly thirty-year

used mostly the statements of propagandists from Serbia. Miloš Bešić, a professor at the Faculty of Political Science in Belgrade, claimed that NATO integration of Montenegro is affecting deep divisions and that an unstable political solution is at stake (Zorić N 2017b). A massive political resistance was announced, and the possibility that the next, or a future Parliament assembly would withdraw the decision to join NATO, see: Zorić N 2017a, 2017c.

¹² The ties of Serbian and Montenegrin nationalists with the Serbian Orthodox Church and circles in Russia that sought to stem the collapse of the Soviet Union and the collapse of communism were established immediately after the outbreak of conflicts in former Yugoslavia. The last Minister of Defence in the Yugoslav government, from 1988, general Veljko Kadijević, and his aide, general Vuk Obradović, visited Moscow in March 1991, and it was assumed that the purpose was to request help from the USSR for a planned JNA (*Jugoslovenska narodna armija*/Yugoslav People's Army) coup. The defeat of the Soviet hardliners and Russia's subsequent independence opened a period of weak Russian influence in the region.

¹³ Public opinion polls have shown that Russia is more popular than the US or EU (47% of Montenegrin citizens thought that the Russian military was a superior force to NATO, and only 37% that NATO had the advantage).

¹⁴ The politicians, Andrija Mandić and Milan Knežević, were accused of being part of a "criminal organization" plotting to topple then-Prime Minister Milo Đukanović and halt his plans to bring Montenegro into NATO. A former Serbian police general also received an eight-year sentence while the heaviest sentences, 12 and 15 years, went to two alleged Russian spies tried in absentia. The verdict said the group was organized by former Russian military intelligence operatives.



rule of the Democratic Party of Socialists (DPS). The election campaign had started more than half a year earlier, with protest processions (*"litije"*) organized by the Serbian Orthodox Church, with obvious support from Belgrade and Moscow, demanding the withdrawal of the Law on Religious Freedom, conceived, with the approval of the Venice Commission, to provide equality of religious communities in their property rights.¹⁵

The Orthodox Church also sought to foment societal divisions by weaponizing history. Previously, during a visit to Montenegro in October 2018, Serbian Patriarch Irinej stated: "We are one nation, although we are divided", and even compared the position of the Serbs in Montenegro with their treatment under Ottoman rule and "in the Independent State of Croatia" (Conley, Melino 2019: 2). Patriarch Irinej was one of the powerful strongholds of Russian influence and the populist politics in Serbia and the Republika Srpska of Bosnia and Herzegovina, and he also acted as a denier of the 1995 Srebrenica genocide (Aljazeera 2020).

The political change renewed ethnonationalism, which first started with the persecutions of Bosniaks, followed by an organized campaign against Montenegrins, the largest ethnic group in Montenegro, which is a unique historical example. Expectations in Western political circles and influential media from the new government were optimistic but careless, unfounded in facts and deeply wrong (Utješinić 2020), as follows: "There would be concerns about the pro-Russian, Serbian nationalist elements among the parties opposing the DPS if they managed to form a governing coalition. But a change of government after almost 30 years would send the world a message about Montenegro" (BBC News 2020). More cautious analyses and predictions directly linked Russia's influence to the rise of populism and the spread of instability in the region: "There are few countries in Europe to which the Russian pro-government media has paid as much attention in recent years as to Montenegro. Developments before the parliamentary elections in Montenegro were an ideal opportunity for the Russian media to show how the forces of evil, represented by the local pro-Western government, and the forces of good allied with Russia, side by side with the Montenegrin patriots, are seen to struggle within a small Balkan country" (Mesežnikov 2020).

¹⁵ "Russia and Serbia are almost certainly trying to trigger conflict to settle scores for their losses in the 1990s. (...) Russia is competing with the EU for domination in Europe, and Serbia has been at odds with the EU ever since the Yugoslav wars, because Serbia was the primary aggressor in the breakup of Yugoslavia. And so it's been kept out of the EU, which means that it has been open to closer relationships with Russia. Russia has long had intentions to influence and dominate whatever parts of Europe it can. And because it shares Eastern Orthodoxy with the Serbs and with the Montenegrins, it's a kind of logical place for it to extend its influence. Serbian paramilitaries have been volunteering in eastern Ukraine to help the separatists align themselves with Russia and away from Ukraine, whereas central and western Ukraine have tried to align themselves with the EU. That project is problematic for Russia because Russia sees Ukraine as the historical and spiritual heart of the original Russian state. Kyiv is where medieval Rus' arose. The whole project moved to Moscow only in the 12th century A.D. and later so that Moscow is now the capital of the Russian Empire. But Kyiv is where it all started, so Russia is aggrieved by the loss of Ukraine. That's why they are trying to chip away at its territory. They annexed Crimea, and they're trying to use pro-Russian sentiment in the east to reduce the territory that belongs to Ukraine. Montenegro is divided. They have a significant Serbian-identifying population in Montenegro, but they also have a significant number of other people who identify as Montenegrins and want to restore their independent state and an independent Montenegrin church, which had been independent up through the 19th century with their independence as a principality. The Serbian Orthodox Church has asserted its right to claim church territory in Montenegro as its own. And the conflict arose because the secular parliament in the Montenegrin capital, Podgorica, has passed a law saying that ownership of church lands must be proven by deed. This is seen as a challenge to the appropriation of church territory by the Serbian Orthodox Church. This church conflict is a kind of proxy for who owns the state. Do the Serbs or do the Montenegrins own the state? The Serbian Orthodox Church, through whom the Serbian government is working, is making the claim that Montenegro is an inseparable part of Serbia, whereas Montenegrin patriots claim otherwise — that Montenegro has its own church and its own state, and then comes language. Language is the marker of who belongs in our group. It marked its independence as a state, among other things, with those linguistic differences." What's heating up the street, Greenberg said, is that the Serbian Orthodox Church has organized marches he described as "processions led by priests – *litije*". These are demonstrations of what the Serbs believe is the dominant religious group in the country, identified with the Serbian Orthodox Church", in: Kansas University report 2020.



Serbia also did its best to confirm its influence as president Vučić and the Serbian government financed Serbian organizations in Montenegro to the tune of almost \$2 million, resulting in massive displays of Serbian nationalism in Podgorica during the election. President Đukanović accused Serbia of election meddling as the single populist leader in Southeast Europe who left the domain of Kremlin influence.¹⁶ “Milo Đukanović finally came up against someone in Montenegro more powerful than him, Mr Đukanović has steered his country on a broadly pro-Western course in terms of foreign policy. Montenegro joined NATO in 2017 and is in EU membership talks. However, he has been widely accused of failing to uphold democratic standards by presiding over cronyism, corruption and organized crime (...) Montenegro is the setting for a theatre-of-the-absurd type of situation right now. The opposition is the best chance the country has of getting rid of an autocratic leader, yet they support other autocratic regimes such [as] Vladimir Putin and President Aleksandar Vučić in Serbia,” said Vesko Garčević, a former Montenegrin ambassador in Brussels and Vienna, professor of international relations at Boston University (Hajdari 2020).

The rise of populism was based on Russia's growing political and strategic influence during the Vladimir Pout's rise to absolute power. All European populist leaders enjoy the political support of the Kremlin. Thanks to the populists, the attitude towards Russia has contributed to the fading of a EU foreign and security policy. After Russia's intervention in Georgia in 2008, and especially after the annexation of Crimea and the attack on Ukraine in 2014, the interests of Russia and European populists established political and economic interdependence. A new space for populism was opened by the migrant crisis of 2015, during the Russian intervention in Syria. While the USSR supported only the European left during the Cold War, a fluid approach to ideology allowed Putin to bring together informal coalitions of the far left and far right, the anti-globalists and the corrupt financial elite. He also indirectly secured the support of conservative and libertarian Eurosceptics who believe that the EU is the most significant threat to the freedom of the individual and the market. The populist right has approached Russian nationalism and its social and cultural conservative values, including organized and state religion.

Populists have been the dominant force of political influence and government decisions in Southeast Europe since 2016. The power of populism grew as the legacy of communism, as the societies were facing the challenges of transition and European integration, transforming into nationalism, supported by clerical forces. Russia was using the disappointments of the post-communist transition, the religious influence of the Orthodox Church, and the crisis in the EU. The disintegration of Yugoslavia is still ongoing, based on a general denial of the idea of possible coexistence in cultural differences. From a populist perspective, tolerance, the communities of cultures, nationalities and races, are perceived as a cultural disorder of a united Europe. Populists began to condemn the right to cultural pluralism, and the separation of the public sphere from the private, as a rejection of tradition and collective identity. Populism has also imposed itself as a seductive alternative to any individual political or economic responsibility. In the postmodern reality, the need for protection, belonging, recognition, respect, becomes increasingly clear in the depths of society. Originating in relativisation syndrome of postmodern philosophy, post-truth is a system of illusions that release the individual from individual responsibilities. Such means were used by national populists and the Russian propaganda. Populists and Kremlin also counted on a new middle class dissatisfied with the pace of economic growth and social emancipation.

¹⁶ “If you are asking whether this is a continuity of the (attempted) destruction of Montenegro and obstruction of its intention to continue its path to ... European and Euro-Atlantic integrations, there's no doubt in that,” Đukanović told Reuters in an interview. “Moscow was unequivocal in stating its interests in the ongoing (religion) problem in Montenegro (...) We have no doubt that ... all the mechanisms of the implementation of the Greater Serbian state project ... have been put into motion, and that Montenegro is also a target,” he said, according to: Reuters Staff 2020.



3. Economy: Case of Energy Agreements in Serbia

3.1. A prelude to the Russian conquest of the Serbian oil and natural gas sector

After the fall of the Milošević's regime, the coming to power of pro-European political parties on one side and Russia, still preoccupied with its own internal social and economic problems on the other, led to a temporary suppression of the neo-traditionalist populist narrative of centuries-old mutual friendship and fraternity. However, in 2008, Russia returned to the scene. This was when Pristina declared independence and Russia, which supported Serbia and failed to recognize Kosovo's secession, gained control over the Serbian monopolistic fuel company NIS. Since then, Russia has become more and more determined to regain its influence in the region by implementing a vast array of soft power measures ranging from mild ones to the most powerful, complete oil and natural gas dependence.

Mild soft power measures account for strategies aimed at reviving the narrative of neo-traditional Russian-Serbian friendship and the image of Russia as a defender of Serbian political interests in the region from attacks of unfriendly Western countries mainly through the establishment and financing of domestic far-right and Eurosceptic populist political parties and non-governmental organizations and Serbian language versions of Russian news portals often with a comprehensive section devoted to local and Serbian-Russian political affairs.

Additionally, in 2012 Russia established the Russian-Serbian Humanitarian Center in Niš with a mission to help Serbian authorities in the event of emergencies, fire, natural disasters (such as floods that took place in the whole region in 2014), and to provide humanitarian aid, organise joint training with Serbian services and finally, to remove all remaining explosive devices from the NATO bombing (EMERCOM of Russia 2021). The center was from the very beginning rather badly perceived by the EU and the US and pressure on Serbia increased in 2016 when Russia asked for the center and its staff to be granted full diplomatic immunity (Đurđić 2017; Živanović 2017).

At the same time, Russia was also dedicated to further strengthening friendly relations with the Serbian Orthodox Church – for example, during his visit to Moscow in 2013, the now late Serbian Orthodox Church Patriarch Irinej said that "...the Church can only count on support from God and Moscow" talking about recognition of Kosovo as an independent state (Kurir 2013). Equally important, Russia supported construction of St Sava's Church in Belgrade, the second biggest Orthodox Church in the world. The mosaic inside – worth 4 million Euros – made in Russia, was entirely paid for by Gazprom (owner of NIS since 2008). Seventy Russian and Serbian artists worked on the mosaic, having been described by the Serbian President Vučić as a "... million of glittering pieces woven into a single message of brotherhood and solidarity" (B92 2018).

All in all, mild soft power strategies proved very successful. For example, in 2014, 47% of Serbs believed Russia to be the largest supplier of development aid to Serbia although 89.49% of funds came from the USA and the EU, and the Russian contribution was not even included in statistical reports (Ministarstvo za evropske integracije, Republika Srbija 2014). In 2017, 70.8% of the population thought that the EU harms Serbia (40.9% - seriously harms, 29.9% moderately harms), even though EU accession was publicly proclaimed as a foreign policy priority (Lutovac and Bašić 2017). In addition, support for EU accession stood at 73% in November 2009 and was over 60% until early 2011, dropping afterwards to slightly above 50% in 2020 (Ministarstvo za evropske integracije, Republika Srbija 2019). Just as important, as many as 87% of Serbians see Russia in a positive light - 51% have a "highly favourable" opinion, while another 36% reported a "somewhat favourable" view. In the same poll, as many as 80% saw Russia as Serbia's most important political partner (Center for Insights in Survey Research 2020). Furthermore, in the 2020 Serbian parliamentary elections, right-leaning parties won more than 77% of the popular vote (Danas 2020).



Essentially, one of the main purposes of mild soft power strategies has been presenting Russian relations with Western countries as purely based on economic purposes and with Serbia traditionally based on history, culture and religion without any economic or geopolitical Russian interest behind it. For example, in 2008, Russian President Dmitry Medvedev said that "...the position of the Russian Federation on resolving the Kosovo problem under the UN Security Council Resolution 1244 has remained unchanged." He then called the signing of the Russian-Serbian energy agreement "an epochal event", and during the visit of Serbian president Tadić, "...proof of the stable, progressive development of relations and the friendly nature of ties between Russia and Serbia." (B92 2008).

In fact, Russia understood quite well how energy such as natural gas and oil could be used as a weapon, more especially towards the European markets which, in the case of most countries, do not produce any oil and gas and have no reserves. In addition, the Russian gas position in Europe has a real potential to shake relations within the EU ('divide et impera'), with Northern countries (Germany, Poland, the Višegrad countries and the Baltic States) all strongly dependent on Russian gas and the South of Europe (France, Italy, Spain and Portugal) more orientated towards African resources.

At the same time, Serbian politicians also referred to the neo-traditional populist narrative of mutual friendship and fraternity. During the discussion on the Draft Law on Ratification of Oil and Gas Agreement with Russia (5th September 2008), numerous MPs spoke about the traditional Russian-Serbian friendship, but also about the strategic partnership with Russia in defending our territorial integrity in Kosovo and Metohija (Vreme 2014). Additionally, on the eve of the Serbian parliamentary elections and signing of the Energy Agreement with Russia in 2008, Prime Minister Vojislav Koštunica and Serbian President Boris Tadić resorted to economic neo-feudalism – "a distinct pattern of capitalism, which describes the emergence of personal dependencies providing security that occurs alongside capitalist mode of production" (Benczes et al. 2020, p. 9). In this case Serbia has depended on Moscow to provide energy security, and only the Serbian leadership has had the power to secure a stable energy supply under favourable conditions thanks to our traditional and friendly connections with Russia. Boris Tadić, for example, during his election campaign, gave statements explaining how Serbia has to complete the gas pipeline "to make homes warmer for people." He also added that by "protecting the standard of our people who work at NIS we have also fought for a social program as one of the subjects of negotiations" (B92 2008). Vojislav Koštunica emphasized that, in the context of a better life for citizens, "we want a modern gas pipeline agreed with Russia through Serbia" (Danas 2008).

The neo-traditionalist narrative of Russian-Serbian friendship has especially intensified after 2012 with the coming to power of the right-wing populist Serbian Progressive Party, which had previously been Milošević's coalition partner. Its leader and the current President of Serbia, Aleksandar Vučić has on numerous occasions emphasized the importance of Russian-Serbian friendship and Russia's support against Kosovo's independence (Mondo 2019; Hamdočamo 2020; Tanjug 2021). After his last gas price-related meeting with the President of Russia, Vladimir Putin, which took place in Sochi at the end of November 2021, in addressing the people Vučić used the neo-traditionalist narrative supported by the economic neo-feudalism argument. According to his words, President Putin agreed on a natural gas price that is almost four times below the market price (270 USD/1000 cubic meters), the best price achieved in Europe, thanks to our brotherly relationship with the Russians (neo-traditionalism) and his personal friendship with President Putin (economic neo-feudalism). He then added that this agreement guaranteed energy security for our citizens and the economy (economic neo-feudalism). In the end, he stressed that this below-market price saved 300 million USD for Serbia which is, as any notorious populist would stress, enough to build a beautiful national football stadium ('panem et circenses') (Danas 2021). However, the thing is, as we will see, that eleven months earlier, on 1 January 2021 at the ceremony launching the Serbian part of the Turkish Stream pipeline, President Vučić announced that Serbia would from now on import Russian gas for 155 USD/1000 cubic meters (Novi magazin 2021). It is equally important to note that it is not true that the Serbian President negotiated the best natural



gas price in Europe – for instance, Germany – certainly not a country bound by history, tradition, friendship and fraternity to Russia – negotiated 250 USD/1000 cubic meters (Nova S 2021).

Energy policy has been one of the most powerful Russian instruments of foreign policy. Serbia became especially interesting because during the disintegration of Yugoslavia became a paradigm of Russia in the process of disintegration of the USSR, and the freezing of the conflict in Kosovo was a model of maintaining strategic influence on the former Soviet periphery, first in the Caucasus and then after the partition of Ukraine. Russia also used energy sources to intimidate Lithuania, Latvia, Estonia, Georgia, Moldavia, and other states of the former USSR. "Several motives that lead the RF to the political use of energy resources: (1) to obtain better prices for oil and gas supplies from its counterparts, (2) to gain control of the distribution infrastructure of other countries' pipelines, (3) to limit the autonomy and foreign-policy outreach of neighbouring states, and (4) to punish neighbouring countries for any pro-Western tendencies and/or disloyalty to Russia and to force economic concessions from them" (Tichý 2019: 26).

Russia is using energy as a crucial soft power measure to strengthen its position abroad. Serbia is no exception to the rule since, as we will see, Russia's role in the Serbian economy has been insignificant. Three key Russian energy policy ventures in Serbia were privatization of Beopetrol, the Energy Treaty and the Turkish Stream. All these ventures produced profoundly deep negative economic effects for the Serbian side in the medium and the long run – Serbia sold its state monopoly and gas giant company NIS far below its market price, handed over its oil and gas reserves, the exploitation of oil and gas without any limits was completely left to Gazprom at the lowest mining rent in Europe and, due to gas trade mediation, Serbian citizens were paying a high oil and gas price. The end effect is that today Serbia is almost completely dependent on the Russian oil and gas production and consequently burdened with its all-pervading political influences. Let us begin with the dubious privatization of Beopetrol.

3.2. Privatization of Beopetrol

Beopetrol company was established in Serbia in 1990 from organizational parts of Industrija nafte – INA company with headquarters in Zagreb, known nowadays as the main Croatian petrol company. Several sources prove it obvious that Beopetrol was running business successfully and with positive financial outcome even in the 1990s, during the civil war in former Yugoslavia. Not less important, despite the fact that starting from 2000 the retail mark-up was low, Beopetrol was still a successful firm – some estimates say it had made 15 million USD (United States dollar) gross profit a year (Boarov 2003).

Back to the point, process of privatization of many state-run companies began after democratic changes took place in October 2000. In 2001 new government set up a Privatization Agency (hereinafter referred to as the Agency) with the task to establish rules and regulations for privatization of the state capital. Its purpose was to enable faster and better transformation of Serbian state-run companies in order to keep the pace with ongoing economic transition and was responsible for organization, implementation and control of the privatization process. The Agency's statute, organization and financing were regulated under the Law on Privatization. Fifteen years later, i.e. on 29 January 2016, the Agency ceased to exist. Many cases of suspicious privatizations took place under the mandate of the Agency and no one has ever been investigated for any of these processes. Privatization of Beopetrol company is just one of the examples.

Beopetrol was registered as a state company, when in 2001, the Agency decided to change its owner. The plan was to offer stocks package covering 79,53% of the total capital on a public tender. For this company, trading in petroleum products, with turnover of about 400,000 tons per year and coverage of over 20% of sales on the Serbian market - Russian oil giant PJSC Lukoil Company offered 117 MEUR (million euro) (plus an investment of 85 MEUR in Beopetrol as well as mandatory investment of 8 MEUR in the so-called "social assistance program"). On the other hand, the second-ranked bidder, Hungarian MOL offered 101 MEUR (plus



an investment of 84 MEUR in Beopetrol, as well as mandatory investment of 5.35 MEUR in the social assistance program) (Boarov 2003).

The acquisition contract was eventually signed with two PJSC Lukoil Company subsidiaries – Lukoil Europe Holdings B. V. with headquarters in the Netherlands and Lukoil International GmbH located in Austria.

The Agency reported that the contracted price had been paid immediately after the privatization process had been finalized, i.e. on 22 October 2003. In addition, the investment part was due to be settled in the course of three subsequent years as per the plan below:

1. The first-year instalment of 70 MEUR – (mandatory) to be invested in various strategic and technical issues by the end of 2004;
2. The second-year instalment of 14 MEUR was agreed to be invested by the end of 2005;
3. The third-year instalment of up to 1 MEUR to be invested in capacity expansion and equipment.

The contract also stipulated that the buyer was obliged to ensure the fulfilment of its obligations with a bank guarantee. However, on 7 October 2003, the buyer submitted a bank guarantee that warranted only 41 MEUR – insufficient amount to cover for either investment or the social assistance program (Savet za borbu protiv korupcije 2013).

Afterwards, in March 2005, the Agency reported that Lukoil, the buyer, had invested, in the first year (2004) an amount of 58.2 MEUR. Not only was that amount smaller to the one signed in the contract – i.e. 70 MEUR, but a significant part of it was borrowed from Beopetrol as well. Namely, Lukoil and Beopetrol signed a contract in August, 2004 obliging Beopetrol to lend 105 MEUR to Lukoil, with a loan period of 25 years. Lukoil had to pay the debt with the last instalment settled on 20 December 2031 and the first one after the grace period of 19 months, on 20 March 2006 (Savet za borbu protiv korupcije 2013). All in all, as stated in the Agency's report, Lukoil made an investment of 58.2 MEUR in the first investment year, as following – 31.2 MEUR of its own funds and the amount of 27 MEUR from the loan that Beopetrol granted to the buyer.

Nonetheless, the same Agency's report continued explaining that in the first investment year the buyer made an investment instalment of only 879 thousand euro, out of which 722.2 thousand euro was borrowed from Beopetrol. This clearly proved that the first-year investment was lower than stipulated in the privatization contract by about 69.2 MEUR.

Be as it may, despite this violation, in May, 2005, the Agency allowed the buyer make a new contract pertaining to amendments to the original privatization contract. It was now stated that Lukoil was obliged to invest the amount of 84 MEUR in 2005 and the amount of 1 MEUR in 2006 (Savet za borbu protiv korupcije 2013).

The investment of 84 MEUR in 2005 stipulated the following investment of 55 MEUR into retail network, modernization and capacity expansion including construction of new gas stations; investing 17 MEUR in various technical systems; 7 MEUR in different equipment and 5 MEUR in information system.

Moreover, in June 2005 another credit contract was signed – Beopetrol loaned additional 10.5 MEUR to Lukoil.

The Agency claimed that 55 MEUR intended to be invested into the retail network – for building and reconstruction of 120 gas stations. Until February 2006, only 59 out of these 120 were built up, and not more than 22 received a working license. Main partners engaged for this modernization process were firms: Inconex-com d.o.o. Belgrade and Giovello Trading Ltd. founded in British Virgin Islands (an offshore zone).¹⁷ The

¹⁷ Usually, companies established in tax havens primarily serve to reduce operating costs and thus avoid paying tax duties as well as to conceal the origin of money (money laundering).



former was hired to do construction works and building of gas stations, whereas the latter one was engaged in procurement of the appropriate equipment for the stations themselves (Savet za borbu protiv korupcije 2013).

Inconex-com d.o.o. claimed 32 MEUR from Lukoil for building and reconstructing 132 gas stations in total. On 28 February 2006, the Agency performed an additional check of documentation at 10 randomly selected pumps and revealed no evidence that works conducted were 32 MEUR worth. Nonetheless, the Agency acknowledged 31.2 MEUR as an investment part by Lukoil.

When it comes to Giovello Trading Ltd., it was meant to obtain of the equipment for Beopetrol in the value of about 24 MEUR. According to the Agency, this amount was indeed paid to Giovello Trading Ltd., however the Serbian Customs administration valued equipment up to 17 MEUR only, and subsequently registered an amount of 13.6 MEUR for the installed equipment. Despite all of the above mentioned the Agency valorised the full amount stated – 24 MEUR– as fulfilment of Lukoil's investment obligation.

The contract on 17 MEUR investment in various technical systems was also signed with Giovello Trading Ltd. Signing took place during 2004 with the implementation period in 2005, the same year the Agency registered 16.3 MEUR paid by Lukoil for this purpose. However, the Serbian Customs Administration was of a different view regarding the value of these systems, evaluating them at 6.5 MEUR. Although some 10 MEUR were missing, the Agency's final decision was to recognize 17 MEUR as fulfilment of contracted investment obligation including 4.5 MEUR spent on renovation of the main business premises which was an activity not originally included in the contract (Savet za borbu protiv korupcije 2013).

Interestingly enough, this unforeseen activity worth 4.5 MEUR spent on renovation of the main business premises was secured from the June 2005 loan that Lukoil d.o.o. took from Beopetrol and amounted to 10.2 MEUR. Two remaining parts from promised 84 MEUR investment – 7 MEUR in various equipment and 5 MEUR in information systems – were obtained via Giovello Trading Ltd. as well.

The last but not the least, investment obligation in the social assistance program (i.e. 10 MEUR meant to be spent for retirement benefits, grants, salaries and allowances) remains a mystery to whether it has ever been realized. The Serbian Anticorruption Council doubts this investment part has ever taken place, since the audit reports by KPMG and the Agency differ by about 10 MEUR, which raises suspicion in the credibility of both reports. There are no other credible evidences proving this investment category had been fulfilled (Savet za borbu protiv korupcije 2013).

In the end, the Agency concluded on 5 October 2006 that the privatizing company Lukoil met all its obligations toward Beopetrol as per the privatization contract. According to this, we can conclude that the Agency allowed Lukoil to buy Beopetrol no matter it failed to pay contracted sums sufficient to realize both the investment and the social program. Moreover, the Agency shut its eyes to the fact that the investment program – foreseen to be fully paid from Lukoil's funds – started to be financed from the subject of privatization's money, i.e. Beopetrol itself. This is detrimental in several ways. Firstly, the real value of investment is the one representing true value of the installed equipment, built stations and other related activities, but certainly not the amount of money paid in advance to the suppliers of equipment. Secondly, when a privatizing company fulfils all its contracted obligations towards a company that is being privatized, it then becomes a major owner (79.53% of stocks in case of Beopetrol), resulting in giving the right of decision making to the new owner, without any form of control or restrictions imposed by the Agency. Thus, after the acquisition has been completed Lukoil had legitimate right to write off its own debt to Beopetrol. Rational conclusion is that 115.2 MEUR was pumped out from Beopetrol, the one for which 117 MEUR was paid. In other words, Lukoil purchased Beopetrol with Beopetrol's own money, i.e. at the expense of its capital. In addition to this it is suspected that Lukoil intentionally reduced its economic activity and accrued losses in order to reduce the value of shares on the market owned by small shareholders. Namely, the small shareholders of Lukoil-Beopetrol noticed irregularities in Lukoil's business in 2004 when Beopetrol for the first time in many



years faced net losses due to cancellation of wholesale contracts making between 30-40% of firm's profits. According to their statements, following the privatization of Beopetrol, Lukoil lowered a share price of that company down to 25% of the previous market price, which, along with allegedly undertaken investments (actually pumping money out from Beopetrol), enabled it to increase its share in Beopetrol's ownership. Finally, the share of small shareholders was reduced to 0.68% in the total Beopetrol's capital (Radio-televizija Vojvodine 2007).

3.3. Serbian-Russian Mediators in Gas Trade

The Republic of Serbia imports gas from the Russian gigantic oil company Gazprom via gas pipeline that passes through Ukraine and Hungary. The gas is delivered to a Serbian counterpart at the Ukraine-Hungary border, at the village of Beregovo. In the period from 1995 to 2001, at the same village, the gas was firstly sold to a mediator, Serbian-Russian firm Progresgas trading, which was a partnership of the big former Yugoslav company Progres and the giant Russian oil and gas company Gazprom. Following the purchase of gas from Gazprom, at the village of Beregovo, Progresgas trading would sell the very same gas to the Serbian oil monopoly company NIS (Naftna Industrija Srbije).¹⁸

The business of mediation was a very profitable one. For example, in 1995 Progresgas trading announced the profit in that year of 90 million DM (Deutsche marks), the business result that classified this firm as one of the top 10 most successful companies in former Yugoslavia during the second half of the 1990s. After democratic changes in Serbia in October, 2000 the mediator was pushed out and in the period between 2001 and 2007 Srbijagas (part of NIS until 2005) was buying the gas directly from Gazprom.¹⁹ During that period there were no problems in gas supplies or in communication with the Russian partner, which actually proved that importing gas to Serbia from Russia was possible even without a mediator (Insajder 2013b).

What is more, according to some estimations, dismissal of the mediator led to elimination of transit expenses through Ukraine as well as of freightage costs while the import commission was reduced to 0.75%. In other words, in six months of 2001, gas consumers in Serbia would have paid 9.5 million USD more had Progresgas trading remained the mediator in gas trading business (Insajder 2013b).

In the meantime, while mediating business of Progresgas trading was flourishing, another Serbian-Russian firm, Yugorosgaz, was established in 1996 in line with the treaty signed between the Russian Federation and the Federal Republic of Yugoslavia of construction of gas pipeline on the Serbian territory. According to this arrangement, Gazprom was the owner of 50% of shares of the new firm and another 50% belonged to 4 Yugoslav companies: Progres – 15%, Progresgas trading – 10%, Beobanka – 5% and NIS – 20%.

Ownership structure was subject to change, since in 2002 Progres and Progresgas trading decided to offer their shares to market for sale. As NIS had pre-emptive buying rights, the stocks were offered to it firstly, but in the end the company, for inexplicable reasons, decided it was not interested. Therefore, in December 2005 they were sold to Centrex company for 4.8 million USD. The ownership structure of Centrex company was very complicated and hard to understand. In the end of the day, it was in 100% ownership of the Gazprom bank with the Bank of Russia as its majority shareholder. NIS additionally bought 5% stake from Beobanka and owned 25% of total shares. The rest, i.e. 75% of accrued profits, went to the Russian companies (Insajder 2013b).

¹⁸ NIS was a giant state monopoly company engaged in imports, exports, distribution and production of oil and gas and oil refining.

¹⁹ Srbijagas is a state monopolistic company responsible for gas transition through the territory of Serbia. It operated as a part of NIS until 1 October 2005. To be more precise, two branches of NIS: NIS-GAS and NIS-ENERGOGAS dealt with development, transport and distribution of gas, on the territory of the Republic of Serbia. From October 2005 onward, these two branches were merged into a Serbian national gas company Srbijagas.



What was not subject to change were Yugorosgaz's rights and obligations arising from the 1996 Agreement. According to this very Agreement, Serbia surrendered its ownership of magisterial gas pipelines from Pojate to Niš (MG-09) and magisterial gas pipeline from Niš to Leskovac (MG-11) to Yugorosgaz.²⁰ A usual case in the world is that the state owns magisterial gas pipeline which could be rented to other distributors – it is not in practice that some private firm owns such a valuable and vital infrastructure. Furthermore, this 1996 agreement gave right to Yugorosgaz to conduct the gasification of Southern, Eastern and Western Serbia.

Parallel with these duties, Yugorosgaz was responsible for connecting Serbian gas systems with Bulgarian ones, which would open space for diversification in gas supply, since this would enable it to buy a gas from Azerbaijan as well and not Russia only. Strategically speaking, the gas would be able to reach Serbia from two sides – Southern and Northern. However, although promised, this connection had never been completed.

In 2007, six years after having imported the gas directly, Serbia decided to introduce a mediator again, which happened to be the Russian Yugorosgaz – according to the signed agreement, this company would remain the mediator in the gas purchase from Russia until 31 December 2021 (Insajder 2013b).

Interestingly enough, it was not before Yugorosgaz entered into the gas mediation business, its profit started to soar. Until 2007, this company suffered a lack of funds and achieved rather unattractive business results, having been, most of the time, largely indebted. According to this new deal, Yugorosgaz was entitled not only to the mediation fees but also freed from any customs, transport or other expanses. Srbijagas was therefore the only one having to pay for the gas transport through Hungary spending on this activity for about 70 million USD annually. Be as it is, this time there are certain differences when the mediator is in question due to the fact that it possesses two magisterial gas pipelines in Serbia and a right to distribute gas to the whole Southern Serbia.

Information about the Yugorosgaz' commission is considered to be a state secret. However, according to the Serbian State Audit Institution report from 2011, Yugorosgaz claimed 49 billion Serbian dinars for selling 1.4 billion cubic meters of gas. This price included the commission of 4.43% or in absolute value 1.9 billion Serbian dinars, equalling 18 MEUR by the exchange rate at the time.

Here we come to the main oxymoron –Yugorosgaz as an intermediary sells gas to Srbijagas at a higher price and then, as a gas distributor in southern Serbia, buys the very same gas from Srbijagas at a lower price administratively determined in order to buy social peace. Out of the data collected from the Energy Agency and the Serbian State Audit Institution report, it could be calculated how much Srbijagas lost in 2011 due to this trade deal (Insajder 2013b).

Therefore, in 2011, Srbijagas bought gas at Beregov, from Yugorosgaz at the price of 456 USD/1000 cubic meters and sold it to the same company at the price of 430 USD/1000 cubic meters – meaning Srbijagas was losing 26 USD on every 1000 cubic meters. Since Srbijagas sold 40.2 million of cubic meters of gas to Yugorosgaz in 2011, it was estimated that it lost over one million USD due to these transactions. Since Srbijagas had to pay for the transportation costs of up to 46.5 USD/1000 cubic meters as well, the total loss of Srbijagas from this deal in 2011 reached the amount of over 3 million USD, which was covered from loans guaranteed by the Republic of Serbia (Insajder 2013b). In the same report, Serbian State Audit Institution noted that the gas mediation agreement violated various customs and tax laws and that the job-related obligations between two sides were not precisely enough regulated (Insajder 2013b, 2016b).

From the available financial data, it was easy to conclude that increasing net losses suffered by Srbijagas were accompanied by uplift in net profits of Yugorosgaz during this whole period until the collapse of the

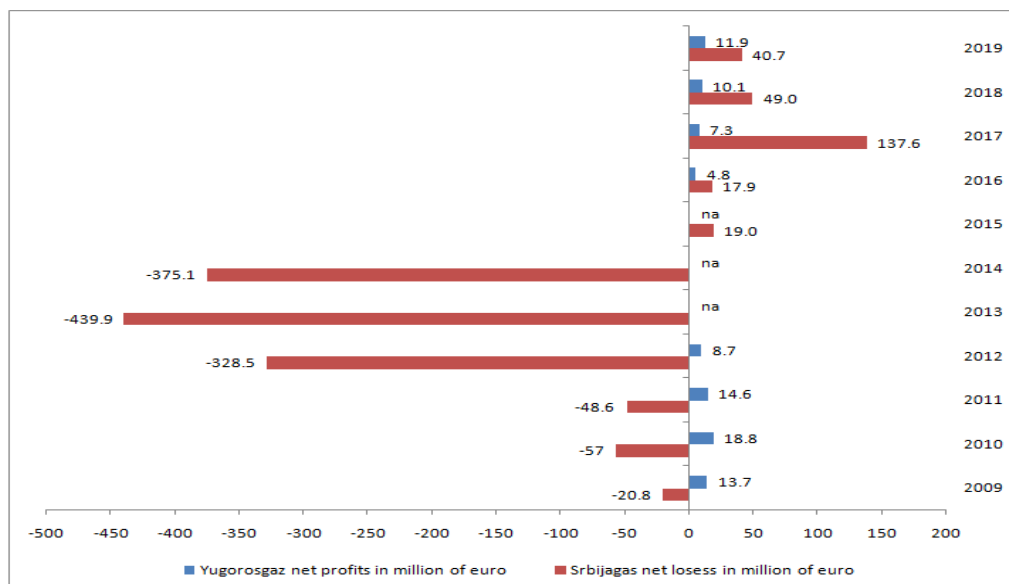
²⁰ Magisterial gas pipeline is the main gas route crossing one country, where all other smaller and local gas structures branch out of it.



South Stream project in 2014 (Insajder 2013b; Srbijagas 2012–2019; Yugorosgaz 2016–2019; Authors' calculations). Srbijagas has been making net profits since 2015 but so has Yugorosgaz (Figure 1).

Be as it may, with 25% share in Yugorosgaz, Srbijagas earned 1.7 MEUR euros after paid taxes in 2011, which was not even nearly enough to compensate for the losses, that Srbijagas, and thus the citizens of Serbia, bore from this intermediary business (Insajder 2013b).

Figure 1. Srbijagas and Yugorosgaz net profits (in MEUR).



*Note: Data for Yugorosgaz's net profits in 2013, 2014 and 2015 are not available.

Sources: Insajder (2013b); Srbijagas (2012–2019); Yugorosgaz (2016–2019); Authors' calculations.

For this reason, allegedly, in 2011 Srbijagas decided to make a step forward into "healthy economics and finance". Namely, in order to reduce its mediation costs and consequently the related losses, Srbijagas introduced an additional gas transit mediator – Russian-Serbian Trading corporation (RST).

RST was founded by PFB Invest d.o.o. and was co-owned by a Serbian-Russian businessman Branislav Grujić. By the end of 2011, RST sold 25% of its shares to Gazprom Schweiz A.G. (subsidiary of Gazprom) and the rest to a newly founded phantom firm A-Energy Holding established in Switzerland, one of many companies owned by the Russian citizen Sergej Kutsubin (Insajder 2013b).

This new mediator firm was in charge of mediation in delivering the gas for two factories in Northern Serbia: Metanolsko-sirćetni kompleks Kikinda (MSK) and Hemijska industrija Azotara Pančevo (Azotara) both owned by Srbijagas.

As per the contract signed in late 2011, Gazprom Schweiz A.G. sells the gas at Serbian-Hungarian border to RST for 317 USD/1000 cubic meters and then RTS transports gas through Srbijagas pipelines to the two factories. RST pays transportation costs to Srbijagas in total value of 800 thousand USD per month. The price at which RST sells the gas to MSK and Azotara is 390 USD/1000 cubic meters. Having in mind that on a monthly level RST delivers about 65 million cubic meters to these factories we come to the figure of 4.7 million USD. When 800 thousand USD for transportation costs is subtracted from this amount, we conclude that RST earns 3.9 million USD of net profit per month (Insajder 2013b).

Not surprisingly, according to available data, RST in 2011 had revenues of 9 billion and net profits of 153 million Serbian dinars. In the next year, 2012, it had revenues of 29 billion and net profits of more than one billion Serbian dinars (BIZLife 2013).



RTS supplies the gas at a lower price and that is the fact. However, the brokerage commission makes the gas price higher than it would be without an intermediary. In addition to this, all profits arising from this business flow without any restrictions from Serbia to an offshore company. Equally important it is worth mentioning that in case RST fails to pay for the delivered gas, Srbijagas shall cover for unfulfilled RST's obligations (Insajder 2016c).

3.4. The Energy Treaty and the South Stream Project

The Energy Treaty signed in Moscow on 25 January 2008 envisioned the construction of a new gas pipeline from Russia. The official goal of this agreement was a full energy independence of Serbia. The Serbian side announced yearly incomes ranging between 200 and 500 MEUR in the name of transit taxes, but also more than two thousand new jobs, contracts for dozens of construction companies, economic boom and Serbia's entry into lucrative natural gas transportation deals. Therefore, until the collapse of this project in 2014, all Serbian governments claimed that it was a "business of the century."

However, in contrast to the acclaimed and instead of a full energy independency, this agreement led to Serbia's nearly complete energy dependency from Russia. The central point of this agreement was the construction of a new gas pipeline from the Russian direction. As part of the construction of this gas pipeline, Serbia agreed to sell NIS far below its market price. Under this agreement, Serbia consented to handing over to the Russians the exclusive right to exploit its oil and gas reserves and its only gas storage facility in Banatski Dvor. In addition, Serbia agreed to keep an intermediary in the gas trade deal and allowed the Russians to pay the lowest mining rent for oil and gas exploitation in Europe. Also, as a part of this agreement, Serbia accepted to establish four new Serbian-Russian companies entitled to control this entire business, the most important of which was established in an offshore zone, thereby opening the space for uncontrolled outflow of money from the country. The end product was the loss of natural oil and gas reserves, potential damage to the Serbian budget in terms of loss in business and tax incomes while its citizens paid high price for energy sources (Antidot 2015; Boarov 2008; Insajder 2013a, 2013c, 2016a; Radio-televizija Vojvodine 2014; Transparentnost Srbija 2008).

The South Stream project was expected to connect the Russian Federation with Bulgaria, Serbia, Hungary, Slovenia and Italy through a gas pipeline. The gas pipes would be submerged under the Black Sea all the way from the Russian Caucasian area (near Anapa) to Bulgaria. Main partners in the project were the Italian Eni and the Russian Gazprom (**Picture 1**). The two companies signed an agreement establishing a joint project company in November 2007. Agreements with crossing states were signed next year, in 2008. What was very interesting was the fact that Serbia had already signed some agreements and memorandums with the Russian Federation before 2007. For example, the two sides signed an agreement connecting Serbia with Bulgaria through gas pipeline. Total length of the pipeline was 2380 km and maximum capacity was evaluated at 63 billion cubic meters per year. In addition to this, 10 compressors stations were supposed to be built on the whole route (Euractiv 2014).



Picture 1: The South Stream gas pipeline route.



Source: Euractiv (2014).

In Serbia, the South Stream was supposed to be long 411 km, stretching from the entering point near the city of Zaječar, leading to the exit point near Bački Breg in Northern Serbia. Also, the original project idea considered incorporating two natural gas storages – one in Hungary with storage capacity of 1 billion cubic meters and one in Banatski Dvor in Serbia with capacity of 3 billion cubic meters. Estimated expenses for the Serbian part of the gas pipeline were about 1.7 billion euro out of which the Serbian government was expected to invest about 830 MEUR (Euractiv 2014).

Annual income that should be collected from transitory taxes (200 to 500 MEUR a year) was the strongest argument Serbian politicians used to convince the public that the South Stream was one of the best golden opportunities. All the way with this income, a lower price of gas for households was promised to the Serbian citizens. However, this supposed lower price was never revealed due to certain contract clauses that were in charge from the start.

Implementation and realization of all tasks proposed by the Energy Treaty, which should have been done by the Serbian side, were delegated to Srbijagas. Moreover, the Serbian government had obliged to set up four Serbian-Russian companies, whereby the Russian side would have the majority share of 51%. In contrast to Serbia, in all other countries on the pipeline route, mutual companies were organized with the same purposes, however the ownership ratio was split 50:50 between Russian partners and the host company. One of these four companies that played the main role in building and finalizing the project in Serbia was South Stream Serbia AG. Its headquarters in Zug, Switzerland were considered to be an offshore zone. Serbia was the only country on the South Stream route to have accepted establishing of such an important company out of its borders. All other countries: Bulgaria, Hungary and Slovenia insisted that the mutual company in charge of the project implementation should be established within their jurisdiction (Insajder 2013a). All in all, a company registered in a foreign jurisdiction with 0 employees and without any premises, apart from being in minority ownership, was outside of the Serbian jurisdiction. On the other hand, fact that it was a part of an offshore zone opened a lot of space for pumping the state money out.

In November 2011 this offshore Swiss company established its subsidiary in Novi Sad, Serbia on the same address as Srbijagas headquarters. The firm was named South Stream d.o.o. and had 0 employees. Seven MEUR had been paid for its establishment, and almost half of the money was paid by Srbijagas itself.

This new subsidiary was founded in line with the Serbian Foreign Investment Law, which allowed foreign owners unhindered repatriation of profits, opening this way room for the state money earned from the



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 822682.

South Stream project to be pulled out of the country and being put on a disposal of a private firm established in an offshore zone. And not only that Srbijagas invested a total of 30 MEUR in this company by raising a loan guaranteed by the state of Serbia, without any clear indication of the South Stream construction beginning date. To make it all even more absurd, Serbia earmarked, without any related feasibility study, 75 MEUR from its budget for 2013 as a guarantee for the future increase in indebtedness of Srbijagas in this project.

In addition, South Stream doo Novi Sad and thus the offshore Swiss company acquired the right, through the forced sale of a private land to the state of Serbia, to come into possession of 8.200 hectares of land where the gas pipeline was planned to be built (Insajder 2013a).

3.5. Privatization of NIS

As we have already mentioned, the energy agreement stipulated that NIS, the Serbian state monopolistic company engaged in trade, distribution, production and processing of oil and gas, would be sold, without a tender, to the Russian side in direct negotiations. The company was sold at a price far below the market price to Gazprom. At the same time, Serbia simultaneously handed over its only natural gas storage facility in Banatski Dvor that was due to ensure gas supply in times of crisis. This gas storage facility became the property of an offshore company Gazprom Germania, owned by the Russian Gazprom. It also sold its oil and gas reserves as well as numerous assets in the form of concessions for oil exploitation in Angola, Iraq, Iran, Nigeria, Venezuela, Libya, and various equipment and real estates (Politika 2008).²¹

However, in 2007 Gazprom approached the Serbian government and offered it to sell NIS directly – in a bilateral agreement between Serbia and Russia. In turn, Serbia would become a part of South Stream project, i.e. it would pass through the Serbian territory as well. This offer was subsequently incorporated as a contract term of the Energy Treaty signed in Moscow in January 2008. Serbian Parliament ratified this privatization agreement the same year and in 2009 Gazprom finalized acquisition of NIS (Radio Slobodna Evropa 2008).

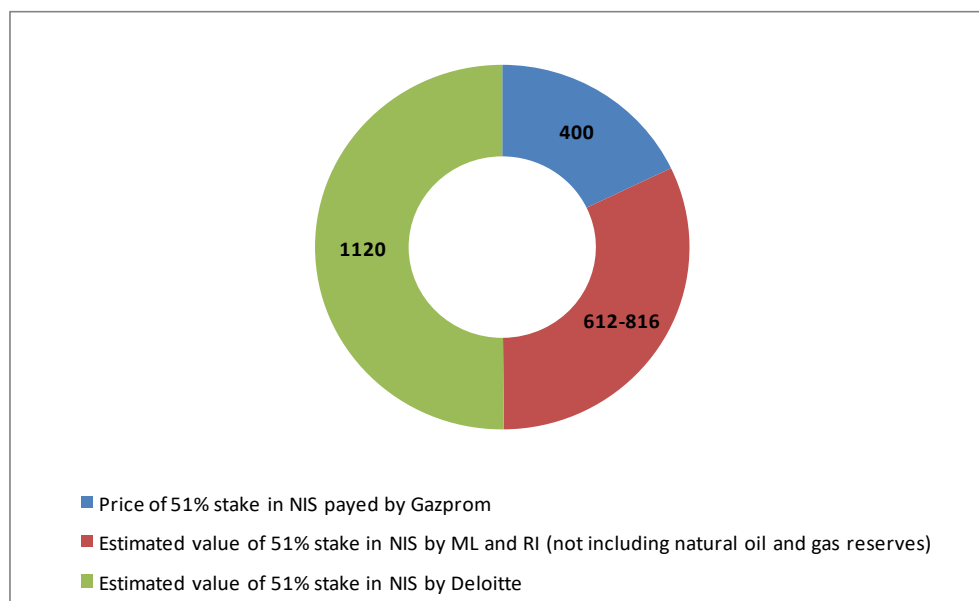
According to a study conducted in 2006 by Merrill Lynch and Raiffeisen Investments the total value of NIS was estimated to the amount between 1.2 and 1.6 billion euro not taking into account oil and gas natural reserves in its ownership. The study was ordered by the Serbian government and cost 450 thousand euro. Based on this study, 51% of shares that would be given to Gazprom had worth between 612 and 816 MEUR. However, this study had never been taken into serious consideration and the final price was determined by the Serbian government during direct negotiations. Similarly, in 2008, the Ministry of Finance of the Republic of Serbia ordered a new study aiming at obtaining a more precise information on the fair value of NIS. This time the study cost about half MEUR and was ordered from Deloitte consulting company. This study estimated that the total worth of NIS was about 2.2 billion euro, hence 51% of shares were about 1.12 billion euro worth – much higher than the offered price of 400 MEUR (Insajder 2013c). In the end, Deloitte's estimation was ignored as well sharing the same destiny with the previous study (**Figure 2**).

Pursuant to the contract terms of the Energy Treaty, Gazprom had to pay 400 MEUR in cash for privatization of 51% of shares of NIS and to invest 500 MEUR more in upcoming years in modernization and development of the company. The investment amount of 500 MEUR is particularly a very interesting one. This amount of money was actually a credit given to NIS by Gazprom that was due to be paid back with interest every three months, until the last instalment on 15 May 2023 (Insajder 2013c). It could be therefore freely said that this situation reminded pretty much of privatization of Beopetrol– the company that is a subject of privatization in the end buys itself. Finally, if we subtract the interest amount from the purchase price, it is evident that Gazprom bought NIS for even less than 400 MEUR.

²¹ However, the final list of these assets had never been concluded. We only know that by 2013 the government transferred to Gazprom over 3000 different facilities including motels, all gas stations, several tourist and recreation facilities and many others (Antidot 2015).



Figure 2. Price paid and estimated value of 51% stake in NIS (in MEUR).



Source: Insajder (2013c).

Equally important, oil and gas reserves in the Republic of Serbia are considered to be natural wealth in the ownership of its citizens. Companies tend to pay a mining rent for exploiting natural gas and oil reserves and concessions are usually signed with the host government for the period of 25, 30, 50 or more years. However, in this case, NIS Naftagas was among many other NIS's assets sold to Gazprom, and was responsible for exploiting oil and gas from natural resources. This actually meant that all natural oil and gas reserves in Serbia were sold to Gazprom.

According to NIS's statistical data on exploiting and selling natural reserves of oil and gas in 2007, total reserve quantities were estimated to 10.5 million tons of crude oil (79 million barrels) and 4.35 billion cubic meters of gas (153 million of million metric British thermal units of gas).²² Taking the market price per barrel of oil in 2008, which was 97 USD per barrel,²³ the value of oil reserves was about 7.7 billion USD, and according to the Russian Natural Gas border price in Germany from the same year (13.14 USD per million metric British thermal units of gas) gas reserves of NIS was worth 2 billion USD. All in all, the total value of reserves was about 9.7 billion USD or approximately 6.9 billion euro (Insajder 2013c; International Monetary Fund 2021; Authors calculations).²⁴

The story does not end here. In the rest of Europe mining rent for exploiting natural reserves is far above the Serbian 3% - it is 22% in Russia, 18% in Slovenia and Germany, 15-22% in Austria, 12.5% in Bulgaria, 12% in Hungary and 10% in Croatia. In 2012, according to new law, the mining rent in Serbia was raised to 7%. However, for NIS the old mining rent of 3% has had to apply until the end of 2023 (Politika 2013). On the other hand, due to the very fact that Gazprom paid a low mining rent and became the owner of Serbian natural oil and gas reserves, NIS significantly increased the exploitation of domestic reserves, without the accompanying progressive uplift in mining rent, which has been a common practice in all other countries (NIS 2010–2019).

²² 1 million metric British thermal units of gas = 28.52 cubic meters of natural gas.

²³ Average of three spot prices - Dated Brent, West Texas Intermediate, and the Dubai Fateh.

²⁴ Again, according to some recent estimates, there are 170 million tons of undiscovered oil reserves in Serbia (Novosti 2015).

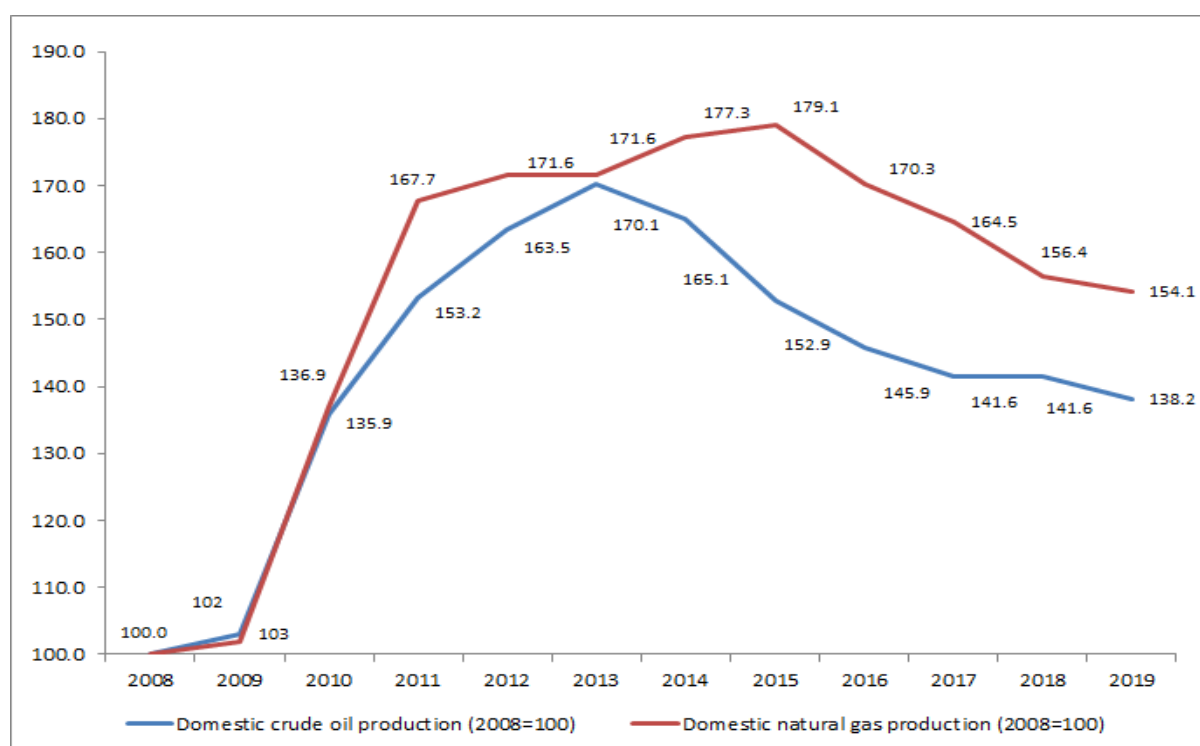


What is more, during 2010 the Serbian government decided to transfer one part of its share to Serbian citizens, precisely 19.2% of total share, meaning the government now owned only 29.8% of total shares. Gazprom used this situation to increase their share in the company and bought 5% more from the citizens. In 2010 it had 56% of total shares (Radio-televizija Srbije 2011).

As it can be clearly seen from the available data, in 2008, not yet privatized NIS produced 0.64 million tons of crude oil and 284.8 million cubic meters of domestic gas from domestic reserves (Insajder 2013c). In the first year after privatization (2010), NIS increased oil production from domestic sources by 36% and gas by 28% (**Figure 3**). It reached its peak in 2013, when compared to 2008, oil production from domestic sources increased by 70.1%, while gas production reached its peak in 2014, when compared to 2008, its production increased by 89.3% (Energetski bilansi 2008-2019; NIS 2010-2019; Authors' calculations).

Having in mind this accelerated exploitation of natural oil and gas and the monopolization of Serbian the crude oil and natural gas sector, no wonder that only in 2011, the second year after privatization, Gazprom made a profit of 398.2 MEUR (**Figure 4**) sufficient to repay the investment in the purchase of NIS (NIS 2010-2019; Authors' calculations). For comparison, a year before the privatization (2008), NIS accumulated loss of 4.4 billion RSD or 54 MEUR indicating highly inefficient management of this company (NIS 2010-2019; Authors' calculations). Hence the main question was not whether this company should have been privatized, but at what price and under what conditions.

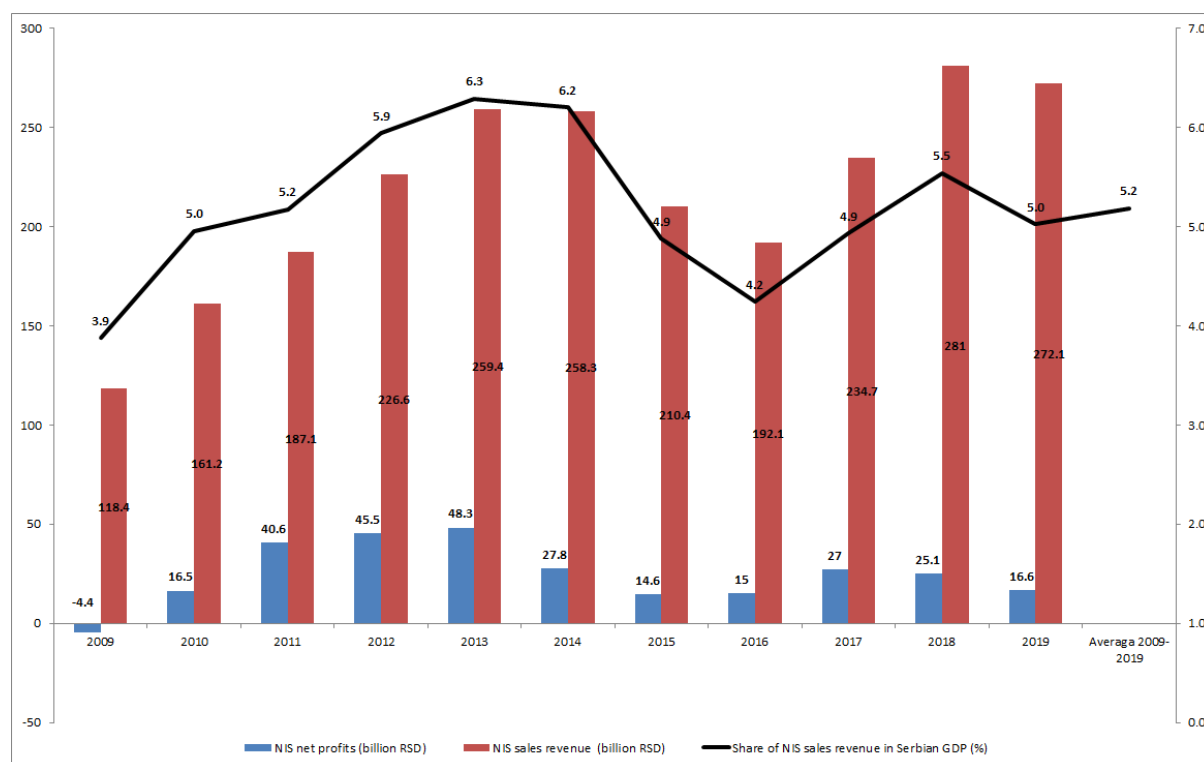
Figure 3. Crude oil and gas production from domestic reserves (2008=100).



Sources: Energetski bilansi (2008-2019); Insajder (2013c); NIS (2010-2019); Authors' calculations.



Figure 4. NIS sales revenue and net profits (in billion Serbian dinars) and share of NIS sales revenue in Serbian GDP (%)



Sources: International Monetary Fund 2021; NIS (2010–2019); Authors' calculations.

We may also notice that today NIS is the one of the biggest and the most important and the most profitable companies in Serbia. Share of its sales revenue in Serbian GDP in the period 2009–2019 averaged 5.2%. Not less important, NIS directly employs 11.000 and indirectly (suppliers and other connected business) 22.440 people.

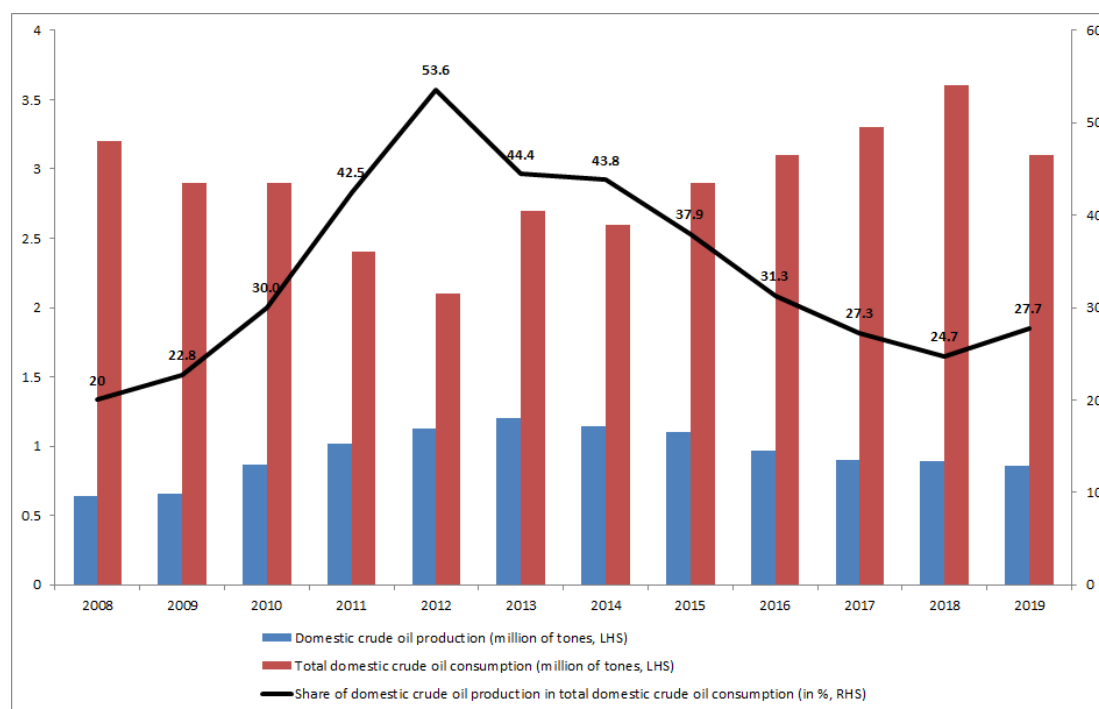
So, instead of full energy independence, Serbia fell into nearly complete energy dependence on Russia (Politika 2011). Namely, if we compare crude oil production from domestic reserves and total domestic crude oil consumption per year in the period 2008–2019 (**Figure 5**), we will see that from the first year after privatization (2010) domestic crude oil natural reserves cover on average 36% of total domestic crude oil consumption (Energetski bilansi 2008–2019; NIS 2010–2019; Authors' calculations).

Also, if we compare natural gas production from domestic reserves and total domestic natural gas consumption per year in the period 2008–2019 (**Figure 6**), we will see that from the first year after privatization (2010) domestic natural gas reserves cover on average 21.4% of total domestic natural gas consumption (Energetski bilansi 2008–2019; NIS 2010–2019; Authors' calculations).

In other words, if such hazardous agreement had not been concluded, Serbia would have been completely independent for around 36% of its total oil and 21.4% of its total natural gas consumption.

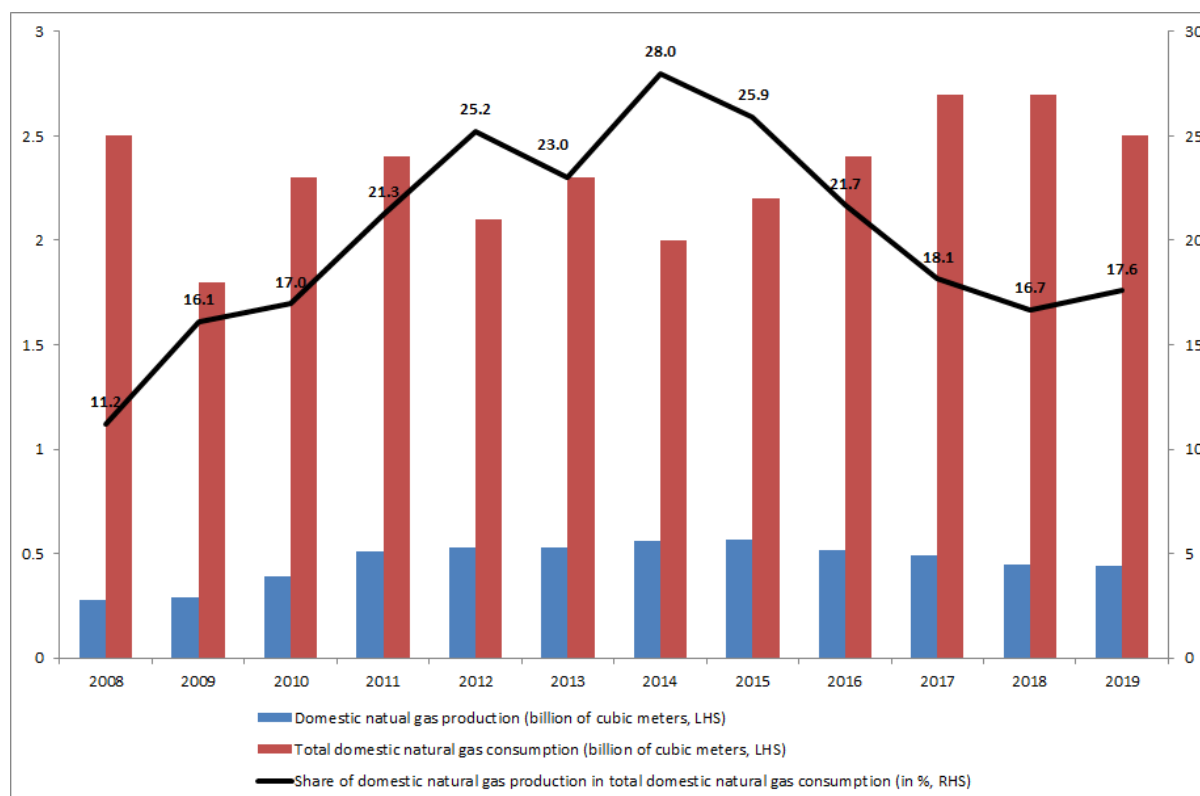


Figure 5. Crude oil production from domestic oil reserves, total domestic oil consumption and share of crude oil production from domestic oil reserves in total domestic oil consumption.



Sources: Energetski bilansi (2008-2019); NIS (2010-2019); Authors' calculations.

Figure 6. Natural gas production from domestic oil reserves, total domestic natural gas consumption and share of natural production from domestic natural gas reserves in total domestic natural gas consumption.



Sources: Energetski bilansi (2008-2019); NIS (2010-2019); Authors' calculations.



In the end, the story of the South Stream project ended sadly remembered as one of the most expensive Serbian fairy tales (Insajder 2016a). The project was abandoned in December 2014 – almost a year after the European commission had announced that bilateral agreements signed for building the South Stream pipeline between six EU member states, Serbia and Russia were not in accordance with the EU's Third Energy Package. To be more precise: according to this package, the pipeline could be used by other gas traders, not just the companies that built the pipeline (European Commission 2020). In other words, in addition to Gazprom, an investor and seller of gas, competition in trade must be ensured by allowing other traders to buy on auctions the right to transport their gas through the South Stream gas pipeline. As this was not foreseen by the South Stream project, Serbia was forced to give up this expensive and unfavourable project. However, giving up the South Stream project was not a sufficient reason for the Serbian side to request a revision of the energy agreement due to fact that NIS was sold far below market price in expectation of the future earnings from South Stream gas pipeline (Insajder 2018).

The end effect of failed South Stream project is that NIS was sold far below its market price, the exploitation of oil and gas without any limits was completely left to Gazprom at the lowest mining rent in Europe and that due to gas trade mediation, Serbian citizens were paying a high oil and gas price. For example, in early March 2020, Bulgaria and Gazprom Export finalized an agreement on 40.3 % reduction of the price at which Russia supplies natural gas to Bulgaria, backdated to 5 August 2019. Bulgaria was the last of eight EU Member States of Eastern Europe (Latvia, Lithuania, Estonia, Poland, The Czech Republic, Slovakia and Hungary) to strike a deal on a price cut with Gazprom, in the wake of a settlement reached in 2018 between the European Commission and the Russian monopolist on an anti-trust investigation (Serbian Energy 2020). According to this deal, the gas pricing formula was changed, setting as its main component the price on the regional markets instead of that of petroleum derivatives and the gas price was set monthly instead of quarterly. (See News 2020). In April 2020, the gas price for Bulgaria was 12 euro/MWh²⁵ and the one proposed for January 2021 was 12.8 euro/MWh²⁶ (Serbian Energy, 2020). As for Serbia, from 2016 onwards the price of gas imported via Ukraine and Hungary was fixed at 24.23 euro/MWh²⁷ (Boarov 2020). Interestingly enough, not only that the price Serbia pays for the Russian gas is 100% higher than the price paid by Bulgaria, but also the price Serbia pays remained fixed despite the fact that the price of the Russian gas fell for 35.5% in 2020 in comparison to 2016 (**Figure 7**).

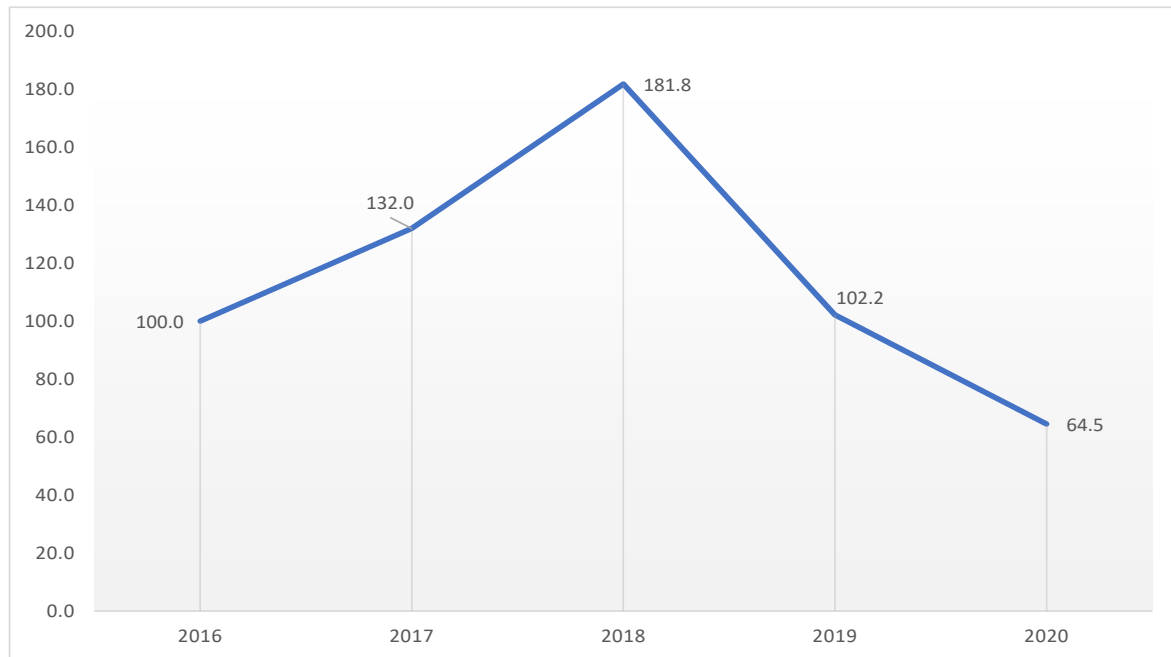
²⁵ 144USD/1000 cubic meters calculated in 2020 average USD-euro exchange rate.

²⁶ 149USD/1000 cubic meters calculated in January 2021 USD-euro exchange rate.

²⁷ 282USD/1000 cubic meters calculated in 2016 average USD-euro exchange rate.



Figure 7. Natural Gas, Russian Natural Gas border price in Germany, USD per million metric British thermal units of gas (2016=100)



Sources: International Monetary Fund (2021); Authors' calculations.

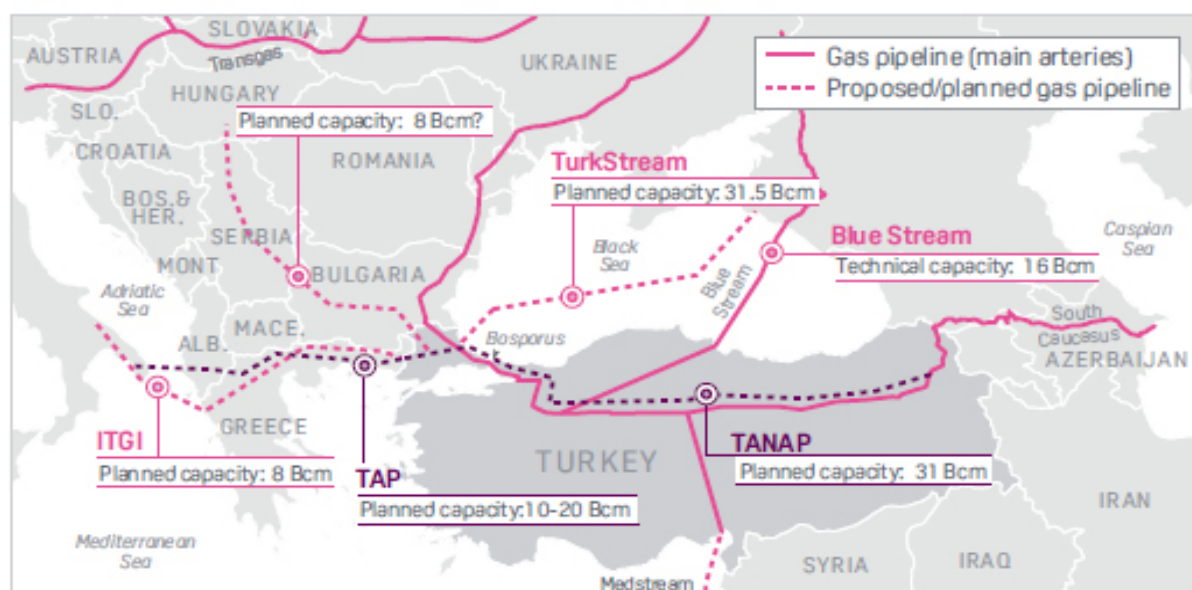
3. 6. Turkish Stream Project

After the South stream project was abandoned in December 2014, the new project idea started to emerge. Initially called Turk Stream the project afterwards changed its official name to Turkish Stream (**Picture 2**). The main idea was to deliver gas to Turkey across the Black Sea and to build a loop in Turkey, from which one prong would go to Greece, and another prong would be directed to reach the Bulgaria, followed by Serbia and Hungary, finishing eventually in Austria and Slovakia (Tekmor Monitor 2019). The Turkish Stream project rules of the game for the Serbian side remained the same and unfavourable. As in the case of the South Stream project, the Swiss offshore company South Stream Serbia AG preserved its main role for building and finalizing the project in Serbia. The only difference is change of the name of South Stream Serbia AG's subsidiary in Serbia from South Stream d.o.o. to Gastrans. Once again, Serbia provided 70 MEUR loan guarantees to Srbijagas for the construction of a gas pipeline from the border with Bulgaria to the border with Hungary (Insajder 2019a). However, there are still obstacles in the realization of this project since the Russian firm Gastrans has not offered access to its pipelines to other traders in percentage required by the EU. Therefore, as things stand today, if other gas traders are not offered access to the pipeline in a higher percentage than offered by Gazprom, the EU's opinion on this project will remain negative (Insajder 2019a).



Picture 2. Turkish Stream Route.

SUB-SEA TURKSTREAM CONSTRUCTION UNDER WAY



Source: Platts

Source: Tekmor Monitor (2019).

First deliveries of gas to Turkey took place in January 2020 (Insajder 2019b). In November 2020 Bulgaria completed its section of the Turkish Stream pipeline and the Serbian part of the Turkish Stream pipeline was launched on 1 January 2021 by the President of Serbia who stated on this occasion that thanks to this pipeline Serbia would from now on import Russian gas at a price of 155 USD/1000 cubic meters (Intelli News 2020; Novi magazin 2021). The Serbian president added that the transit tax for gas imports through Bulgaria would be 12–14 USD/1000 cubic meters, which was far below the tax charged by Hungarians of 30 USD/1000 cubic meters (Novi magazin 2021). But again, even taking into account the difference in the transit tax Serbia pays to Hungarians from the one Serbia pays to Bulgarians, it is not possible to explain such a difference in the price of the Russian gas imported via Ukraine and Hungary (314.4 USD/1000) with the price of that same gas imported via Bulgaria (155 USD/1000 cubic meters). Again, as we already mentioned, only eleven months later, Serbian President negotiated in Sochi much higher price - 270 USD/1000 cubic meters.

3.7. Serbia vs. Russia: Foreign Trade, Foreign Direct Investments and the Russian Energy Monopoly

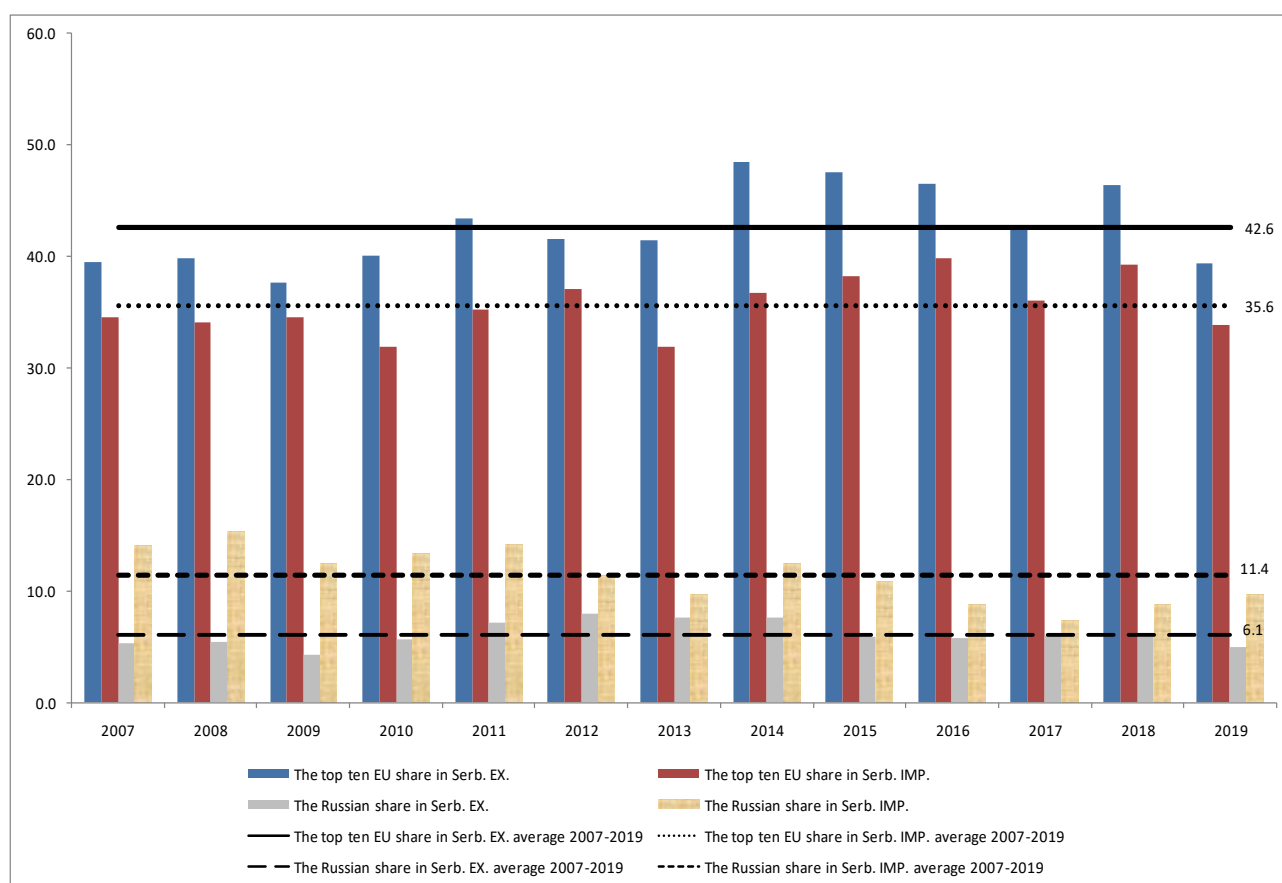
If we are to analyse Serbia's foreign trade, we may notice that the Serbian economy conducts most of its trade with the EU countries (**Annex 1, Figure 8**). Secondly, by looking at the list of first ten countries Serbia exports to the most, we shall see that in the period between 2007–2019 Serbia placed on average as much as 42.6% of its total exports of goods to the EU countries which are in the top ten export destinations for the Serbian goods. Similarly, from the top ten export destinations among the EU countries, Serbia imported in the observed period on average 35.6% of its total imports of goods. On the other hand, Russia's participation in the Serbian total foreign trade was a very modest one, despite the very favourable treatment for Serbian export products to the Russian market.²⁸ Thus, in the given period, the share of exports to Russia in the total

²⁸ The Agreement stipulates that goods produced in Serbia, i.e. which have at least 51% value added in the country, are considered to be of Serbian origin and exported to the Russian Federation customs free. The list of products, excluded from the Free Trade Agreement, has been revised annually. The list of excluded products includes: poultry and edible waste, some sorts of



exports of Serbia was on average only 6.1%, while the share of imports from Russia in the total Serbian imports was as low as 11.4% (Republički zavod za statistiku 2008–2020; Authors' calculations). In addition, it is noticeable that Serbia has a continuous trade deficit with Russia (**Annex 1, Figure 9**). In the observed period from 2007–2019, Serbia had never achieved a trade surplus with Russia with the coverage ratio of imports by exports (foreign trade coverage ratio) being relatively low throughout the given period averaging only 38% (Republički zavod za statistiku 2008–2020; Authors' calculations).

Figure 8. The share of exports to the EU countries among top ten Serbian exports destinations in the total Serbian exports, the share of imports from the EU countries among top ten Serbian export destinations in total Serbian imports, the share of Serbian exports to Russia in total Serbian exports and the share of Serbian imports from Russia in total Serbian imports (in %).



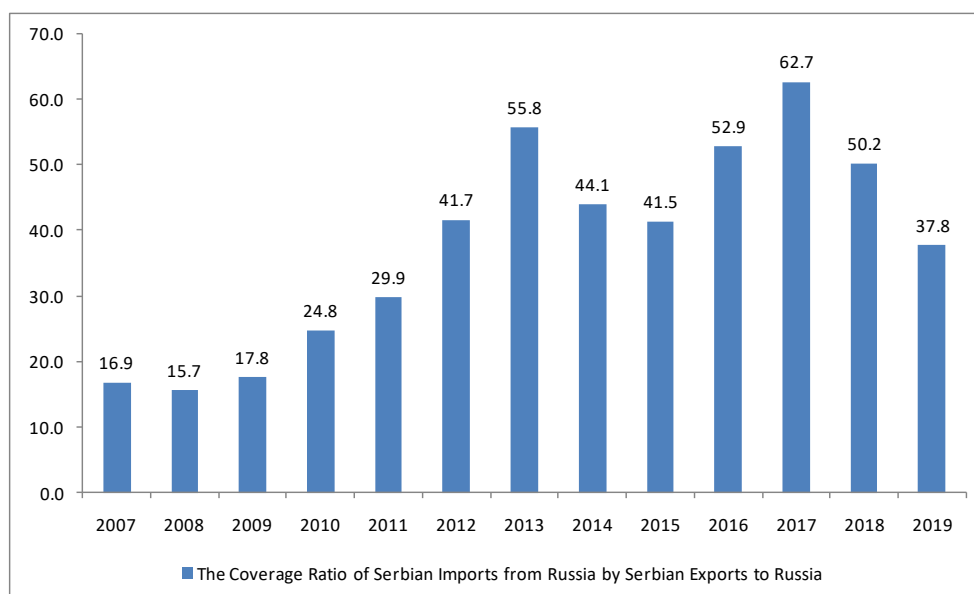
Sources: Republički zavod za statistiku (2008–2020); Authors' calculations.

cheese, sugar, sparkling wine, ethyl-alcohol, tobacco, cotton yarn and fabric, certain types of compressors, tractors and new and used passenger cars (Razvojna agencija Srbije 2012).



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 822682.

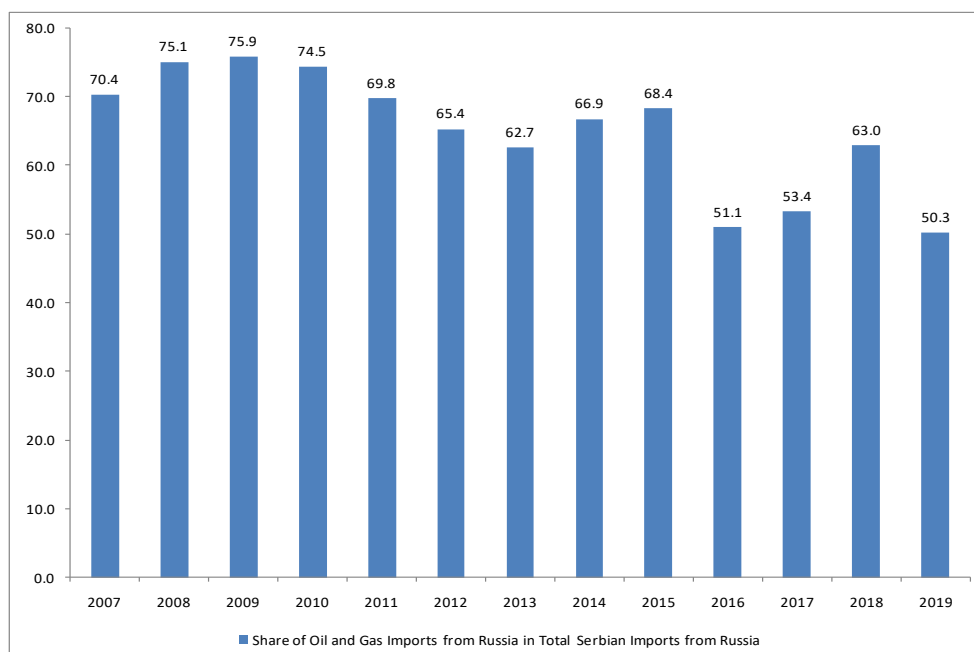
Figure 9. The Coverage Ratio of the Serbian imports from Russia by the Serbian exports to Russia (in %).



Sources: Republički zavod za statistiku (2008–2020); Authors' calculations.

Again, in accordance with the previously written, when we take a closer look at the structure of imports from Russia, it is easy to see that it is largely reduced to imports of energy products (**Annex 2, Figure 10**). Share of oil and gas imports from Russia in total Serbian imports from Russia in the period 2007–2019 averaged 65.1%, with the tendency of decrease throughout the observed period from 70.4% in 2007 to 50.3% in 2019 (Republički zavod za statistiku 2008–2020; Authors' calculations).

Figure 10. Share of oil and gas imports from Russia in total Serbian imports from Russia (in %).



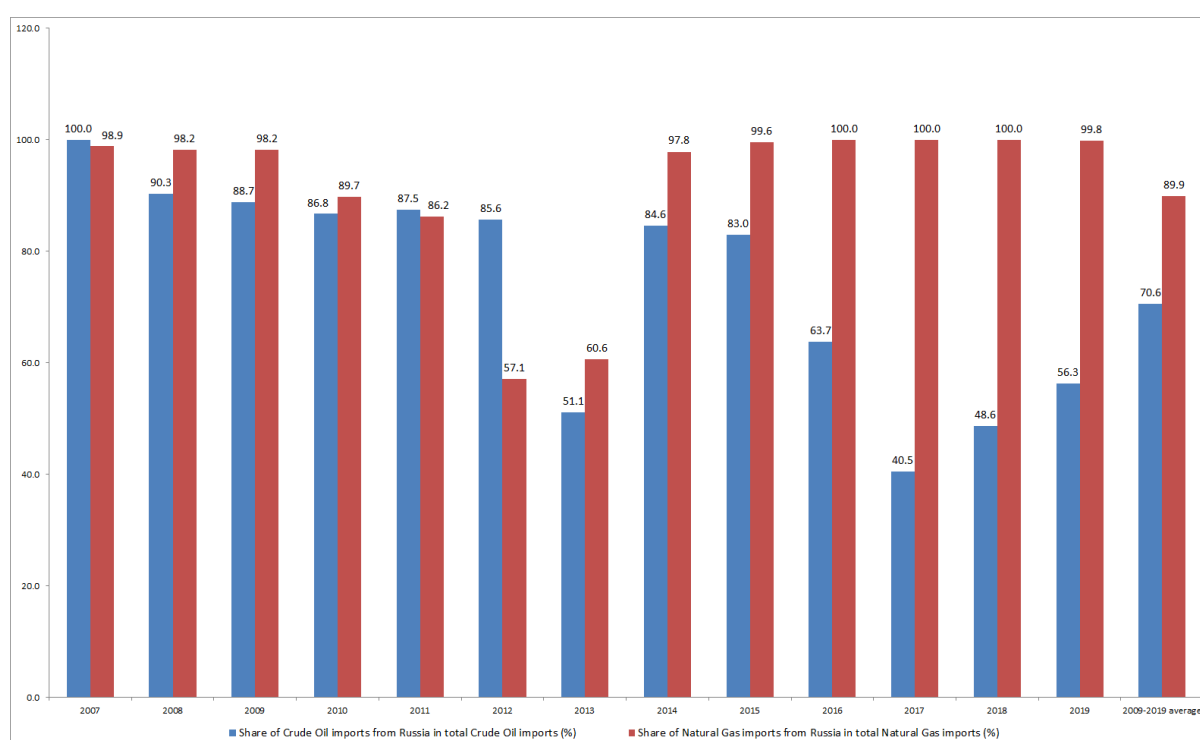
Sources: Republički zavod za statistiku (2008–2020); Authors' calculations.



Similarly, the share of crude oil imports from Russia in total Serbian crude oil imports was high and averaged 70.6% in the 2009-2019 period. This share decreased from 88.7% in 2009 to 70.6% in 2019. Likewise, the share of natural gas imports from Russia in total Serbian natural gas imports was extremely high and averaged 89.9% in the 2009-2019 period (**Annex 3, Figure 11**). This share decreased only slightly, from 98.2% in 2009 to 89.9% in 2019 (Republički zavod za statistiku 2008–2020;; Authors’ calculations).

What is obvious at first glance is that the imports of crude oil and natural gas from Russia directly depended on changes in domestic crude oil and natural gas exploitation (**Figure 12**) – as the face in the mirror, the increase in domestic (NIS’) crude oil and natural gas exploitation was accompanied by a decrease in crude oil and natural gas imports from Russia and the decrease in domestic crude oil and natural gas exploitation was accompanied by an increase in crude oil and natural gas imports from Russia (Energetski bilansi 2008-2019; NIS 2010–2019; Statistički godišnjak RepublikeS rbije 2009–2020; Authors’ calculations).

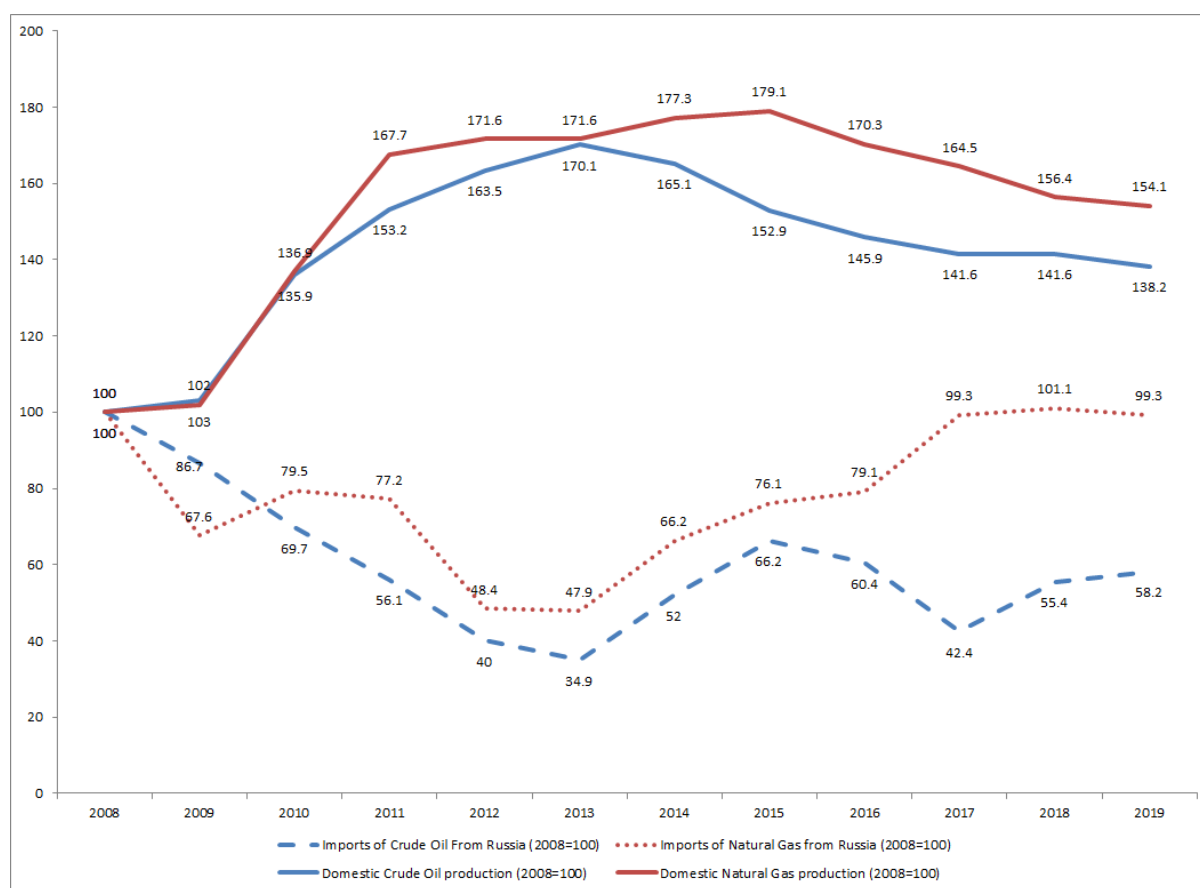
Figure 11. Share of oil and gas imports from Russia in total Serbian oil and gas imports (in %)



Sources: Republički zavod za statistiku (2008–2020); Authors’ calculations



Figure 12. Imports of crude oil and gas from Russia and domestic crude oil and gas production (in tons, 2008=100)

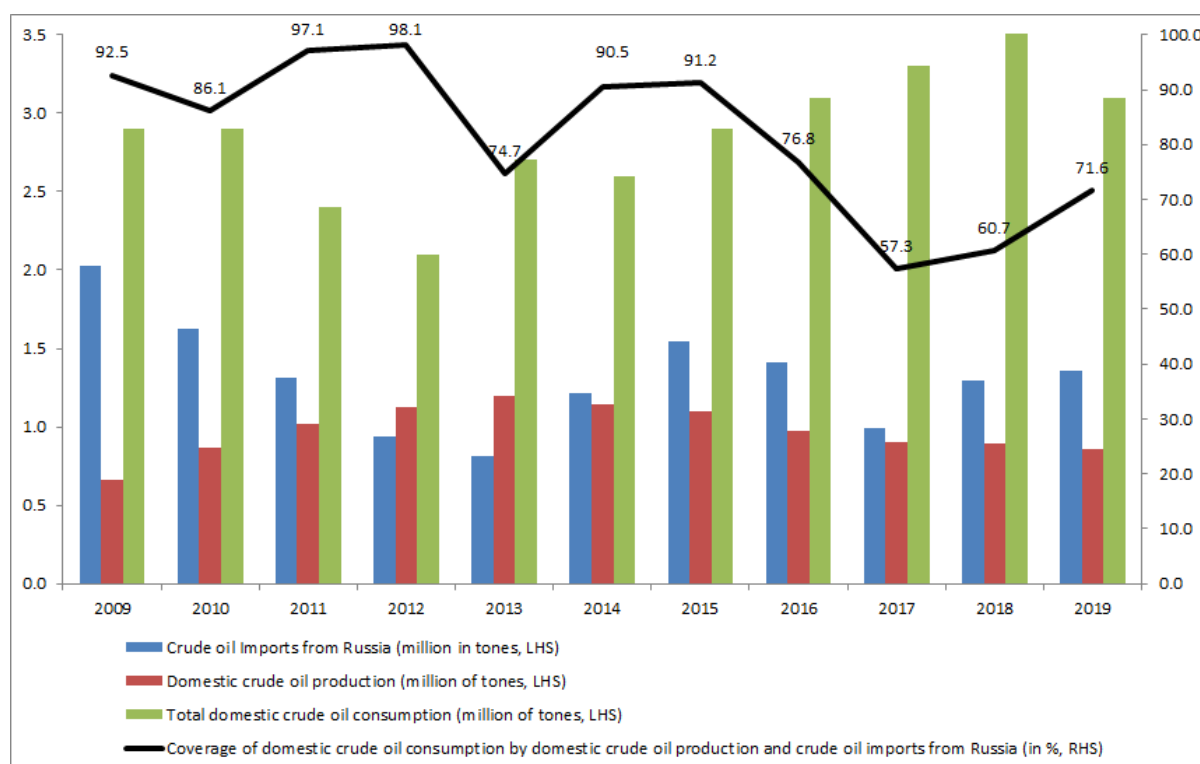


Sources: Energetski bilansi (2008-2019); NIS (2010–2019); Statistički godišnjak Republike Srbije(2009–2020); Authors' calculations.

In addition to this, what could also be noticed is that Serbia is almost completely dependent on Russian crude oil imports and domestic crude oil production (**Figure 13; Annex 3**). In the period between 2009–2019 domestic crude oil consumption was on average 81.5% covered by NIS's crude oil domestic production and crude oil imports from Russia (Energetski bilansi 2009-2019; NIS 2010–2019; Statistički godišnjak Republike Srbije 2010–2020; Authors' calculations).



Figure 13. Domestic crude oil production, crude oil imports from Russia, domestic crude oil consumption (in million of tons) and coverage of domestic crude oil consumption by domestic crude oil production and crude oil imports from Russia (in %).

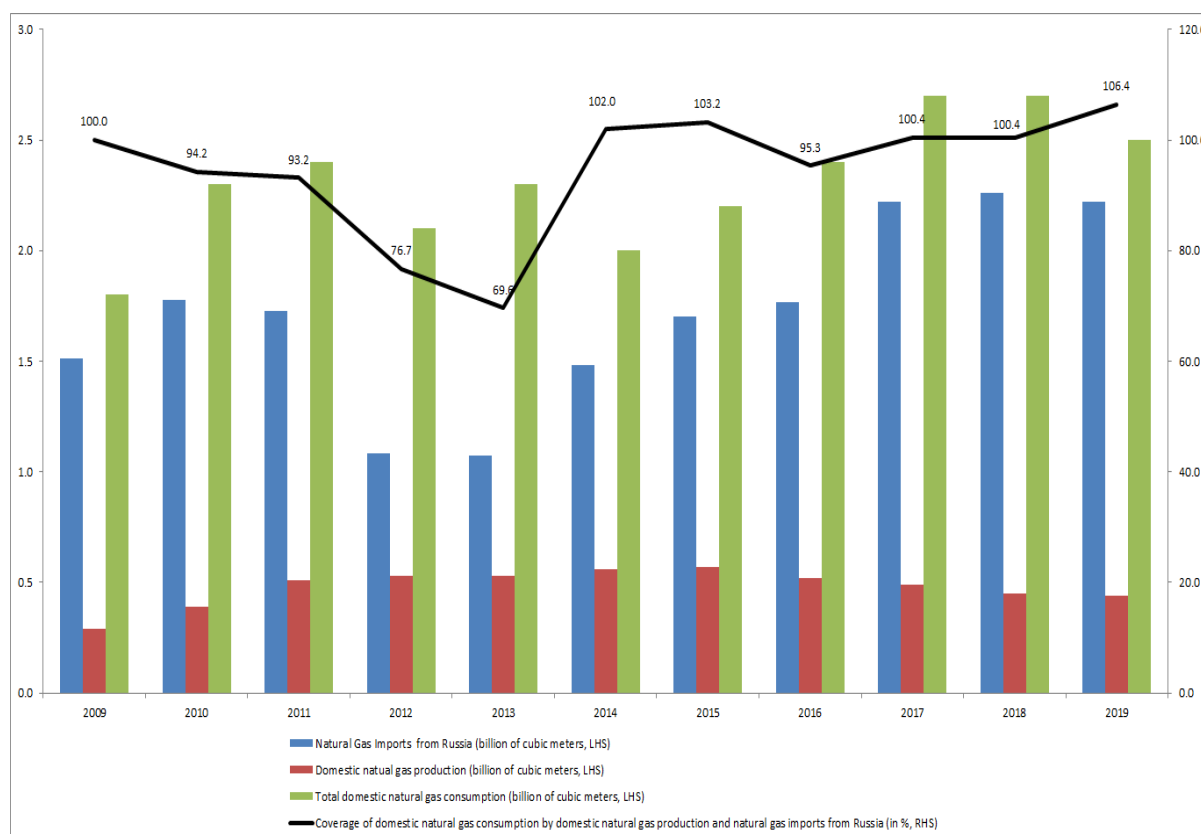


Sources: *Energetskibilansi (2009-2019)*; *NIS (2010–2019)*; *StatističigodišnjakRepublikeSrbije(2010–2020)*; Authors' calculations.

Also, what could also be noticed is that Serbia is completely dependent on Russian natural gas imports and domestic natural gas production (**Figure 14; Annex 3**). In the period between 2009–2019 domestic natural gas consumption was on average 95% covered by NIS's natural gas domestic production and natural gas imports from Russia (*Energetski bilansi 2009-2019*; *NIS 2010–2019*; *Statistički godišnjak Republike Srbije 2010–2020*; Authors' calculations).



Figure 14. Domestic natural gas production, natural gas imports from Russia, domestic natural gas consumption (in billion of cubic meters) and coverage of domestic natural gas consumption by domestic natural gas production and natural gas imports from Russia (in %).



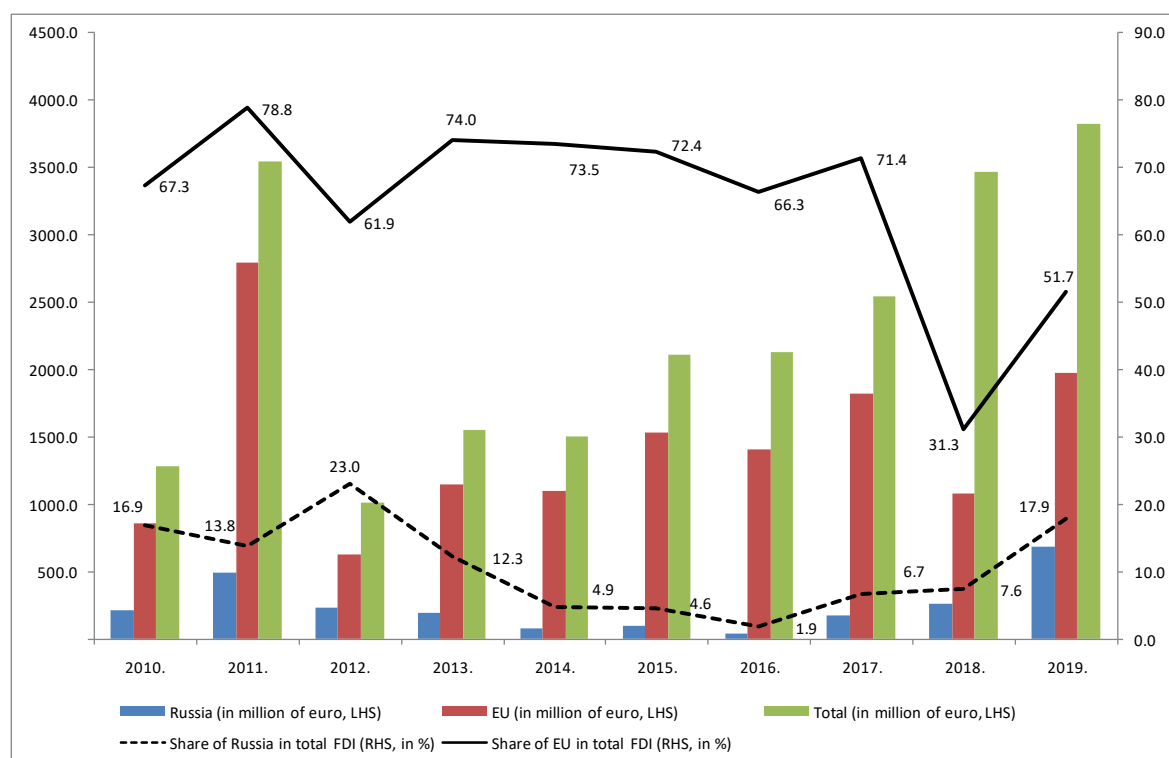
Sources: *Energetskibilansi (2009–2019)*; *NIS (2010–2019)*; *StatističkgodišnjakRepublikeSrbije (2010–2020)*; Authors' calculations.

Consistent with foreign trade, Russia's share in total foreign direct investments (FDI) in Serbia has been utterly modest. FDI is a significant source of external finance for Serbia, averaging 8% of GDP annually, and is a noteworthy source for covering a continuing and persistent current account deficit. Be as it may, in the period 2010–2019, the average share of Russian FDI in total Serbian FDI was 11%, while this share for the EU countries equalled to 65% (**Figure 15**) (Narodna banka Srbije 2020; Authors' calculations).

In 2010, FDI mainly came from the Russian Federation with 216 MEUR invested in Serbia. This represented 16.91% of all FDI in Serbia in that year. This should not come as a surprise since it was the second year of Gazprom's governance of NIS. As from the next year onward, the leader in FDI in Serbia was Luxemburg, followed by Slovenia. Russia settled at the third place despite the fact it doubled the amount of its investment funds. Following two years, the Russian Federation kept its reputation as one of the most important investors in Serbia, by being always in top two countries judging by the level of FDIs. It was not before 2014 that the investment climate among Russian investors had suddenly changed and level of FDIs originating from this big country plummeted. In the period between 2014–2016, the level of Russian investments in Serbia had never gone above 100 MEUR. To be more precise, the share of Russian FDI in this three-year period never passed the point of 5% of total FDIs in Serbia. The worst situation occurred in 2016 when the share of the Russian FDI in total Serbian FDI was only 1.9% (Narodna banka Srbije 2020; Authors' calculations).



Figure 15. The Russian and the EU FDI in Serbia and share of the Russian and the EU FDI in total Serbian FDI



Sources: NarodnabankaSrbije (2020); Authors' calculations.

If we take a look at a broader picture this diminishing trend does make sense, since the South Stream Project was abandoned in 2014 and next two years Russian political actors tried to focus on creating the Turkish Stream project, as well as regaining its domination in the Middle East, thus putting the Balkan region in the shadow of their political interests. Consequently, economic decisions follow political moves and this therefore might be the closest explanation of why the Russian investment policy stagnated during this period.

Although 2017 and 2018 recorded substantial increase in Russian FDI in Serbia (170.4 and 263 MEUR respectively) placing the Russian Federation on the fifth and fourth place respectively on the list of top five biggest investors in Serbia, the Russian share in total FDIs in Serbia was still on a relatively low level - approximately 7% (Narodna banka Srbije 2020; Authors' calculations).²⁹

However, in 2019 Russia came as second biggest investor in Serbia, and companies originating from this country drastically increased level of investment funds up to the amount of 685.6 MEUR and the share in total Serbian FDIs of 17.92% (Narodna banka Srbije 2020; Authors' calculations). Whether nature of this high FDI in 2019 is of a short or long run remains yet to be seen.

To conclude, Russia implements a vast array of soft power measures to sustain and increase its influence in the region in order to balance its power against the Western countries not only in Europe but also in the global arena. Mild soft power measures relying on a neo-traditional discourse of centuries-old Russian-Serbian friendship, traditional and religion close connections and neo-feudal personal dependencies providing security via Russian provision of energy security, thanks to close and friendly relations between the Serbian

²⁹ For example, France, the leader in that year covered 20.5% of total FDI in Serbia (Narodna banka Srbije 2020; Authors' calculations).



and Russian leaders are used to provide takeover of the Serbian oil and natural gas sector which further empowered the ultimate Russian soft power strategy vis-à-vis Europe - its natural gas dependence on the Russian production and supply. Used as a vehicle for the Russian global arena strategic positioning games, Serbia paid a very high price - complete oil and natural gas dependence. It allowed Lukoil to buy Beopetrol no matter it failed to pay contracted sums sufficient to realize both the investment and the social program whereas the end effect of failed South Stream project which eventually transformed to Turkish Stream Project is that NIS was sold far below its market price, the exploitation of oil and gas without any limits was completely left to Gazprom at the lowest mining rent in Europe and that due to gas trade mediation, Serbian citizens were paying a high oil and gas price.

4. Culture: Preserving historical and traditional myth of friendship with Russia in pro-Russian media (case study)

As already mentioned in the part of the report dealing with methodology, collected data were analysed using the content analysis method. Articles/news published on *Sputnik news* from March 2015 to March 2021 were collected and analysed according to the main topic – Russian influence mechanisms. The measuring of word frequencies was conducted on a sample of 168 news/articles, using “friendship of Russia and Serbia/Bosnia/Montenegro” as the prime syntagm for coding. The analysis showed that, in 168 *Sputnik news/articles*, this syntagm was used 443 times. In 89% of the sample (150 articles) the subject was friendship between Russia and Serbia. A total of 7.7% of the sample (13 articles) dealt with the friendship between the Russian Federation and Montenegro and 2.97% (5 articles) mentioned the friendship with Bosnia and Herzegovina. Nonetheless, numerous articles that referred to the friendship with the “Serbian people” (labelled as articles dealing with Russian–Serbian relations) were relevant for Bosnia and Herzegovina (the Republic of Srpska) and Montenegro as well, because in some of them “Serbian people” implicitly referred to people living in these two countries as well.

In addition to measuring the appearance frequency of syntagm “friendship of Russia and Serbia/Bosnia/Montenegro” in the sample, in the further encoding procedure, syntagm appearances were systematized in categories depending on who used them: 1. politicians, 2. journalists, 3. others, such as actors, directors etc. If the syntagm was used more than once in one article by two different actors, this article was labelled with two categories. Although there was a significant number of articles where the syntagm was used by journalists (25 times) or actors, directors and other non-politicians (24 times), this syntagm was most often presented in the form of a quote by politicians, both Russian and Serbian (137 times).

Having realized that politicians often used this syntagm in pro-Russian media *Sputnik news*, we wanted to analyse causes or topics of articles in which friendship was mentioned and to explore in more detail what words were used alongside friendship with Russia, hoping that it might help us detect concrete issues which contribute to the growth of populism and allow us to chart some of the common motives that could be connected with populist narratives.

In order to better comprehend communication and construction of the “myth of friendship” for wider audience of *Sputnik* readers, their causes or context that surrounded the topics of these articles, we dealt more deeply with message carriers. Therefore, by means of induction we created 2 categories:

1. Official (protocol) statements and announcements (e.g. greetings, expressions of gratitude, announcements, statements during official visits or ceremonies for awarding medals);
2. Statements regarding specific issues/topics.



After that, in order to better understand the topics of articles dealing with specific problems, once again by means of induction, we defined 6 subcategories:

1. Cooperation regarding public health problems (Covid-19 and Sputnik V vaccine);
2. Economic cooperation and sanctions;
3. Cultural cooperation;
4. Foreign Policy Orientation and Military Cooperation³⁰;
5. Kosovo;
6. Other.

Our analysis showed that about 1/3 of articles were official statements, while 2/3 of them reported on the specific aforementioned problems/topics (**Table 1**). Although it was interesting to see that there was quite a lot of mentioning of friendship in official or protocol statements, for this report it was more important to analyse in which particular topics friendship pops up in this pro-Russian media.

Table 1: Causes and topics of articles

Cause of article:	Frequency:	Specific topic:	Frequency:
Official (protocol) statement or announcements	58	n/a	n/a
Statements regarding specific problems/topics	110	Public health problems	6
		Economic cooperation and sanctions	14
		Cultural cooperation	20
		Foreign Policy Orientation and Military Cooperation	43
		Kosovo	5
		Other	22

Therefore, it was evident that friendship was most frequently mentioned in articles dealing with foreign policy and military cooperation (25.5%/43 articles), while the rarest appearance was recorded in articles dealing with Kosovo (2.97%/5 articles). These findings could come as a surprise, and they are important for understanding the role of the “friendship myth” for Russians, as well as the role it may have in populist narratives. On the one hand, it could be assumed that, when dealing with Southeast Europe, foreign policy

³⁰ In some instances, foreign policy orientation (west vs. east) and military cooperation with Russia were completely separate topics, but, in many others, they were inseparable. For this reason, these two topics are combined.



between corrupt and “real” people (horizontal polarization) as key features of populism, it is very informational to stress out that words such as “people” (111 times) or names of nations were frequently mentioned. Other words that are usual part of the populist repertoire were also present, such as: “tradition” (34 times), “Orthodoxy” (22 times), “history” (48 times), “against” (19 times), “enemy” (11 times) or “rights” (10 times). As previously mentioned, the word “Kosovo” that has a high emotional value and that can be easily connected with nationalist narratives was also very frequent (33 times). In the analysis of word frequency, it should be emphasised that “fraternity” between two nations was often mentioned (56 times) because the use of this term suggests an even higher level of fetishization of nations than the term “friendship”. These words are important for understanding populism that is mediated through friendship myth, because most of them can help us understand how “real” people are defined, i.e. what is used to *thicken* populism. Namely, they are showing us that “real people” are defined in terms of religion (“orthodoxy”), ethnicity (“fraternity”, names of nations) and shared, imaginary or real, history (“history”, “tradition”, “Kosovo”). Finally, the words “EU”, “West” and “NATO” appeared more than 10 times (all 3 words together–77 times). The mentioning of these words is important because they were often mentioned as the opposite of “Russian friends” or even enemies (in two instances it was said that they were friends, where the word “friends” was written in quotes). In this sense, according to the binary logic of populism, western countries (West, EU, and NATO) were presented as “them”, or even “forces of evil”, while Russia and Serbia/Bosnia/Montenegro were “us” or “true people”, or “forces of good”.³¹ In line with that, the Russian side uses the strategy of confronting Serbia and the West (EU) through *Sputnik*, and making her place along Russia during important economic agreements.³² For example, in a highly important interview about agreements with Serbia and Gazprom, Turkish Stream Project, Russian Railways and infrastructure development, published only a few days before his visit to Serbia in January 2019 (published in *Sputnik news*, as well as in Serbian dailies *Politika* and *Večernje Novosti*), president Vladimir Putin particularly emphasized Russia’s “respect” of Serbia’s choice in contrast to the EU’s failure to express it: “We respect the course of EU accession chosen by the Serbian leadership, unlike our Western partners, we are not trying to put Serbia in front of an artificial choice: either you are with Russia or you are with the European Union.” (Sputnik 2019c) President of the Council of the Russian Federation Valentina Matviyenko used the same discourse strategy of “respecting Serbia’s choice” and constructed the narrative that some Western forces stand against the Russian–Serbian friendship during her address to the members of the Serbian National Assembly at a special session. Namely, she stated that it is “inadmissible to put Serbia before an 'artificial choice' – either the West or Russia, and said that there is no force in the world that could destroy the friendship and cooperation between Russia and Serbia (...) that is why we can say that there is no force in the world that is able to destroy our friendship, brotherhood and cooperation, no matter how much effort someone puts into it.” (Sputnik 2017)

In addition, the strategy of the construction of enemies on the West presented in *Sputnik* was employed in dealing with assumptions about the entrance of NATO in Bosnia and Herzegovina. For example, in February

³¹ Resultantly, according to a survey conducted by the Belgrade-based Centre for Security Policy (BCSP) in September and October 2020, more than half of Serbian citizens do not support the state’s membership in the EU, and identify Russia and China as their best friends. The majority of respondents (40%) perceive Russia as Serbia’s best friend, and 72% believe that Russia’s influence in the country is positive, an 11% increase compared to the results of the 2017 survey. Only two percent of people believe that Russia’s attitude towards Serbia is hostile. Although the EU is the largest donor, only 3% of Serbian citizens recognize that fact. Although EU membership has been Serbia’s strategic goal since 2005, only 9% of respondents believe that it is the main foreign policy priority of Serbia. Although Serbia is a candidate for EU membership, only a fifth of respondents believe that the state should harmonize its foreign policy with Brussels. The results of the survey show that the majority of 51% do not support Serbia’s membership in the Union, compared to 46% of respondents who would opt for membership. This result indicates that the number of opponents of European integration has increased since 2017, when only 35% of citizens voted against EU membership.

³² An in-depth analysis of *Sputnik*’s reports dealing with the NATO topic and populist narratives it provokes follows in the next part of the report, as it steps out of the topic of the “myth of Russian–Serbian friendship” and includes a meticulous analysis of the incursions into Montenegro and North Macedonia.



2018, President Milorad Dodik responded to the insinuations of the press that NATO would organize training in Bosnia and Herzegovina by shifting the blame on interior traitors poisoned by the West, also calling them “Western circles” in Bosnia and Herzegovina. On that occasion, regarding NATO entrance in Bosnia and Herzegovina, he stated the following:

That’s bullshit. It usually comes to B&H from some Serbs who are mercenaries of the West, who invent and create such fabrications that should fit in the municipality, the scenario of demonization and stereotypes about Russians who came to spoil something in Europe, which is a total lie. Certainly, we have good cooperation with the Russians and it will remain so, we will cooperate in all fields, whether someone likes it or not. (...) Speculators who think they will profit from the constant demonization of Russia, which came from Western circles, are obviously losing all kind of legitimacy. First of all, it came from neoliberal circles that wanted to conquer the whole world, so when they reached Russia, through Serbia, which they bombed, then they saw that it was a big cake that they could not swallow. Now it is coming back to them through the arrival of a leader who thinks completely differently than they developed that neoliberal sense of world organization. Our friendship with Russia will not be diminished by anything. (Čerin 2018).

In addition to the construction of enemies and confrontations of the “friendly bloc” of Russia and other Balkan or Slavic friends with the hostile Western entity (EU), the analysed sample from *Sputniks* showed the use of the strategy of *populist egalitarianism and rapprochement of the “ordinary people” against the elite* perspective of friendship. Namely, prolific cultural cooperation and exchange of artists from Russia and the Western Balkans was reported in the news, with a focus on occasions such as “twining of cities” (established as practice during the Cold War) or student and youth exchange, as well as sports or military sports events, as examples of advocated *people-to-people* relations. Therefore, the news reports on this topic insisted on the “brotherhood of the people” and annulations of the elite as part of the friendship construction. So, for example, despite it being an ordinary occasion which was expected to be reported through sports statistics, Serbian Ambassador Terzić referred to the Football World Cup in Russia as a “holiday of football, sports and friendship of the people” and assessed that Russia showed “the openness of the Slavic, Russian soul”. He stated that he had witnessed the Russians’ special positive attitude towards the Serbian people: “I believe that both culture and sports can play a positive, constructive role in developing friendly relations between countries, and that is why it is very important that sport be in the function of promoting, above all, sport itself as a game, but also promoting a certain country and the people” (Ikodinović 2018).

Ordinary people-to-people relation was even more emphasised on the occasions of twining of cities (2016–2018). For example, in March 2018, only 9 students of Rečica High School (Gželj, Moscow region) visited Belgrade Elementary School ‘20 October’, but the occasion was promoted with enormous efforts: “The students parted with tears, hoping to meet again in both Russia and Serbia, and that their friendship would be another step in the unbreakable friendship and brotherhood of the Russian and Serbian people. Cooperation of the New started in September 2016, when an agreement on cooperation and twinning of schools was signed. Since then, the students of the two schools have been exchanging letters, New Year’s packages and hanging out via Skype” (Sputnik 2018b).³³

To summarize, we have to go back to our question from the beginning of this case study about carriers and mediators of the discourse of “friendship”. On the one hand, it is apparent that the preservation of the myth about friendship with Russia greatly relies on statements of politicians. In return, these politicians or political analysts gain a lot of attention from pro-Russian *Sputnik news*. On the other hand, the goal could not be achieved without “Russian marketing” done by journalists not only in their commentaries but also in their editorial policy of making more space for Russophiles in interviews and reporting sections,³⁴ or by paying

³³ Same strategy could be seen in news and occasions of the same manner, see: Joksimović 2018; Sputnik 2016.

³⁴ For example, see political analysis by renowned academician Darko Tanasković, in interview for Sputnik: Joksimović 2019.



attention to both politicians and other intellectuals or military personnel willing to enforce the usage of this myth. Therefore, we concluded that the hidden policy of “Russian marketing” through *Sputnik news* was multi-faceted. Finally, it shows that mentioning of the friendship with Russia is accompanied by the use of different words characteristic for populist narratives, such as: people, history, enemy etc., and by creating the division between “Us” and “Them” –Western countries.

5. Conclusion

Apart from the Democratic Party of Socialists of Montenegro, we find that in the Western Balkans states that were part of this report, there are no populist movements which are not politically and economically tied to Russia and its strategic interests: energy dependence and undermining the liberal democratic order and European values, Euroscepticism and disintegration.

In order to achieve its strategic interests, Russia has been using black funding and both institutional and non-institutional pressures on the margins of its energy policy in order to reach influential individuals in EU governments and businesses. In particular, Russia has exploited EU weaknesses on the EU peripheries, Ukraine, Turkey and the Western Balkans. Russia has also used old connections and lines of influence in larger former Soviet states, especially within the Visegrád Group countries, such as the Czech Republic, Hungary and Slovakia, while retaining segments of reputation and influence in Romania, Bulgaria and even Greece.

In Serbia, Russia plays the card of mythical historical and traditional “fraternity” and “friendship” with the Serbian nation in official political discourse as well as in local pro-Russian media *Sputnik* and *RIA Novosti*, propaganda of opposing interests of the Serbian nation *vis-à-vis* the West, strong bonds between the Russian Orthodox Church and the Serbian Orthodox Church, its commitment to the preservation of Kosovo within Serbian borders, as well as complete energy monopoly and increased presence in Serbian banking sector through the establishment of Sberbank. The same strategic mechanism is applied in Bosnia and Herzegovina, i.e., the Republic of Srpska.

In North Macedonia, Russia has used the Macedonian name dispute with Greece, internal tensions in the relations between Macedonians and Albanians, and malign influences from Bulgaria and Serbia and their populist leaders. The main Russian partners in North Macedonia have been the nationalist VMRO-DPMNE (The Internal Macedonian Revolutionary Organization – Democratic Party for Macedonian National Unity) and former Prime Minister Nikola Gruevski, as well as the Democratic Party of the Serbs, which was at the time part of the ruling coalition with the VMRO-DPMNE.

Montenegro is the only example where maintaining the commitment to the EU and the success of NATO accession were the results of populism. Montenegro has succeeded precisely owing to the populist leadership that was not willing to retreat while facing Russia’s pressure and public opinion. In Montenegro, Russia acts through financing, either directly or via the Serbian government, the once opposition and now the ruling Serbian nationalist parties fully committed to fuelling ethnonationalism against Bosniaks, Montenegrins and Albanians, as well as through strong bonds between the Russian Orthodox Church and the Serbian Orthodox Church in Montenegro.

Bearing in mind everything stated above, it is clear that Russia exerts an enormous pressure on countries in the Western Balkans. Also, it might be assumed that it is in Russian best interest that corrupt, autocratic governments and politicians are in power in this region. Though it could be argued that these corrupt governments do not necessarily need to be populist, it seems that they usually are (e.g., Orban or Gruevski). Is it reasonable to assume that this is so, because populists can stay in power despite being corrupt? Since it is in the core of populism to create divisions between “us” and “them”, “true people” and “elites”, “good” and “evil” it is possible that populist are best prepared to create confusion in which civil society is



transformed into divided society and in which general interest is blurred and often confused for particular interests of “us” and “them”.



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7. Annex

Annex 1. Top ten Serbian exports destinations, Serbian imports from top ten Serbian exports destinations and Serbian trade balance with Serbian top ten exports destinations (in thousand USD).

Year	Country	Serbian Exports of Goods	Serbian Imports of Goods	Serbian Trade Balance
2007	1. Italy	1094231.3	1835515.1	-741283.8
	2. Bosnia and Herzegovina	1042291.6	525283.1	517008.5
	3. Montenegro	950927.7	142229.9	808697.8
	4. Germany	937501.4	2215005.7	-1277504.3
	5. Russia	450591.6	2671645.6	-2221054
	6. North Macedonia	437216.1	308742.1	128474
	7. Slovenia	409007.9	712528.8	-303520.9
	8. Croatia	330867.5	556231.5	-225364
	9. Austria	301451	625410.4	-323959.4
	10. France	290268.4	600097.6	-309829.2
2008	1. Bosnia and Herzegovina	1338955.3	646178.2	692777.1
	2. Montenegro	1287405.2	214244.1	1073161.1
	3. Germany	1142006.3	2887788.3	-1745782
	4. Italy	1128467.9	2196641.2	-1068173.3
	5. Russia	550968.7	3519744.8	-2968776.1
	6. Slovenia	502000.8	738801.6	-236800.8
	7. North Macedonia	493023.4	374243.8	118779.6
	8. Austria	458105.8	677585	-219479.2
	9. Croatia	434528.1	602154.5	-167626.4
	10. Romania	397822.6	712018.8	-314196.2
2009	1. Bosnia and Herzegovina	1015617.8	445688.8	569929
	2. Germany	870734	1931780.2	-1061046.2
	3. Montenegro	836163.4	179076.7	657086.7
	4. Italy	820856.1	1532516.3	-711660.2
	5. Romania	482308.2	524004.5	-41696.3
	6. North Macedonia	429152	227429.2	201722.8
	7. Russia	349424.3	1968118.6	-1618694.3
	8. Slovenia	343819.2	521181.6	-177362.4
	9. Austria	290753.1	517193.9	-226440.8
	10. Croatia	278762.3	424994.1	-146231.8



Annex 1. Top ten Serbian exports destinations, Serbian imports from top ten Serbian exports destinations and Serbian trade balance with Serbian top ten exports destinations (in thousand USD).

2010	1. Italy	1118493.1	1389553.1	-271060
	2. Bosnia and Herzegovina	1088982	555199.7	533782.3
	3. Germany	1008215.6	1731564.3	-723348.7
	4. Montenegro	803772.8	164190.2	639582.6
	5. Romania	650721.6	593664.1	57057.5
	6. Russia	534746.2	2156127.1	-1621380.9
	7. North Macedonia	476816.6	266811.8	210004.8
	8. Slovenia	425897.5	500398.2	-74500.7
	9. Austria	338417.4	499188	-160770.6
	10. Croatia	307099.9	427494.8	-120394.9
2011	1. Germany	1330705.7	2149789.9	-819084.2
	2. Italy	1306210.3	1771444.3	-465234
	3. Bosnia and Herzegovina	1191425.1	670059.3	521365.8
	4. Montenegro	890954.1	130885.1	760069
	5. Romania	812528.7	883002.1	-70473.4
	6. Russia	792309.4	2654223.9	-1861914.5
	7. Slovenia	526117	588577.6	-62460.6
	8. North Macedonia	524651.4	320468.5	204182.9
	9. Croatia	468072.1	488213.9	-20141.8
	10. Austria	371640.2	678032.3	-306392.1
2012	1. Germany	1310228.2	2058118.6	-747890.4
	2. Italy	1198499.3	1825835.1	-627335.8
	3. Bosnia and Herzegovina	1095004.4	461976.3	633028.1
	4. Romania	904409.8	817731.4	86678.4
	5. Russia	866971	2078398.6	-1211427.6
	6. Montenegro	802258.5	119326	682932.5
	7. North Macedonia	484851.8	297012.3	187839.5
	8. Slovenia	421556.2	581273	-159716.8
	9. Croatia	386261.7	532278	-146016.3
	10. Hungary	315646.1	935111.6	-619465.5



Annex 1. Top ten Serbian exports destinations, Serbian imports from top ten Serbian exports destinations and Serbian trade balance with Serbian top ten exports destinations (in thousand USD).

2013	1. Italy	2379329.7	2357556.8	21772.9
	2. Germany	1735103.9	2255775.9	-520672
	3. Bosnia and Herzegovina	1201135.1	483648.3	717486.8
	4. Russia	1062701.5	1903545.4	-840843.9
	5. Montenegro	851454.3	155813.5	695640.8
	6. Romania	785508.1	582072.1	203436
	7. North Macedonia	576077.5	264475.7	311601.8
	8. USA	490399.5	305870.1	184529.4
	9. Slovenia	478508.7	571259.5	-92750.8
	10. Croatia	415833.8	470846.5	-55012.7
2014	1. Italy	2576937.8	2275395.6	301542.2
	2. Germany	1773217.6	2369771.1	-596553.5
	3. Bosnia and Herzegovina	1319411.9	533503.8	785908.1
	4. Russia	1029133.1	2335186.7	-1306053.6
	5. Romania	829987.4	585183.1	244804.3
	6. Montenegro	756148.5	66948.9	689199.6
	7. North Macedonia	603737.7	250537.5	353200.2
	8. Slovenia	471160.8	557421	-86260.2
	9. Croatia	458845	543487.7	-84642.7
	10. France	417659.6	535086	-117426.4
2015	1. Italy	2162935.6	1890886.1	272049.5
	2. Germany	1672598.7	2207701	-535102.3
	3. Bosnia and Herzegovina	1171866.6	427122.4	744744.2
	4. Romania	745621.6	514197.5	231424.1
	5. Russia	724825.8	1746219.6	-1021393.8
	6. Montenegro	678516.2	62608.1	615908.1
	7. North Macedonia	522523	201194.8	321328.2
	8. Croatia	442983.7	511088.1	-68104.4
	9. Slovenia	416845.5	546564.5	-129719
	10. France	409247.3	510559.4	-101312.1



Annex 1. Top ten Serbian exports destinations, Serbian imports from top ten Serbian exports destinations and Serbian trade balance with Serbian top ten exports destinations (in thousand USD).

2016	1. Italy	2168783.4	1957297.3	211486.1
	2. Germany	1940369.3	2425337.6	-484968.3
	3. Bosnia and Herzegovina	1240658.1	443514.3	797143.8
	4. Romania	851608.4	545123.6	306484.8
	5. Russia	795124.1	1503446.8	-708322.7
	6. Montenegro	722891.4	61706.7	661184.7
	7. North Macedonia	596215.9	209206.5	387009.4
	8. Croatia	518772.1	478120.9	40651.2
	9. Slovenia	474922.6	567585	-92662.4
	10. Hungary	471716	876266.6	-404550.6
2017	1. Italy	2237025.2	2207522.8	29502.4
	2. Germany	2131504.6	2774593.5	-643088.9
	3. Bosnia and Herzegovina	1371334.6	584479	786855.6
	4. Russia	995130.6	1586246.7	-591116.1
	5. Montenegro	821286.3	57494.6	763791.7
	6. Romania	817478.2	644121.8	173356.4
	7. Bulgaria	665329.1	465980.3	199348.8
	8. North Macedonia	635362.1	235292.4	400069.7
	9. Croatia	619960.3	540756.1	79204.2
	10. Hungary	617735.9	1064447.1	-446711.2
2018	1. Italy	2356497.7	2422627	-66129.3
	2. Germany	2296906.6	3474415.3	-1177508.7
	3. Bosnia and Herzegovina	1523276.8	684322.9	838953.9
	4. Romania	1141367.8	711936.3	429431.5
	5. Russia	1023572.5	2037087.2	-1013514.7
	6. Montenegro	905305.7	71305.5	834000.2
	7. Hungary	777964.6	1242143.7	-464179.1
	8. North Macedonia	740975.6	270105.4	470870.2
	9. Bulgaria	724900.9	510697.6	214203.3
	10. Slovenia	682718.1	671440.1	11278
2019	1. Germany	2477500	3448000	-970500
	2. Italy	1982700	2322600	-339900
	3. Romania	1149500	816900	332600
	4. Bosnia and Herzegovina	1513900	680700	833200
	5. Russia	977200	2583900	-1606700
	6. Montenegro	881600	78200	803400
	7. Hungary	830200	1142100	-311900
	8. North Macedonia	754800	250400	504400
	9. The Czech Republic	651600	674700	-23100
	10. Slovenia	650500	643600	6900

Sources: Republički zavod za statistiku (2008-2020); Authors' calculations.



Annex 2. Crude oil, gas and total imports from Russia (in thousand USD).

Year	Crude oil imports from Russia	Gas imports from Russia	Total crude oil and gas imports from Russia	Total imports from Russia
2007	1256893.9	622781.3	1879675.2	2671645.6
2008	1712371	932032.2	2644403.2	3519744.8
2009	878759	615024.1	1493783.1	1968118.6
2010	938772.7	667643.6	1606416.3	2156127.1
2011	1038482.1	814835.2	1853317.3	2654223.9
2012	777863.8	580975.5	1358839.3	2078398.6
2013	669169.5	524466.2	1193635.7	1903545.4
2014	927335.9	633762.5	1561098.4	2335186.7
2015	656037.3	537957.1	1193994.4	1746219.6
2016	442744.4	325620.6	768365	1503446.8
2017	403618.7	443558.3	847177	1586246.7
2018	724244.2	558192.4	1282436.6	2037087.2
2019	671202.8	629464	1300666.8	2583900

Sources: Republički zavod za statistiku (2008-2020); Authors' calculations.

Annex 3. Serbian crude oil and gas imports (in tons)

Year	Country	Crude oil imports	Gas imports	Total crude oil and gas imports
2007	All	2467596.7	1453564	3921160.7
	Russia	2467596.7	1437543.6	3905140.3
2008	All	2585293.7	1548550.7	4133844.4
	Russia	2334457.9	1521114	3855571.9
2009	All	2280657.9	1046465.4	3327123.3
	Russia	2023641.1	1027628.5	3051269.6
2010	All	1872888.6	1346955.4	3219844
	Russia	1626086.9	1208882.9	2834969.8
2011	All	1497415	1362390	2859805
	Russia	1309602.9	1174748	2484350.9
2012	All	1091762.4	1289673.8	2381436.2
	Russia	934895.8	735785.9	1670681.7
2013	All	1596409.9	1201886.3	2798296.2
	Russia	815881.8	728783.3	1544665.1
2014	All	1434899	1028997.1	2463896.1
	Russia	1213458	1006800.1	2220258.1
2015	All	1863002.6	1161710	3024712.6
	Russia	1545522.3	1156896.9	2702419.2
2016	All	2214150.1	1202899.8	3417049.9
	Russia	1410224.7	1202899.8	2613124.5
2017	All	2446581.9	1510660.2	3957242.1
	Russia	990506.5	1510581.1	2501087.6
2018	All	2660115.2	1537256.2	4197371.4
	Russia	1293591.7	1537201.8	2830793.5
2019	All	2413552.2	1514162.6	3927714.8
	Russia	1358664	1510612.7	2869276.7

Sources: Republički zavod za statistiku (2008-2020); Authors' calculations.

